City of Tallahassee
Elected Officials

Scott Maddox, *Mayor*

Deborah A. Lightsey, *Mayor Pro Tem - Commissioner*

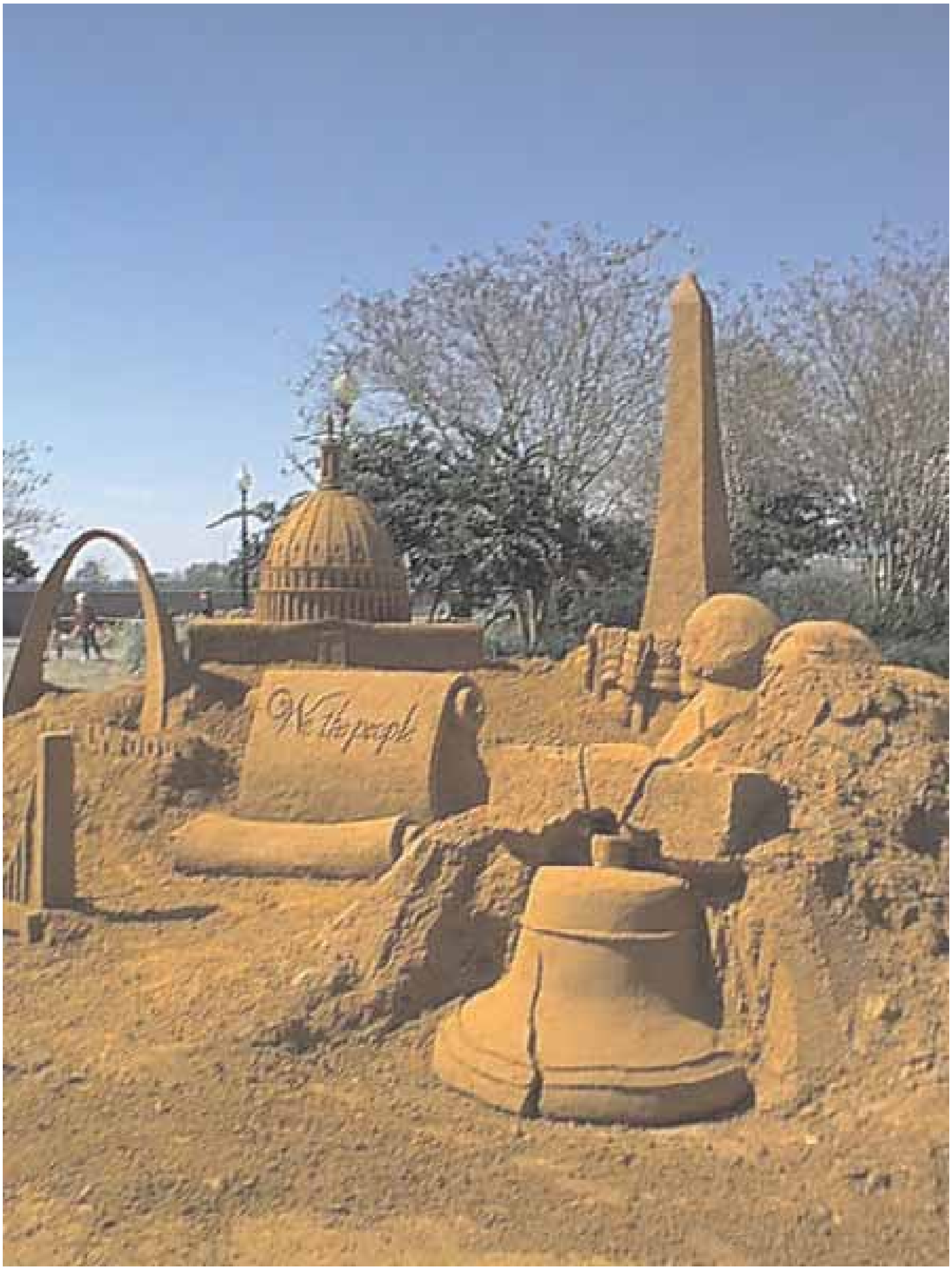
Steve Meisburg *Commissioner*	**Charles E. Billings** *Commissioner*	**John Paul Bailey** *Commissioner*

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
Prager, McCarthy and Sealy
Orlando, Florida


We the people

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2002 Annual Report to Bondholders has been prepared by the City of Tallahassee to provide information concerning the City, its financial operations and its indebtedness, along with certain information of which the City is aware. As recommended in the Guidelines to Continuing Disclosure prepared and published by the Government Finance Officers Association, this information is being furnished 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 maintains a distribution list of individuals or firms that have indicated an interest in receiving the report. Anyone interested in being added to the distribution list should make that request in writing to the address listed at the bottom of this page.

In addition to this Report, each fiscal year the City of Tallahassee prepares a Comprehensive Annual Financial Report, which includes audited financial statements in accordance with generally accepted accounting principles. This document is available from the City upon request. The current auditors for the City are Thomas, Howell, Ferguson, P.A./Law, Redd, Crona, & Monroe, P.A., Tallahassee, Florida.

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

- $17,680,000 Energy System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- $23,900,000 Consolidated Utility Systems Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- $11,995,000 Airport System Revenue Refunding Bonds, Series 1995, dated November 15, 1995.
- $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.

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, be defined by the SEC. While the City is committed to the release of secondary market information necessary to evaluate the City's credit, the City is making no on-going commitment to the publication and release of future Reports to Bondholders and in the future its disclosure obligations may be met through supplements or enhancements to its Comprehensive Annual Financial Report or through the release of other documents.

The City has not undertaken an independent review or investigation to determine the accuracy of the 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

Table of Contents

Executive Summary **1**

The City of Tallahassee **4**

General Government **8**

Energy System **18**

Electric System 18

Gas System 26

Consolidated Utility and Stormwater Drainage System **39**

Water System 40

Sewer System 41

Stormwater Management System 42

Tallahassee Regional Airport **53**

Other Debt Financing **62**

Capital Bonds:

Capital Refunding Bonds, Series 2001 66

Energy System Bonds:

Energy System Refunding Revenue Bonds, Series 2001 68

Consolidated Utility System Bonds:

Consolidated Utility System Refunding Revenue Bonds, Series 2001 72

The City of Tallahassee's Home Page on the World Wide Web can be accessed at
http://www.talgov.com

EXECUTIVE SUMMARY

The City's Annual Report to Bondholders provides 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.

Administration

Robert B. Inzer, City Treasurer-Clerk since 1982, retired from the City in December 2000 to begin serving as the elected Clerk of Court for Leon County. The City had employed Mr. Inzer since 1972. The Tallahassee City Commission unanimously appointed Gary Herndon City Treasurer-Clerk on December 5, 2001. Mr. Herndon had been serving as Interim City Treasurer-Clerk since Mr. Inzer's retirement.

Mr. Herndon is a Certified Public Accountant with 25 years experience in local government finance. Prior to joining the City, he served as Assistant County Administrator for Citrus County, Florida, and also served as Finance Director/Budget Officer for Citrus County for 17 years. Mr. Herndon also worked as an auditor for the State of Florida's Office of the Auditor General, and as Chief Accountant for the Pasco County, Florida, Clerk of the Courts. He earned bachelors degrees in finance from Florida State University and in accounting from the University of South Florida.

Enron

The City has a contract with Enron Gas Marketing, Inc. for the purchase of natural gas supply at pre-established annual fixed prices. The contract expires on March 31, 2013, and Enron Gas Marketing's holding affiliate, Enron Gas Services Corp., provides the contract guaranty. To date, the overall cost to the City for the gas under this contract has been below market. However, the prices for the remaining period of the contract are above current market by $18 million on nominal basis (or about $12 million NPV at 5% annual discount). The contracted quantities represent about 15-18% of the City's annual natural gas requirements through March 31, 2013. On November 20, 2001, Enron's scheduler notified the City that beginning December 2, 2001, they would not be able to deliver the required amount of natural gas under the long term contract. The City began buying a replacement supply in the open market at a price that was below the contract price. On December 28, 2001, Enron resumed deliveries of natural gas contracted daily quantities in accordance with the referenced contract and, as of the date of this report, there have not been any curtailments of said deliveries. It is currently anticipated that Enron will perform its contractual obligations to the City until the contract is assigned to a creditworthy party as a result of the bankruptcy court proceedings in the near future. The City's legal advisor in the bankruptcy proceeding will continue to monitor related developments, advise the City, and take action as appropriate.

Raytheon Contract Settlement

In November 1996, the City of Tallahassee entered into an Engineering Procurement and Construction (EPC) contract with Raytheon Engineers and Constructors, Inc. (Raytheon) for the Unit 8 addition at the City's Sam O. Purdom Generating Station located in St. Marks, Florida. In the spring of 2000, Washington Group International, Inc. (WGII) purchased Raytheon Engineers and Constructors. The EPC contract scope required Raytheon to perform all the engineering, procurement and construction activities associated with the addition of the new unit at the Purdom Station from the fuel connections to the high side of the main power transformers. The original contract value was $98,889,000. Throughout the life of the contract, there were six addendums to the contract. The current contract value is $97,639,920.

In the spring of 2001, WGII sought protection under Chapter 11 of the United States bankruptcy laws. During the course of these proceedings, WGII petitioned the court to reject the Purdom Unit 8 contract. The bankruptcy court approved WGII's request to reject the contract. Under the purchase contract between WGII and Raytheon Corporation (former parent company to Raytheon Engineers and Constructors), Raytheon Corporation had certain surety obligations. At the time of the contract being rejected, the City was holding an irrevocable letter of credit (LOC) in the amount of $12 million. As a result of WGII defaulting on the contract, the City drew the balance of the LOC in June 2001. Raytheon Corporation posted the security for the LOC. These funds were used to address the outstanding warranty and technical items as well as outstanding commercial issues associated with WGII's default. Raytheon Corporation approached the City concerning the potential to enter into a settlement agreement that would allow them to conclude any contractual relationship with the City and recover some of the LOC proceeds. The City reached an agreement with Raytheon in December 2001 and refunded back to Raytheon Company $4,823,795.95 of the letter of credit.

Gas System Transfer

The General Bond Resolutions for both the City's Electric System Revenue Bonds, Series 1992, and Energy System Revenue Bonds, Series 1998, provide for the addition to the Electric System, under certain conditions, of other utility functions. In March 1999, the City Commission gave conceptual approval to begin the process of combining its natural gas system with the Electric System to form an Energy System. The Gas System has been a part of the City's Combined Utility System (CUS), comprised of, in addition to the Gas System, the City's Water and Sewer utilities and the Stormwater Drainage System. The transfer was to take place when the City determined that the debt market and interest rate environment was advantageous for a refunding issue. During FY 2001, interest rates declined to a level to warrant refunding the outstanding Gas System debt.

The City sold $17,689,000 in Energy System Refunding Revenue Bonds, Series 2001, in May 2001 to refund a portion of the Consolidated Utility System Bonds, Series 1991B, Series 1994, and Series 1995 for the purpose of migrating the City's Gas System debt from the Consolidated Utility System (CUS) to the Energy System for financing purposes. Although it was not the primary purpose, the City did recognize a savings in interest expense due to the refunding. (See *Gas System –Gas System Transfer*)

Consolidated Utility System Bond Refunding

On April 11, 2001, the City Commission authorized staff to move forward with the issuance of not to exceed $25,000,000 Consolidated Utility Systems Bonds, Series 2001. The goal of the City was to refund any Consolidated Utility System Bonds that were refundable, thereby taking advantage of lower interest rates to realize additional present-value savings in interest expense for the Water and Sewer Systems. The City sold $23,900,000 in Consolidated Utility System Revenue Bonds, Series 2001 (CUSB 2001), to refund the remaining Consolidated Utility System Bonds, Series 1991A, Series 1991B, Series 1994, and a portion of the remaining Series 1995, and realized savings in interest expense. The revenues of the Water and Sewer Systems secure the Consolidated Utility System Revenue Bonds, Series 2001.

Capital Bonds Refunding

On August 22, 2001, the City Commission authorized staff to move forward with refunding of the outstanding Capital Bonds, Series 1993A and B (Series 1993 Bonds), and appointed William R. Hough & Co. as senior manager for this issuance. The Series 1993 Bonds were refunded through the issuance of not to exceed $17 million Capital Refunding Bonds, Series 2001 (Series 2001 Bonds). This refunding resulted in approximately $890,000 in present value savings.

Fiscal Year 2001 Operating Results

After funding the anticipated carry forward amount of $2.5 million needed for the FY 2002 budget, and the additional funding needed by the Taltran and Golf Funds, the General Fund ended the fiscal year with an unanticipated shortfall of $302,000 (approximately 0.3% of the General Fund budget). The shortfall was funded by a transfer from the Deficiencies Fund.

The Electric Fund ended FY 2001 with a surplus of $1,152,700, which, in anticipation of future deregulation activities, was transferred to the Electric Long-Term Rate Stabilization Reserve.

Other year-end balances were experienced in the following amounts within the following funds:

▪ Gas	$ 598,400
▪ Water	2,561,100
▪ Sewer	212,000
▪ Stormwater	785,100
▪ Airport	1,571,000
▪ Solid Waste	969,200

The budgetary surpluses in the utilities were transferred to their respective RR&I Funds, in accordance with the City's Financial Policy. The Airport surplus was distributed in accordance with the existing Airline Use Agreements.

THE CITY OF TALLAHASSEE

General

The City of Tallahassee, the county seat and only incorporated city in Leon County, was established in 1824, following a decision by the legislature to locate the capital of the new Florida Territory midway between the population centers of St. Augustine and Pensacola. Tallahassee and Leon County have continually grown from a small rural development to a modern thriving City with a 2001 City population of 153,658 and a total County population of 244,208.

Government

Between 1919 and 1997, the City of Tallahassee operated under a Commission-Manager form of government. In 1996, the citizens of Tallahassee approved a change in the method of selecting a Mayor, voting to elect this position directly, replacing the annual rotation of Mayor among the Commissioners. In 1997, the citizens elected their first Mayor of the City of Tallahassee. The Mayor and other four Commissioners are elected at-large for four-year terms. Administration of the City is vested in four appointed officials: City Manager, City Treasurer-Clerk, City Auditor, and City Attorney. The City Manager is the chief executive. The City Treasurer-Clerk is responsible for the management of public funds, the coordination of City elections, and the custody of public records. The City Auditor is responsible for providing internal and external audit services for the City under the direction of the City Commission with guidance from an audit committee. The City Attorney serves as the legal counsel for the City Commission, the City Manager, and City departments. The principal City functions are described throughout the report.

Economy

Tallahassee's economy has long been dominated by the influence of government, with private sector employment tied closely to public revenues. State government and the universities have established a strong customer base for area retailers and have formed a stable market for the health care, real estate, and entertainment industries. Government activity generates a large share of business for the hotel, legal services, and association industries. Lobbyists, consultants and interest groups also provide a large demand for printing, advertising, computing, and communication services. Private suppliers rely on government contracts for office supplies, computers, and business machines.

Employment

Government employment, particularly state employment, has historically been the stabilizing force on the local economy. Representing 36% of all employment in Leon County, government employment has kept unemployment rates consistently below state and national levels. Nationally, there is a trend to limit the scope and resources of government at all levels. This is currently reflected in Florida by the current administration's proposed initiative to reduce the State's workforce by 25% over a five-year period. Therefore, state government may not fuel the local economy to the same extent it has in the past. Recognizing the need to diversify the area's economy, local government and the Chamber of Commerce are working closely together in a concentrated effort to attract additional employers to the area, and to assist the expansion of existing local industries.

Economic Development

In late 2001, the Tallahassee City Commission and Leon County Commission adopted the Targeted Business Pilot Program (TBPP). The TBPP is an initiative to induce business growth that is beneficial to our city and county. It is designed to help implement the City's and County's long-term vision for economically viable and environmentally sustainable growth. The TBPP offers incentives to new and existing businesses that create value-added jobs within Leon County. The program seeks to reward businesses that will diversify the economy, are suited to the City's and County's business mix, and will generate revenue growth from the sales of goods and services outside the local economy.

The program also seeks to reward businesses that locate in designated target areas for economic growth and development, that build environmentally sensitive projects, that do business with other local businesses, and that practice good corporate citizenship. Funds awarded under this program will be used to reimburse (i) up to 100% of the cost of development fees and (ii) a portion of the capital investment of the business project based on ad valorem taxes paid. The amount of funding will be based on a scoring system evaluated by a review committee with final approval and award granted by the City and County Commissions, respectively. The program is being implemented as a three-year pilot program that will be evaluated on an annual basis.

Education

The presence of three institutions of higher learning, Florida State University, Florida A&M University, and Tallahassee Community College, as represented by their combined 2001 enrollment exceeding 58,000 students, contributes significantly to the economic base of the community.

The largest and oldest university in the City is the Florida State University (FSU), founded in 1857, and home of the Florida State Seminoles. Over 34,000 students attended its undergraduate and graduate colleges, schools, and divisions during the 2000-2001 school year. FSU is nationally known for its outstanding programs in Natural Sciences, Fine Arts, Business, Law, and Education. A Medical School was recently added, welcoming its first 30 students, the Class of 2005, in May 2001. More than 400 students will eventually be enrolled in this program.

