

ANNUAL REPORT TO BONDHOLDERS



February 2005

City of Tallahassee

Elected Officials

John R. Marks, III, Mayor

Andrew D. Gillum, Mayor Pro Tem - Commissioner

Mark Mustian
Commissioner

Allan J. Katz
Commissioner

Debbie Lightsey
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, Sealy & Company
Orlando, Florida

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2005 Annual Report to Bondholders has been prepared by the City of Tallahassee to provide information concerning the City, its financial operations and its indebtedness. This information is made available to requesting, current security holders and potential purchasers of securities in the secondary market, dealers, security analysts, rating agencies, Nationally Recognized Municipal Securities Information Repositories (NRMSIRs), and other interested parties. The City of Tallahassee has selected DAC, an Ernst & Young LLP Company, as the City's disclosure/dissemination agent. This 2005 Annual Report to Bondholders can be found on the DAC website at www.dac-ey.com. The DAC website also hosts related City documents including official statements for outstanding debt. Individuals or firms that have indicated an interest in reviewing the report are notified when the report is available on the DAC website. Anyone interested in being added to the distribution list should make that request in writing to the address listed at the bottom of this section.

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

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

- § \$86,210,000 Capital Bonds, Series 2004, dated December 7, 2004.
- § \$15,360,000 Capital Refunding Bonds, Series 2001, dated October 15, 2001.
- § \$27,630,000 Energy System Refunding Revenue Bonds, Series 2002, dated August 1, 2002.
- § \$17,680,000 Energy System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- § \$143,800,000 Energy System Refunding Revenue Bonds, Series 1998A, dated November 1, 1998.
- § \$49,220,000 Energy System Revenue Bonds, Series 1998 B, dated November 1, 1998.
- § \$23,900,000 Consolidated Utility Systems Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- § \$46,780,000 Consolidated Utility Systems Revenue Bonds, Series 1995, dated July 1, 1995.
- § \$7,355,000 Airport System Revenue Refunding Bonds, Series 2004, dated August 31, 2004.

The release of this report satisfies, in the City's opinion, the requirements for annual disclosure as set forth in the undertakings. The City is committed to fulfilling its disclosure obligations, as now or as may hereafter be defined by the SEC. While the City is committed to the release of secondary market information necessary to evaluate the City's credit, the City is making no on-going commitment to the publication and release of future Reports to Bondholders and in the future its disclosure obligations may be met through supplements or enhancements to its Comprehensive Annual Financial Report or through the release of other documents.

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

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

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

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8210
treasury@talgov.com

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
THE CITY OF TALLAHASSEE	3
GENERAL GOVERNMENT	7
RESOLUTION NO. 04-R-44	11
RESOLUTION NO. 01-R-48	28
CAPITAL BONDS, SERIES 2004	55
CAPITAL REFUNDING BONDS, SERIES 2001	57
ENERGY SYSTEM	59
ELECTRIC SYSTEM	61
GAS SYSTEM	70
RESOLUTION NO. 98-R-0057	74
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2002	80
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2001	83
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1998 A	84
ENERGY SYSTEM REVENUE BONDS, SERIES 1998 B	87
THE CONSOLIDATED UTILITY SYSTEM	90
WATER SYSTEM	91
WASTEWATER SYSTEM	92
STORMWATER SYSTEM	94
RESOLUTION NO. 01-R-25	99
CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2001	109
CONSOLIDATED UTILITY SYSTEM REVENUE BONDS, SERIES 1995	111
TALLAHASSEE REGIONAL AIRPORT	114
RESOLUTION NO. 04-R-31	119
AIRPORT SYSTEM REVENUE BONDS, SERIES 2004	123
OTHER DEBT FINANCING	125

EXECUTIVE SUMMARY

The City's Annual Report to Bondholders (ARBH) is designed to provide a reader, with no prior background, general information regarding the City and its debt. For those readers who regularly follow the City, much of the information contained herein may be repetitive. To assist those readers, the most significant changes since last year's report are highlighted below. Readers are encouraged to read the report in its entirety even though the City, by means of this executive summary, identifies only those events that it believes to be the most important that have occurred since the publication of the 2004 ARBH.

Property Tax

Because of the number of state and federal offices locally and the presence of two universities and a community college, less than 50% of the property located within the City is subject to taxes. The FY 2005 millage rate of 3.7 mills is unchanged from FY 2004. Estimates for property tax receipts beyond FY 2005 assume continuation of the millage rate and a growth rate of 5%.

General Fund Transfer

Beginning in FY 2004, the base for Electric Fund transfers has been set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. Accordingly, the annual transfers vary with changes in retail sales of electricity. The transfer levels for water, sewer, and solid waste have been set as a percentage of the prior three-year average of gross system revenues for each utility. The solid waste transfer was new in FY 2004. The percentages for water, sewer and solid waste are 20%, 4.5%, and 0.75%, respectively.

Blueprint 2000

A local option one-cent sales tax has been in effect since November 1989 to provide funding for transportation projects and law enforcement facility improvements. This local option sales tax has been extended until 2019. Beginning in December 2004, these taxes have been allocated 80% to Blueprint 2000 projects and 10% each to the City of Tallahassee and Leon County projects. Blueprint 2000 is an intergovernmental agency formed to meet infrastructure and natural resource management needs that affect both Leon County and the City of Tallahassee. Future uses include critically needed community initiatives, including stormwater projects, green space acquisitions, park and other recreation improvements, and transportation projects. In 2003, Blueprint 2000 issued \$70,000,000 of bonds supported by the Blueprint 2000 share of the one-cent local sales tax.

Electronic Dissemination of Information

As part of its continuing effort to efficiently provide continuing disclosure information to investors and other users, the City of Tallahassee has begun to make use of electronic methods for dissemination of information. Information is available at several locations, including the City's website, www.tal.gov.com, and www.dac-ey.com, the website of DAC-EY, an Ernst & Young LLP Company.

Talgov.com

The September 30, 2004 Comprehensive Annual Financial Report (CAFR), which includes audited financial statements in accordance with generally accepted accounting principles, is available on the City's website at www.talgov.com. The website also has other useful information available, including the City's budget for FY 2005.

DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for issuers of municipal bonds by electronically posting information on behalf of issuers. Investors and others may access disclosure on any municipal bond in the DAC System free of charge by registering for a password. In addition to the City's 2005 report, Annual Reports from the past several years are available on the DAC site. Official statements for each of the outstanding issues summarized in this 2005 Annual Report are also posted. Available information also includes multiple years' CAFR's.

If you are new to the DAC System, please click *Register* in the "DAC for Investors" section on the home page, complete the registration form and submit. You can set Event Filters for your account by logging into the DAC System and clicking the *Profile* icon to receive e-mail notification whenever the City has filed something new on any issues that you hold in a portfolio on the DAC site. You may search by CUSIP number, obligor, issuer, issue description, bond type, city and state, county and state, or by state only. Once the issue(s) searched are located you can customize your portfolio by checking the corresponding box and clicking *Add Checked Items to Portfolio*. If you need assistance navigating the DAC site, please call their Customer Service Line at 1-800-824-2663 or email support@dac-ey.com.

Format Changes

For those familiar with the City's annual report, there are several changes to note. In prior years, certain financial information and general government statistics from the CAFR were included in the Annual Report. Because the CAFR is now available electronically and can be found at the same sites as the Annual Report, very little information contained in the CAFR has been replicated in the 2005 Annual Report.

On the other hand, bond resolution information has been expanded in this year's Annual Report. Because of printing constraints, these resolutions were summarized in prior years. With the flexibility of electronic presentation, we have chosen to incorporate the full resolutions into this year's edition.

Airport Bond Refunding

In June of 2004, the City Commission authorized staff to proceed with refunding the outstanding Airport Revenue Bonds, Series 1995. The Series 1995 Bonds were refunded through the issuance of \$7,355,000 Airport Revenue Refunding Bonds on August 31, 2004. The refunding resulted in net present value savings of approximately \$398,000. The 1988 Airport Bond Resolution is not available in an electronic format, therefore is not included in this report.

2004 Capital Bonds

In August of 2004, the City Commission authorized staff to move forward with the issuance of not to exceed \$95,000,000 Capital Bonds. The City then issued \$86,210,000 Capital Bonds, Series 2004 on December 7, 2004. The purpose of the bonds was to fund a group of neighborhood infrastructure projects totaling \$50 million as well as a variety of other projects, each less than \$10 million.

THE CITY OF TALLAHASSEE

General

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

The City of Tallahassee is a full-service city providing citizens with a full complement of municipal services. The City owns and operates five utilities, including an electric generation, transmission and distribution system presently serving approximately of 86,400 customers in the City and the adjacent urban area; a natural gas distribution system serving approximately 21,940 customers; a water production and distribution system serving approximately 69,500 water customers within the corporate City limits and the adjacent urban areas; a sewage collection and treatment system serving approximately 68,500 customers principally within the City limits; and a stormwater drainage utility system serving the area within the corporate City limits serving approximately 72,000 customers. Additional enterprise activities owned and operated by the City include the Tallahassee Regional Airport and a bus system.

The Tallahassee economy can be characterized as stable, but growing, with increasing elements of diversification. The major economic factor historically has been the State government. However, the City also services as an educational center, with three major institutions of higher learning, and as the financial, trade and health center for a surrounding 13-county geographic region serving a population of over 520,000. With over 290,000 acres of commercial forest in Leon County, timber and forest products add significantly to the economic diversification of the City.

Population and Employment

A profile of the City's population depicts a citizenry that is relatively young and educated. The 2000 census data shows that the median age for Leon County is 29.5 years, Florida's second youngest county. Seventy-nine percent of County residents over the age of 25 are high school graduates and nearly one-third has attained a four-year college degree. The segment of the population 65 years and older is only 8.3%, which is significantly below the Florida level of 17.6% for that age group. These population characteristics largely reflect the influence of the two major universities, a large community college, State government, and the resulting high level of professional employment.

Tallahassee's employment is non-agrarian in nature and heavily oriented toward governmental employment. Historically this concentration of government employment, representing 38% of all non-agricultural employment, has helped to keep unemployment relatively low. In addition, due to government employment, which calls for large numbers of professional and white-collar employees, Tallahassee and Leon County enjoy relatively high income levels, especially when compared to surrounding counties.

Nationally, there is a trend to limit the scope and resources of government at all levels. This is currently reflected in Florida by the current administration's current efforts to reduce the State's workforce by 25% over a 5-year period. Therefore, state government may in the future not fuel the local economy to the same extent as it has in the past. Recognizing the need to diversify the area's economy,

the 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. Since 1992, the Economic Development Council of Tallahassee/Leon County has marketed Tallahassee's economic advantages - research and high technology, healthcare providers and human resources - focusing on companies in financial services, education, technology, light manufacturing, distribution and healthcare.

The City's employment base has provided its citizens with an economic environment, which historically has been insulated from national economic trends.

Population Growth, Past and Future

<u>Year</u>	<u>Tallahassee</u>	<u>Unincorporated</u>	<u>Leon County</u>
1930	10,700	12,776	23,476
1960	48,174	26,051	74,225
1990	124,773	67,720	192,493
2000	150,624	88,828	239,452
2004	169,136	94,760	263,896
2010	184,000	103,300	287,300
2020	203,200	120,500	323,700
2030	222,000	133,100	355,100

Sources:

- 1930-2000 - U.S. Department of Commerce, Census Bureau
- 2004-2030 - Leon County: University of Florida, Bureau of Economic and Business Research Tallahassee: Planning Department, assuming continued annexations.

Average Annual Unemployment Rate

<u>Year</u>	<u>Leon County</u>	<u>Florida</u>	<u>United States</u>
1995	2.8%	5.5%	5.6%
1996	2.8	5.1	5.4
1997	2.8	4.8	4.9
1998	2.8	4.3	4.5
1999	2.5	3.9	4.2
2000	2.3	3.6	4.0
2001	2.9	4.8	4.8
2002	3.5	5.5	5.8
2003	3.2	5.1	6.0

Source: State of Florida, Department of Labor and Employment Security, Bureau of Labor Market Information as reported on the Florida Research & Economic Database.

Leon County Major Employers

<u>Employer</u>	<u>Approximate Employment</u>
State Government (Non-University)	25,204
Florida State University	8,784
Leon County School Board	4,403
City of Tallahassee	3,327
Tallahassee Memorial Healthcare, Inc.	2,850
Florida A&M University	2,681
Publix	2,000
Leon County	1,522
Tallahassee Community College	1,090
Sprint	740

Source: Tallahassee Chamber of Commerce as of Spring 2003

Employment Distribution

	<u>2002</u>	<u>2003</u>
State Government	44,600	44,800
Wholesale/Retail Trade	20,400	20,200
Services and Miscellaneous	55,200	54,800
Local Government	13,200	13,600
Natural Resources/Construction	6,700	6,800
Financial Activities	6,800	7,100
Information Activities	3,900	4,000
Manufacturing	3,600	3,500
Transportation and Public Utilities	1,900	1,800
Federal Government	1,800	1,800
TOTAL	<u>158,100</u>	<u>158,400</u>

Source: State of Florida Department of Labor and Employment Security as reported in Florida Statistical Abstract and the Florida Research & Economic Database @ <http://fred.labormarketinfo.com>.