The other nationally known university in Tallahassee is the Florida Agricultural and Mechanical University (FAMU). Founded in 1887, home of the FAMU Rattlers, the university offers extensive undergraduate and graduate courses to over 12,000 students. Programs offered at FAMU complement those at FSU and have received recognition in the fields of Architecture, Agriculture, and Pharmacy.

Tallahassee Community College (TCC) began operations in 1966 and during the 2001 school year served over 12,500 credit and non-credit students. Associate degrees are awarded in more than 27 areas of study, and fourteen certificate programs are also offered.

In addition to these higher education opportunities, public schools in Leon County include 24 elementary schools, 8 middle schools, and 5 high schools. Alternative educational opportunities include 15 private schools and two university research schools. Lively Vocational Technical School, under the auspices of the Leon County School Board, offers a large number of technical training and adult education opportunities. Innovation Park, a 238-acre university-related research park, allows both private and public agencies to engage in research, testing, design, analysis, and limited product assembly. This research park is home to the National High Magnetic Laboratory and the joint FSU/FAMU School of Engineering, among other facilities.

SouthWood

SouthWood is a large development by the St. Joe/Arvida Corporation located in the southeast section of Tallahassee. Currently, over 200 homes and homesites have been sold: 64 Arvida homes, 66 Townhomes, and 89 homesites. In addition, a private high school and a charter K-12 school have opened.

The SouthWood project, which has a projected build-out period of 20 years, will include housing, commercial, office, recreational, educational, and industrial activities. Total acreage for the project is 3,241 acres to be completed in two phases. Phase I includes 1,914 acres and Phase II includes 1,327 acres. The project will consist of 4,770 residential units (11,900 residents); 2,200,000 square feet of office space; 800,000 square feet of commercial space; 2,700,000 square feet of industrial space; 588 acres of recreational space, which includes 3 large parks and a golf course; and 144 acres in three separate areas, one of which is used for the location of the charter school mentioned above.

In early August 2001, construction began on SouthWood One, a three-story, 90,000-square-foot, Class-A office building that will serve as a catalyst to attract new corporations to the Capital Region. The building, with state-of-the-art operating systems, will utilize an 8.93-acre site in the commercial center of SouthWood. SouthWood One is the initial building in a series of Class-A offices to be developed in the SouthWood community by St. Joe Commercial.

Construction also began on the Fred Couples signature 7,081-yard, par 72, semi-private, 18-hole golf course in mid-September with a scheduled opening date of September 2002. The golf course sets on 175 acres of SouthWood's 3,200 acres of rolling hills, framed by large stands of live oak trees within the heart of the community. The clubhouse is scheduled to open fall 2003.

The City and County continue to actively encourage growth and development in the southern part of the city/county. The SouthWood development is a key element in the implementation of this strategy. The State of Florida satellite office complex, with over one million existing square feet, is located within the SouthWood development, and when fully developed will contain approximately two million square feet of office space. In addition to redirecting growth to the southeast, SouthWood hopes to encourage additional growth by targeting its development to attract retirees, which would create a new segment for the Tallahassee area.

Challenger Learning Center

The Florida State University/Florida A&M University (FSU/FAMU) School of Engineering received approval from the Florida Legislature to construct a Challenger Learning Center at Innovation Park, as a component of the College of Engineering. At the City's request, the FSU/FAMU College of Engineering agreed to relocate their project to Kleman Plaza, in downtown Tallahassee. The facility is sized and furnished to provide services for the public as well as scheduled visits of school children, to experience a space mission simulation (Challenger Learning Center), an IMAX Theater, and a state-of-the-art Planetarium. The City has committed to provide funding of $2 million, which was appropriated from the FY 1999 General Fund year-end surplus. FAMU and FSU have agreed to provide a loan of $1 million to the project for purchase of the IMAX projector and equipment. The rationale for locating this project downtown was based on the vision of downtown becoming an 18-hour activity center. Construction began in late 2001 with an estimated completion date of spring 2003.

Construction of the Challenger Center/IMAX

Blueprint 2000/Sales Tax Extension

At the joint County/City Commission meeting of September 6, 2000, Commissioners agreed to put the question of the extension of the existing penny sales tax on the November 7, 2000, General Election ballot for the voters of Leon County to decide. This action culminated approximately two years of thorough consideration of the pros and cons of keeping the penny in place, which included funding a study conducted by Florida TaxWatch, rather than having it expire in 2004. On November 7, 2000, voters approved the sales tax extension to commence on December 1, 2004, and extend until November 30, 2019.

A major emphasis and driving force of the sales tax extension was *Blueprint 2000 & Beyond*. The Economic and Environmental Consensus Committee (EECC), a group of citizens representing a broad spectrum of the community including business, environmental and neighborhood interests, developed *Blueprint 2000 & Beyond*. This guide to effective and efficient infrastructure and natural resource management is the basis of the proposed sales tax extension with 80% of future sales tax proceeds being committed to Blueprint 2000 projects. The remaining 20% would be split equally by Leon County and the City for other high priority sales tax eligible projects.

Due to the unique manner in which funding will be allocated, and to contribute to and enhance the success of the Blueprint 2000 philosophy, the City and County Commissions agreed to a joint management approach for the implementation of the Blueprint 2000 projects. The City is working with the EECC involving plans to debt finance the projects identified in Blueprint 2000 with the revenue from the sales tax extension to be the pledged revenue for any debt financing. At this time, it has not been decided which projects have priority or the mechanism to be used for the debt financing (e.g., bond issue, loan program, or a combination of both).

Litigation

There is no litigation of any nature now pending or, to the best of the knowledge of the City, threatened against the City that, in the opinion of the City Attorney, will have any material effect on the receipts or sources of income to be collected or derived by the City.

The City is currently actively engaged in numerous lawsuits. These include cases where redress sought is for other than monetary damages, (i.e., mandamus, injunction, declaratory relief and cases for which the City has insurance or is named as a nominal defendant). The City Attorney is of the opinion that the possible exposure resulting from any ultimate resolution of litigation would not have a material adverse economic effect on the City. The City is self-insured with respect to certain general liability, automobile liability, workers compensation claims, and employee health coverage. An actuary establishes reserves for these self-insured exposures to fund the expected losses for all known and incurred but not reported claims.

GENERAL GOVERNMENT

Introduction

The City of Tallahassee provides a full range of municipal services to its citizens. These include police, construction and maintenance of streets, sidewalks, cemeteries, solid waste collection, public improvements, planning and zoning, general administrative services, five utilities (electric, gas, water, sewer and stormwater management), a mass transit bus system, and a regional airport. Recreation and fire services are provided on a county-wide basis. For the purposes of this report, the term General Government refers to activities supported by the General, TalTran, Golf Course, Fire Services, and Solid Waste funds.

Financial Management

While this section of the Report discusses primarily General Government operations, the financial management practices of the City, including its budget, finance, debt management, and other policies apply to all departments of the City, including the Utilities, the Regional Airport, and other enterprise funds discussed later in this Report.

General Fund Revenues

The General Fund encompasses the general government functions of the City that are not required to be accounted for in other funds. Total General Fund revenues collected for FY 2001, including transfers, were $100,662,000, a decrease of 3.3% over FY 2000.

The City's principal sources of local tax revenues are property taxes and public service taxes. In fiscal years 2000 and 2001, the City's property tax rate, all of which is for operating purposes, was 3.2 mills. The related property values subject to taxes showed growth of six percent, representing $333 million in added taxable value, reflecting a continuing trend of growth as a result of increased property values in existing properties and new construction. Taxable assessed values have increased by $1.6 billion over the last five years. Collection of property taxes increased by $1,150,000 in 2001 to $17.2 million.

Public service taxes on electric, water, and natural and bottled gas are levied at the maximum allowable state rate of ten percent, and four cents per gallon on fuel oil services within the City. From April 1994 through the end of FY 2001, the City levied a 7% tax on intrastate telecommunications services. The 2000 Legislative Session enacted significant reform of telecommunication taxes, which took effect October 1, 2001. The legislation imposes a single tax rate that municipalities may levy and impacts the telecommunications sales tax and cable and telephone franchises beginning in 2001. In 2001, total revenue from public service taxes and franchise fees reflected a decrease of $486,000 equivalent to a 2.7 % decrease over 2000 receipts.

Intergovernmental revenues increased by $1,069,000 (8.6%), primarily due to increased Local Government One-Half Cent Sales Tax revenues.

Charges for various City services increased $428,000 (4.3%) compared to 2000. The increase is attributable to increases in various service charges including the revenues from the opening of the Trousdell Aquatics Center and the new Robinson-Trueblood Pool.

Transfers into the General Fund decreased $5.2 million compared to 2000, due to the planned reduction in the transfer from the Electric Fund.

Investment Policy

City non-pension investments are governed by a policy adopted in accordance with the City Charter. This policy is in compliance, in all aspects, with State Statute 218.415, which mandates that local governments adopt a written policy, which includes 14 parameters defined by the law, if they wish to invest outside of the narrow parameters allowed in the law without further action.

Recent and Upcoming Developments

Communication Services Tax

The new law establishing the Communications Services Tax was designed to simplify a complex structure of taxes on telecommunications, cable, direct-to-home satellite and related services. The law replaced and consolidated several different state and local taxes with a single tax comprised of two parts: (i) the Florida communications services tax, and (ii) the local communications services tax. The law also shifted the administration of taxes on communications services to the Florida Department of Revenue.

The local revenue sources that have been repealed and replaced by this law include the cable franchise fees, municipal public service tax on telecommunications, one-percent telecommunications franchise fees, and permit fees on rights-of-way. At the state level, the taxes include the state sales tax on telecommunications, discretionary sales surtax, and the gross receipts tax.

The City adopted the highest rate possible for the local communications services tax. The anticipated revenue from this communications services tax should be equal to or higher than the revenue from the telecommunication tax, cable franchise fees, telephone franchise fees and telecommunications right-of-way permit fees, combined. City staff is closely monitoring the revenue from this replacement tax to make sure the City is achieving, at least, revenue neutrality.

Management Discussion of Government Operations

The General Fund supports general government activities that are not accounted for in other funds. This includes departments that provide direct services to citizens as well as departments that provide administrative support and direction to other City departments. General Fund revenues are derived from a variety of sources including taxes, licenses and permits, charges for services, fines, and intergovernmental revenues. In addition, the General Fund receives transfers from the Electric, Gas, Water and Sewer Funds, which support operating deficits in the General Fund, as well as in the TalTran and Golf Course Funds.

Financial Performance

The General Fund acts as a clearing fund and accordingly, utilizes funds or transfers to other funds for their respective purposes. The Electric Fund transfer has been reduced by $12.3 million over the past five years as a direct result of the City's efforts to reduce reliance on the City's Electric System transfer. In accordance with the FY 2002 approved budget, $2.5 million of the fund balance has been reserved to carry forward to balance the FY 2002 budget. During FY 2001, $3.3 million was transferred to the Capital Improvement Fund for current and future capital outlay expenditures. A transfer of $4.2 million was originally budgeted.

In the TalTran Fund, the actual budgetary loss before the transfer from the General Fund was $4,586,000, which is $500,000 more than budgeted. Revenues before transfers were approximately four percent below projections and spread among various revenue accounts. Budgeted operating expenditures were approximately three percent above budget due to increases in fuel costs, temporary staff wages, and overtime costs.

The Golf Course Fund had a budgetary shortfall of $142,000, which was $114,000 more than expected. This amount was added to the planned General Fund Transfer. Revenues were $166,000 below budget primarily due to lower than expected Green Fees and Golf Cart Fees. Unusually heavy summer rains resulted in temporary course closings, which impacted revenues. Operating expenditures were below budget and spread among various expense categories.

The Fire Services Fees Fund was established to account for the assets, operation, and maintenance of the City-owned fire services operation. Revenues in the Fire Services Fund were $397,000 less than estimated with the shortfall primarily in Commercial Fire Services. Expenses were $724,000 less than budgeted primarily due to the delay in filling 12 new positions budgeted for the opening of Fire Station #15 and lower than budgeted overtime expenses.

In the Solid Waste Fund, the actual budgetary income before transfers was $48,000 ($1.1 million less than budget). A transfer of $1,159,000 to the Solid Waste Reserve for rate stabilization was not made as planned. Revenues were $341,000 short of projections. Expenditures before transfers were approximately five-percent above budget, primarily due to overtime incurred for various reasons and over-budget contractual services.

Other General Government Debt

On September 30, 2001, the City had outstanding $17,775,000 of Capital Revenue Bonds payable from specific general fund revenue sources other than ad valorem taxes. The City has no general obligation debt (debt secured by ad valorem taxes) outstanding. In addition to fixed capital debt outstanding, the City has outstanding loans from the Sunshine State Governmental Financing Commission in the amount of $21,699,730, which are secured by a covenant to annually budget and appropriate an amount sufficient to meet the debt service (See "*Other Debt Financings - Sunshine State Governmental Financing Commission*")

Selected General Government Statistics

General Government Revenues by Source and Transfers

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Taxes (1)	$29,279,000	$30,981,000	$32,668,000	$34,352,000	$35,016,000
Licenses and Permits	3,441,000	4,067,000	4,272,000	4,808,000	4,458,000
Fines and Forfeitures	1,790,000	1,619,000	1,463,000	1,479,000	1,436,000
Charges for Services	12,102,000	11,849,000	9,959,000	9,875,000	10,303,000
Miscellaneous & Interest	2,151,000	2,946,000	3,302,000	3,558,000	3,404,000
Intergovernmental Revenues	11,225,000	11,631,000	11,820,000	12,414,000	13,483,000
Transfers In	40,847,000	39,613,000	37,789,000	37,592,000	32,439,000
Total Revenue	**100,835,000**	**102,706,000**	**101,273,000**	**104,078,000**	**100,539,000**

General Government Expenditures by Function and Transfers

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
General Government	$17,549,000	$17,002,000	$16,764,000	$30,864,000	$26,109,000
Public Safety (1)	42,363,000	42,009,000	29,741,000	30,939,000	32,417,000
Transportation	9,770,000	9,445,000	9,677,000	9,891,000	10,297,000
Human Services	3,981,000	4,052,000	4,400,000	3,834,000	4,101,000
Economic Environment	635,000	742,000	1,141,000	1,060,000	1,318,000
Physical Environment	2,908,000	3,185,000	3,325,000	3,315,000	3,433,000
Culture and Recreation	9,512,000	9,855,000	10,327,000	10,535,000	11,210,000
Transfers Out (1) (2)	13,485,000	14,059,000	25,816,000	15,410,000	11,721,000
Total (3)	**100,203,000**	**100,349,000**	**101,191,000**	**105,848,000**	**100,606,000**

Pledged Revenues
City of Tallahassee, Capital Bonds

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Public Service Tax	$14,288,000	$15,471,000	$15,659,000	$16,518,000	$16,250,000
Half Cent Sales Tax	6,599,000	6,879,000	7,184,000	7,741,000	8,498,000
Guaranteed Entitlement	1,251,000	1,251,000	1,251,000	1,251,000	1,251,000
Total Revenue	22,138,000	23,601,000	24,094,000	25,510,000	25,999,000
Debt Service	2,979,000	2,147,000	2,145,000	2,149,000	2,145,000
Debt Service Coverage	**7.43x**	**10.99x**	**11.23x**	**11.87x**	**12.12x**

(1) Beginning in FY99, Fire Services are supported by a transfer from the General Fund.
(2) Year end surpluses are reappropriated at the end of the fiscal year to fund reserves or capital projects. These reappropriations are reflected as transfers out in this schedule.
(3) Includes General Fund Only.

CITY OF TALLAHASSEE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	(1)
1991	$ 6,361,162,000	$ 2,942,911,000	$ 9,460,000	$ 9,106,000	96 %
1992	6,584,152,000	3,157,138,000	10,147,000	9,796,000	97
1993	6,720,821,000	3,258,882,000	10,471,000	10,124,000	97
1994	8,389,730,000	3,736,737,000	11,305,000	10,906,000	96
1995	8,749,066,000	4,025,808,000	11,951,000	11,636,000	97
1996	9,043,725,000	4,270,650,000	12,925,000	12,432,000	96
1997	9,537,873,000	4,576,295,000	13,712,000	13,045,000	95
1998	9,900,598,000	4,884,574,000	14,700,000	14,153,000	96
1999	10,283,317,000	5,217,865,000	15,697,000	15,107,000	96
2000	10,653,603,000	5,558,879,000	16,775,000	16,081,000	96
2001	11,101,845,000	5,892,235,000	17,856,000	17,231,000	97

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

CITY OF TALLAHASSEE, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT(1)
September 30, 2001
(in thousands)

DIRECT DEBT			
Non Self Supporting Revenue Debt (2)			$ 40,475
Self Supporting Revenue Debt			301,891
TOTAL DIRECT CITY OF TALLAHASSEE DEBT (3)			342,366
OVERLAPPING DEBT			
Leon County School Board:			
General Obligation Debt			
Series 1993 Refunding	$ 22,165		
Series 2000 Refunding	18,770		
Series 1991 Refunding	(103)		
		$ 40,832	
Leon County		$ --	
TOTAL OVERLAPPING DEBT		$ 40,832	
CITY SHARE OF NET OVERLAPPING DEBT (4)			27,480
TOTAL CITY DIRECT AND OVERLAPPING DEBT			$ 369,846
City of Tallahassee Per Capita Direct and Overlapping Debt (5)			$ 2.41

(1) For the purposes of this schedule, overlapping debt is defined as General Obligation Debt. The amount of debt outstanding reflects the principal outstanding less any reserve and debt service fund balances.
(2) Of this amount, $22,700,000 is secured by a covenant to budget and appropriate.
(3) The City of Tallahassee currently has no outstanding general obligation debt.
(4) City's share calculated based on 2001 County Taxable Value of $8,742,547,481 and City Taxable Value of $ 5,892,234,502 which results in 67.3 percent overlapping.
(5) Based on 2001 population for the City of 153,658.

Note: In addition to the G.O. debt reflected above, the Leon County School Board has additional outstanding Non Self Supporting Debt of $12.1 million and $30.1 million in Certificates of Participation. Leon County has outstanding Non Self Supporting Revenue debt of $109.3 million.

CITY OF TALLAHASSEE, FLORIDA
GENERAL FUND
BALANCE SHEET

ASSETS	September 30 2001		September 30 2000	
Cash and Cash Equivalents/Investments	$	7,952,000	$	6,085,000
Securities Lending Collateral		1,611,000		1,436,000
Cash and Cash Equivalents/Investments Restricted		155,000		194,000
Securities Lending Collateral Restricted		32,000		45,000
Receivables:				
Accrued Interest		68,000		57,000
Customers		757,000		950,000
Other		1,155,000		2,335,000
Property Taxes Delinquent		160,000		222,000
Less: Allowance for Doubtful Accounts		(267,000)		(330,000)
Due from Other Governments		281,000		432,000
Due from Other Funds		--		--
Advance to Other Funds		603,000		603,000
Inventory		420,000		624,000
Total Assets	$	12,927,000	$	12,653,000
LIABILITIES AND FUND BALANCE				
Liabilities:				
Obligations Under Securities Lending	$	1,611,000	$	1,436,000
Accounts Payable		2,662,000		2,273,000
Obligations Under Securities Lending Restricted		32,000		45,000
Accounts Payable Restricted		155,000		194,000
Deferred Revenue		1,663,000		1,646,000
Loans from Other Funds		936,000		1,076,000
Total Liabilities		7,059,000		6,670,000
Fund Balance:				
Reserved for:				
Inventory		420,000		624,000
Advance to Other Funds		603,000		603,000
Encumbrances		1,340,000		2,011,000
Total Reserved		2,363,000		3,238,000
Unreserved:				
Designated for Subsequent Year's Appropriations		2,500,000		2,500,000
Designated for Police Pension Contributions		--		--
Designated for Fire Pension Contributions		--		--
Undesignated		1,005,000		245,000
Total Unreserved		3,505,000		2,745,000
Total Fund Balance		5,868,000		5,983,000
Total Liabilities and Fund Balance	$	12,927,000	$	12,653,000

CITY OF TALLAHASSEE, FLORIDA
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

	Fiscal Year Ended September 30 2001	2000
Revenues:		
Taxes:		
Ad Valorem	$ 17,231,000	$ 16,081,000
Alternative Fuel User Fee		
Public Service Taxes:		
Electricity	8,039,000	8,706,000
Telecommunications	5,972,000	5,614,000
Water	1,201,000	1,250,000
Gas	874,000	808,000
Propane	140,000	125,000
Fuel Oil	24,000	15,000
Franchise Fees:		
Telephone	419,000	445,000
Cable Television	1,116,000	1,308,000
Licenses and Permits	4,458,000	4,808,000
Intergovernmental	13,483,000	12,414,000
Charges for Services	10,303,000	9,875,000
Fines and Forfeitures	1,436,000	1,479,000
Net Decrease in Fair Market Value of Investments	123,000	(59,000)
Interest Earned	99,000	201,000
Miscellaneous	3,305,000	3,416,000
Total Revenues	68,223,000	66,486,000
Expenditures:		
General Government:		
Legislative	938,000	868,000
Executive	1,212,000	1,121,000
Financial and Adminsitrative	3,703,000	3,849,000
Legal	1,615,000	1,446,000
Planning	3,611,000	3,420,000
Other General Government	15,030,000	19,990,000
Total General Government	26,109,000	30,694,000

CITY OF TALLAHASSEE, FLORIDA
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
(Continued)

	Fiscal Year Ended September 30 2001	2000
Public Safety:		
Police Services	$ 30,019,000	$ 28,699,000
Fire	7,000	12,000
Protective Inspection	1,776,000	1,632,000
Code Enforcement	615,000	596,000
Total Public Safety	32,417,000	30,939,000
Transportation Charges:		
Road and Street Facilities	10,035,000	9,649,000
Parking Facilities	262,000	242,000
Total Transportation	10,297,000	9,891,000
Human Services	4,101,000	3,834,000
Economic Development	1,318,000	1,060,000
Physical Environment	3,433,000	3,315,000
Culture and Recreation	11,210,000	10,535,000
Debt Service:		
Principal Retired	140,000	124,000
Interest and Fiscal Charges	31,000	46,000
Total Expenditures	89,056,000	90,438,000
Excess of Revenues over (under) Expenditures	(20,833,000)	(23,952,000)
Other Financing Sources (Uses):		
Appropriated Fund Balance	--	--
Operating Transfers In	32,439,000	37,592,000
Operating Transfers Out	(11,721,000)	(15,410,000)
Total Other Financing Sources (Uses)	20,718,000	11,862,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(115,000)	(1,770,000)
Fund Balances, October 1	5,983,000	7,753,000
Fund Balances, September 30	$ 5,868,000	$ 5,983,000

CITY OF TALLAHASSEE, FLORIDA
GENERAL FUND
SCHEDULE OF TRANSFERS

	Fiscal Year Ended September 30 2001	2000
Operating Transfers:		
Operating Transfers In:		
Electric Fund	$ 23,166,000	$ 30,137,000
Water Fund	3,908,000	3,982,000
Gas Fund	2,000,000	2,000,000
Sewer Fund	1,154,000	1,169,000
Debt Service Fund	44,000	--
Gas Tax Construction Fund	269,000	265,000
Special Projects Fund	185,000	28,000
Law Enforcement Block Grant Fund	50,000	2,000
Electric RR&I Fund	--	9,000
Healthcare Fund	361,000	--
Deficiencies Fund	1,302,000	--
Total Operating Transfers In	$ 32,439,000	$ 37,592,000
Operating Transfers Out:		
Capital Improvement Fund	$ 3,313,000	$ 6,967,000
Tallahassee Transit Fund	4,586,000	4,130,000
Golf Course Fund	142,000	58,000
Debt Service Fund	2,301,000	2,270,000
Law Enforcement Block Grant Fund	1,000	--
Special Projects Fund	1,254,000	1,903,000
Electric RR&I Fund	74,000	65,000
Fire Fund	--	17,000
Police Second Dollar Fund	50,000	--
Total Operating Transfers Out	$ 11,721,000	$ 15,410,000

ENERGY SYSTEM

The Energy System is the City's Electric and Gas System 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.

ELECTRIC SYSTEM

General

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to approximately 97,000 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, 2001, the City sold 2,443,710 MWh of electric energy to ultimate customers and 508,728 MWh to other utilities, and received total operating revenues of $234,308,000.

The Electric System currently serves customers within an area of approximately 221 square miles, which includes the City and certain adjacent unincorporated areas of Leon County. The City's territorial agreement with Florida Power Corporation (FPC) expired December 23, 1998. A new agreement with similar terms has been negotiated and is pending approval of the City Commission and subsequently the Florida Public Service Commission (PSC). A new agreement has been negotiated with FPC, but pending a number of other issues, has not been submitted to the City Commission for approval. A new agreement will also require approval by the Florida Public Service Commission.

Management Discussion of Operations

Purdom Unit 8

In November 1996, the City of Tallahassee entered into an Engineering Procurement and Construction (EPC) contract with Raytheon Engineers and Constructors, Inc. (Raytheon) for the Unit 8 addition at the City's Sam O. Purdom Generating Station located in St. Marks, Florida. In the spring of 2000, Washington Group International, Inc. (WGII) purchased Raytheon Engineers and Constructors. The EPC contract scope required Raytheon to perform all the engineering, procurement and construction activities associated with the addition of the new unit at the Purdom Station from the fuel connections to the high side of the main power transformers.

Purdom Unit 8 achieved Conditional Commercial Operation in July 2000. From July 2000 until September 2001, WGII worked on resolving the outstanding commercial and technical issues associated with the unit in order to achieve final acceptance. In addition, WGII was addressing outstanding warranty items during this time frame. None of the outstanding technical or commercial issues resulted in Unit 8 not being able to operate to meet the City's electrical customer demands. On September 20, 2001, WGII advised the City that the Federal Bankruptcy Courts had approved their petition to reject the Unit 8 contract. With this approval, WGII abandoned the Unit 8 project. In June 2001, the City called the full balance ($12,073,795.95) of the letter of credit that had been issued as security for the prepayment of the EPC contract value and for contract retention. Following WGII's abandonment of the contract, the City moved forward with utilizing these funds to resolve the outstanding claims on this project.

Following the City calling for the balance of the letter of credit and WGII's abandonment of the project, the City and Raytheon entered into final negotiations to close out the Unit 8 contract and settlement of all outstanding claims. On December 31, 2001, the City and Raytheon executed a global settlement agreement that provided for the following:

- The City retained $7.25 million of funds received when the full balance ($12,073,795.95) of the letter of credit (LOC) was called in June 2001.
- The City returned the balance of the LOC funds ($4,823,795.95) to Raytheon Company.
- Raytheon provided the City with a new 120-foot JLG personnel lift.
- Raytheon will either post a new $6 million payment bond or reduce the existing $98 million performance bond to $6 million. The bond will remain in effect to guarantee payment for any vendors who have legitimate claims for payment for materials or services provided to the Unit 8 project.
- Raytheon will indemnify the City for any third-party vendor claims not covered by the bond.
- Raytheon will indemnify the City for any claims by WGII.
- The City releases Raytheon and WGII from any further claims.

The commercial operation of Purdom Unit 8 significantly increased the City's opportunities to participate in the wholesale market. The additional capacity provided by Purdom Unit 8, along with the efficiency of the unit, will allow the City to increase both the sales and profit associated with wholesale sales. For example, in June 1999 the City Commission approved letters of commitment for the sale of surplus electric capacity to Seminole Electric Cooperative (SECI) for a 19-month period between May 2000 and November 2001. This agreement provided for the sale of surplus electric capacity of 75 MW during the 19-month period, and an additional 50 MW during the winter of 2000-2001 (December-March).

For FY 2001, total profits/savings for the City from off-system sales/purchases were about $11.3 million. Of this amount, approximately $6.7 million in revenue not related to any energy or fuel charges came in the form of capacity and daily scheduling charges from the sale of surplus capacity to SECI.

The funds retained by the City are sufficient to address all outstanding claims against WGII and Raytheon for their non-performance on the contract. The City is currently in the process of addressing the outstanding technical issues utilizing these funds.

Energy Services

The City's Energy Services Department (ESD) has the responsibility of managing the fuel and energy supply portfolios for the City's Electric and Gas Utility Systems. Beyond the traditional roles of fuels and energy procurement for the utilities, ESD performs marketing and trading of electricity and natural gas in the open market. Such transactions utilize City-owned and third-party resources. Further, ESD offers fuels and energy supply management services to entities outside the City's organization. Nevertheless, ESD's overriding responsibility is to maximize revenue and minimize costs of fuels and energy for the City Electric and Gas Utility Systems without compromising system reliability. At this time, over-the-counter financial transactions are not performed. However, this may change when the City finalizes the upgrading of its Energy Risk Management Program.

On June 20, 2001, the City Commission authorized the development, implementation and operation of a formalized Energy Risk Management Program within the City's Energy Services Department. Further, the City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight purposes. Subsequently (on September 19, 2001), the City Commission issued an Energy Risk Policy Statement setting the guiding principles for establishing the appropriate framework to effectively manage the risks related to the City's energy utility business and marketing activities. The Statement recognizes that there are financial risks associated with the day-to-day business activities in the energy market and qualitatively describes the City's tolerance level for such risks.

The City's upgraded Energy Risk Management Program will identify, measure, monitor, manage, control and report the market/base financial risks of the organization on a regular basis. The program will focus solely on the risks associated with the City's principle energy business activities and will not directly manage other risks. Full implementation of the program is targeted for FY 2003.

Until the upgraded Energy Risk Management Program is in effect, ESD will continue operating under the following guidelines:

- Over the counter financial transactions are not performed.
- 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 a Utility Services Committee that includes the Assistant City Manager for Utilities and representatives from Electric and Gas Operations.
- Wholesale Market trading partners' creditworthiness determination, by independent consultant, is performed periodically.

The City's fuel supply is primarily natural gas purchased through a portfolio of supply contracts for wellhead supply and delivered through the Florida Gas Transmission Company system, under either long-term firm primary or secondary market, and interruptible transportation services agreements. These arrangements include long-term, intermediate and short-term contracts. Fuel oil is the secondary or back-up fuel and is purchased pursuant to annual contracts in order to maintain an 18-day reserve in accordance with the policy.

Power Purchases

The City, in an effort to provide reliable power at the lowest cost, has occasionally entered into long-term contracts with other electric utilities. The City entered into an agreement with Southern Company of Birmingham, Alabama (Southern) in 1990 that provided for the purchase by the City of up to 125 MW of Unit Power Sales (UPS) firm capacity. This agreement expired on May 31, 2000. On May 28, 1993, the City entered into a contract with Entergy Power Inc., (EPI) for the purchase of 25 MW of capacity for the period March 1, 1996, through March 31, 2002. This capacity replaced a 25 MW reduction of the Southern contract at a lower price than the Southern capacity. The City is currently considering replacement of this 25 MW supply. Furthermore, as a part of the City's transfer of its ownership interest in the Crystal River-3 nuclear unit, the City agreed to purchase equivalent electric capacity (11.4 MW) from Florida Power until 2016. In addition, ESD's trading group conducts short-term and intermediate energy purchase and sale transactions on a routine basis.

ESD is responsible for the City's overall wholesale power requirements and business transactions while the Electric System Control is authorized to conduct short-term emergency, next-hour, and after-normal-business-hours transactions consistent with established guidelines and pricing information provided by ESD. This functional separation of wholesale energy services activities from operational staff in the electric utility was done in response to FERC Orders 888A and 889A.

Electric Generation Fuel Supply

The City's fuel supply for its electric generating plants is primarily natural gas purchased through a portfolio of supply contracts for wellhead supply and delivered through the Florida Gas Transmission Company system under either long-term firm primary or secondary markets, and interruptible transportation services agreements. This portion of supply contracts includes long-term, intermediate and short-term contracts. Fuel oil is the secondary or back-up fuel and is purchased pursuant to annual contracts in order to maintain an 18-day reserve in accordance with policy. Approximately 50% of the City's current natural gas requirements are met by its long-term contracts. Although the City's long-term contracts have provided a significant 'hedge" against the historic rise in natural gas prices, the City continues to investigate additional strategies for providing its customers protection from this volatile market. These strategies include expanding the amount of long-term gas contracts in the City's supply portfolio, considering utilization of financial instruments for hedging market-related risks, and seeking fuel diversity alternatives as part of the resource planning process.

Enron

The City has a contract with Enron Gas Marketing, Inc. for the purchase of natural gas supply at pre-established annual fixed prices. The contract expires on March 31, 2013, and Enron Gas Marketing's holding affiliate, Enron Gas Services Corp., provides the contract guaranty. To date, the overall cost to the City for the gas under this contract has been below market. However, the prices for the remaining period of the contract are above current market by $18 million on nominal basis (or about $12 million NPV at 5% annual discount). The contracted quantities represent about 15-18% of the City's annual natural gas requirements through March 31, 2013. On November 20, 2001, Enron's scheduler notified the City that beginning December 2, 2001, they would not be able to deliver the required amount of natural gas under the long-term contract. The City began buying a replacement supply in the open market at a price that was below the contract price. On December 28, 2001, Enron resumed deliveries of natural gas contracted daily quantities in accordance with the referenced contract and, as of the date of this report, there have not been any curtailments of said deliveries. It is currently anticipated that Enron will perform its contractual obligations to the City until the contract is assigned to a creditworthy party as a result of the bankruptcy court proceedings in the near future. The City's legal advisor on the bankruptcy proceeding will continue to monitor related developments, advise the City and take action as appropriate.