Note: The above figures are for non-agricultural employment and do not include self-employed, unpaid family or domestic personnel.

Trade and Service Area

As the largest city in north-central Florida, Tallahassee has naturally assumed the role as a regional trade center. Located just 20 miles south of the Georgia state line, this regional trading activity encompasses Leon County, as well as four south Georgia counties and eight surrounding north Florida counties. Tallahassee has over 40 shopping centers, and retail sales within Leon County account for over 63% of the retail sales made in the 13-county region. The retail and wholesale industry are an important aspect of the economy of the Tallahassee MSA, providing almost 13% of the employment with the services industry providing another 35%.

Education

In addition to being the Capital, Tallahassee is the site of two major state universities and a regional community college. Total enrollment in these institutions is over 62,000 students.

The largest and oldest university in the City is Florida State University (FSU), which was founded in 1851, and is the home of the Florida State University Seminoles. Approximately 37,000 students in the 2003-2004 school year attended its undergraduate and graduate colleges, schools, and divisions. FSU is nationally known for its outstanding programs in natural sciences, fine arts, business, law, and education. A medical school was recently added. Eventually, 400 students will be enrolled in the medical school program.

The other nationally known university in Tallahassee is the Florida Agricultural and Mechanical University (FAMU), which was founded in 1887 and is the home of the Florida A&M Rattlers. FAMU offers extensive undergraduate and graduate courses to almost 13,000 students. Programs offered at FAMU complement those at FSU and have received recognition in the fields of architecture, agriculture and pharmacy. Both universities offer programs leading to doctorate degrees.

GENERAL GOVERNMENT

Property Taxes

Property taxes can significantly impact the citizen's perception of economic success. The City enjoyed the lowest millage rate of the ten largest cities in Florida for 2004 and 2005. The 2004 rate reflected an increase of .5 mills, the City's first property tax increase since 1991. Tallahassee's low millage rate should act as an incentive to economic growth and stability. Jacksonville was not included in the table below since it is a consolidated city with varying millage rates for different sections of the city.

<u>City</u>	<u>2000 Population</u>	<u>Millage Rates</u>	
		<u>2004</u>	<u>2005</u>
Miami	362,470	8.8	8.8
Tampa	303,447	6.5	6.5
St. Petersburg	248,232	7.1	7.1
Hialeah	226,419	7.5	7.1
Orlando	185,951	5.7	5.7
Fort Lauderdale	152,397	4.8	5.4
Tallahassee	150,624	3.7	3.7
Hollywood	139,357	6.9	6.9
Pembroke Pines	137,427	4.6	4.6
Coral Springs	117,549	3.9	3.9

Blueprint 2000

A local option one-cent sales tax has been in effect since November 1989 to provide funding for transportation projects and law enforcement facility improvements. This local option sales tax has been extended until 2019. Beginning in December 2004, these taxes have been allocated 80% to Blueprint 2000 projects and 10% each to the City of Tallahassee and Leon County projects. Blueprint 2000 is an intergovernmental agency formed to meet infrastructure and natural resource management needs that affect both Leon County and the City of Tallahassee. Future uses include critically needed community initiatives, including stormwater projects, green space acquisitions, park and other recreation improvements, and transportation projects. In 2003, Blueprint 2000 issued \$70,000,000 of bonds supported by the Blueprint 2000 share of the one-cent sales tax.

Revenue Considerations

Property taxes, which provide 17% of governmental revenues, increased by \$4.6 million in FY 2004 due to a .5 increase in the millage rate, new residential and commercial properties, and an increase in taxable assessed values. Revenues from grants and contributions comprised 16% of governmental revenues and increased by \$833,000. Due to lower interest rates and market value changes, revenues from investment income decreased by \$3.2 million.

Transfer Considerations

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

Transfers from utilities to the General Fund totaled \$30.2 million in FY 2004. The FY 2004 transfer from the Electric Fund was \$5.0 million more than the prior year as a result of the new transfer methodology.

Expense Considerations

Expenses for general government activities, excluding transfers, increased by \$817,000, or 4%, compared to the prior year. Much of the increase was due to higher personnel related expenses, which included merit pay raises of up to 4% for general employees in 2004, and the general government's portion of the increase in health insurance premiums for staff and retirees.

Public safety expenditures increased by \$1.3 million due to an increase of five police officers and pay increases for police staff. Transportation expenditures decreased by \$13.8 million due to a decrease in transportation projects compared to the prior year.

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

Six condominium projects have been announced in or near downtown, which will result in more than 700 new housing units. These complexes will also have retail, restaurants, and parking garages. These projects will bring an economic boost to downtown businesses and add to the City's property tax base.

In 2004, the City initiated a \$50 million neighborhood infrastructure program that will provide the necessary infrastructure improvements such as safe streets, sidewalks and drainage improvements to revitalize residential neighborhoods and offices. These and other improvements planned will help to attract new development and redevelopment. These projects were the primary impetus for the issuance of the City's 2004 Capital Bonds.

Funding for the City's governmental activities comes from property taxes and a limited number of permitted other taxes (sales, gasoline, utility services and telecommunications) and fees (occupational license, etc.). Some funding is also received from state-shared revenues and grants from state and federal governments and agencies.

Revenues for business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. The consumption of the City's utilities is impacted by local weather patterns and the growth of new homes and businesses in the market. No increase in utility rates has been budgeted for FY 2005.

The Electric Fund maintains a reserve account to enable the City to react in the event of deregulation. This has not occurred and should not impact FY 2005. This reserve has been used in the past to reduce the impact to electric customers of steep increases in the market price of fuel. The balance in this fund at September 30, 2004 was \$78 million.

Natural gas prices paid by the Electric Utility were an average of 14% more in fiscal year 2004 than the prior fiscal year. The City's long and short-term contracts for fuel saved the City and our electric and gas customers \$12 million in fuel costs in FY 2004 compared to purchasing fuel at higher prices in

the spot market. The cost of fuel is offset through cost recovery adjustments that are not a part of the standard rates to customers.

During FY 2004, the City received \$6,260,000 from the sale of Sulfur Dioxide (SO₂) credits. These credits were received in previous fiscal years as a result of the Clean Air Amendment's efforts to achieve a cap on emissions. The EPA allocates a certain number of SO₂ credits annually to owners of fossil-fired generating units covered under the act. If these units are unused because of lower emissions than required, the owner of the credits may sell the allowances to another owner. The revenue from this sale was recorded in the Electric operations revenues and applied to the Energy Cost Adjustment, reducing fuel prices charged to electric customers. Some of the remaining credits will be sold in 2005.

The City has long-term purchase contract obligations for the purchase of gas and energy of \$73 million. These contracts are managed by the City's Energy Services Department. These are based on forecast needs of our customers and expected prices in the market. These contracts help to assure an adequate supply and help to reduce the spikes that can occur with market prices. Revenues from future purchases by customers are expected to cover these obligations.

The City also uses hedge instruments to minimize the risk of market energy price volatility and counter-party credit risk related to the purchase of natural gas. The fair value of the hedges at September 30, 2004 was \$1.2 million.

The City also reached an agreement with the State of Florida in FY 2004 regarding Cascades Park. In FY 2004, the Legislature approved funding in the amount of \$1.2 million to assist the City with clean-up efforts. Additional funding will be provided by proceeds from the Series 2004 Capital Bonds. This agreement and funding from the Legislature allows the City to proceed with clean-up efforts at this contaminated site. Furthermore, effective July 1, 2004, ownership of the Cascades Park property was turned over to the City. Clean-up of this property will clear the way for BluePrint 2000 to proceed with development of the Cascades Park Greenway project. Once completed, this public park will provide needed redevelopment and synergy between the park, the Gaines Street area, and the downtown area.

The City has outstanding contracts in the amount of \$86 million for construction and other projects.

The amount of general obligation debt that the City can issue is limited by City Charter to 20% of the assessed value of all taxable property within the City's corporate limits. The current debt limit is \$1.3 billion. The City has no outstanding general obligation debt.

Fiscal Year 2004's Budget and Rates

Because of the number of state and federal offices locally and the presence of two universities and a community college, less than 50% of the property located within the City is subject to taxes. The FY 2005 millage rate remains at 3.7 mills after a .5 mill increase in FY 2004. Estimates for property tax receipts beyond FY 2005 assume continuation of the new millage rate and a growth rate of 5%.

In April 2001 electric base rates were reduced by \$22.4 million and the fire services rebate was removed from utility bills. These base rates have not been increased since that time, nor is a rate increase planned for 2005 for electric or any of the other City utilities. The addition of a new generator as well as other efficiencies made this possible.

The City's Capital Budget for FY 2005 is appropriated at \$148.7 million with \$22.3 million budgeted in the General Fund and \$126.3 million in the Enterprise and Internal Service Funds. Some of the capital projects include funding for park and stormwater improvements and transportation projects as well as funding for the City's Neighborhood Infrastructure Program. The City has a five-year plan for capital improvements for all projects planned through FY 2009 that totals \$754 million with appropriations made on an annual basis.

Selected General Government Statistics

Pledged Revenues (in 000s)

City of Tallahassee, Capital Bonds

For Fiscal Years Ended September 30	2000	2001	2002	2003	2004
Communication Services Tax (1)	7,367	8,494	9,949	8,877	8,717
Half Cent Sales Tax	7,741	8,498	8,474	8,948	9,576
Guaranteed Entitlement	<u>1,251</u>	<u>1,251</u>	<u>1,251</u>	<u>1,251</u>	<u>1,251</u>
Total Revenue	<u>16,359</u>	<u>18,243</u>	<u>19,674</u>	<u>19,076</u>	<u>19,544</u>
Debt Service	2,149	2,145	1,818	1,880	1,878
Debt Service Coverage	7.61x	8.50x	10.82x	10.15x	10.41x

(1) Communication Services Tax became effective October 1, 2001. For FY 2000 and FY 2001, franchise fees for cable TV, telephone, and telecommunication taxes are shown.

Property Tax Levies and Collections (in 000s)

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	% (1)
1995	8,749,066	4,025,808	11,951	11,636	97
1996	9,043,725	4,270,650	12,925	12,432	96
1997	9,537,873	4,576,295	13,712	13,045	95
1998	9,900,598	4,884,574	14,700	14,153	96
1999	10,283,317	5,217,865	15,697	15,107	96
2000	10,653,603	5,558,879	16,775	16,081	96
2001	11,101,845	5,892,235	17,856	17,231	97
2002	11,718,893	6,335,214	18,927	18,172	96
2003	12,561,990	6,734,959	20,363	19,503	96
2004	13,321,051	7,370,184	24,988	24,053	96

(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.

RESOLUTION NO. 04-R-44

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$95,000,000 CITY OF TALLAHASSEE, FLORIDA CAPITAL BONDS, SERIES 2004; PLEDGING REVENUES DERIVED FROM THE GUARANTEED ENTITLEMENT, THE LOCAL GOVERNMENT HALF-CENT SALES TAX AND THE LOCAL COMMUNICATIONS SERVICES TAX FOR THE PAYMENT OF SAID BONDS; AMENDING RESOLUTION NO. 01-R-48; DELEGATING THE AWARD OF THE SALE OF THE SERIES 2004 BONDS TO THE MAYOR; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA, that:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of the Charter of the City of Tallahassee, Chapter 166, Part II, Florida Statutes, Resolution No. 01-R-48 adopted October 10, 2001 and other applicable provisions of law.

SECTION 2. DEFINITIONS. All capitalized undefined terms shall have the meaning set forth in the Original Resolution, as hereinafter defined. In addition, the following terms in this Resolution shall have the following meanings unless otherwise expressly requires:

“Bonds” shall mean the Series 2001 Bonds, the Series 2004 Bonds and any Additional Parity Obligations issued hereafter.

“Bond Insurer” shall mean Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, the issuer of a municipal bond insurance policy insuring the Series 2004 Bonds.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed by the Issuer and dated the date of issuance and delivery of the Series 2004 Bonds, as it may be amended from time to time in accordance with the terms thereof.

“Debt Service Requirement” for any Fiscal Year shall mean the sum of:

(1) The aggregate amount required to pay the interest becoming due on the Series 2004 Bonds during such Fiscal Year, except to the extent that such interest shall have been provided by payments into the Debt Service Fund out of Series 2004 Bond proceeds or other sources (other than Pledged Revenues) for a specified period of time.

(2) The aggregate amount required to pay the principal becoming due on the Series 2004 Bonds for such Fiscal Year. For purposes of this definition: stated maturity date of any Term Bonds shall be disregarded and the principal of such Term Bonds shall be deemed to be due in the Fiscal Years and in the amounts of the Amortization Installments applicable to such Term Bonds.

“Guaranteed Entitlement Revenues” shall mean the guaranteed entitlement revenues received by the Issuer pursuant to Chapter 218, Part II, Florida Statutes, and defined therein as the “Guaranteed Entitlement”. In the event the State of Florida increases the portion of the Revenue Sharing Trust Fund

guaranteed to the Issuer, the term “Guaranteed Entitlement Revenues” shall include such increased amount.