Future Power Supply Resources

The City's Ten-Year Site Plan, filed in April 2001 with the Florida Department of Community Affairs, indicated that preliminary resource planning studies have identified two 50 MW combustion turbines in 2005 as part of the least-cost plan under base conditions. The City has included these turbines in its current five-year financial plan. This additional generating capacity would meet the majority of the need identified through 2010 while the remaining small reserve shortfalls could be met with "peak-season" purchases from other systems. Other supplemental power supply options being considered for the ten-year period include, but are not limited to, accelerating the in-service date of the turbines described above, repowering and conversion of an existing steam unit to combined cycle operation, and the construction of a new combined cycle unit. A formal power supply resource planning process was initiated during late 2001 with an anticipated completion date in the spring of 2002.

Electric Rates

The City has been engaged for the past several years in a strategic planning process intended to position the electric utility to remain a viable provider in a competitive market. A principal component of this overall strategy has been an effort to develop a substantial base rate reduction in advance of any competitive market initiatives in Florida. With such a reduction in place, combined with alternative financing strategies for the general government, the City will be able to retain its key customers while maintaining a healthy local government to support the quality of life that is important to the citizens of Tallahassee.

As an initial step in the strategic planning process to prepare for market competition, the City instituted the Fire Rescue Fee (FRF) in October 1999. This fee allows the City to discontinue funding a substantial part of fire and rescue services costs through its electric rates. The City recognizes that the implementation of the new fee results in a significant reduction in the annual transfer from the Electric System to the City's General Fund and also that there is no direct relationship between electricity usage and the use of fire and rescue services and the basis for the imposition of the fee. The City determined that electric rates should be designed, to the extent practical, such that citizens and entities that pay the FRF and who are electric customers do not experience material adverse economic impact. This objective was accomplished initially using a customer rebate that exactly offset the amount of the FRF. The City completed a comprehensive study of electric rates (the 2001 Electric Rate Study) and the City Commission approved the transition of the FRF into a stand-alone fee, effective April 1, 2001. The transition allows for lowering electric rates, and places the City in a more competitive position relative to other electric providers in a deregulated environment.

The strategic goal of the FY 2001 Electric Rate Study was to identify a base rate reduction level that could be sustained over a minimum three- to five-year period in order to obtain the best competitive positioning. As a result of this analysis, the City implemented a $22.4 million base rate reduction for the period FY 2001-2005, and simultaneously removed from the utility bill the FRF credit that had previously fully offset the FRF charge. Residential customers received 47% of the total reduction ($10.3M), the small commercial customers received 17% ($3.7M), medium-sized commercial customers received an 18% reduction ($4.1M), and the large commercial customer class received 17% ($3.8M) of the total reduction, with the remaining amount distributed to miscellaneous classes (traffic signals, street lights and outdoor lighting). These rate reductions were made possible by reducing the General Fund transfer and operating costs within the Electric Department.

Deregulation

On May 3, 2000, Governor Jeb Bush signed an Executive Order creating the "Energy 2020 Study Commission" to study the future of energy policy in Florida. The Commission is composed of 17 members, 13 appointed by the Governor, two by the President of the Senate, and two by the Speaker of the House. The Commission is tasked with addressing a wide range of energy policy issues including, but not limited to:

- current and future reliability of electric and natural gas supplies,
- emerging energy supply and delivery options,
- electrical industry competition,
- environmental impacts of energy supply options,
- energy conservation, and
- fiscal impacts of energy supply options on taxpayers and energy providers.

At their final meeting on November 15, 2001, the Energy 2020 Study Commission approved its final report for transmittal to the Governor. There was one dissenting vote. The main recommendation of the report was to allow for wholesale electric competition in Florida. However, before full-scale wholesale competition can exist in Florida, the legislature must take action, which is unlikely in the 2002 session. As a brief summary of highlights, the Energy 2020 Study Commission recommended:

- Removing barriers to entry for merchant plants and facilitating the development of new generating capacity. The recommendation includes eliminating the need determination process for all proposed power plants, including those proposed by municipalities and electric cooperatives.
- Creating a mechanism for transitioning existing Investor Owned Utilities (IOU) generation to a competitive market to broaden competition in the wholesale market. Investor-owned electric utilities would be allowed to transfer or sell their existing generating assets at their discretion under certain terms.
- Disallowing retail competition until after the development of an effectively competitive wholesale market. The Commission recommended that another study commission should be established in 2004 to assess the status of wholesale competition and make recommendations as to whether retail competition should be allowed.
- "Reinventing" the Florida Energy Office by continuing to seek f ederal funding for specific energy research, conducting a study to identify the potential for savings through energy efficiency, promoting new investments in energy efficiency, and developing and coordinating an energy policy within the state.
- Continued analysis by the Department of Environmental Protection (DEP) on cost-

effective methods to reduce emissions of SO_2, NO_x and mercury from power plants in Florida.

- Any changes to taxes and fees paid by Florida's utilities and utility customers should be done only if necessary to assure a system that is fair with respect to energy providers and individual classes of electric customers, and that provides revenue neutrality to state and local governments.

The City continues to monitor changes in the electric utility industry as it prepares for competition. The electric rate reduction strategy previously identified (see *Electric Rates*) and the continued accrual of operating reserves will position the City competitively, while providing a great deal of flexibility to directly fund certain capital projects that would otherwise be debt financed or to prepay existing indebtedness. 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.

Consistent with federal legislative activity in the past several years, Congress is considering several legislative initiatives that may impact the electric utility industry. These legislative initiatives include, but are not limited to reliability, retail competition, and tax issues affecting both investor-owned utilities and municipal utilities.

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.

Regional Transmission Organizations

In May 1999, the Federal Energy Regulatory Commission (FERC) continued to explore new transmission organizational structures by issuing a Notice of Proposed Rulemaking (NOPR) on Regional Transmission Organizations (RTOs). The scope of this rulemaking was expanded to include not only Independent Service Organizations (ISOs), but also other types of regional organizations such as independent transmission companies (Transcos), combinations of ISOs and Transcos, or other acceptable structures that have not yet been identified. In December 1999, the FERC issued its Final Rule on RTOs in Order No. 2000. This order required all FERC jurisdictional utilities that own, operate, or control interstate transmission facilities to file by October 15, 2000, a proposal to participate in an RTO.

T&D Crew at Work on a Transmission Tower

While Order No. 2000 stated that RTO development is voluntary in nature, in reality the FERC has made it clear that it expects all transmission-owning utilities to comply. Although the FERC lacks the direct legal authority to mandate participation in RTOs, the FERC has stated its intent to use its regulatory authority in other areas (such as ratemaking filings, complaints, and requests for merger approval) to force compliance with Order No. 2000.

As a result of Order No. 2000, Florida's three peninsular investor-owned utilities (Florida Power and Light, Florida Power Corp., and Tampa Electric Company) proposed an RTO that would operate as a "for-profit" Transco —Grid Florida. The City of Tallahassee participated in this development process, but determined an RTO utilizing an "independent system administrator" would better serve the best interests of the City and its customers.

In May 2001, Georgia Transmission Corporation, MEAG Power, Dalton Utilities, South Mississippi Electric Power Association, the City of Tallahassee, JEA, Santee-Cooper, and the Southern Company Services, Inc. entered into a memorandum of understanding to collaborate on an RTO proposal for the southeast. During May and June 2001, the parties worked to develop the concepts and a participation agreement for the development of an RTO in the southeast that would be referred to as SeTrans.

On July 12, 2001, the FERC ordered all parties involved in the RTO related dockets associated with the GridSouth, Southern Company, Southwest Power Pool, and Entergy to participate in settlement discussions for 45-days with an Administrative Law Judge (serving as a mediator) and appropriate consultants. The goal of the discussions was to develop a single RTO within the southeast part of the United States. GridFlorida participants were also invited to participate.

During July, August, and September, City staff participated in the FERC mandated settlement discussions both as a participant in SeTrans, as well as a member of the FMG. The City's position as a participant in the settlement discussions was in support of the SeTrans concept of an "independent system administrator" as opposed to the "for-profit-Transcos" being advocated by some of the other parties (GridSouth and GridFlorida). On September 10, 2001, the mediator issued a report to FERC, which recommended the Transco structure and additional mediation to work toward further development of a large southeast RTO.

Subsequent to the FERC settlement discussions, the SeTrans participants continued to meet. On November 20, 2001, the group of transmission systems developing the SeTrans RTO filed a status report with the FERC. The expanded RTO, named SeTrans Grid included the Entergy Companies as participating transmission owners. Once it becomes operational, SeTrans would be one of the nation's largest RTOs, with more than 73,000 MWs of generation, 51,000 miles of transmission, and an investment in assets in excess of $9 billion. The structure chosen by the participating transmission owners will involve the hiring of a proven independent operator for the transmission system. The

Arvah B. Hopkins Generating Station

agreements between the operator and transmission owners will provide incentives to the operator to maintain or enhance reliability, minimize the system operational costs, and enhance the efficient use of the system.

Although the City continues to monitor all RTO activity involving its service area, the SeTrans alternative continues to offer the most flexible transmission alternative for the City and its customers.

Environmental

The City is operating in compliance with Title IV of the 1990 Clean Air Act Amendments and has sufficient sulfur dioxide allowances for projected operations. The DEP has issued permits for the Hopkins Station and the Purdom Station pursuant to Title V of the 1990 Amendments. These permits will require renewal every five years beginning December 31, 2001.

Debt Management

As of September 30, 2001, the total principal amount of debt outstanding for the Electric System was $285,116,500, consisting of the following:

▪ Energy System Refunding Revenue Bonds, Series 1998 A	$ 141,090,000
▪ Energy System Revenue Bonds, Series 1998 B	46,165,000
▪ Electric Revenue Bonds, Series 1992A	42,890,000
▪ Junior Lien Electric Revenue Bonds, Series 1992A (Minibonds)	1,297,500
▪ Sunshine State Loan 1999	36,500,000
▪ Sunshine State Loan, Series 2000	9,265,000
▪ Sunshine State Loan, Series 2001	7,909,000

The City anticipates issuing additional Energy System bonds to finance Electric System capital needs on a schedule as follows:

▪ FY 2003	$ 45,000,000
▪ FY 2006	25,000,000

(Note: $17,689,000 Energy System Refunding Revenue Bonds, Series 2001, were sold but relate totally to the Gas System.)

Capital Improvement Program

The City, as part of its annual budget process, adopts a five-year Capital Improvement Program for the Electric Department. 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 2002 capital budget identifies approximately $123 million of capital projects for fiscal years 2002-2006. Approximately $70 million of such expenditures will be funded from proceeds of new debt to be issued as discussed previously in the section titled "Debt Management". 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.

Gas System Transfer

On April 11, 2001, the City Commission authorized staff to move forward with the issuance of not to exceed $20,000,000 Energy System Refunding Revenue Bonds, Series 2001. The primary goal in issuing these bonds was related to the migration of the City's Gas System to the Energy System, for financing purposes. This move is consistent with action taken by the City Commission on October 13, 1999, and required that approximately $17 million Consolidated Utility Systems Bonds, attributable to the Gas System, be refunded with Energy System Bonds. It was also desired that this refunding would result in savings in interest expense to the City, even though this was not the primary purpose of this refunding. The City sold $17,689,000 in Energy System Refunding Revenue Bonds, Series 2001, in May 2001 to complete the migration of the Gas System to the Energy System and realized present value savings of $521,180.07. No new money was included in these financings since all capital project needs to be debt financed had been provided for with the issuance of the Energy System, 1998 Bond Series.

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" offer, 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 five percent for the General Service Demand (GSD) class of non-residential accounts and seven percent 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 involving 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 revenue comes from the non-residential sectors.
- Contract proposals and associated economic analyses have been presented to over 100 customers representing approximately 1,300 accounts.
- To date, 108 customers, consisting of approximately 900 metered accounts and representing approximately 40% of targeted revenue, have signed the Agreement. These accounts represent revenues of approximately $32 million, or 40% of the total targeted ("at risk") revenue of about $80 million.

GAS SYSTEM

The City of Tallahassee's Gas System grew in FY 2001 by approximately 8.5%. The average residential customer base grew by 5.7% to 19,358 average customers; the average commercial customer base grew to 1,420 customers, an increase of 2.9%; and the interdepartmental customer base has slightly increased to 44 customers. The Gas System's annual customer growth rate is successively among the best in the Southeastern United States and exceedingly higher than comparable Florida gas utilities.

Management Discussion of Operations

During FY 2001, Gas Operations has been successful in securing several new commercial customers. During FY 2001, the City's gas operations have added services to an elderly assisted living facility, a relocated grocery store, a newly converted alternate fuel source commercial customer, and a second reconverted commercial alternative fueled customer. City Gas is also currently expecting new gas services from a new residential and commercial development formally named "SouthWood." The Arvida Company sponsors this new SouthWood development. Such new customers will improve the system's annual load curve and increase system throughput.

The Florida Department of Environmental Protection (DEP) recently presented a distinctive first place award to the City of Tallahassee for Exemplary Performance in Environmental Stewardship, part of DEP's Partnership for Ecosystem Protection program. This award partly recognized the Tallahassee Municipal Gas System's pollution prevention measures undertaken by the City's Natural Gas Vehicle program, as well as, the environmental contributions of other related City departments. After completion of our engineering analysis and promoting the anticipated success of these new city vehicles at various civic events, mall exhibits, and citizen/public sector groups, Gas Operations believes that this new gas market sector will expand throughout the City's fleet, public, and private sectors.

In FY 2001, management also developed internal cost cutting strategies and placed emphasis on reducing operational cost in areas such as vendor contracting services and underground pipeline construction services. This cost reduction resulted in over $500,000 in annual savings and a 30% operational cost reduction over this past fiscal year. Tallahassee's Gas System began contractually installing local telecommunications and cable conduits during FY 2001, thereby offsetting some of the City's gas main installation costs. In our growing community, Gas Operations also successfully implemented our customer backfill program to increase customer penetration on existing mains. Management's successful cost reduction in vendor services, utility construction services, and new sector market penetration programs are allowing us to make new profitable strives within our ever growing gas service territory.

During FY 2001, the Gas Marketing Incentive Program has continued to receive positive customer participation. The program consists of three rebate programs:

- new home builder rebate program which provides a $600 rebate to builders who install gas water heaters and central heating systems in new homes,
- water heater conversion program which provides a $300 rebate to existing customers to offset the costs of replacing a water heater fueled by any other source, and
- gas water heating and furnace incentive which provides $800 to offset the costs of gas heating systems in existing residential and small commercial applications.

The City also offers a gas tap fee waiver (free taps) as a value added service to new potential customers.

Debt Management Program

Gas System Transfer

Under the terms of the 1992 General Resolution and the 1998 General Resolution, the City is entitled to add other utility functions to the Electric 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, the City Commission approved migration of the City's Gas System from the Consolidated Utility System to create the Combined Energy System for financing purposes only in accordance with provisions in the 1998 General Resolutions. On May 15, 2001, the City of Tallahassee sold $17,680,000 of Energy System Refunding Revenue Bonds, Series 2001, with issue dated May 1, 2001. These bonds were used to refund a portion of the City's Outstanding Consolidated Utility System Revenue Bonds attributed to the Gas System to allow the Gas System to become part of the City's combined Energy System. From the proceeds and transfers from debt service funds and debt sinking reserve funds, the City deposited $18,052,365.76 in an escrow account to defease the Gas System's share of the Consolidated Utility System Bonds, Series 1991B, 1994, and 1995, and $1,548,390 to fund a Debt Service Reserve Fund and pay $284,523 in financing costs. Gas System revenues are now part of the Revenues of the Energy System and Gas System expenses are part of the cost of operation and maintenance. As of September 30, 2001, the total principal amount of debt outstanding for the Gas System was $30,110,378.42 consisting of the following:

▪ Energy System Refunding Revenue Bonds, Series 2001	$17,680,000
▪ Internal Loan	1,060,378
▪ Sunshine State Government Finance Commission Loan	11,370,000

The Gas System's financial report is extremely positive this year. Gas utility revenues increased from $16,208,329 in FY 2000 to $24,078,00 in FY 2001. This increase is primarily due to new service additions, fuel revenue increases, and revised sales program incentives. Gas revenue receipts were 33% above projections, primarily due to fuel revenue increases. Gas sale consumptions 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 from $17,069,453 in FY 2000 to $19,428,000 in FY 2001. This increase is primarily due to steep fuel cost, new regulatory program mandates, and new marketing programs, facility, and infrastructure investments. The net effect was a budgetary surplus of $2,741,200, from which $2,000,000 was transferred to the General Fund and $741,200 transferred to Gas RR&I Fund. The Gas Fund overall actual budgetary income before transfers is $2,741,200, which is $741,200 greater than was originally budgeted. The savings of $774,600 in budgeted non-fuel expenditures are primarily due to savings in debt service.

The General Fund transfer is in accordance with the budget and the transfer to the Gas RR&I Fund is in accordance with the Financing Policy. As of September 30, 2001, the Gas Fund Reserve is over-funded by $359,400 due to interest earnings in the fund.

2001 Gas Rates Overview

The rates set in 1996 have continued to be sufficient, allowing the Gas System to record an end-of-year surplus each year since 1996, including FY 2001. The rates set in 1996 are still in effect today.

During FY 2001, management, with the assistance of the City's rate consultant, again prepared a rate study to determine to the sufficiency of the current gas rates. A preliminary status report was provided to the City Commission on October 10, 2001. The report concluded that the current Gas System's rates are sufficient, and should suffice in the future pending periodic economic policy reviews. The report also recommended that a long-term firm contract provision be adopted to provide an additional resource to the Gas System to attract new customers that may otherwise choose an alternate fuel source. In addition to the base rate issues, staff presented the new purchased gas adjustment factor to the Commission, which represented an 18.4% reduction in a typical residential customer's bill and a 24.1% reduction in a typical firm-commercial customer's bill.

The rate study was reviewed and certified by the Independent Consultant in November 2001. The final financial report should be provided to the City Commission in early 2002. The study will address the issues of rate level, rate design, and rate structure, along with other pertinent issues critical to the long-term success of the gas utility. The final conclusion of the rate study will hopefully be viewed and accepted favorably by the City Commission in an effort to maintain revenue sufficiency, while competitively positioning the gas utility for a changing business environment.


Gas Utility Workers Repairing a Gas Main

Selected Energy System Statistics

Electric System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Residential					
Avg. Annual Customers	73,976	75,344	76,932	78,730	80,000
Energy Sales (MWh)	830,515	947,902	916,905	959,898	975,018
Avg. Annual Use Per Customer (kWh)	11,227	12,581	11,918	12,192	12,188
Avg. Annual Revenue per Customer ($)	**995**	**1,089**	**1,018**	**1,087**	**1,167**
Commercial, Industrial and Interdepartmental					
Avg. Annual Customers	15,119	15,400	15,760	16,222	16,570
Energy Sales (MWh)	1,306,759	1,375,743	1,411,697	1,452,650	1,452,584
Avg. Annual Use Per Customer (kWh)	86,432	89,334	89,587	89,548	87,663
Avg. Annual Revenue Per Customer($)	**5,583**	**5,627**	**5,784**	**6,064**	**6,559**
Public Street Lighting					
Avg. Annual Customers	299	309	316	323	328
Energy Sales (MWh)	14,902	15,372	15,785	16,257	16,108
Avg. Annual Use Per Customer (kWh)	49,839	49,748	49,950	50,332	49,110
Avg. Annual Revenue per Customer($)	**3,666**	**3,605**	**3,553**	**3,776**	**4,040**
Total Sales to Ultimate Customers					
Avg. Annual Customers	89,394	91,053	93,008	95,275	96,898
Energy Sales (MWh)	2,152,176	2,339,017	2,344,587	2,428,795	2,443,710
Avg. Annual Use Per Customer (kWh)	**24,075**	**25,608**	**25,208**	**25,492**	**25,219**
Off System Sales					
Sales for Resale (MWh)	165,845	85,872	131,548	202,295	508,728
Total Sales (MWh)	**2,318,022**	**2,424,890**	**2,476,135**	**2,631,090**	**2,952,438**

Electric System - Selected Operating Costs and Ratios

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Revenue per kWh					
Retail Customers	0.089	0.085	0.083	0.089	0.096
Commercial and Industrial Customers	0.074	0.070	0.065	0.068	0.075
Public Street Light	0.075	0.072	0.071	0.075	0.082
Expenses Per kWh					
Administrative and General Expense per kWh	0.0082	0.0073	0.0058	0.0063	0.0053
Distribution Expense per kWh	0.0035	0.0040	0.0034	0.0036	0.0029
Transmission Expense per kWh	0.0006	0.0002	0.0002	0.0002	0.0002
Engineering Expense per kWh	0.0015	0.0013	0.0023	0.0011	0.0005
Generation Expense per kWh (1)	0.0428	0.0407	0.0398	0.0405	0.0487
Depreciation and Amort. per kWh	0.0056	0.0056	0.0057	0.0055	0.0065
Total Operating Expense per kWh	0.0623	0.0590	0.0572	0.0572	0.0641
Financial Ratios					
Debt to Total Assets	0.221	0.218	0.403	0.527	0.521
Operating Ratio	0.816	0.767	0.760	0.730	0.812

(1) Generation expenses for FY 2000 do not include $4.2 million dollars of deferred fuel costs of which $2.7 million is recognized as expense in FY 2001.

Electric System General Statistics

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Generating Capacity (MW) (Summer)	490	490	490	429 (1)	661
Capacity Purchases (MW) (Summer)	102	103	103	36 (1)	36
Net System Energy Generated (MW)	1,463,701	1,599,369	1,785,077	1,719,939	2,455,047
Net Peak Demand (MW) Summer	486	530	526	551	520
Net Peak Demand (MW) Winter	431	393	513	497	521
Average Residential Monthly Bill	$83.34	$89.54	$84.65	$90.60	97.18
Number of Street Lights	14,252	14,607	14,886	15,303	15,480

The energy charge includes a base energy cost to the City of 2.9680 cents per kWh. Each month an energy adjustment charge/credit is applied to adjust the energy charge to the actual cost incurred by the City. The average monthly adjustment for fiscal year 2001w as a charge of $0.01385 per kWh.

(1) At time of summer peak demand (7/18/00). Excludes Purdom 8 and peak season purchases made to replace same.

Electric System Projected Summer Peak Loads and Resources (MW)

For Fiscal Years Ending Sept. 30		2002	2003	2004	2005	2006
Total Generating Capacity		661	661	661	661	661
Total New Generating Capacity	(2)	0	0	0	100	100
Capacity Purchases		11	11	26	11	11
Total Power Supply Resources		672	672	687	772	772
Projected Net Peak Demand		558	572	587	599	612
Power Supply Resources Available For:						
Reserves and Off System Sales		114	100	100	173	160
System Reserve Margin %		20%	17%	17%	29%	26%

(2) Preliminary resource studies conducted by the City have identified the addition of tw o 50 MW class combustion turbines in 2005 as part of the least cost plan.

Gas System Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Residential (firm)					
Avg. No. of Customers	14,971	16,219	17,150	18,317	19,358
Usage (Mcf)	463,057	540,454	466,193	558,016	654,909
Avg. Sales Per Customer (Mcf)	31	33	27	30	34
Non residential (firm)					
Avg. No. of Customers	1,308	1,322	1,336	1,362	1,402
Usage (Mcf)	619,718	646,743	609,077	627,091	666,273
Avg. Sales Per Customer (Mcf)	474	489	456	460	475
Interruptible					
Avg. No. of Customers	12	14	14	18	18
Usage (Mcf)	621,793	643,965	644,453	847,141	807,159
Avg. Sales Per Customer (Mcf)	51,816	45,998	46,032	47,063	44,842
Interdepartmental Sales					
Avg. No. of Customers	37	40	39	41	44
Usage (Mcf)	14,705	18,103	16,269	18,703	27,607
Avg. Sales Per Customer (Mcf)	397	453	417	456	627
Total Gas System					
Avg. No. of Customers	16,328	17,595	18,539	19,738	20,822
Usage (Mcf)	1,719,273	1,849,265	1,735,992	2,050,951	2,155,948
Avg. Sales Per Customer (Mcf)	105	105	94	456	104
Miles of Gas Lines	572	584	604	618	645
Heating Degree Days (HDD)	1300	1695	1196	1411	1810

Electric Systems Ten Largest Retail Customers

Fiscal year ending September 30, 2001			Percent of Total Retail Sales	
Customers	***Revenue***	***kWh***	***Revenue***	***kWh***
State of Florida	$13,386,882	$205,114,426	7.23%	8.45%
Florida State University	10,761,020	193,259,535	5.81%	7.96%
City of Tallahassee	5,954,061	87,412,536	3.22%	3.60%
Florida A & M University	3,127,610	51,896,225	1.69%	2.14%
Leon County School Board	3,377,135	42,039,694	1.82%	1.73%
Tallahassee Memorial HealthCare	2,171,223	36,662,859	1.17%	1.51%
Federal Government	1,636,314	25,675,139	0.88%	1.06%
Leon County	1,358,186	22,035,637	0.73%	0.91%
Winn Dixie	1,138,147	19,442,946	0.61%	0.80%
Governor's Square Mall	1,139,923	17,769,600	0.62%	0.73%
TOTAL	$44,050,501	$701,308,597	23.79%	28.87%

Gas System Five Largest Customers by Consumption

Fiscal year ending September 30, 2001			Percent of Total Retail Sales	
Customers	***Revenue***	**Gas Usage**	***Revenue***	**Gas Usage**
Florida State University	$2,158,048	$367,365	8.80%	17.04%
Florida A&M University	866,939	145,138	3.54%	6.73%
TMH (Hospital)	620,142	88,860	2.53%	4.12%
Federal Government	206,483	22,645	0.84%	1.05%
State of Florida	183,692	20,346	0.75%	0.94%
TOTAL	$4,035,304	$644,354	16.46%	29.89%

Electric Rates

		Current (1)
Residential		
Customer Charge	Single Phase Service	$ 4.94
Customer Charge	Three Phase Service	16.80
Energy Charge per kWh		0.08230
General Service Non Demand		
Customer Charge	Single Phase Service	6.00
Customer Charge	Three Phase Service	22.00
Energy Charge per kWh		0.08157
General Service Demand		
Customer Charge		40.00
Demand Charge per kW		7.25
Energy Charge The first 500 kWh per kW		0.04627
Excess kWh per kW @		0.03197
General Service Large Demand		
Customer Charge		40.00
Demand Charge per kW		7.25
Energy Charge The first 500 kWh per kW		0.04597
Excess kWh per kW @		0.03197

(1) The energy charge includes a base energy cost of 2.968 cents per kWh. Each month an energy adjustment charge/credit is applied to adjust the energy charge to the actual cost incurred by the City. The average monthly adjustment for fiscal year 2000 w as a charge of 0.01385 cents per kWh.

Gas Rates (Effective 10/1/01)

Monthly Rate:	
Customer Charge	**10/1/01**
Residential Service Per Meter	$ 7.00
Nonresidential Service	12.00
Interruptible Service:	
Small Interruptible Service	150.00
Interruptible Service	225.00
Large Interruptible Service	225.00
Commodity Charge:	
Residential Service Per 1000 Cubic Feet	1.03125
Nonresidential Service Per 1000 Cubic Feet	0.89138
Interruptible Service: (Cents Per 100 cf)	
Small Interruptible Service	0.62191
Interruptible Service	0.57191
Large Interruptible Service	0.48491

Electric System Revenue Bonds, Debt Service Coverage (in 000s)

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Operating Revenues (1)					
Retail Sales	$163,469	$176,054	$172,229	$185,827	$198,503
Other Operating Sales	3,778	5,133	6,825	9,217	5,921
Sales to Other Utilities	6,704	5,406	7,517	11,130	29,884
Transfer to Operating Reserve	(2,935)	(12,840)	(9,133)	(4,953)	(1,152)
Total Operating Revenue	171,016	173,753	177,438	201,221	233,156
Operating Expenses (2)					
Fuel	55,440	51,831	56,599	61,637	106,777
Purchased Power	30,891	34,651	30,199	35,205	25,726
Other Operating Expense	46,195	42,955	40,629	39,100	38,339
Total Operating Expense	132,526	129,437	127,427	135,942	170,842
Net Revenues from Operations	38,490	44,316	50,011	65,279	62,314
Other Income and Deductions	3,852	3,539	2,736	3,256	4,131
Total Available for Debt Service	42,342	47,855	52,747	68,535	66,445
Total Sr. Lien Debt Service	10,617	12,427	16,502	18,592	21,642
Total Sr. Lien Debt Service Coverage	3.99x	3.57x	3.20x	3.69x	3.07x

(1) Figures shown are not presented in accordance with GAAP, but rather are restated to calculate debt service, based on the provisions of the Electric Revenue Bond Resolution. Revenues available for Debt Service exclude amounts deposited into the Operating Reserve Fund and include amounts transferred from the Operating Reserve Fund.

(2) Exclusive of Depreciation and Amortization.

Gas System Revenue Bonds, Debt Service Coverage (in 000s)

For Fiscal Years Ending Sept. 30	1997	1998	1999	2000	2001
Operating Revenues	$14,189	$14,882	$14,104	$17,635	$24,431
Total Operating Revenues	14,189	14,882	14,104	17,635	24,431
Operating Expenses	10,716	10,175	9,280	12,262	18,315
Total Operating Expenses	10,716	10,175	9,280	12,262	18,315
Net Operating Revenue	3,473	4,707	4,824	5,373	6,116
Total Pledged Revenue	3,473	4,707	4,824	5,373	6,116
Debt Service	1,462	1,462	1,427	1,426	651
Coverage	2.38x	3.22x	3.38x	3.77x	9.39x

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Electric	Gas	Totals Memorandum Only
ASSETS			
Current Assets:			
Cash and Cash Equivalents/Investments	$17,386	$ 773	$18,159
Securities Lending Collateral	3,523	158	3,681
Receivables:			
Accrued Interest	150	12	162
Customers	15,842	1,222	17,064
Others	1,041	--	1,041
Less: Allowance for Doubtful Accounts	(1,242)	(80)	(1,322)
Inventory:	31,800	131	31,931
Total Current Assets	68,500	2,216	70,716
Restricted Assets:			
Cash and Cash Equivalents/Investments	105,618	5,988	111,606
Total Investments	67,401	1,611	69,012
Securities Lending Collateral	35,241	1,553	36,794
Accrued Interest Receivable	1,187	45	1,232
Accounts Receivable	7,390	--	7,390
Total Restricted Assets	216,837	9,197	226,034
Other Assets:			
Unamortized Bond Issue Cost	1,429	648	2,077
Deferred Charges	1,846	--	1,846
Total Other Assets	3,275	648	3,923
Fixed Assets:			
Fixed Assets	613,813	49,199	663,012
Less: Accumulated Depreciation	(248,574)	(10,918)	(259,492)
Construction in Progress	26,831	2,608	29,439
Total Fixed Assets	392,070	40,889	432,959
Total Assets	$ 680,682	$ 52,950	$ 733,632

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Electric	Gas	Totals Memorandum Only
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Obligations Under Securities Lending	$ 3,523	$158	$ 3,681
Accounts Payable	7,721	528	8,249
Accrued Leave	1,245	139	1,384
Customer Contracts Payable	2,934	--	2,934
Due To Other Funds	--	--	--
Utility Deposits Payable	12,146	91	12,237
Total Current Liabilities	27,569	916	28,485
Payable from Restricted Assets:			
Obligations Under Securities Lending	35,241	1,553	36,794
Retainage and Accounts Payable	1,637	436	2,073
Loans from Other Funds	--	960	960
Deferred Revenue	14,346	--	14,346
Total Payable from Restricted Assets	51,224	2,949	54,173
Other Liabilities:			
Customer Contracts Payable			
Accrued Leave	1,170	97	1,267
Loans Payable	51,470	11,012	62,482
Bonds Payable	226,830	17,380	244,210
Bond Discount	(1,353)	167	(1,186)
Deferment of Loss on Early Retirement of Debt	(2,407)	--	(2,407)
Total Other Liabilities	275,710	28,656	304,366
Total Liabilities	354,503	32,521	387,024
Fund Equity:			
Contributed Capital	1,725	49	1,774
Total Reserved	147,772	6,020	153,792
Unreserved	176,682	14,360	191,042
Total Fund Equity	326,179	20,429	346,608
Total Liabilities and Fund Equity	$ 680,682	$ 52,950	$ 733,632

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Electric	Gas	Totals Memorandum Only
Operating Revenues:			
Charges for Services:			
Residential Sales	$ 91,098	$ 9,925	$ 101,023
Commercial and Industrial Sales	103,319	13,323	116,642
Public Street and Highway Lighting	2,551	--	2,551
Sales for Resale	29,884	--	29,884
Sales to Other Funds	--	--	--
Surcharge	1,535	70	1,605
Tapping Fees	--	--	--
Late Fees	928	94	1,022
Initiating Service	804	90	894
Rentals	330	--	330
Cut ins and Cut fees	1,603	86	1,689
Other	2,256	490	2,746
Total Operating Revenues	234,308	24,078	258,386
Operating Expenses:			
Stormwater Physical environment			
Personnel Services	14,030	1,481	15,511
Fossil Fuel Purchased	106,777	13,512	120,289
Power Purchased	25,726	--	25,726
Contractual Services	19,363	2,261	21,624
Materials and Supplies	2,493	83	2,576
Other Expenses	2,470	993	3,463
Less: Applied Equipment Charges	(30)	(15)	(45)
Depreciation	19,039	1,076	20,115
Amortization	317	37	354
Total Operating Expenses	190,185	19,428	209,613
Operating Income	$ 44,123	$ 4,650	$ 48,773

CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Electric	Gas	Totals Memorandum Only
Non Operating Revenues (Expenses):			
Interest Revenue	$10,590	$463	$11,053
Net Increase (Decrease) in the Fair Value of Investments	1,866	102	1,968
Gain on Sale of Surplus Property	--	--	--
Other Revenues	5,301	70	5,371
Interest Expense	(11,566)	(1,158)	(12,724)
Other Expenses	(3,870)	(555)	(4,425)
Total Non Operating Revenues (Expenses)	2,321	(1,078)	1,243
Income Before Operating Transfers	46,444	3,572	50,016
Operating Transfers In (Out):			
Operating Transfers In	74	7	81
Operating Transfers Out	(25,789)	(2,121)	(27,910)
Net Income	20,729	1,458	22,187
Disposition of Net Income:			
Depreciation on Contributed Assets	150	14	164
Net Increase in Retained Earnings	20,879	1,472	22,351
Retained Earnings October 1	303,576	18,908	322,484
Residual Equity Transfers Out	(1)	--	(1)
Retained Earnings September 30	$324,454	$20,380	$344,834

THE CONSOLIDATED UTILITY AND STORMWATER DRAINAGE SYSTEM

The Consolidated Utility System refers to the City's Water and Sewer utilities and the Stormwater Drainage System, grouped together primarily for the purpose of debt financing. The Consolidated Utility System Revenue Bonds Authorizing Resolution (the "Resolution") provides for other utility functions to be added to the definition of Consolidated Utility System, provided certain requirements are met, as necessary and appropriate. As of January 2001, no such additional utility functions have been added, nor is the City currently considering any additions. As described under "Electric System – Gas System Transfer" and "Gas System – Gas System Transfer," the City completed the transfer of its Natural Gas Utility, for financing purposes, to form, with the Electric System, the combined Energy 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 and, to a limited degree, in Wakulla County. The City's Stormwater Drainage System covers the 98.47 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 Consolidated Utility and Stormwater Drainage Systems, subject to Section 180.191, Florida Statutes. This provision establishes a limitation on the differential that may be charged to customers outside of the municipal boundaries as opposed to those within the municipal boundaries.