“Insurance Policy” shall mean the insurance policy issued by the Insurer guaranteeing the schedule payment of principal and interest on the Series 2004 Bonds when due.

“Issuer” shall mean the City of Tallahassee, Florida.

“Local Communications Services Tax” shall mean the Local Communications Services Tax authorized and collected pursuant to Section 220.20, Florida Statutes and Resolution No. 01-R-33 of the Issuer adopted on June 13, 2001.

“Local Government Half Cent Sales Tax” shall mean the moneys distributed monthly to the Issuer from the Local Government Half-Cent Sales Tax Clearing Trust Fund in the State Treasury received by the Issuer pursuant to Chapter 218, Part VI, Florida Statutes.

“Maximum Debt Service Requirement” shall mean, as of any particular date of calculation, the greatest annual Debt Service Requirement for the Series 2004 Bonds for the then current or any future Fiscal Year.

“Original Resolution” shall mean Resolution No. 01-R-48 adopted on October 10, 2001, as amended and supplemented.

“Parity Bonds” shall mean the Series 2001 Bonds and Additional Parity Obligations issued hereafter.

“Paying Agent” shall mean Wachovia Bank, National Association or its successors and assigns.

“Pledged Revenues” shall mean collectively, (i) the Local Government Half-Cent Sales Tax, (ii) the Guaranteed Entitlement Revenues, (iii) the Local Communications Services Tax and (iv) earnings on investments of all funds and accounts (except the Rebate Fund), pledged to secure the Bonds.

“Project” shall mean (i) improvements and cleanup to Cascade Park, (ii) improvements to air conditioning systems, lighting and other energy saving related improvements in city-owned buildings, (iii) neighborhood infrastructure improvements, including but not limited to, roadway improvements, installation of curb and gutter, construction of sidewalks, storm sewers and bike lanes, (iv) fire station land acquisition and training facility improvement, (v) construction of facilities and improvements for handicap accessibility, (vi) construction of storm drains, curb and gutter, sidewalks and bike lanes for pedestrian and street safety, (vii) refunding of existing loan for the Gemini Building and (viii) any other capital project authorized by law.

“Rebate Fund” shall mean the City of Tallahassee Capital Bonds established pursuant to Section 23(C) hereof.

“Registrar” shall mean Wachovia Bank, National Association or its successors and assigns.

“Reserve Requirement” shall mean, for the Series 2004 Bonds, an amount equal to the lesser of (i) ten percent (10%) of the proceeds of the Series 2004 Bonds, (ii) Maximum Debt Service Requirement for the Series 2004 Bonds or (iii) one hundred twenty-five percent (125%) of the average annual Debt Service Requirement for the Series 2004 Bonds.

“Series 2001 Bonds” shall mean the \$15,360,000 City of Tallahassee, Florida Capital Refunding Bonds, Series 2001 issued on October 31, 2001.

“Series 2004 Bonds” shall mean the not to exceed \$95,000,000 City of Tallahassee, Florida Capital Bonds, Series 2004 authorized pursuant to this Resolution.

“Underwriter” shall mean Banc of America Securities LLC, Morgan Stanley & Co. Incorporated, RBC Dain Rauscher Inc., and Siebert Brandford Shank & Co., LLC.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. On October 10, 2001 pursuant to the Original Resolution, the Issuer authorized its Capital Refunding Bonds, Series 2001.

B. The Issuer now desires to issue Additional Parity Obligations. It is in the best interest of the Issuer to issue its not to exceed \$95,000,000 Capital Bonds, Series 2004 for the purpose of financing the Project.

C. The Pledged Revenues are not now pledged or encumbered in any manner except for the payment of the principal and interest on the Series 2001 Bonds.

D. The principal of and interest and redemption premium on the Series 2004 Bonds and all required reserve or other payments shall be payable solely from the Pledged Revenues as herein provided. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Series 2004 Bonds herein authorized or to make any other payments provided for herein. The Series 2004 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer.

E. The estimated Pledged Revenues will be sufficient to pay all principal of and interest and redemption premium on the Series 2004 Bonds and the Parity Bonds as the same become due, and to make all required reserve or other payments required by the Original Resolution and this Resolution.

F. Due to the present instability in the market for revenue obligations the interest on which is excluded from federal gross income, the critical importance of the timing of the sale of the Series 2004 Bonds and due to the willingness of the Underwriter to purchase the Series 2004 Bonds, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Series 2004 Bonds at a negotiated sale.

SECTION 4. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2004 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all Series 2004 Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2004 Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 5. AUTHORIZATION OF SERIES 2004 BONDS. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as “Capital Bonds, Series 2004” are hereby authorized in the aggregate principal amount of not exceeding \$95,000,000.

SECTION 6. DESCRIPTION OF SERIES 2004 BONDS. The Series 2004 Bonds shall be issued in fully registered form; shall be numbered consecutively from R-1 upward; shall be in the denomination of \$5,000 each, or integral multiples thereof; shall bear interest at such rate or rates not exceeding the maximum rate allowed by Florida law, including variable rates, the annual rate or rates to be determined by the governing body of the Issuer prior to or upon the sale of the Series 2004 Bonds; such interest to be payable semi-annually at such times as are fixed by resolution of the Issuer; shall mature annually on such date in such years and amounts as will be fixed by resolution of the Issuer prior to or upon the sale of the Series 2004 Bonds and may be serial and/or Term Bonds.

Each Series 2004 Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Series 2004 Bond shall bear interest from the date to which interest shall have been paid.

A book-entry-only system of registration is hereby authorized for the Series 2004 Bonds. So long as the Issuer shall maintain a book-entry-only system with respect to the Series 2004 Bonds, the following provisions shall apply:

A blanket issuer letter of representations (the "BLoR") was entered into by the Issuer with The Depository Trust Company ("DTC"). It is intended that the Series 2004 Bonds be registered so as to participate in a global book-entry system with DTC as set forth herein and in such BLoR. The terms and conditions of such BLoR shall govern the registration of the Series 2004 Bonds. The Series 2004 Bonds shall be initially issued in the form of a single fully registered Series 2004 Bond for each maturity of each Series. Upon initial issuance, the ownership of such Series 2004 Bonds shall be registered by the Registrar in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. So long as any Series 2004 Bond is registered in the name of DTC (or its nominee), the Issuer, the Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive holder of such Series 2004 Bonds registered in its name, and all payments with respect to the principal or redemption price of, if any, and interest on such Series 2004 Bond ("Payments") and all notices with respect to such Series 2004 Bond ("Notices") shall be made or given, as the case may be, to DTC. Transfers of Payments and delivery of Notices to DTC Participants shall be the responsibility of DTC and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Transfers of Payments and delivery of Notices to beneficial owners of the Bonds by DTC Participants shall be the responsibility of such participants, indirect participants and other nominees of such beneficial owners and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time.

Upon (a) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, (b) termination, for any reason, of the agreement among the Issuer, the Registrar and Paying Agent and DTC evidenced by the BLoR, or (c) determination by the Issuer that such book-entry only system should be discontinued by the Issuer, and compliance with the requirements of any agreement between the Issuer and DTC with respect thereto, the Series 2004 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions hereof. In such

event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Series 2004 Bonds consistent with the terms hereof, in denominations of \$5,000 or any integral multiple thereof to the Holders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the BLoR shall apply to the registration and transfer of the Series 2004 Bonds and to Payments and Notices with respect thereto.

SECTION 7. EXECUTION OF SERIES 2004 BONDS. The Series 2004 Bonds shall be signed by, or bear the manual or facsimile signature of, the Mayor or Mayor Pro-Tem and shall be signed by, or bear the manual or facsimile signature of, the City Treasurer-Clerk and a facsimile of the official seal of the Issuer shall be imprinted on the Series 2004 Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2004 Bonds shall cease to be such officer before the delivery of such Series 2004 Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Series 2004 Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Series 2004 Bond, shall be the proper officers to sign such Series 2004 Bonds although at the date of such Series 2004 Bond such persons may not have been such officers.

SECTION 8. AUTHENTICATION OF SERIES 2004 BONDS. Only such of the Series 2004 Bonds as shall have endorsed thereon a certificate of authentication substantially in the form herein below set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Resolution. No Series 2004 Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Series 2004 Bond shall be conclusive evidence that such Series 2004 Bond has been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Series 2004 Bond shall be deemed to have been duly executed if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer manually sign the certificate of authentication of all of the Series 2004 Bonds that may be issued hereunder at any one time.

SECTION 9. EXCHANGE OF SERIES 2004 BONDS. Any Series 2004 Bonds, upon surrender thereof at the principal corporate trust office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Series 2004 Bonds equal to the principal amount of the Series 2004 Bond or Series 2004 Bonds so surrendered.

The Registrar shall make provision for the exchange of Series 2004 Bonds at the principal corporate trust office of the Registrar.

SECTION 10. NEGOTIABILITY, REGISTRATION AND TRANSFER OF SERIES 2004 BONDS. The Registrar shall keep books for the registration of Series 2004 Bonds and for the registration of transfers of Series 2004 Bonds as provided in this Resolution. The transfer of any Series 2004 Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Series 2004 Bond, a new Series 2004 Bond or Series 2004 Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Series 2004 Bond or Series 2004 Bonds so surrendered.

In all cases in which Series 2004 Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, Series 2004 Bonds of the same type in accordance with the provisions of this Resolution. All Series 2004 Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Series 2004 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Series 2004 Bonds under the provisions of this Resolution. Neither the Issuer nor the Registrar shall be required to make any such exchange or registration of transfer of Series 2004 Bonds during the fifteen (15) days immediately preceding any interest payment date or redemption date.

SECTION 11. OWNERSHIP OF SERIES 2004 BONDS. The person in whose name any Series 2004 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Series 2004 Bond, and the interest on any such Series 2004 Bonds, shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2004 Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

SECTION 12. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Series 2004 Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion cause to be executed, and the Registrar shall authenticate and deliver, a new Series 2004 Bond of like date and tenor as the Series 2004 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2004 Bond upon surrender and cancellation of such mutilated Series 2004 Bond or in lieu of and substitution for the Series 2004 Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Series 2004 Bonds so surrendered shall be canceled by the Issuer. If any of the Series 2004 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2004 Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Series 2004 Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Series 2004 Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Series 2004 Bonds be at any time found by anyone, and such duplicate Series 2004 Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Series 2004 Bonds issued hereunder.

SECTION 13. PROVISIONS FOR REDEMPTION. The Series 2004 Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by resolution of the Issuer prior to or at the time of sale of the Series 2004 Bonds.

Notice of such redemption shall, at least thirty (30) days prior to the redemption date, be filed with the Registrar; and mailed, postage prepaid, to all Holders of Series 2004 Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for, but failure to mail such notice to one or more Holders of Series 2004 Bonds shall not affect the validity of the proceedings for such redemption with respect to Holders of Series 2004 Bonds to which notice was duly mailed hereunder. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid

and, if less than all of the Series 2004 Bonds of one maturity are to be called, the distinctive numbers of such Series 2004 Bonds to be redeemed and in the case of Series 2004 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Notice having been mailed to the Holders of Series 2004 Bonds in the manner and under the conditions provided herein, the Series 2004 Bonds or portion of the Series 2004 Bonds so called for redemption will, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2004 Bonds or portions of the Series 2004 Bonds on such date. On the date so designated for redemption, notice having been mailed and filed and moneys for payment of the redemption price being held in separate accounts in trust for the Holders of the Series 2004 Bonds or portions thereof to be redeemed, all as provided herein, interest on the Series 2004 Bonds or portions of the Series 2004 Bonds so called for redemption will cease to accrue, such Series 2004 Bonds and portions of the Series 2004 Bonds will cease to be entitled to any lien, benefit, or security hereunder, and the Holders of such Series 2004 Bonds or portions of the Series 2004 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

SECTION 14. FORM OF SERIES 2004 BONDS. Omitted.

SECTION 15. APPLICATION OF SERIES 2004 BOND PROCEEDS. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2004 Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2004 Bonds to the purchaser thereof, as follows:

A. The accrued interest shall be deposited in the Interest Account in the Debt Service Fund and shall be used only for the purpose of paying interest becoming due on the Series 2004 Bonds.

B. Unless provided from other funds of the Issuer on the date of issuance of the Series 2004 Bonds, or unless provided for through the purchase of municipal bond insurance issued by a reputable and recognized municipal bond insurer, a surety bond or other credit facility, the Issuer shall deposit into the Reserve Fund, herein created and established, a sum sufficient, with other funds on deposit in the Reserve Fund, to equal the Reserve Requirement and such Reserve Fund shall be used only for the purposes provided therefore.

C. To the extent not reimbursed therefore by the original purchaser of any series of the Series 2004 Bonds, the Issuer shall pay all costs of issuance.

D. The remaining balance shall be deposited into the "City of Tallahassee, Florida Capital Bonds Construction Fund" (the "Construction Fund"), hereby created and established and shall only be used for the purpose of paying for the acquisition, construction and equipping of the Project.

SECTION 16. SPECIAL OBLIGATIONS OF ISSUER. The Series 2004 Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Revenues, equal and ratable to the lien on the Parity Bonds. No Holder or Holders of any Series 2004 Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer except the Pledged Revenues.