Pursuant to the Resolution, which requires that rates and charges for the Utility System shall not be changed except upon the recommendation of the Consulting Engineer, the City has retained the firm of R.W. Beck to assist the City in performing the rate studies for the Water and Sewer Systems, as well as for various other utility matters. The City does not retain consulting engineers to assist in setting rates for the Stormwater Drainage System. The City Commission establishes stormwater drainage fees based on an amount deemed sufficient to cover the 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 water and sewer 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 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 utilities, on a biennial basis. The consultant is authorized to analyze expenses and other system requirements for each of the following two years and to recommend rates to be effective at the beginning of each of those years, sufficient to provide revenues to meet projected requirements. 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, for implementation of the changes in rates for both the first and second years of the study period.

Debt Management Program

As of September 30, 2001, the City has outstanding $62,315,000 Consolidated Utility System (CUS) Revenue Bonds, as follows:

- Consolidated Utility System Refunding Revenue Bonds, Series 2001 $ 23,900,000

- Consolidated Utility System Bonds,
  Series 1995 $ 38,415,000

Of this amount, $53,394,450 is Sewer System debt, and $8,920,550 is Water System debt. No debt has been issued for the Stormwater Drainage System. The City is not anticipating the issuance of any new debt for the Sewer or Water Systems or the Stormwater Drainage System through 2002.

In addition to the CUS Bonds, there are outstanding internal loans, to the Internal Loan Pool, created with proceeds from the Sunshine State Governmental Financing Commission, as follows:

- Sewer System $ 3,465,339.60
- Water System $ 3,382,831.27

(See *'Other Debt Financings – Sunshine State Governmental Financing Commission"*)

WATER SYSTEM

The City owns and operates a water system, which currently serves approximately 70,000 customers in the City, Leon County, and Wakulla County. The City also wholesales water to the small city of St. Marks in Wakulla County. Water system operations include water production, elevated storage, and water distribution (including metering and customer service). Approximately 10.8 billion gallons of water was pumped in FY 2001.

Management Discussion of Water System Operations

In FY 2001, the Water Utility realized a budget surplus, after transfer to the General Fund of $1,804,900, which was applied to the Water RR&I Fund ($1,735,700) and to the Reserve for FY 2002 Encumbrances ($69,200) in accordance with the City's Financing Policy. Additionally, the Water Operating Reserve Fund exceeded the Financing Policy's required level by $155,200 and was transferred to the Water RR&I Fund.

In late FY 2001, a Request for Proposals (RFP) was issued for consulting engineering services to develop a computer model and analysis of the City water system and to prepare a 20-year master plan for system improvements and expansion. The master plan will be a template to strengthen the existing water system and to provide the capital improvements necessary for future growth. Completion of the computer modeling and master plan is expected in early FY 2003. An RFP will also be issued in FY 2002 to clean (via the pigging method) the water distribution system in the northwest quadrant of the City's service area. This part of the distribution system is served by three wells with iron levels in the raw groundwater that have resulted in accumulations of iron deposits in the systems. The iron deposits do not pose any health hazards but do periodically cause customer concerns about discolored water. Correspondingly, a consulting engineering firm is being retained in FY 2002 to provide a report on treatment alternatives, including capital and operating costs for iron removal at the three wells.


Water Utility Crew Working on Fire Hydrant

Lastly, a contractor is conducting a "pilot" leak detection program in the City's distribution system during mid FY 2002. The program will involve about 150 miles of the distribution system (15% of total miles of pipe) and will provide reliable data on the scope of undetected leaks in the system. The results of the pilot program will provide the basis for the utility to continue the detection program either by means of a contract or with in-house resources. Finding and repairing the undetected leaks will also result in the reduction of the utility's unaccounted-for-water and the corresponding pumping costs.

SEWER SYSTEM

The City owns, operates, and maintains a sanitary sewer system that serves over 58,000 customers in the City and small portions of Leon County. The sewer operations include collection, pumping stations, two treatment plants, disposal of treated effluent by spray irrigation, and disposal of Class "B" biosolids by land application.

Management Discussion of Sewer System Operations

In FY 2001, the Sewer Utility had total operating revenues of $25,239,000, which was 1.24% lower than operating revenues in FY 2000. Operating expenses increased from FY 2000 by 1.0% to $22,800,000 in FY 2001. The General Fund transfer was made in accordance with City Financing Policy, but the RR&I Fund transfer was reduced to $212,300, which was $926,400 less than projected due to the revenue shortfall. The Sewer Operating Reserve Fund was greater than the required level by $46,400 due to interest earnings, and this amount was transferred to the RR&I Fund per City Financing Policy.

The Sewer Utility currently relies on land application for disposal of its Class B biosolids. Farm properties in Wakulla County and City airport property were the application sites. However, in mid FY 2001, the Wakulla County Commission (WCC) directed the City to immediately cease its biosolids applications on the farm properties. The WCC took this action on the basis of unfounded concerns about groundwater contamination from the biosolids applications. Consequently, the City is presently limited to biosolids disposal on City airport property outside the airport's perimeter fencing.

To address the current restrictions for land application of its biosolids, Sewer Utility management staff developed and initiated a plan to improve its biosolids treatment and disposal facilities, with the focus on future production of Class A biosolids. The first improvement entailed the replacement of two of the original belt filter presses used for dewatering biosolids with an innovative treatment unit known as a screw press. Performance of the screw press, which was the first such unit installed in a municipal wastewater plant in the United States, has been exceptional, and a second unit will be purchased and installed in FY 2002 to replace the remaining three-belt filter presses. Furthermore, the screw press manufacturer and the City are conducting a pilot test with the first screw press to produce Class A biosolids. The pilot testing involves the addition of lime and heat (pressurized steam) to meet Class A requirements. If the pilot testing is successful, the screw press could provide a viable option for production of Class A biosolids. The Sewer Utility is also strongly considering the use of indirect heat drying for Class A biosolids production because of its simple operational and low-maintenance features. The heat drying process also produces a very marketable product high in nitrogen. Funding is available for Class A production facilities.

Other improvements that will enhance biosolids treatment include the installation of a gas transfer line between Digesters Nos. 1 and 2 in FY 2001, the replacement of the heat exchanger in Digester No. 3, and the installation of automated grinding and screening equipment for the raw wastewater influent in FY 2002.

The City entered into an agreement with the SouthWood Development to provide reclaimed water for irrigation of the development's golf course and a major roadway median. The estimated demand is 200,000 gallons per day, and an advanced treatment plant to be constructed, operated, and owned by the City will provide the reclaimed water. The Northwest Florida Water Management District has agreed to commit $300,000 toward the construction of the treatment plant, which is anticipated to be completed in late FY 2003.

Lastly, an upgrade of the Supervisory Control and Data Acquisition System equipment at wastewater pumping stations was completed in FY 2001.

Management Discussion of Water Utility Reorganization

In May 2001, the former Assistant Director of the Water Utility, Jim Oskowis, who had been the acting General Manager since November 2000, was named as the permanent General Manager. A management team led by the new General Manger has developed an Action Plan which consists of five major components:

- Strategic Planning,
- Organizational Structure,
- Management/Team Principles,
- Organizational Incentives/Disincentives, and
- Training.

Self-directed teams have been formed to address the five Action Plan areas. Employee groups have also been formed in all divisions to enhance communications between management and staff.

One of the more significant organizational changes has been the development of a plan to combine the water distribution and wastewater collection/pumping operations into one division, with expectations for optimizing staff and resource utilization and expanding and improving service levels. A national search for a new manager for this combined division is currently underway. A new manager for the Wastewater Treatment Division, which had previously been combined with wastewater collection/pumping, was hired via an internal promotion in February 2002. An Administrative Services Division has also been established, with a former city auditor being selected as its manager in November 2001. This new division will be critical to the future success of the water utility, as it will provide and coordinate support services that include personnel and training administration, purchasing, budgeting, inventory management, database/technology administration, GIS development and maintenance, and communications and public education/involvement programs.

STORMWATER MANAGEMENT SYSTEM

The City operates and maintains the Stormwater System to serve the 96 square miles within the City's incorporated limits. The Stormwater System consists of approximately 5,200 drainage structures, 310 miles of pipe, 245 miles of roadside ditches, 16 miles of minor to medium outfall ditches, 26 miles of major outfall canals, and 298 Stormwater Management Facilities.

The operation, maintenance and expansion of the Stormwater System are funded through a stormwater utility fee. The utility user fee method of funding is felt to be more equitable than an ad valorem tax assessment for two reasons. First, the community wide cost of managing stormwater runoff is more closely related to the amount of runoff generated from a property than it is to the taxable value of a property. In addition, the runoff generated from a property is closely associated with its impervious area, thus the City uses impervious area as the basis for the stormwater fee.

Management Discussion of Operations

The Stormwater program is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater fund. The fund is comprised of two program units: management and maintenance, both of which are housed in the Public Works Department. The management unit is responsible for a number of activities including administration of the Stormwater Utility, development of rates, planning and construction of utility infrastructure, and compliance with federal and state environmental requirements. The maintenance unit is located within the Streets and Drainage Division of Public Works and is responsible for maintenance of City owned drainage infrastructure. Each program utilizes current revenue to fund both operating and current year major and minor capital improvements.

Maintenance operations were funded at approximately $2.8 million during FY 2002. In addition to maintenance, a major portion of annual revenue goes to capital improvements to improve and expand the physical drainage system. The FY 2002 Five Year Capital Improvement Program Plan included 16 projects. The total cost of these projects is approximately $22.2 million, which is programmed for FY 2002 through FY 2006. At this time, no debt funding is programmed for any ongoing or future stormwater projects. Previously, the use of debt funding was anticipated for two projects, but this proved to be unnecessary when project delays unrelated to funding allowed the projects to be cash funded.

Stormwater System Rates and Revenue

The base stormwater fee is $6.25 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 (SF). In these terms, the base monthly stormwater fee can be considered to be $6.25 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 SF). The resulting multiple number of ERUs is then multiplied by the base monthly fee ($6.25 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Utility has approximately 68,800 customers. While approximately 88% of the customer base is residential, the 12% non-residential customer base generates approximately 53% of the annual revenue. This again reflects the higher density of impervious area on non-residential sites.

The FY 2002 revenue projection based on the current stormwater fee of $6.25 per ERU is $9.9 million. The current rate resolution adopted by the City Commission indicates an intent to increase rates annually in proportion to the increase in the Consumer Price Index.

Selected Statistics Consolidated Utility System

Water System

Fiscal Year Ended September 30	1997	1998	1999	2000	2001
Miles of Water Mains	945	962	973	1,100	1,200
Plant Capacity	73.60	73.60	73.60	73.20	73.60
Daily Avg. Consumption (MGD)	26.04	25.71	25.18	27.60	25.49
Residential					
Avg. No. of Customers	56,362	57,433	58,996	60,641	61,947
Water Sold (000)	4,202,566	5,321,454	5,091,508	5,652,397	5,045,555
Avg. Sales Per Customer	74,564	92,655	86,303	93,210	81,450
Commercial					
Avg. No. of Customers	6,190	6,350	6,497	6,691	6,861
Water Sold (000)	3,475,228	3,857,788	3,909,787	4,218,096	4,085,916
Avg. Sales Per Customer	561,426	607,526	601,783	630,413	595,528
Interdepartmental					
Avg. No. of Customers	327	336	344	346	349
Water Sold (000)	162,355	203,261	187,789	203,844	171,763
Avg. Sales Per Customer	496,498	604,943	545,898	589,145	492,158

Sewer System

Fiscal Year Ended September 30	1997	1998	1999	2000	2001
Miles of Sanitary Sewers	804	815	825	925	934
Annual Flow Millions of Gallons	6,085	5,862	5,867	6,399	6,278
Daily Average Treatment (MGD)	16.67	16.06	16.07	17.48	17.24
Rainfall (fiscal year totals)	65.34	70.46	46.91	42.24	63.12
Gallons Treated Per Customer	116,148	109,669	106,769	111,447	108,650
Avg. No. of Customers					
Residential	47,329	48,248	49,666	51,041	52,291
Commercial	4,967	5,110	5,188	5,292	5,398

Water System Ten Largest Customers by Consumption (as of 9/30/01)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	$3,953,138	$527,636	3.04%
State of Florida	3,056,331	445,687	2.57%
Florida A&M University	2,288,733	290,835	1.68%
City Government	1,835,427	315,610	1.82%
Federal Government	1,226,211	162,981	0.94%
Leon County School Board	1,168,875	170,359	0.98%
Leon County Government	732,234	99,278	0.57%
TMH (Hospital)	643,222	119,956	0.69%
Wolverine Properties	321,076	39,233	0.23%
Blairstone Apartments	261,989	32,024	0.18%

Sewer System Usage and Capacity

Fiscal Year Ended	1997	1998	1999	2000	2001
Average Number of Customers					
Residential	47,329	48,248	49,666	51,041	52,291
Commercial	4,967	5,110	5,188	5,292	5,398
Interdepartmental	90	93	93	97	99
Annual Flow (Millions of Gallons)					
Wastewater Treatment Plants					
Lake Bradford Road	1200	1148	1,062	1,163	1,209
Municipal Airport	12	8	0	0	0
Thomas P. Smith	4,873	4,707	4,805	5,236	5,070
Total Annual Flows	6,086	5,863	5,867	6,399	6,279
Average Daily Flow (MGD)	16.67	16.06	16.07	17.48	17.2
Rated Capacity (MGD)	32.06	32.00	32.00	32.00	32.00

Water System Usage and Capacity

Fiscal Year Ended	1997	1998	1999	2000	2001
Miles of Water Mains	945	962	973	1,100	1,200
Daily Average Consumption (MGD)	26.04	25.71	25.18	27.6	25.49
Well Capacity (MGD)	73.60	73.60	73.60	73.60	73.60
Average Number of Customers	62,900	64,119	65,836	67,678	61,947
Percentage Growth in Connections	1.02	1.02	1.03	1.03	0.92

Water Rates (Effective 10/1/96)

Monthly Rate:	
Customer Charge	$ 5.10
Usage Charge Per 1000 Gallons Per Month	1.22
Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
3/4 or Smaller	8.15
1	20.38
1 1/2	40.75
2	65.20
3	130.40
4	203.75
6	407.50
8	652.00

Sewer Rates (Effective 10/1/96)

Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
3/4 or Smaller	$ 8.40
1	21.00
1 1/2	42.00
2	67.20
3	134.40
4	210.00
6	420.00
8	672.00
Monthly Usage Charge:	
Usage Charge Per 1000 Gallons Per Month	2.68

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

Fiscal Year Ended	1997	1998	1999	2000	2001
Operating Revenues					
Water	16,935	19,585	19,560	21,115	19,917
Sewer	23,770	24,289	25,583	25,555	25,239
Total Operating Revenues	40,705	43,874	45,143	46,670	45,156
Operating Expenses					
Water	11,271	9,632	9,268	9,988	9,908
Sewer	20,307	18,176	17,228	18,485	18,488
Total Operating Expenses	31,578	27,808	26,496	28,473	28,396
Net Operating Revenue	9,127	16,066	18,647	18,197	16,760
Gross Stormwater Revenue	9,242	8,975	12,599	9,898	13,249
Other Revenue	1,955	2,062	1,832	2,181	3,377
Total Pledged Revenue					
Available for Debt Service	20,324	27,103	33,078	30,276	33,386
Debt Service	8,016	8,012	7,833	7,826	5,167
Coverage	2.54x	3.38x	4.22x	4.15x	6.46x

* This schedule is restated due to the migration of the Gas System to the Energy System in FY 2001. Gas System revenues are now included in the Energy System statistics.

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Sewer	Water	Stormwater	Totals Memorandum Only
ASSETS				
Current Assets:				
Cash and Cash Equivalents/Investments..........	$ 1,665	$ 802	$ 25,847	$ 28,314
Securities Lending Collateral...........................	338	163	5,315	5,816
Receivables:				
Accrued Interest	16	29	217	262
Customers..	1,813	1,606	641	4,060
Others..	----	----	----	----
Less: Allowance for Doubtful Accounts.........	(253)	(292)	----	(545)
Inventory	1,942	56	----	1,998
Total Current Assets....................................	5,521	2,364	32,020	39,905
Restricted Assets:				
Cash and Cash Equivalents/Investments..........	13,776	21,534	----	35,310
Total Investments..	3,551	492	----	4,043
Securities Lending Collateral...........................	3,527	4,464	----	7,991
Accrued Interest Receivable............................	122	160	----	282
Accounts Receivable	784	96	----	880
Total Restricted Assets................................	21,760	26,746	----	48,506
Other Assets:				
Unamortized Bond Issue Cost.........................	496	74	----	570
Total Other Assets.......................................	496	74	----	570
Fixed Assets:				
Fixed Assets	217,553	101,967	----	319,520
Less: Accumulated Depreciation....................	(57,889)	(27,342)	----	(85,231)
Construction in Progress................................	4,267	4,221	----	8,488
Total Fixed Assets......................................	163,931	78,846	----	242,777
Total Assets..	$ 191,708	$ 108,030	$ 32,020	$ 331,758

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Sewer	Water	Stormwater	Totals Memorandum Only
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Obligations Under Securities Lending..............	$ 338	$ 163	$ 5,315	$ 5,816
Accounts Payable...	304	185	285	774
Deferred Revenue..	----	----	4,136	4,136
Accrued Leave..	606	201	----	807
Customer Contracts Payable.........................	950	475	----	1,425
Due To Other Funds......................................				----
Utility Deposits Payable................................	----	548	----	548
Total Current Liabilities..............................	2,198	1,572	9,736	13,506
Payable from Restricted Assets:				
Obligations Under Securities Lending..............	3,527	4,464	----	7,991
Retainage and Accounts Payable...................	223	92	----	315
Total Payable from Restricted Assets..........	3,750	4,556	----	8,306
Other Liabilities:				
Loans from Other Funds................................	3,859	3,577	----	7,436
Customer Contracts Payable.........................	1,574	1,076	----	2,650
Accrued Leave..	416	82	----	498
Loans Payable..	----	----	----	----
Bonds Payable..	51,919	9,096	----	61,015
Bond Discount...	716	90	----	806
Deferment of Loss on Early Retirement of Debt.	(1,102)	(479)	----	(1,581)
Total Other Liabilities.................................	57,382	13,442	----	70,824
Total Liabilities...	63,330	19,570	9,736	92,636
Fund Equity:				
Contributed Capital..	13,777	160	--	13,937
Total Reserved..	17,114	22,155	13,104	52,373
Unreserved..	97,487	66,145	9,180	172,812
Total Fund Equity......................................	128,378	88,460	22,284	239,122
Total Liabilities and Fund Equity...................	$ 191,708	$ 108,030	$ 32,020	$ 331,758

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Sewer	Water	Stormwater	Totals Memorandum Only
Operating Revenues:				
Charges for Services:				
Residential Sales	$12,774	$10,008	$ ----	$22,782
Commercial and Industrial Sales	10,391	6,368	----	16,759
Sales to Other Funds	----	----	69	69
Surcharge	317	899	----	1,216
Tapping Fees	133	753	----	886
Late Fees	----	140	----	140
Initiating Service	----	315	----	315
Rentals	----	146	----	146
Cut ins and Cut fees	----	189	----	189
Other	1,624	1,099	10,793	13,516
Total Operating Revenues	25,239	19,917	10,862	56,018
Operating Expenses:				
Stormwater Physical Environment	----	----	10,828	10,828
Personnel Services	7,577	2,355	----	9,932
Gas Purchased	----	----	----	
Contractual Services	7,365	5,365	----	12,730
Materials and Supplies	1,925	521	----	2,446
Other Expenses	1,622	1,667	----	3,289
Less: Applied Equipment Charges	(1)	----	----	(1)
Depreciation	4,282	1,987	----	6,269
Amortization	30	----	----	30
Total Operating Expenses	22,800	11,895	10,828	45,523
Operating Income	$ 2,439	$ 8,022	$ 34	$10,495

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
SELECTED FINANCIAL DATA
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Sewer	Water	Stormwater	Totals Memorandum Only
Non Operating Revenues (Expenses):				
Interest Revenue...	$1,157	$1,432	$1,403	$ 3,992
Net Increase (Decrease) in the Fair Value of Investments...................................	235	339	398	972
Gain on Sale of Surplus Property...................	----	----	----	----
Other Revenues...	4,289	2,215	586	7,090
Interest Expense..	(3,001)	(461)	----	(3,462)
Other Expenses...	(136)	(168)	----	(304)
Total Non Operating Revenues (Expenses).	2,544	3,357	2,387	8,288
Income Before Operating Transfers............	4,983	11,379	2,421	18,783
Operating Transfers In (Out):				
Operating Transfers In...................................	1	11	12	24
Operating Transfers Out................................	(1,275)	(4,184)	(208)	(5,667)
Net Income..	3,709	7,206	2,225	13,140
Disposition of Net Income:				
Depreciation on Contributed Assets................	650	18	--	668
Net Increase in Retained Earnings..............	4,359	7,224	2,225	13,808
Retained Earnings October 1	110,242	81,076	20,060	211,378
Residual Equity Transfers Out..........................	----	----	----	----
Retained Earnings September 30................	$ 114,601	$ 88,300	$ 22,285	$225,186

TALLAHASSEE REGIONAL AIRPORT

The City of Tallahassee owns and operates the Tallahassee Regional Airport (Airport), 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 commercial services, the Airport supports air freight, business and pleasure flying, and civil and military training operations.

Organization, Management and History

The Director of Aviation is appointed by and serves at the pleasure of the City Manager, who is appointed by the City Commission. The Aviation Department is comprised of six divisions: Management, Business Services, Finance and Administration, Facilities Management, Operations, and Capital Program Administration. With a staff of 45 employees, the divisions manage a variety of operations and activities. The City's Police and Fire Departments provide law enforcement, aircraft rescue, and firefighting services at the Airport.

Commercial Service Air Carriers

The Airport is currently served by seven commercial air carriers: US Airways Express, Delta, Comair, SkyWest, Atlantic Southeast Airlines (ASA), Northwest Airlink, and AirTran Airways. Four of the carriers (US Airways, Delta, Comair, ASA) are signatories to an Airlines Use Agreement with the Airport. This agreement provides that rentals, fees, and charges for the signatory airlines will be sufficient to provide for all net costs attributable to the apron area, a portion of the net costs attributable to the landing area, and a portion of the costs attributable to the terminal. The signatory airlines participate in approximately 50% of the Airport's net income. Rates for non-signatory airlines are 125% of the signatory airline rates and they do not share in net income.

Recent and Upcoming Developments

Tallahassee Regional Airport, not unlike the other small hub airports throughout the country, has experienced the impact of deregulation on its commercial carrier activity, which has resulted in lower competition. The business community believes lower competition has had a negative impact on economic development. The Airport has continued to approach carriers about providing service to the Tallahassee market by demonstrating the potential profitability of providing service. In FY 2001, the Airport added one new airline and one new hub serviced out of Tallahassee. After two years of discussions, the City was successful in attracting AirTran Airways to Tallahassee. AirTran began serving Atlanta and Tampa with continuing service to Miami on November 15, 2001. AirTran is expected to bring competition to the Tallahassee market that will have a significant impact on lowering rates. Delta Airlines has also lowered their fares in order to compete with AirTran.

The City was also successful in convincing Comair to serve their Cincinnati hub, as well as Fort Lauderdale with their regional jets. Beginning January 2002, Delta's affiliate SkyWest Airlines joined the Delta Connection carriers (Comair and ASA) already serving Tallahassee. SkyWest will provide service to Delta's Dallas hub. Four years ago Tallahassee only had access to two airline hubs –Delta's Atlanta hub and US Air's Charlotte hub. Today, the list is expanded to also include Northwest's Memphis hub, Comair's Cincinnati hub, AirTran's Atlanta hub, and Delta's Dallas hub. With SkyWest providing new options for the west and southwest, Tallahassee now has strong service connections to every major region of the United States.

Management Discussion of Operations

The Airport is not supported by any local government revenue. 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 approximately 50% of the Airport's net income is utilized to reduce terminal lease rates and landing fees. The non-signatory airlines are required to pay 125% of the signatory airline rates. Under a public/private partnership, Flightline Development, Inc. is performing $1.3 million in T-hangar development. They have also assumed responsibility of aircraft storage operations and development.

The Airport's Capital Improvement Program is primarily supported from Federal Aviation Administration (FAA) entitlement funding, which was increased from $1.4 million to $3.2 million per year with AIR 21 legislation, Passenger Facility Charges (PFC), and Florida Department of Transportation (FDOT) grants. The increased funding levels from the FAA entitlements, coupled with increased availability of passenger facility charge funds, have more than tripled available construction funding and accelerated the Airport's Capital Improvement Program implementation of many projects. As a result, the Capital Program Administration unit has been established for FY 2002 to manage the Airport's Capital Program. Typically, the FAA will participate at 90% of a project's cost. The FDOT generally participates at a 50% level for non-eligible FAA projects. The Aviation Department's Capital Program focuses on safety, security, facilities maintenance, and customer service enhancements. Projects may be deferred or eliminated irrespective of this focus until anticipated funding materializes.

The current PFC Authorization is scheduled to expire in September 2002. The Airport will be submitting a new PFC Application to the FAA that will fund $10,231,000 of an estimated $40,519,000 of Capital Improvements, with $24,907,000 coming from the FAA Airport Improvement Program and the balance from FDOT and local sources.

Security Issues

As a result of the September 11, 2001, terrorist attacks, Tallahassee Regional Airport, as well as every airport throughout the country, has been compelled to abide by stricter FAA regulations for security. The enhanced security costs are a few of the impacts that the Airport has or expects to experience in the months ahead. Enhanced security costs will be borne by the Airports, the airlines, and/or ultimately passed on to the traveling public. January 18, 2002, was an important date in airport security since that is the date mandated by law for all baggage to be inspected for explosives. This has the potential for increasing delays at the airport.

Main Entrance to Airport Terminal

Airport System Debt

As of September 30, 2001, the City had outstanding debt of $8,970,000, which represents the balance of the Airport's Systems Refunding Bonds, Series 1995. The bonds original issue amount was $11,995,000 and was dated November 15, 1995.

The Airport utilized the City's Internal Loan Pool (See *"Other Debt Financing - Sunshine State Governmental Financing Commission"*) to fund its share of construction costs associated with the new FAA control tower. The outstanding balance of the loan for the control tower as of FY 2001 is $2,843,000 with the security for the loan being lease payments from the FAA for the control tower use.

Selected Airport Statistics

Airport Financial Statistics

For Fiscal Year Ending Sept. 30	1997	1998	1999	2000	2001
Revenue Per Enplaned Passenger	$ 15.45	$ 15.27	$ 16.35	$ 16.22	$ 16.85
Debt Per Enplaned Passenger	40.76	39.69	29.98	27.90	20.29

Aircraft Operations Landings and Take offs

For Fiscal Year Ending Sept. 30	1997	1998	1999	2000	2001
Air Carrier Operations(1)	5,357	5,183	5,004	4,401	3,468
Air Taxi Operations(2)	44,962	39,612	38,888	38,793	35,217
General Aviation					
Itinerant Operations	39,706	38,483	43,516	44,015	39,254
Local Operations	22,948	18,880	18,232	22,208	16,313
Military					
Itinerant Operations	5,004	5,102	6,220	6,841	7,764

(1) Consists of planes of 50 or more seats

Enplanements by Carrier

For Fiscal Year Ending Sept. 30	1997	1998	1999	2000	2001
USAirways/ Piedmont	123,215	132,493	82,691	82,209	92,318
Mesa (1)	57,917	41,311	9,129	4,750	0
CC Air (2)	0	0	50,846	51,155	36,355
Air Midwest (3)	0	327	9,009	9,327	10,708
Delta	173,498	192,379	188,039	183,140	151,059
Comair	82,446	83,819	81,586	78,482	55,086
Atlantic Southeast	8,098	8,633	15,937	30,800	56,008
Continental Connection/Gulfstream (4)	25,696	12,735	15,827	13,810	11,342
NorthWest Airlines (6)	0	0	0	6,032	28,856
Florida Air (FL AIR) (6)	0	0	0	0	350
Total Enplanements	470,870	471,697	453,064	459,705	442,082

(1) Mesa discontinued services in April 2000
(2) CC Air services commenced October 1998
(3) Air Midw est services commenced October 1998
(4) Continental Connection discontinued service October 2001
(5) Northw est Airlink service commenced July 2000
(6) Florida Air services from February through April 2001

Airlines and Market Shares

For Fiscal Year Ending Sept. 30	Enplanements	Market Share
USAirways/Piedmont	92,318	20.88%
CC Air	36,355	8.22%
Air Midwest	10,708	2.42%
Delta	151,059	34.17%
Comair	55,086	12.46%
Atlantic Southeast	56,008	12.67%
Continental Connection/Gulfstream	11,342	2.57%
NorthWest Airlines	28,856	6.53%
Florida Air (FL AIR)	350	0.08%
Total	442,082	100.00%

CITY OF TALLAHASSEE
AIRPORT SYSTEM
HISTORICAL OPERATING RESULTS
Fiscal Year Ended September 30

	1997	1998	1999	2000	2001
Operating Revenues (1)	$ 6,683,000	$6,801,000	$6,842,100	$7,036,000	$7,449,000
Prepaid Fees Credit (1)	588,000	400,000	561,900	568,096	568,096
Operating Expenses (2)	4,820,000	5,316,000	5,021,000	4,862,000	5,277,000
Non operating Revenues(Expenses)	190,000	205,000	212,000	202,000	305,000
Revenues Available for Debt Service	2,453,000	2,091,000	2,595,000	2,944,096	3,045,096
Sr. Lien Debt Service	1,168,000	1,164,000	978,000	979,000	979,000
Sr. Lien Debt Service Coverage	2.10x	1.80x	2.77x	3.01x	3.11x

(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.

CITY OF TALLAHASSEE, FLORIDA
AIRPORT FUND
BALANCE SHEET
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	September 30 2001	September 30 2000
ASSETS		
Current Assets:		
Cash and Cash Equivalents/Investments	$ 1,672	$ 1,584
Securities Lending Collateral	310	321
Receivables:		
Accrued Interest	21	21
Customers	583	514
Less: Allowance for Doubtful Accounts	(58)	(48)
Inventory		16
Total Current Assets	2,528	2,408
Restricted Assets:		
Cash and Cash Equivalents/Investments:		
Renewal and Replacement	3,995	3,656
Revenue Bonds Debt Service	617	577
Other Construction	4,662	3,287
Total Cash and Cash Equivalents/Investments	9,274	7,520
Investments:		
Revenue Bonds Reserve	1,170	1,171
Total Investments	1,170	1,171
Securities Lending Collateral	2,148	2,071
Receivables:		
Accrued Interest	77	70
Other		118
Total Receivables	77	188
Due from Other Governments	710	317
Total Restricted Assets	13,379	11,267
Other Assets:		
Unamortized Bond Issue Cost	149	162
Total Other Assets	149	162
Fixed Assets:		
Fixed Assets Cost	85,520	84,170
Less: Accumulated Depreciation	(29,643)	(27,586)
Construction in Progress	7,587	5,577
Total Fixed Assets	63,464	62,161
Total Assets	$ 79,520	$ 75,998

Total Fixed Assets	63,464	62,161
Total Assets	$ 79,520	$ 75,998

CITY OF TALLAHASSEE, FLORIDA
AIRPORT FUND
BALANCE SHEET
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)
(Continued)

	September 30 2001	September 30 2000
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Obligations Under Securities Lending	$ 310	$ 321
Accounts Payable	545	329
Accrued Leave	165	150
Prepaid Fees Credit Payable	722	568
Total Current Liabilities	1,742	1,368
Payable From Restricted Assets:		
Obligations Under Securities Lending	2,148	2,071
Loan from Other Funds	2,843	2,990
Retainage and Accounts Payable		125
Total Payable from Restricted Assets	4,991	5,186
Other Liabilities:		
Accrued Leave	181	201
Bonds Payable	8,970	9,450
Bond Discount	(56)	(60)
Deferment of Loss on Early Retirement of Debt	(519)	(589)
Advances from Other Funds	287	383
Total Other Liabilities	8,863	9,385
Total Liabilities	15,596	15,939
Fund Equity:		
Contributed Capital	53,610	50,106
Retained Earnings:		
Reserved for:		
Revenue Bonds Debt Service	558	577
Revenue Bonds Reserve	1,196	1,196
Revenue Bond Renewal and Replacement	3,611	3,656
Total Reserved	5,365	5,429
Unreserved	4,949	4,524
Total Retained Earnings	10,314	9,953
Total Fund Equity	63,924	60,059
Total Liabilities and Fund Equity	$ 79,520	$ 75,998