The payment of the principal of and interest on the Series 2004 Bonds shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Series 2004 Bondholder an irrevocable lien on the Pledged Revenues, equal and ratable to the lien on the Parity Bonds. The Issuer does irrevocably

pledge such Pledged Revenues to the payment of the principal of and interest on the Series 2004 Bonds, for the reserves therefore and for all other required payments. Such amounts hereby pledged shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

SECTION 17. APPLICATION OF PROVISIONS OF THE ORIGINAL RESOLUTION. The Series 2004 Bonds, herein authorized, shall for all purposes (except as herein expressly provided) be considered to be issued under the authority of the Original Resolution, be designated Additional Parity Obligations and shall be entitled to all the protection and security provided therein for Bonds issued thereunder.

The provisions of Section 18 of the Original Resolution shall be deemed to be applicable to this Resolution and shall apply to the Series 2004 Bonds as though fully restated herein.

Moneys held in the funds and accounts established herein and in the Original Resolution shall be invested in Acquired Obligations, as defined in the Original Resolution.

SECTION 18. REMEDIES. Any Holder of Bonds issued under the provisions hereof or any trustee acting for such Bondholders in the manner hereinafter provided, may, either at law or in equity, by suit, action, mandamus or other proceeding in any court of competent jurisdiction, protect and enforce any and all rights including the appointment of a receiver, existing under State or federal law, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any agency, board or officer thereof.

Nothing herein, however, shall be construed to grant to any holder of the Bonds any lien on any property of the Issuer.

SECTION 19. MODIFICATION OR AMENDMENT. This Resolution may be amended without the consent of the Bondholders to cure any ambiguity or formal defect or omission herein, add to the security for the Bonds and provide for the issuance of coupon Bonds if and to the extent permitted by law. No material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto may be made without the consent in writing of the Holders of a majority or more in the principal amount of the Bonds then Outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of the Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or affecting the promise of the Issuer to pay the principal of any interest on the Bonds as the same shall become due from the Pledged Revenues or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the holder or holders of all the Bonds then Outstanding.

SECTION 20. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid or shall in any manner be held to adversely affect the validity of the Series 2004 Bonds, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Series 2004 Bonds issued hereunder.

SECTION 21. HOLDERS NOT AFFECTED BY USE OF PROCEEDS. The Holders of the Series 2004 Bonds shall have no responsibility for the use of the proceeds thereof, and the use of such proceeds by the Issuer shall in no way affect the rights of such Holders. The Issuer shall be irrevocably obligated to continue to levy and collect the Pledged Revenues as provided herein and to pay the principal of and interest on the Bonds and to make all reserve and other payments provided for herein from the Pledged Revenues notwithstanding any failure of the Issuer to use and apply such proceeds in the manner provided herein.

SECTION 22. DEFEASANCE. The provisions of Section 23 of the Original Resolution shall be deemed applicable to this Resolution and shall apply to the Series 2004 Bonds as though fully restated herein.

SECTION 23. TAX COVENANT. (A) The Issuer shall not use or permit the use of any proceeds of the Series 2004 Bonds or any other funds of the Issuer, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Issuer with respect to the Series 2004 Bonds in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Series 2004 Bonds to be a “private activity bond” within the meaning of Section 141 or an “arbitrage bond” within the meaning of Section 148, or “federally guaranteed” within the meaning of Section 149(b), of the Internal Revenue Code of 1986, as amended (the “Code”), or otherwise cause interest on such Series 2004 Bonds to become subject to federal income taxation.

(B) The Issuer shall, at all times, do and perform all acts and things permitted by law and the Resolution which are necessary or desirable in order to ensure that interest paid on such Series 2004 Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being so excluded.

(C) The Issuer shall pay or cause to be paid to the United States Government any amounts required by Section 148(f) of the Code and the regulations thereunder (the “Regulations”). In order to ensure compliance with the rebate provisions of Section 148(f) of the Code with respect to the Series 2004 Bonds for which the Issuer intends on the date of issuance thereof to be excluded from gross income for purposes of federal income taxation, the Issuer hereby creates the City of Tallahassee, Florida Capital Bonds, Series 2004, Rebate Account (hereinafter the “Rebate Account”) to be held by the Issuer. The Rebate Account need not be maintained so long as the Issuer timely satisfies its obligation to pay any rebatable earnings to the United States Treasury; however, the Issuer may, as an administrative convenience, maintain and deposit funds in the Rebate Account from time to time. Moneys in the Rebate Account (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the Regulations and as set forth in instructions of Bond Counsel delivered to the Issuer upon issuance of such Series 2004 Bonds.

SECTION 24. CONTINUING DISCLOSURE. The Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Such Continuing Disclosure Certificate shall be in such form as shall be approved by subsequent resolution of the Issuer. Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with the Continuing Disclosure Certificate will not be considered an event of default; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section. Series 2004 Bondholders shall not be entitled to any damages for failure of the Issuer to comply with the terms of the Continuing Disclosure Certificate.

SECTION 25. Provisions relating to the Insurance Policy. Insurance to insure the Holder of any Series 2004 Bonds payment of the scheduled payment of principal and interest on such Series 2004 Bonds is hereby authorized from proceeds of the Series 2004 Bonds. A statement of insurance is hereby authorized to be printed on or attached to the Series 2004 Bonds for the benefit and information of the Bondholders.

As long as the insurance shall be in full force and effect, the provisions of this section shall govern, notwithstanding anything to the contrary set forth in the Original Resolution and the Issuer and the Paying Agent agree to comply with the following provisions.

- (a) Prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the sub-account of the Reserve Fund for the Series 2004 Bonds. Notwithstanding anything to the contrary set forth in the Original Resolution, amounts on deposit in the sub-account of the Reserve Fund for the Series 2004 Bonds shall be applied solely to the payment of debt service on the Series 2004 Bonds.
- (b) The Bond Insurer shall be deemed to be the sole holder of the Series 2004 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2004 Bonds insured by it are entitled to take pursuant to Section 19 of the Original Resolution.
- (c) No modification or amendment to the Original Resolution, this Resolution or any other transaction document including any underlying security agreement (each a “Related Document”) may become effective except upon obtaining prior written consent of the Bond Insurer. Copies of any modification or amendment to the Resolution or any other Related Document shall be sent to Standard & Poor’s Credit Market Services and Moody’s Investors Service, Inc. at least 10 days prior to the effective date thereof.
- (d) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an event of default or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an event of default amounts on deposit in the Construction Fund shall not be disbursed but shall instead be applied to the payment of debt service or redemption price of the Series 2004 Bonds.
- (e) The rights granted to the Bond Insurer under the Original Resolution and this Resolution or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Bond Insurer.
- (f) Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively or (5) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof, shall be authorized to be used to effect defeasance of the Series 2004 Bonds unless the Bond Insurer otherwise approves.

To accomplish defeasance the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Series 2004 Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2004 Bonds are no longer “Outstanding” under the Original Resolution and this Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer and the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Series 2004 Bonds shall be deemed “Outstanding” under the Original Resolution and this Resolution unless and until they are in fact paid and retired or the above criteria are met.

- (g) Amounts paid by the Bond Insurer under the Insurance Policy shall not be deemed paid for purposes of the Original Resolution and this Resolution and shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Original Resolution. The Original Resolution and this Resolution shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.
- (h) The Issuer and the Paying Agent covenants and agrees to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the security for the Series 2004 Bonds under applicable law.
- (i) Claims Upon the Insurance Policy and Payments by and to the Bond Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Paying Agent, after making all transfers and deposits required under the Original Resolution and this Resolution and this Resolution, moneys sufficient to pay the principal of and interest on the Series 2004 Bonds due on such Payment Date, the Paying Agent shall give notice to the Bond Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2004 Bonds due on such Payment Date, the Paying Agent shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2004 Bonds and the amount required to pay principal of the Series 2004 Bonds, confirmed in writing to the Bond Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Paying Agent shall authenticate and deliver to affected Bondholders who surrender their Bonds a new Series 2004 Bond or Series 2004 Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2004 Bond surrendered. The Paying Agent shall designate any portion of payment of principal on Series 2004 Bonds paid

by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2004 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2004 Bond to the Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any replacement Series 2004 Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Series 2004 Bond or the subrogation rights of the Bond Insurer.

The Paying Agent shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 2004 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

Upon payment of a claim under the Insurance Policy, the Paying Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2004 Bonds under the sections hereof regarding payment of Series 2004 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the Original Resolution, and to the extent permitted by law, in the event amounts paid under the Insurance Policy are applied to claims for payment of principal of or interest on the Series 2004 Bonds, interest on such principal of and interest on such Series 2004 Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Series 2004 Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following a Series 2004 Bond payment date shall promptly be remitted to the Bond Insurer.

- (j) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2004 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. The obligations to the Bond Insurer shall survive discharge or termination of the Related Documents.
- (k) The Issuer shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Original Resolution, this Resolution or any other Related

Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Original Resolution, this Resolution or any other Related Document whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Original Resolution, this Resolution or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Original Resolution, this Resolution or any other Related Document.

- (l) After payment of reasonable expenses of the Paying Agent, the application of funds realized upon default shall be applied to payment of expenses of the Issuer or rebate only after the payment of debt service due and past due on the Series 2004 Bonds, together with replenishment of the Series 2004 Sub-account.
- (m) The Bond Insurer shall be entitled to pay principal or interest on the Series 2004 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.
- (n) The notice address of the Bond Insurer is: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director – Surveillance, Re: Policy No. ____, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”
- (o) The Bond Insurer shall be provided with the following information:
 - (i) Annual audited financial statements as soon as available and in any event within 270 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or event of default under the Original Resolution and this Resolution), and the Issuer's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;
 - (ii) Notice of any draw upon the Series 2004 Sub-account within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of the Series 2004 Bonds;
 - (iii) Notice of any default known to the Paying Agent or Issuer within five Business Days after knowledge thereof;
 - (iv) Prior notice of the advance refunding or redemption of any of the Series 2004 Bonds, including the principal amount, maturities and CUSIP numbers thereof;
 - (v) Notice of the resignation or removal of the Paying Agent and the appointment of, and acceptance of duties by, any successor thereto;

- (vi) Notice of the commencement of any proceeding by or against the Issuer, the City or the County commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
 - (vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2004 Bonds;
 - (viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Related Documents; and
 - (ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.
- (p) Notwithstanding satisfaction of other conditions to the issuance of Additional Parity Obligations contained in the Original Resolution, no such issuance may occur (1) should any event of default (or any event which, once all notice or grace periods have passed, would constitute an event of default) have occurred and be continuing unless such default shall be cured upon such issuance and (2) unless the Reserve Fund is fully funded at its requirement (including the new issue) upon the issuance of such Additional Parity Obligations, in either case unless otherwise permitted by the Bond Insurer.
- (q) No contract shall be entered into nor any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Series 2004 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.
- (r) In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Original Resolution and this Resolution would adversely affect the security for the Series 2004 Bonds or the rights of the Bondholders, the Paying Agent shall consider the effect of any such amendment, consent, action or inaction as if there were no Insurance Policy.

SECTION 26. RESERVE FUND. The Issuer hereby establishes the Series 2004 sub-account in the Reserve Fund (the "Series 2004 Sub-account"). The Issuer further authorizes the Reserve Requirement for the Series 2004 Bonds to be funded by proceeds of the Series 2004 Bonds and deposited into the Series 2004 Sub-account.

SECTION 27. APPOINTMENT OF REGISTRAR AND PAYING AGENT. Wachovia Bank, National Association, Jacksonville, Florida is hereby appointed as Registrar and Paying Agent for the Series 2004 Bonds. The Mayor or Mayor Pro-Tem Commissioner and the City Treasurer-Clerk are hereby authorized to enter into any agreements with such Registrar and Paying Agent, which may be necessary to reflect the obligation of such Registrar and Paying Agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated, by this Resolution.

SECTION 28. ADDITIONAL SECURITY. The Issuer hereby authorizes the additional security to be pledged to the Series 2001 Bonds. Such additional security shall be the Local Communication Services Tax. The Local Communications Services Tax so pledged and hereafter received by the Issuer shall immediately be subject to the lien of such pledge without any physical delivery of further act.

SECTION 29. AMENDMENTS TO THE ORIGINAL RESOLUTION.

(a) SECTION 2. DEFINITIONS. of Resolution No. 01-R-28 is hereby amended as follows:

“Local Communications Services Tax” shall mean the Local Communications Services Tax authorized and collected pursuant to Section 220.20, Florida Statutes and Resolution No. 01-R-33 of the Issuer adopted on June 13, 2001.

“Pledged Revenues” shall mean collectively, (i) the Local Government Half-Cent Sales Tax, (ii) the Guaranteed Entitlement Revenues, (iii) the Local Communications Services Tax and (iv) earnings on investments of all funds and accounts (except the Rebate Fund), pledged to secure the Bonds.

(b) SECTION 18. (B)(1)(d) of Resolution No. 01-R-48 is hereby amended as follows:

(d) Reserve Fund: Within the Debt Service Fund, a Reserve Fund is established with a separate sub-account for each series of Bonds. The Issuer shall deposit moneys from the Revenue Fund into each sub-account for each series of Bonds to the extent that amounts on deposit in the appropriate series sub-account are less than the Reserve Requirement for such series of Bonds. In the event that amounts available for that purpose shall be insufficient to make all deposits required by the preceding sentence, the available amount shall be prorated among the various sub-accounts in the Reserve Fund in the same proportion that the Reserve Requirement for each sub-account bears to the total Reserve Requirement for all sub-accounts. On or prior to each principal and interest payment date for a series of Bonds, moneys in the appropriate sub-account of the Reserve Fund shall be applied by the Issuer to the payment of the principal, Amortization Installments or interest on the Bonds to which such sub-account relates to, when the other moneys allocated to the Debt Service Fund are insufficient therefore, and for no other purpose.

The Issuer may provide that the difference between the amounts on deposit in each sub-account of the Reserve Fund and the Reserve Requirement for such series of Bonds shall be an amount covered by a letter of credit rated in one of the two highest categories by nationally recognized rating agencies, by a surety bond acceptable to any company issuing a policy of municipal bond insurance guaranteeing the payment of principal and interest of such series of Bonds, or any combination thereof.

Moneys in the Reserve Fund shall be valued at cost. In the event of the refunding of a series of Bonds, the Issuer may withdraw from the appropriate sub-account of the Reserve Fund, all or any portion of the amounts accumulated therein with respect to the series of Bonds being refunded and deposit such amounts as required by ordinance or resolution authorizing the refunding of such series of Bonds; provided that withdrawal shall not be made unless (a) immediately thereafter, the series of Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the appropriate sub-account of the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds of such series then Outstanding. Any excess moneys on deposit in a sub-account of the Reserve Fund shall be transferred by the Issuer to the Debt Service Fund.

Upon the issuance of a series of Bonds, under the terms, limitations and conditions as herein provided, the Issuer shall provide for the terms of funding of a sub-account in the Reserve Fund.

SECTION 30. DELEGATION OF AWARD OF SERIES 2004 BONDS. Subject to full satisfaction of the conditions set forth in this Section, the City Commission of the Issuer hereby authorizes a delegated negotiated sale of the Series 2004 Bonds to the Underwriter in accordance with the terms of a Bond Purchase Agreement to be dated the date of sale and to be substantially in the form attached hereto as Exhibit “A”, with such changes, amendments, modifications, omissions and additions

thereto as shall be approved by the Mayor or the City Treasurer-Clerk in accordance with the provisions of this Section (including, without limitation, making the final determination concerning the structuring and marketing of the Series 2004 Bonds to obtain the most favorable rating and interest rate on the Series 2004 Bonds), and the execution and delivery of the Bond Purchase Agreement by the Mayor and the City Treasurer-Clerk shall be deemed conclusive evidence of the approval of such changes and the full and complete satisfaction of the conditions set forth in this Section.

Notwithstanding the foregoing, the Bond Purchase Agreement shall not be executed by the Mayor and the City Treasurer-Clerk until such time as all of the following conditions have been satisfied:

1. Receipt by the City Treasurer-Clerk of a written offer to purchase the Series 2004 Bonds by the Underwriter substantially in the form of the Bond Purchase Agreement, said offer to provide for, among other things, (i) the issuance of not exceeding \$95,000,000 aggregate principal amount of Series 2004 Bonds, (ii) an underwriting discount (including management fee and all expenses) not in excess of \$5.00/\$1,000 of the par amount, (iii) a true interest cost of not more than 5.25% per annum and (iv) the maturities of the Series 2004 Bonds with the final maturity no later than October 1, 2025.

2. The Series 2004 Bonds shall be subject to such optional and mandatory redemption provisions as provided in the Bond Purchase Agreement.

3. Receipt by the City Treasurer-Clerk from the Underwriter of a disclosure statement and truth-in-bonding information complying with Section 218.385, Florida Statutes and substantially in the form attached to the Bond Purchase Agreement.

Upon satisfaction of the conditions set forth in this Section, the Mayor and City Treasurer-Clerk are hereby authorized to execute and deliver the Series 2004 Bonds and any other documents, agreements or certificates relating to the Series 2004 Bonds, and are further authorized and directed to prepare and furnish to the purchasers of the Series 2004 Bonds, when the Series 2004 Bonds are issued, certified copies of all the proceedings and records of the Issuer relating to the Series 2004 Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2004 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

SECTION 31. CONFLICTS. All resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby supplemented and amended to conform with the provisions herein contained and except as otherwise modified, supplemented and amended hereby shall remain in full force and effect.

SECTION 32. SEVERABILITY. If any word, phrase, clause, section, or portion of this Resolution shall be held invalid or unconstitutional by a court of competent jurisdiction, such portion or words shall be deemed a separate and independent provision and such holding shall not affect the validity of the remaining portions thereof.

SECTION 33. EFFECTIVE DATE. This Resolution shall have effect upon adoption.

PASSED AND ADOPTED on this 10th day of November 2004.

CITY OF TALLAHASSEE, FLORIDA

ATTEST:

By: _____
Mayor

By: _____
City Treasurer-Clerk

Approved as to form and legality:

By: _____
City Attorney

RESOLUTION NO. 01-R-48

A RESOLUTION AUTHORIZING THE REFUNDING OF CERTAIN PRESENTLY OUTSTANDING CAPITAL BONDS, SERIES 1993A AND 1993B OF THE CITY OF TALLAHASSEE, FLORIDA; AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$17,000,000 CAPITAL REFUNDING BONDS, SERIES 2001; PLEDGING REVENUES DERIVED FROM THE GUARANTEED ENTITLEMENT AND THE LOCAL GOVERNMENT HALF-CENT SALES TAX FOR THE PAYMENT OF SAID BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT IN CONNECTION THEREWITH; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA, that :

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of the Charter of the City of Tallahassee, Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

SECTION 2. DEFINITIONS. The following terms in this Resolution shall have the following meanings unless the text otherwise expressly requires:

“Acquired Obligations” shall mean and shall include any of the following securities, if and to the extent the same are at the time legal for investment of funds of the Issuer:

1. Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America (“U.S. Government Securities”).
2. Direct obligations* of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:
 - (a) Export-Import Bank of the United States – Direct obligations and fully guaranteed certificates of beneficial interest
 - (b) Federal Housing Administration – debentures
 - (c) General Services Administration – participation certificates
 - (d) Government National Mortgage Association (“GNMAs”) – guaranteed mortgage-backed securities and guaranteed participation certificates
 - (e) Small Business Administration – guaranteed participation certificates and guaranteed pool certificates

- (f) U.S. Department of Housing & Urban Development – local authority bonds
 - (g) U.S. Maritime Administration – guaranteed Title XI financings
 - (h) Washington Metropolitan Area Transit Authority – guaranteed transit bonds
3. Direct obligations* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:
 - (a) Federal National Mortgage Association (“FNMA”) – senior debt obligations rated Aaa by Moody’s Investors Service (“Moody’s”) and AAA by Standard & Poor’s Corporation (“S&P”)
 - (b) Federal Home Loan Mortgage Corporation (“FHLMC”) – participation certificates and senior debt obligations rated Aaa by Moody’s and AAA by S&P
 - (c) Federal Home Loan Banks – consolidated debt obligations
 - (d) Student Loan Marketing Association – debt obligations
 - (e) Resolution Funding Corporation – debt obligations
 4. Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P.
 5. Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody’s and A-1 or better by S&P.
 6. Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation (“FDIC”), including the Bank Insurance Fund and the Savings Association Insurance Fund.
 7. Certificates of deposit, deposit accounts, federal funds or bankers’ acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank’s short-term certificates of deposit are rated P-1 by Moody’s and A-1 or better by S&P (not considering holding company ratings).
 8. Investments in money-market funds rated AAAm or AAAm-G by S&P.
 9. State-sponsored investment pools rated AA- or better by S&P.
 10. Repurchase agreements that meet the following criteria:

- (a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.
- (b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.
- (c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.
- (d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMA's, FNMA's or FHLMC's. The repurchase agreement shall require (i) the Trustee or the Agent to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.
- (e) The repurchase securities shall be delivered free and clear of any lien to the bond trustee (herein, the "Trustee") or to an independent third party acting solely as agent ("Agent") for the Trustee, and such Agent is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than \$50 million, and the Trustee shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee.
- (f) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and the issuer and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.
- (g) The repurchase agreement shall have a term of one year or less, or shall be due on

demand.

- (h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless Financial Guaranty directs otherwise:
 - (i) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;
 - (ii) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under item 10(d) above; or
 - (iii) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

11. Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

- (a) A master agreement or specific written investment agreement governs the transaction.
- (b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.
- (c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in 11(f) below.
- (d) The investment agreement shall provide that if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.
- (e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn or fall below A3 from Moody's or A- from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the

agreement, without penalty.

- (f) The investment agreement shall provide for the delivery of collateral described in (i) or (ii) below (“Permitted Collateral”) which shall be maintained at the following collateralization levels at each valuation date:
- (i) U.S. Government Securities at 104% of principal plus accrued interest; or
 - (ii) Obligations of GNMA, FNMA or FHLMC (described in 2(d), 3(a) and 3(b) above) at 105% of principal and accrued interest.
- (g) The investment agreement shall require the Trustee or Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:
- (i) the last quoted “bid” price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters; _____
 - (ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or
 - (iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.
- (h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Trustee or the Agent.
- (i) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under 11(f) above, the Trustee and Financial Guaranty shall receive an opinion of counsel as to the perfection of the security interest in the collateral.
- (j) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee or other penalty, upon not more than two (2) business days’ notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:

- (i) In the event of a deficiency in the debt service account;
- (ii) Upon acceleration after an event of default;
- (iii) Upon refunding of the bonds in whole or in part;
- (iv) Reduction of the debt service reserve requirement for the bonds; or
- (v) If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the issuer's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the bonds and to make deposits to the debt service reserve fund.

- (k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities, unless:

- (i) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above;
- (ii) Insolvency of the provider or the guarantor (if any) under the investment agreement;
- (iii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
- (iv) Failure by the provider to make a payment or observe any covenant under the agreement;
- (v) The guaranty (if any) is terminated, repudiated or challenged; or
- (vi) Any representation of warranty furnished to the Trustee or the issuer in connection with the agreement is false or misleading.

- (l) The investment agreement must incorporate the following general criteria:

- (i) "Cure periods" for payment default shall not exceed two (2) business days;
- (ii) The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee or Financial Guaranty;
- (iii) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of Financial Guaranty;
- (iv) If the investment agreement is for a debt service reserve fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate.
- (v) The provider shall be required to immediately notify Financial Guaranty and the

- Trustee of any event of default or any suspension, withdrawal or downgrade of the provider's ratings;
- (vi) The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim;
 - (vii) The agreement shall require the provider to submit information reasonably requested by Financial Guaranty, including balance invested with the provider, type and market value of collateral and other pertinent information.
12. Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:
- (a) A specific written investment agreement governs the transaction.
 - (b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; and (iii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.
 - (c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's or A- or A-1 from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.
 - (d) Permitted securities shall include the investments listed in 1, 2 and 3 above.
 - (e) The forward delivery agreement shall include the following provisions:
 - (i) The permitted securities must mature at least one (1) business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.
 - (ii) The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.

- (iii) Any breakage fees shall be payable only on debt service payment dates and shall be subordinated to the payment of debt service and debt service reserve fund replenishments.
 - (iv) The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and otherwise acceptable to Financial Guaranty.
 - (v) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of Financial Guaranty.
13. Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the issuer or the Trustee to put the securities back to the provider under a put, guaranty or other hedging arrangement, only with the prior written consent of Financial Guaranty.
14. Maturity of investments shall be governed by the following:
- (a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.
 - (b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.
 - (c) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

*The following are explicitly excluded from the securities enumerated in 2 and 3:

- (i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity;
- (iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
- (iv) Collateralized Mortgage-Backed Obligations ("CMOs").

"Additional Parity Obligations" shall mean additional obligations issued in compliance with the terms, conditions and limitations contained in this Resolution and which (i) shall have a lien on the Pledged Revenues equal to that of the Series 2001 Bonds, and (ii) shall be payable from the proceeds of the Pledged Revenues on a parity with the Series 2001 Bonds.

"Amortization Installment" with respect to any Term Bonds, shall mean an amount so designated for mandatory principal installments (for mandatory call or otherwise) payable on any Terms Bonds issued

under the provisions of this Resolution or any subsequent ordinance or resolution authorizing Additional Parity Obligations.

“Average Annual Bond Service Requirement” shall mean, as of each date on which a series of Bonds is issued, the total amount of Bond Service Requirement to become due on all Bonds deemed to be Outstanding immediately after the issuance of such series of Bonds divided by the total number of years for which Bonds are deemed to be Outstanding, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments to be made in prior Bond Years.

“Bonds” shall mean the Series 2001 Bonds and any Additional Parity Obligations issued hereafter.

“Bond Insurer” shall mean the issuer of a municipal bond insurance policy insuring the Series 2001 Bonds, as shall be determined by subsequent resolution of the Issuer.