CITY OF TALLAHASSEE, FLORIDA
AIRPORT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Fiscal Year Ended September 30 2001	2000
Operating Revenues:		
Charges for Services:		
Landing and Tie Down Fees	$ 675	$ 681
Rentals	7,300	6,874
Other	42	49
Total Operating Revenues	8,017	7,604
Operating Expenses:		
Personnel Services	2,235	2,214
Materials and Supplies	324	298
Contractual	2,231	1,862
Other Expenses	487	488
Depreciation	2,423	2,479
Amortization	17	17
Total Operating Expenses	7,717	7,358
Operating Income	300	246
Non Operating Revenues (Expenses):		
Interest Revenue	755	596
Net Increase in the Fair Value of Investments	166	39
Interest Expense	(547)	(712)
Other Expenses	(1,739)	(1,105)
Total Non Operating Expenses	(1,365)	(1,182)
Loss Before Operating Transfers	(1,065)	(936)
Operating Transfers:		
Operating Transfers Out	(562)	(672)
Net Loss	(1,627)	(1,608)
Disposition of Net Loss:		
Depreciation on Contributed Assets	1,988	1,466
Net Increase (Decrease) in Retained Earnings	361	(142)
Retained Earnings October 1	9,953	10,095
Retained Earnings September 30	$ 10,314	$ 9,953

CITY OF TALLAHASSEE, FLORIDA
AIRPORT FUND
SCHEDULE OF OPERATING EXPENSES
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(in thousands)

	Fiscal Year Ended September 30 2001	2000
Administrative and General:		
Personnel Services	$ 559	$ 621
Contractual Services	705	445
Materials and Supplies	45	32
Other Expenses	368	440
Total Administrative and General	1,677	1,538
Public Safety Police:		
Personnel Services	318	332
Contractual Services	41	36
Materials and Supplies	11	1
Other Expenses	10	3
Total Public Safety Police	380	372
Operation and Maintenance:		
Personnel Services	1,358	1,261
Contractual Services	1,485	1,380
Materials and Supplies	268	265
Other Expenses	109	46
Total Operation and Maintenance	3,220	2,952
Other:		
Depreciation	2,423	2,479
Amortization	17	17
Total Other	2,440	2,496
Total Operating Expenses	$ 7,717	$ 7,358

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, among others, Palm Beach County, Dade County, the City of Miami, the City of Lakeland, the City of Vero Beach, Polk County, and the City of Coral Gables. 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 variable rate put bonds and made the proceeds available to its members. The bonds have been continuously secured since issuance by a letter of credit, currently provided by The Sumitomo Bank, Limited; The Fuji Bank, Limited; and The Sanwa Bank, Limited. 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 costs, 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, 2001, the City had six outstanding loan agreements with the Commission under this program, as described below:

- $18,200,000. Loan date: November 1986. Secured by a covenant to budget and appropriate from all non ad valorem revenues of the City; has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011 to 2016, with all principal to be retired by January 30, 2016. As of September 30, 2001, the balance outstanding on this loan was $16,999,730.28.
- $3,550,000. Loan date: May 1991. Secured by a covenant to budget and appropriate from all non ad valorem revenues of the City; has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011 to 2016, with all principal to be retired by January 30, 2016. As of September 30, 2001, the outstanding balance was $3,550,000.
- $1,150,000. Loan date: September 1991. Secured by a covenant to budget and appropriate from all non ad valorem revenues of the City; has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011 to 2016, with all principal to be retired by January 30, 2016. As of September 30, 2001, the outstanding balance was $1,150,000.
- $36,500,000. Loan date: 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.) As of September 30, 2001, the outstanding balance was $35,835,000.
- $7,909,000. Loan date: 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.) As of September 30, 2001, the outstanding balance was $7,765,000.
- $5,050,000. Loan date: 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. This loan has a final maturity of 2015. As of September 30, 2001, the outstanding balance was $4,815,000.

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 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 prorata share of the interest on the outstanding commercial paper, along with all related cost of the Commission associated with operating and maintaining the program.

In 1997, the City originated a borrowing from the 1994 program in the amount of $20,000,000 to provide funding for certain transmission and distribution improvements in the Electric System. The loan was secured by a pledge of electric revenues subordinate to the then outstanding Electric Revenue Bonds. In November 1998, the City sold $143.8 million of the Energy System Revenue Bonds, Series 1998A, and a portion of the bond proceeds was used to fully retire this loan.

In May 2000, the City entered into two new loans under this program, as follows:

- $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 is October 1, 2006, with annual payments of principal and interest. As of September 30, 2001, the outstanding balance was $7,870,000.
- $11,370,000 Gas System Loan, secured by a pledge of subordinate revenues of 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. As of September 30, 2001, the outstanding balance was $10,987,000.

The Conduit Issues

Conduit Issues, Non-profit Organizations

The City has also acted as a conduit for the issuance of bonds for four non-profit organizations in the City: the Tallahassee Memorial HealthCare, Inc., Tallahassee Community College Housing, 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 two such issues outstanding with the liability assigned to the Tallahassee Community Housing, Inc.; Florida State University Schools, Inc. has two issues outstanding; and Tallahassee Community College Housing, Inc. has one outstanding issue.

Tallahassee Community College Foundation, Inc.

The Tallahassee Community College Foundation, Inc. (the 'Founda tion') is a not-for-profit corporation organized and existing as a direct support organization for Tallahassee Community College (TCC) pursuant to the Provisions of Section 240.331, Florida Statutes, and is a corporation described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Foundation was formed for the purpose of fostering interest in TCC; to provide leadership in the promotion for the scientific and educational services; to promote its welfare; to assist in its fulfilling of objectives; to implement the total program of activities of the College in appropriate ways and, to otherwise assist and advance the activities and services of TCC, exclusively, as it serves the citizens of Florida. The Foundation is authorized to receive, hold, invest and administer property, and to make expenditures to, or for the benefit of, the College.

As a 501(c)(3) entity, the Foundation is eligible to obtain tax-exempt financing in the municipal bond market using the City of Tallahassee as a conduit. In May 1990, the City issued $8,900,000 City of Tallahassee, Florida Student Housing Revenue Bonds, Series 1990A, (Tallahassee Community College Foundation, Inc. Project) and $300,000 City of Tallahassee, Florida Taxable Student Housing Revenue Bonds, Series 1990B, (Tallahassee Community College Foundation, Inc. Project), the proceeds of which were loaned to the Foundation for the construction of a 168-unit student housing facility. The bonds were issued and secured under the provisions of a Trust Indenture, and are payable pursuant to a loan agreement, as amended and supplemented, between the City and the Foundation.

The Bonds are special obligations of the City and do not constitute a general obligation or pledge of the faith, credit, or taxing power of the City, the State of Florida, or any political subdivision thereof. Currently, a single bondholder holds all the bonds. These bonds were refinanced in November 2001 with the liability assigned to Tallahassee Community College Housing, Inc. All debt service payments are now current. Additional information about the bonds can be obtained from Claude Walker, President, Tallahassee Community College Housing, Inc., Executive Director, TCC Foundation, 444 Appleyard Drive, Tallahassee, Florida 32304.

Florida State University Schools, Inc.

On August 1, 2000, Florida State University Schools, Inc. ('FSUS') issued $23,330,000 City of Tallahassee, Florida Lease Revenue Bonds (Florida State University Schools, Inc. Project), Series 2000A, and $850,000 City of Tallahassee, Florida Lease Revenue Bonds (Florida State University Schools, Inc. Project), Series 2000B. The Trustee for both of these issues is SunTrust Bank, Orlando, Florida. FSUS, a not-for-profit corporation organized under Chapter 617, Florida Statutes, has been granted a charter by Florida State University ('FSU'), to operate a new K-12 charter developmental research school, located within the corporate limits of the City, pursuant to Section 228.056(4)(e), Florida Statutes. The proceeds of the bond issues will be used to construct the school, designed to accommodate approximately 1,600 students and related facilities, including administrative offices and athletic fields. St. Joe/Arvida Corporation provided a $5,000,000 grant to FSUS, for the purchase of land adjacent to SouthWood, a new community being developed south of the City. (See *The City of Tallahassee –SouthWood*)

The bonds are special obligations of the City and do not constitute a general obligation or pledge of the faith, credit, or taxing power of the City, the State of Florida, or any political subdivision thereof. FSUS has entered into a lease agreement for the school, pledging as security the charter school capital outlay funds provided pursuant to Section 228.053(9), Florida Statutes. The revenues from these sources should be sufficient to retire all the bonds. Failure of the revenues to be sufficient to pay the lease payments will allow the Trustee to take and operate the facility.

Conduit Issues, Industrial Development, and Industrial Revenue Bonds

Occasionally, the City also acts as a conduit issuer for private industries in the issuance of Industrial Development Revenue Bonds. There are currently seven issues 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 Bonds currently outstanding were issued as follows:

- $1,500,000 Tallahassee, Florida, Downtown Improvement Authority, Industrial Development Revenue Bond (Governor's Inn Project), Series 1983. Trustee –First Union National Bank of Florida, Jacksonville, Florida.
- $1,250,000 Tallahassee, Florida, Downtown Improvement Authority, Industrial Development Revenue Bond (Chiles, Tichenor, Lindner, Rumrell Project), Series 1984. Trustee –First Union National Bank of Florida, Jacksonville, F lorida.

- $1,700,000 Tallahassee, Florida, Downtown Improvement Authority, Industrial Development Revenue Bonds (Wescott Station Project), Series 1985. Trustee –Bank of New York, Jacksonville, Florida.
- $100,000 Tallahassee, Florida, Downtown Improvement Authority, Industrial Development Revenue Bonds (Wescott Station Project), Series 1986. Trustee –Bank of New York, Jacksonville, Florida.
- $1,500,000 City of Tallahassee, Florida, Industrial Development Revenue Bonds (Dykes Industries, Inc. Project), Series 1990. Trustee –Signet Trust Company, Richmond, Virginia.
- $2,200,000 City of Tallahassee, Florida, Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000A. Trustee –First Union National Bank, Jacksonville, Florida.
- $2,000,000 City of Tallahassee, Florida, Taxable Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000B. Trustee – First Union National Bank, Jacksonville, Florida.

[This page intentionally left blank.]

$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 1993A and 1993B 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, and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

Form

$15,360,000 Serial Bonds due October 1, 2019. 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 –First Union National Bank of Florida, Jacksonville, FL.
Paying Agent –First Union National Bank of Florida, Jacksonville, FL.
Trustee –First Union National Bank of Florida, Jacksonville, FL.
Bond Counsel –Bryant Miller and Olive, P.A., Tallahassee, FL.

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

(Continued)

Summary of Remaining Debt Service Requirements

Fiscal Year Ending	Interest Rate	Principal	Interest	Total
2002	3.00%	$ 1,300,000.00	$ 517,726.53	$ 1,817,726.53
2003	2.30%	1,380,000.00	499,675.00	1,879,675.00
2004	3.00%	1,410,000.00	467,935.00	1,877,935.00
2005	3.25%	1,450,000.00	425,635.00	1,875,635.00
2006	3.25%	1,500,000.00	378,510.00	1,878,510.00
2007	3.50%	1,550,000.00	329,760.00	1,879,760.00
2008	3.65%	1,600,000.00	275,510.00	1,875,510.00
2009	3.75%	1,660,000.00	217,110.00	1,877,110.00
2010	3.80%	1,720,000.00	154,860.00	1,874,860.00
2011	5.00%	1,790,000.00	89,500.00	1,879,500.00
Totals		**$ 15,360,000.00**	**$ 3,356,221.53**	**$ 18,716,221.53**

[This page intentionally left blank.]

$143,800,000
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 subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992A, (the 'Minibonds') and its Electric System Refunding Revenue Bonds, Series 1992A, and on parity with its Energy System Refunding Revenue Bonds, Series 1998A, and Energy System Revenue Bonds, Series 1998B.

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 semi-annually on each April 1 and October 1, commencing October 1, 2001.

Agents

Registrar –First Union National Bank of Florida, Jacksonville, FL.
Paying Agent –First Union National Bank of Florida, Jacksonville, FL.
Bond Counsel –Bryant Miller and Olive, P.A., Tallahassee, FL.

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 dates inclusive)	Redemption Prices
October 1, 2011 through September 30, 2012	101%
October 1, 2012 and thereafter	100%

Mandatory Redemption

The Series 2001 Bonds that mature on October 1, 2019, 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, 2017, and on each October 1 thereafter in the following principal amounts in the years specified:

Year	Amount
2017	$ 1,060,000
2018	1,120,000
2019 (final maturity)	1,175,000

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

(Continued)

Summary of Remaining Debt Service Requirements

Fiscal Year Ending	Interest Rate		Principal	Interest	Total
2002	4.00%		$ 715,000.00	$ 829,790.00	$ 1,544,790.00
2003	4.00%		745,000.00	801,190.00	1,546,190.00
2004	4.00%		775,000.00	771,390.00	1,546,390.00
2005	4.00%		800,000.00	740,390.00	1,540,390.00
2006	4.00%		840,000.00	708,390.00	1,548,390.00
2007	4.10%		870,000.00	674,790.00	1,544,790.00
2008	4.20%		905,000.00	639,120.00	1,544,120.00
2009	4.30%		940,000.00	601,110.00	1,541,110.00
2010	4.40%		985,000.00	560,690.00	1,545,690.00
2011	5.00%		1,030,000.00	517,350.00	1,547,350.00
2012	5.50%		1,075,000.00	465,850.00	1,540,850.00
2013	5.50%		1,140,000.00	406,725.00	1,546,725.00
2014	5.50%		1,200,000.00	344,025.00	1,544,025.00
2015	5.50%		1,000,000.00	278,025.00	1,278,025.00
2016	5.50%		1,005,000.00	223,025.00	1,228,025.00
2017	5.00%	(1)	1,060,000.00	167,750.00	1,227,750.00
2018	5.00%	(2)	1,120,000.00	114,750.00	1,234,750.00
2019	5.00%	(3)	1,175,000.00	58,750.00	1,233,750.00
Totals			**$ 17,380,000.00**	**$ 8,903,110.00**	**$ 26,283,110.00**

(1) Term bonds maturing 2017
(2) Term bonds maturing 2018
(3) Term bonds maturing 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 which includes the Water System, Sewer 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 –First Union National Bank of Florida, Jacksonville, FL.
Paying Agent –First Union National Bank of Florida, Jacksonville, FL.
Trustee –First Union National Bank of Florida, Jacksonville, FL.
Bond Counsel –Bryant Miller and Olive, P.A., Tallahassee, FL.

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 SYSTEM REVENUE BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Fiscal Year Ending	Interest Rate	Principal	Interest	Total
2002	4.00%	$ 790,000.00	$ 1,140,862.50	$ 1,930,862.50
2003	4.00%	815,000.00	1,109,262.50	1,924,262.50
2004	4.00%	850,000.00	1,076,662.50	1,926,662.50
2005	4.00%	890,000.00	1,042,662.50	1,932,662.50
2006	4.00%	920,000.00	1,007,062.50	1,927,062.50
2007	4.00%	960,000.00	970,262.50	1,930,262.50
2008	4.25%	995,000.00	931,862.50	1,926,862.50
2009	5.00%	1,040,000.00	889,575.00	1,929,575.00
2010	5.00%	1,090,000.00	837,575.00	1,927,575.00
2011	4.500%	1,140,000.00	783,075.00	1,923,075.00
2012	5.500%	1,195,000.00	731,775.00	1,926,775.00
2013	5.500%	1,260,000.00	666,050.00	1,926,050.00
2014	5.500%	1,330,000.00	596,750.00	1,926,750.00
2015	5.500%	1,710,000.00	523,600.00	2,233,600.00
2016	5.500%	1,800,000.00	429,550.00	2,229,550.00
2017	5.500%	1,900,000.00	330,550.00	2,230,550.00
2018	5.500%	2,000,000.00	226,050.00	2,226,050.00
2019	5.500%	2,110,000.00	116,050.00	2,226,050.00
Totals		**$ 22,795,000**	**$ 13,409,238**	**$ 36,204,238**

Photo credits:

Patriotic Sand Sculpture, **Courtesy of City Treasurer-Clerk's Office**

Construction on the Challenger Center/IMAX, **Courtesy of City Treasurer-Clerk's Office**

T&D Crew at work on a transmission tower, **Courtesy of the City Electric Department**

Arvah B. Hopkins Generating Station, **Courtesy of City Electric Department**

Gas Utility workers repairing a gas main, **Courtesy of City Purdom Unit 8 Project Team**

Water Utility crew working on a fire hydrant, **Courtesy of City Water Department**

Main entrance to Tallahassee Regional Airport Terminal, **Courtesy of Tallahassee Regional Airport**

[This page intentionally left blank.]

[This page intentionally left blank.]