“Bond Service Requirement” shall mean, in any Bond Year (or Fiscal Year) (i) the sum of the amount required to be deposited into the Interest Account in such year, (ii) the amount required to be deposited into the Principal Account in such year, if any, and (iii) the amount required to be deposited into the Redemption Account in such year, if any. With respect to Variable Rate Bonds, the interest rate used to calculate the Bond Service Requirement shall be assumed to be the lesser of the 30-year Revenue Bonds Index (published by the Bond Buyer) no more than two weeks prior to the sale of such Variable Rate Bonds or the maximum legal rate.

“Bond Year” shall mean the Fiscal Year.

“Clerk” shall mean the City Treasurer-Clerk of the Issuer.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed by the Issuer and dated the date of issuance and delivery of the Series 2001 Bonds, as it may be amended from time to time in accordance with the terms thereof.

“Escrow Deposit Agreement” shall mean that certain Escrow Deposit Agreement by and between the Issuer and a bank or trust company to be selected and named by the Issuer prior to the sale of the Series 2001 Bonds, for the purpose of providing for the payment of the Refunded Bonds hereinafter mentioned, which agreement shall be in substantially the form attached hereto as Exhibit A and incorporated herein by reference.

“Escrow Agent” shall mean a bank with trust powers or a trust company appointed by the Issuer as a party to the Escrow Deposit Agreement or any similar agreement approved by the Issuer for the purposes of Section 16 of this Resolution.

“Federal Securities” shall mean direct obligations of, or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America, which are not redeemable prior to maturity at the option of the obligor.

“Fiscal Year” shall mean the period commencing on October 1 of each year and ending on the succeeding September 30.

“Guaranteed Entitlement Revenues” shall mean the guaranteed entitlement revenues received by the Issuer pursuant to Chapter 218, Part II, Florida Statutes, and defined therein as the “Guaranteed Entitlement.” In the event the State of Florida increases the portion of the Revenue Sharing Trust Fund guaranteed to the Issuer, the term “Guaranteed Entitlement Revenues” shall include such increased amount.

“Holder” or “Holder of Bonds” or any similar term shall mean any person who shall be the registered owner of any outstanding Bonds.

“Issuer” shall mean the City of Tallahassee, Florida.

“Local Government Half-Cent Sales Tax” shall mean the moneys distributed monthly to the Issuer from the Local Government Half-Cent Sales Tax Clearing Trust Fund in the State Treasury received by the Issuer pursuant to Chapter 218, Part VI, Florida Statutes.

“Maximum Bond Service Requirement” shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Bond Year, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments which were to be made in prior Bond Years.

“Outstanding” or “Bonds Outstanding” shall mean all Bonds which have been issued pursuant to this Resolution, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) Bonds for the payment or redemption of which cash funds or acquired obligations or any combination thereof shall have theretofore irrevocably set aside in a special account with an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such acquired obligations, will be sufficient to pay the principal of and interest on such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of this Resolution or irrevocable instructions directing the timely publication of such notice and directing the

payment of the principal of and interest on all Bonds at such redemption dates shall have been given to the escrow agent; and

(3) Bonds which are deemed paid pursuant to this Resolution.

“Paying Agent” shall mean First Union National Bank, Jacksonville, Florida or its successors and assigns.

“Pledged Revenues” shall mean collectively, the Local Government Half-Cent Sales Tax, the Guaranteed Entitlement Revenues, as defined herein and earnings on investments of all funds and accounts created herein (except the Rebate Fund) or any supplemental resolutions, if any, pledged to secure the Bonds issued pursuant to this Resolution.

“Rebate Fund” shall mean the City of Tallahassee Capital Refunding Bonds established pursuant to Section 24 hereof.

“Refunded Bonds” shall mean all or a portion of the outstanding bonds of the \$18,770,000 City of Tallahassee, Florida Capital Bonds, Series 1993A and \$7,700,000 City of Tallahassee, Florida Capital Bonds, Series 1993B.

“Registrar” shall mean First Union National Bank, Jacksonville, Florida or its successors and assigns.

“Reserve Requirement” shall mean, in any year, one-half (1/2) of the Maximum Bond Service Requirement, if any, on the Bonds becoming due in any ensuing Bond Year.

“Term Bonds” shall mean the Bonds which are subject to Amortization Installments, and are designated as Term Bonds in a subsequent ordinance or resolution of the Issuer.

“Variable Rate Bonds” shall mean obligations, approved by the Bond Insurer, issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage at the date of issue for the entire term thereof.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. On August 12, 1993, the City of Tallahassee issued its \$18,770,000 Capital Bonds, Series 1993A and \$7,700,000 Capital Bonds, Series 1993B.

B. It is in the best interest of the Issuer to issue its not to exceed \$17,000,000 Capital Refunding Bonds, Series 2001 (the “Series 2001 Bonds”), for the purpose of refunding the Refunded Bonds.

C. The Pledged Revenues are not now pledged or encumbered in any manner except for the prior payment of the principal and interest on the Refunded Bonds which pledge and encumbrance shall be defeased pursuant to the refunding herein authorized.

D. The principal of and interest and redemption premium on the Series 2001 Bonds and all required reserve or other payments shall be payable solely from the Pledged Revenues as herein provided. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Series 2001 Bonds herein authorized or to make any other payments provided for herein. The Series 2001 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer.

E. The estimated Pledged Revenues will be sufficient to pay all principal of and interest and redemption premium on the Series 2001 Bonds, as the same become due, and to make all required reserve or other payments required by this Resolution.

SECTION 4. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2001 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all Series 2001 Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2001 Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 5. AUTHORIZATION OF SERIES 2001 BONDS. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as "Capital Refunding Bonds, Series 2001" are hereby authorized in the aggregate principal amount of not exceeding \$17,000,000.

SECTION 6. AUTHORIZATION OF REFUNDING OF REFUNDED BONDS. The refunding of the Refunded Bonds is hereby authorized in the manner provided herein.

SECTION 7. DESCRIPTION OF SERIES 2001 BONDS. The Series 2001 Bonds shall be issued in fully registered form; shall be numbered consecutively from R-1 upward; shall be in the denomination of \$5,000 each, or integral multiples thereof; shall bear interest at such rate or rates not exceeding the maximum rate allowed by Florida law, including variable rates, the annual rate or rates to be determined by the governing body of the Issuer prior to or upon the sale of the Series 2001 Bonds; such interest to be payable semi-annually at such times as are fixed by resolution of the Issuer; shall mature annually on such date in such years and amounts as will be fixed by resolution of the Issuer prior to or upon the sale of the Series 2001 Bonds and may be serial and/or Term Bonds.

Each Series 2001 Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear

interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Series 2001 Bond shall bear interest from the date to which interest shall have been paid.

A book-entry-only system of registration is hereby authorized for the Series 2001 Bonds. So long as the Issuer shall maintain a book-entry-only system with respect to the Series 2001 Bonds, the following provisions shall apply:

The Series 2001 Bonds shall initially be issued in the name of Cede & Co. as nominee for the Depository Trust Company (“DTC”), which will act as securities depository for the Series 2001 Bonds and so long as the Series 2001 Bonds are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Series 2001 Bonds shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interests of its participants (“DTC Participants”), and other institutions who clear through or maintain a custodial relationship with DTC Participants (“Indirect Participants”). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Bonds (“Beneficial Owners”).

Principal and interest prior to and at maturity shall be payable directly to Cede & Co., in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments to Indirect Participants shall be the responsibility of DTC Participants, and payments by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Paying Agent or the Issuer.

The Series 2001 Bonds shall initially be issued in the form of one fully registered bond for each maturity. Individuals may purchase beneficial interests in the amount of \$5,000 or integral multiples thereof in book-entry-only form, without certificated Bonds, through the DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS REGISTERED OWNER OF THE SERIES 2001 BONDS, ANY NOTICE TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DTC PARTICIPANTS AND DTC PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIRECT PARTICIPANTS, AND DTC. PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO BENEFICIAL OWNERS.

The Issuer shall enter into a customary letter of representations with DTC providing for such a book-entry-only system (the “DTC Agreement”). Such agreement may be terminated at any time by either DTC or the Issuer. In the event of such termination, the Issuer shall select another securities depository or discontinue such book-entry-only system. If the Issuer does not replace DTC, the Registrar will register

and deliver to the Beneficial Owners replacement Bonds in the form of fully registered Bonds in denominations of \$5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

SECTION 8. EXECUTION OF SERIES 2001 BONDS. The Series 2001 Bonds shall be signed by, or bear the manual or facsimile signature of, the Mayor and shall be signed by, or bear the manual or facsimile signature of, the City Treasurer-Clerk and a facsimile of the official seal of the Issuer shall be imprinted on the Series 2001 Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2001 Bonds shall cease to be such officer before the delivery of such Series 2001 Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Series 2001 Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Series 2001 Bond, shall be the proper officers to sign such Series 2001 Bonds although at the date of such Series 2001 Bond such persons may not have been such officers.

SECTION 9. AUTHENTICATION OF SERIES 2001 BONDS. Only such of the Series 2001 Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinbelow set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Resolution. No Series 2001 Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Series 2001 Bond shall be conclusive evidence that such Series 2001 Bond has been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Series 2001 Bond shall be deemed to have been duly executed if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer manually sign the certificate of authentication of all of the Series 2001 Bonds that may be issued hereunder at any one time.

SECTION 10. EXCHANGE OF SERIES 2001 BONDS. Any Series 2001 Bonds, upon surrender thereof at the principal corporate trust office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Series 2001 Bonds equal to the principal amount of the Series 2001 Bond or Series 2001 Bonds so surrendered.

The Registrar shall make provision for the exchange of Series 2001 Bonds at the principal corporate trust office of the Registrar.

SECTION 11. NEGOTIABILITY, REGISTRATION AND TRANSFER OF SERIES 2001 BONDS. The Registrar shall keep books for the registration of Series 2001 Bonds and for the registration of transfers of Series 2001 Bonds as provided in this Resolution. The transfer of any Series 2001 Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an

assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Series 2001 Bond, a new Series 2001 Bond or Series 2001 Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Series 2001 Bond or Series 2001 Bonds so surrendered.

In all cases in which Series 2001 Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, Series 2001 Bonds of the same type in accordance with the provisions of this Resolution. All Series 2001 Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Series 2001 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Series 2001 Bonds under the provisions of this Resolution. Neither the Issuer nor the Registrar shall be required to make any such exchange or registration of transfer of Series 2001 Bonds during the fifteen (15) days immediately preceding any interest payment date or redemption date.

SECTION 12. OWNERSHIP OF SERIES 2001 BONDS. The person in whose name any Series 2001 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Series 2001 Bond, and the interest on any such Series 2001 Bonds, shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2001 Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

SECTION 13. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Series 2001 Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion cause to be executed, and the Registrar shall authenticate and deliver, a new Series 2001 Bond of like date and tenor as the Series 2001 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2001 Bond upon surrender and cancellation of such mutilated Series 2001 Bond or in lieu of and substitution for the Series 2001 Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Series 2001 Bonds so surrendered shall be canceled by the Issuer. If any of the Series 2001 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2001 Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Series 2001 Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Series 2001 Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed

Series 2001 Bonds be at any time found by anyone, and such duplicate Series 2001 Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Series 2001 Bonds issued hereunder.

SECTION 14. PROVISIONS FOR REDEMPTION. The Series 2001 Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by resolution of the Issuer prior to or at the time of sale of the Series 2001 Bonds.

Notice of such redemption shall, at least thirty (30) days prior to the redemption date, be filed with the Registrar; and mailed, postage prepaid, to all Holders of Series 2001 Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for, but failure to mail such notice to one or more Holders of Series 2001 Bonds shall not affect the validity of the proceedings for such redemption with respect to Holders of Series 2001 Bonds to which notice was duly mailed hereunder. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2001 Bonds of one maturity are to be called, the distinctive numbers of such Series 2001 Bonds to be redeemed and in the case of Series 2001 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Failure to mail such notice of redemption shall not affect the validity of any proceedings for the redemption of the Series 2001 Bonds with respect to the Holders of Series 2001 Bonds to which notice was duly mailed.

Notice having been mailed to the Holders of Series 2001 Bonds in the manner and under the conditions provided herein, the Series 2001 Bonds or portion of the Series 2001 Bonds so called for redemption will, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2001 Bonds or portions of the Series 2001 Bonds on such date. On the date so designated for redemption, notice having been mailed and filed and moneys for payment of the redemption price being held in separate accounts in trust for the Holders of the Series 2001 Bonds or portions thereof to be redeemed, all as provided herein, interest on the Series 2001 Bonds or portions of the Series 2001 Bonds so called for redemption will cease to accrue, such Series 2001 Bonds and portions of the Series 2001 Bonds will cease to be entitled to any lien, benefit, or security hereunder, and the Holders of such Series 2001 Bonds or portions of the Series 2001 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

SECTION 15. FORM OF SERIES 2001 BONDS. Omitted.

SECTION 16. APPLICATION OF SERIES 2001 BOND PROCEEDS. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2001 Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2001 Bonds to the purchaser thereof, as follows:

A. The accrued interest shall be deposited in the Interest Account in the Debt Service Fund herein created and shall be used only for the purpose of paying interest becoming due on the Series 2001 Bonds.

B. A sum which together with the other funds deposited in escrow will be sufficient to pay, as of any date of calculation, the principal, interest and redemption premium, if any, on the Refunded Bonds as the same shall become due or are redeemed as provided by subsequent resolution of the Issuer, whichever is earlier, and other payments required herein, including expenses incurred by the Issuer in connection with the issuance and delivery of the Series 2001 Bonds shall be deposited pursuant to the Escrow Deposit Agreement. Such funds shall be kept separate and apart from all other funds of the Issuer and the moneys on deposit therein shall be withdrawn, used and applied by the Escrow Agent solely for the purposes set forth herein and in the Escrow Deposit Agreement.

Simultaneously with the delivery of the Series 2001 Bonds to the original purchasers thereof, the Issuer shall enter into the Escrow Deposit Agreement in substantially the form attached hereto as Exhibit A with a bank or trust company approved by the Issuer, which shall provide for the deposit of sums and for the investment of moneys in appropriate Acquired Obligations so as to produce sufficient funds to make all the payments described in the Escrow Deposit Agreement. At the time of execution of the Escrow Deposit Agreement, the Issuer shall furnish to the Escrow Agent named therein appropriate documentation to demonstrate that the sums being deposited and the investments to be made will be sufficient for such purposes.

C. Unless provided from other funds of the Issuer on the date of issuance of the Series 2001 Bonds, or unless provided for through the purchase of municipal bond insurance issued by a reputable and recognized municipal bond insurer, a surety bond or other credit facility, the Issuer shall deposit into the Reserve Fund, herein created and established, a sum sufficient, with other funds on deposit in the Reserve Fund, to equal the Reserve Requirement and such Reserve Fund shall be used only for the purposes provided therefore.

D. To the extent not reimbursed therefor by the original purchaser of any series of the Series 2001 Bonds, the Issuer shall pay all costs of issuance.

SECTION 17. SPECIAL OBLIGATIONS OF ISSUER. The Series 2001 Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Revenues, as herein provided. No Holder or Holders of any Series 2001 Bonds

issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer except the Pledged Revenues.

The payment of the principal of and interest on the Series 2001 Bonds shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Series 2001 Bondholder an irrevocable lien on the Pledged Revenues. The Issuer does irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Series 2001 Bonds, for the reserves therefor and for all other required payments. Such amounts hereby pledged shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

SECTION 18. COVENANTS OF THE ISSUER. For so long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until the Issuer has made provision for payment of principal, interest and redemption premiums, if any, with respect to the Bonds, as provided herein, the Issuer covenants with the Holders of any and all Bonds as follows:

(A) REVENUE FUND. All Pledged Revenues shall be deposited in the City of Tallahassee Capital Bonds Revenue Fund (hereinafter the "Revenue Fund") hereby created and established. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes herein provided and used only for the purposes and in the manner herein provided.

(B) DISPOSITION OF REVENUES. All amounts in the Revenue Fund shall be disposed of monthly, but not later than the twenty-eighth (28th) day of each month commencing in the month immediately following the delivery of the Series 2001 Bonds only in the following manner and the following order of priority:

(1) The Issuer shall first deposit into a separate fund which is hereby created and designated the "City of Tallahassee Capital Bonds Debt Service Fund" (hereinafter called the "Debt Service Fund"), and credit to the following accounts, in the following order (except that payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) Interest Account: Such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Bonds on the next interest payment date, together with any fees and charges of the Paying Agent and Registrar therefor. The moneys in the Interest Account shall be withdrawn and deposited with the Paying Agent and Registrar for the Bonds on or before each interest payment date in an amount sufficient to pay the interest due on such date and the fees of the Registrar. Such monthly payments shall be increased or decreased proportionately prior to each interest payment date or dates, after making allowances for any deposits made into the Interest

Account upon the issuance of the Bonds.

(b) Principal Account: Such sum as will be sufficient to pay one-twelfth (1/12th) of the principal amount of the Bonds which will mature and become due on such annual maturity dates beginning in the month which is twelve (12) months prior to the first principal maturity date. The moneys on deposit in the Principal Account shall be withdrawn and deposited with the Paying Agent and Registrar for such Bonds on or before each principal maturity date in an amount sufficient to pay the principal maturing on such date and the fees and charges of the Paying Agent and Registrar.

(c) Redemption Account: Such sum as will be sufficient to pay any Amortization Installment established for the Term Bonds established by any subsequent resolution of the Issuer.

(d) To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Issuer shall next make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all current applications and allocations to the Debt Service Fund, including all deficiencies for prior payments that have been made in full. The Issuer may provide that the difference between the amounts on deposit in the Reserve Fund and the Reserve Requirement shall be an amount covered by a letter of credit rated in one of the two highest categories by nationally recognized rating agencies, by a surety bond acceptable to any company issuing a policy of municipal bond insurance guaranteeing the payment of principal and interest on the Series 2001 Bonds, or any combination thereof. Moneys in the Reserve Fund shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Bonds when the other moneys allocated to the Debt Service Fund are insufficient therefor, and for no other purpose.

Moneys in the Reserve Fund shall be valued at cost. In the event of the refunding of the Bonds, the Issuer may withdraw from the Reserve Fund, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the ordinance or resolution authorizing the refunding of such series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds then Outstanding. Any excess moneys on deposit in the Reserve Fund shall be transferred by the Issuer to the Debt Service Fund.

(2) The balance of any moneys remaining in the Revenue Fund, after the above

required payments have been made, may be used for any lawful purpose; provided, however, that none of said money shall be used for any purposes other than those hereinabove specified unless all current payments, including any deficiencies for prior payments, have been made in full and unless the Issuer shall have complied fully with all the covenants and provisions of this Resolution.

(3) The Debt Service Fund (including the accounts therein), the Revenue Fund, the Reserve Funds and any other special funds herein established and created shall be deemed to be held in trust for the purposes provided herein for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida.

Moneys in any fund or account created hereunder (with the exception of the Reserve Fund) may be invested and reinvested in permitted investments which mature not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. Moneys in the Reserve Fund may be invested and reinvested in permitted investments maturing not later than the date of the last maturity of any of the Bonds. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount is on deposit therein, and thereafter shall be deposited in the Revenue Fund.

(4) In determining the amount of any of the payments required to be made pursuant to this Section, credit may be given for all investment income accruing to the respective funds and accounts described herein, except as otherwise provided.

(5) The cash required to be accounted for in each of the funds and accounts described in this Section may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of the various funds in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues of the Issuer for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

(C) **ISSUANCE OF OTHER OBLIGATIONS.** The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds upon said Pledged Revenues. However, the Issuer may issue Additional Parity Obligations under the conditions and in the manner provided in Subsection 18(D) below. Any obligations of the Issuer, other than the Series 2001 Bonds, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the

Bonds as to the lien on and source and security for payment from such Pledged Revenues.

(D) **ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS.** No Additional Parity Obligations shall be issued after the issuance of the Series 2001 Bonds herein authorized, except upon the conditions and in the manner hereinafter provided:

(1) There shall have been obtained and filed with the Issuer a certificate of the Chief Financial Officer of the Issuer stating: (a) the aggregate amount of the Pledged Revenues received by the Issuer for the fiscal year immediately preceding the date of issuance of such Additional Parity Obligations or for any consecutive twelve (12) months out of the eighteen (18) months immediately preceding the date of issuance of the proposed Additional Parity Obligations with respect to which such certificate is made; (b) that the aggregate proceeds of the Pledged Revenues for such preceding fiscal year or for any consecutive twelve (12) months out of the eighteen (18) months immediately preceding the date of issuance of the proposed Additional Parity Obligations equals at least one hundred twenty-five percent (125%) of the Maximum Bond Service Requirement computed on a basis which includes both (i) all Bonds then outstanding and (ii) the Additional Parity Obligations after adjustments for retirements, if any, from the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(2) The Issuer shall not be in default in the carrying out of any of the obligations assumed under this Resolution and no event of default shall have occurred under this Resolution and shall be continuing, and all payments required by this Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(3) The document authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained herein will be applicable to such Additional Parity Obligations.

(4) If the Reserve Fund is funded by a surety bond, no Additional Parity Obligations may be issued without the Bond Insurer's prior written consent if any costs are past due and owing to the municipal bond insurer under the surety bond policy. Further, the Issuer shall maintain at least one times coverage of the Issuer's obligations with respect to repayment of surety bond costs then due and owing.

(E) **BOOKS AND ACCOUNTS.** The Issuer shall keep proper books, records and accounts of the receipts of the Pledged Revenues which shall be separate and apart from all other records and accounts of the Issuer, showing correct and complete entries of revenues collected and any Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all reasonable times to inspect such books, records and accounts. The Issuer shall, at least once in a year, cause the audit of such books, records and accounts to be made by an independent firm of certified public accountants. The audit shall include a certification by the accountants that (i) they are familiar with the provisions of this Resolution, (ii) the results of the audit do or do not, as the case may be, comply with the provisions hereof, and (ii) the Issuer has or has not complied with the covenants hereunder.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Holders of the Bonds.

(F) PLEDGED REVENUES NOT SUBJECT TO REPEAL. The Issuer has full power to irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Bonds, and the pledging of such Pledged Revenues in the manner provided herein shall not be subject to repeal or impairment by any subsequent ordinance, resolution or other proceedings of the governing body of the Issuer or by any subsequent act of the Legislature of Florida.

(G) COVENANT OF PLEDGED REVENUES. The Issuer hereby covenants, that as long as the Bonds are outstanding, it will not impair or adversely affect the right of the Issuer to receive the Pledged Revenues. The Issuer will proceed diligently to perform legally and effectively all steps required on its part to collect and receive the Pledged Revenues.

SECTION 19. REMEDIES. Any Holder of Bonds issued under the provisions hereof or any trustee acting for such Bondholders in the manner hereinafter provided, may, either at law or in equity, by suit, action, mandamus or other proceeding in any court of competent jurisdiction, protect and enforce any and all rights including the appointment of a receiver, existing under State or federal law, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any agency, board or officer thereof.

Nothing herein, however, shall be construed to grant to any holder of the Bonds any lien on any property of the Issuer.

SECTION 20. MODIFICATION OR AMENDMENT. This Resolution may be amended without the consent of the Bondholders to cure any ambiguity or formal defect or omission herein, add to the security for the Bonds and provide for the issuance of coupon Bonds if and to the extent permitted by law. No material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto may be made without the consent in writing of the Holders of a majority or more in the principal amount of the Bonds then Outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of the Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or affecting the promise of the Issuer to pay the principal of any interest on the Bonds as the same shall become due from the Pledged Revenues or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the holder or holders of all the Bonds then Outstanding.

SECTION 21. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy,

or shall for any reason whatsoever be held invalid or shall in any manner be held to adversely affect the validity of the Bonds, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

SECTION 22. **HOLDERS NOT AFFECTED BY USE OF PROCEEDS.** The Holders of the Series 2001 Bonds shall have no responsibility for the use of the proceeds thereof, and the use of such proceeds by the Issuer shall in no way affect the rights of such Holders. The Issuer shall be irrevocably obligated to continue to levy and collect the Pledged Revenues as provided herein and to pay the principal of and interest on the Bonds and to make all reserve and other payments provided for herein from the Pledged Revenues notwithstanding any failure of the Issuer to use and apply such proceeds in the manner provided herein.

SECTION 23. **DEFEASANCE.** The covenants and obligations of the Issuer shall be defeased and discharged under terms of this Resolution as follows:

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, then the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the Holders of any Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Bonds the principal or redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Issuer to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) The Bonds, redemption premium if any, and interest due or to become due for the payment or redemption of which moneys shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 23. Any Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the escrow agent instructions accepted in writing by the escrow agent to notify Holders of Bonds in the manner required herein of the redemption of such Bonds on said date and (ii) there shall have been deposited with the escrow agent either moneys in an amount which shall be sufficient, or Acquired Obligations (including any Acquired Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the escrow agent at the same time, shall be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said

Bonds on or prior to the redemption date or maturity date thereof, as the case may be.

SECTION 24. TAX COVENANT. With respect to any Bonds for which the Issuer intends on the date of issuance thereof for the interest thereon to be excluded from gross income for purposes of federal income taxation:

(A) The Issuer shall not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Issuer with respect to the Bonds in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Bonds to be a “private activity bond” within the meaning of Section 141 or an “arbitrage bond” within the meaning of Section 148, or “federally guaranteed” within the meaning of Section 149(b), of the Internal Revenue Code of 1986, as amended (the “Code”), or otherwise cause interest on such Bonds to become subject to federal income taxation.

(B) The Issuer shall, at all times, do and perform all acts and things permitted by law and the Resolution which are necessary or desirable in order to ensure that interest paid on such Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being so excluded.

(C) The Issuer shall pay or cause to be paid to the United States Government any amounts required by Section 148(f) of the Code and the regulations thereunder (the “Regulations”). In order to ensure compliance with the rebate provisions of Section 148(f) of the Code with respect to any Bonds for which the Issuer intends on the date of issuance thereof to be excluded from gross income for purposes of federal income taxation, the Issuer hereby creates the City of Tallahassee, Florida Capital Refunding Bonds, Series 2001, Rebate Account (hereinafter the “Rebate Account”) to be held by the Issuer. The Rebate Account need not be maintained so long as the Issuer timely satisfies its obligation to pay any rebatable earnings to the United States Treasury; however, the Issuer may, as an administrative convenience, maintain and deposit funds in the Rebate Account from time to time. Moneys in the Rebate Account (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the Regulations and as set forth in instructions of Bond Counsel delivered to the Issuer upon issuance of such Bonds.

SECTION 25. CONTINUING DISCLOSURE. The Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Such Continuing Disclosure Certificate shall be in such form as shall be approved by subsequent resolution of the Issuer. Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with the Continuing Disclosure Certificate will not be considered an event of default; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section. Series 2001 Bondholders shall not be entitled to any damages for failure of the Issuer to comply with the terms of the

Continuing Disclosure Certificate.

SECTION 26. MUNICIPAL BOND INSURER. The Issuer hereby authorizes the Series 2001 Bonds to be insured by a municipal bond insurance policy to be issued by a Bond Insurer concurrently with the delivery of the Series 2001 Bonds and further authorizes application of Bond proceeds to payment of the premium for the municipal bond insurance policy. The Bond Insurer shall be confirmed by subsequent resolution.

SECTION 27. APPOINTMENT OF ESCROW AGENT. First Union National Bank, Jacksonville, Florida, is hereby appointed as Escrow Agent for the Refunded Bonds. Simultaneously with the delivery of the Series 2001 Bonds to the Underwriter, the Issuer shall enter into an Escrow Deposit Agreement in substantially the form attached hereto as Exhibit A. The Mayor or Mayor Pro Tem- Commissioner and the Interim City Treasurer-Clerk are hereby authorized to enter into any agreements with such Escrow Agent, which may be necessary to reflect the obligation of such Escrow Agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated by this Resolution.

SECTION 28. APPOINTMENT OF REGISTRAR AND PAYING AGENT. First Union National Bank, Jacksonville, Florida is hereby appointed as Registrar and Paying Agent for the Series 2001 Bonds. The Mayor or Mayor Pro-Tem Commissioner and the Interim City Treasurer-Clerk are hereby authorized to enter into any agreements with such Registrar and Paying Agent, which may be necessary to reflect the obligation of such Registrar and Paying Agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated, by this Resolution.

SECTION 29. REDEMPTION OF REFUNDED BONDS. The Refunded Bonds are hereby authorized to be called for redemption pursuant to the redemption provisions of the resolution which authorized the Refunded Bonds on such date as shall be approved by the Mayor and the Interim City Treasurer-Clerk after consultation with the Issuer's financial advisor.

SECTION 30. CONFLICTS. All resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby supplemented and amended to conform with the provisions herein contained and except as otherwise modified, supplemented and amended hereby shall remain in full force and effect.

SECTION 31. SEVERABILITY. If any word, phrase, clause, section, or portion of this Resolution shall be held invalid or unconstitutional by a court of competent jurisdiction, such portion or words shall be deemed a separate and independent provision and such holding shall not affect the validity of the remaining portions thereof.

SECTION 32. EFFECTIVE DATE. This Resolution shall have effect upon adoption.

PASSED AND ADOPTED on this 10th day of October, 2001.

CITY OF TALLAHASSEE, FLORIDA

ATTEST:

By: _____ Mayor

By: _____ City
Treasurer-Clerk

Approved as to form and legality:

By: _____
City Attorney

**CAPITAL BONDS
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Bond Year Ending October 1	Total	\$86,210,000 Series 2004	\$15,360,000 Series 2001
2005	\$ 6,266,824	\$ 4,391,189	\$ 1,875,635
2006	7,673,726	5,795,216	1,878,510
2007	7,676,101	5,796,341	1,879,760
2008	7,671,714	5,796,204	1,875,510
2009	7,671,664	5,794,554	1,877,110
2010	7,675,964	5,801,104	1,874,860
2011	7,675,054	5,795,554	1,879,500
2012	7,675,398	7,675,398	-
2013	7,674,060	7,674,060	-
2014	7,675,010	7,675,010	-
2015	7,673,260	7,673,260	-
2016	7,730,000	7,730,000	-
2017	7,675,000	7,675,000	-
2018	7,675,250	7,675,250	-
2019	7,672,500	7,672,500	-
2020	7,671,250	7,671,250	-
2021	7,675,750	7,675,750	-
2022	7,675,000	7,675,000	-
2023	7,673,500	7,673,500	-
2024	7,346,500	7,346,500	-
TOTALS	<u>\$ 151,803,524</u>	<u>\$ 138,662,639</u>	<u>\$ 13,140,885</u>

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

Dated: December 7, 2004

Purpose

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

Security

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

Form

\$86,210,000 Serial Bonds due October 1, 2024. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2005.

Agents

Registrar - Wachovia Bank of Florida, Jacksonville, Florida.

Paying Agent - Wachovia Bank of Florida, Jacksonville, Florida.

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

Ratings

Moody's – Aaa (A1 underlying)

Fitch – AAA (AA underlying)

Call Provisions

Optional Redemption

The Series 2004 Bonds maturing on or prior to October 1, 2014 are not subject to optional redemption prior to maturity. The Series 2004 Bonds maturing after October 1, 2014 are subject to redemption prior to maturity at the option of the City, as a whole or in part at any time (if in part, the maturities and the principal amounts to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2014 at a redemption price of 100% of the principal amount of the Series 2004 Bonds to be redeemed, plus accrued interest to the date of redemption.

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

Summary of Remaining Debt Service Requirements

Bond Year					
Ending	Interest				
October 1	Rate	Principal	Interest	Total	
2005	3.000%	\$ 1,225,000	\$ 3,166,189	\$ 4,391,189	
2006	2.500%	1,955,000	3,840,216	5,795,216	
2007	2.750%	2,005,000	3,791,341	5,796,341	
2008	2.750%	2,060,000	3,736,204	5,796,204	
2009	3.000%	2,115,000	3,679,554	5,794,554	
2010	3.000%	2,185,000	3,616,104	5,801,104	
2011	3.125%	2,245,000	3,550,554	5,795,554	
2012	3.250%	4,195,000	3,480,398	7,675,398	
2013*	*	4,330,000	3,344,060	7,674,060	
2014	5.000%	4,535,000	3,140,010	7,675,010	
2015	3.850%	4,760,000	2,913,260	7,673,260	
2016	5.000%	5,000,000	2,730,000	7,730,000	
2017	5.000%	5,195,000	2,480,000	7,675,000	
2018	5.000%	5,455,000	2,220,250	7,675,250	
2019	5.000%	5,725,000	1,947,500	7,672,500	
2020	5.000%	6,010,000	1,661,250	7,671,250	
2021	5.000%	6,315,000	1,360,750	7,675,750	
2022	5.000%	6,630,000	1,045,000	7,675,000	
2023	5.000%	6,960,000	713,500	7,673,500	
2024	5.000%	7,310,000	36,500	7,346,500	
TOTALS		\$ 86,210,000	\$ 52,452,639	\$ 138,662,639	

* Bonds maturing 2013 are in two issues: \$830,000 at 3.5% interest rate and \$3,500,000 at 5% interest rate.

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

Dated: October 15, 2001

Purpose

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

Security

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

Form

\$15,360,000 Serial Bonds due October 1, 2011. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2002.

Agents

Registrar - Wachovia Bank of Florida, Jacksonville, Florida.

Paying Agent - Wachovia Bank of Florida, Jacksonville, Florida.

Trustee - Wachovia Bank of Florida, Jacksonville, Florida.

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

Ratings

Moody's - Aaa (A1 underlying)

Standard and Poors - AAA (A+ underlying)

Fitch - AAA (AA underlying)

Redemption Provisions

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

\$15,360,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL REFUNDING BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year					
Ending	Interest				
October 1	Rate	Principal	Interest	Total	
2005	3.25%	\$ 1,450,000	\$ 425,635	\$ 1,875,635	
2006	3.25%	1,500,000	378,510	1,878,510	
2007	3.50%	1,550,000	329,760	1,879,760	
2008	3.65%	1,600,000	275,510	1,875,510	
2009	3.75%	1,660,000	217,110	1,877,110	
2010	3.80%	1,720,000	154,860	1,874,860	
2011	5.00%	1,790,000	89,500	1,879,500	
TOTALS		<u>\$ 11,270,000</u>	<u>\$ 1,870,885</u>	<u>\$ 13,140,885</u>	

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.

Anticipated financing needs for the Energy System for the next five years are:

<u>Issue</u>	<u>Amount</u>	<u>Projected Date</u>
Electric System Revenue	\$100,000,000	July 2005
Electric System Revenue	\$70,000,000	March 2008
Gas Energy System Revenue	\$15,000,000	March 2008

Administration

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

Energy Services

The primary purpose of the City's Energy Services Department ("ESD") is to manage the fuels and energy supply portfolios for the City's Energy System. In addition to the traditional roles of fuels and energy acquisition for the utilities, ESD performs marketing and trading of electricity and natural gas in the wholesale market. Historically, acquisitions of natural gas supply involved primarily the utilization of fixed price long-term and short-term forward physical contracts for electricity and natural gas with various energy companies and other utilities. Due to the counterparty credit risk associated with the long-term contracts and diminishing creditworthiness of physical supply providers, the City began utilizing financial trade based risk management tools in order to protect its customers against future adverse price movements. In 2002, the City Commission approved a formalized Energy Risk Management Program. Further, the City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight purposes. The ERPC is comprised of the City's appointed officials and executive staff from the City's Utility, Financial, and Administrative units. In addition, the City Commission approved utilization of budgeted fuel and energy expense accounts for financial trades

within the current fiscal year, and up to \$20 million from the Electric Operating Reserve for financial trades beyond the current fiscal year that are consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary or utility rate objectives.

The City's Energy Risk Management Program identifies, measures, monitors, manages, controls, and reports the market-based financial risks of the organization on a regular basis. The program mainly focuses on the market and credit risks associated with the City's electric energy production and wholesale business activities. Under this program, ESD will adhere to the approved policy and will also continue operating under the following guidelines:

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

In addition to natural gas supply, ESD also purchases fuel oil to hedge against volatile natural gas prices and provide back-up fuel supply in case of natural gas interruptions. Transportation for natural gas is arranged through long-term contracts with Florida Gas Transmission and Southern Natural Gas. When available, ESD re-markets excess capacity in the secondary market to help reduce the City's total transportation costs. Oil is acquired mostly through short-term contracts and deliveries are made by barge or truck.

THE 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 110,000 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 ended September 30, 2004, the City sold 2,672,983 MWh of electric energy to ultimate customers and 67,112 MWh to other utilities and received total operating revenues of \$253,765,000.

The current installed capacity at the Sam O. Purdom Generating Station (the "Purdom Station") is 332 MW. The current installed capacity at the Arvah B. Hopkins Generating Station is 356 MW. The C.H. Corn Hydroelectric Plant (the "C.H. Corn Station") consists of three generating units with a total capacity of 11 MW. In 1977, the City acquired a 1.3333% (11 MW) undivided ownership interest in Crystal River Unit No. 3 ("CR-3"), a nuclear plant operated and owned in part by Florida Power Corporation (now Progress Energy - Florida). The City transferred its ownership interest in CR-3 and the decommissioning trust account balance to Florida Power in September 1999. The terms of the transfer included purchasing equivalent replacement electric capacity (11.4 MW) from Florida Power at a delivered price of \$42 per MW through December 31, 2007, escalating thereafter until 2016.

Management Discussion of Operations

The City has significantly reduced base electric rates since 1994. Between 1994 and 2000, the City reduced electric rates by \$20 million per year through periodic base rate adjustments. Most of this reduction was to the general service and general service large demand classes. The funding for these rate reductions was provided by the reductions in the general fund transfer and by operating cost reductions within the electric utility. In April 2001, the City implemented a \$22.4 million dollar base rate reduction. Operating cost reductions and the implementation of the Fire Services Fee, which reduced the amount of the General Fund Transfer from the Electric Utility, supported this base rate reduction. No base rate changes have been implemented since 2001. The Electric Operating Reserve had a balance of \$78 million at September 30, 2004, with \$20 million of this amount committed to supporting financial trades through the City's Energy Risk Management Program.

Moderate growth in retail sales is to the result of continued growth in the City's service territory. Retail sales during FY 2004 were 2,672,983 MWh, an increase of 2.5% over FY 2003. The City implemented a new Customer Information System (CIS) in FY 2003. This new system utilizes a different and, we believe, more accurate methodology for counting customers than was provided by the previous system. The City experienced a 1% increase in customer growth from 106,239 in FY 2003 (customer count restated to be consistent with the new methodology) to 109,981 in FY 2004. The City expects continued growth in customers and retail sales of approximately 2% per year for the next several years.

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

The City continues to monitor changes in the electric utility industry to position itself for the various forms of restructuring. The electric base rate reduction strategy (1994 – 2001) and the accrual of

operating reserves have positioned the City competitively while providing a great deal of flexibility, including the ability to defease existing indebtedness and directly fund certain capital projects that would otherwise be debt financed. The City's residential base rates are the lowest in Florida, however the volatility of the fuels markets and the City's dependence on natural gas as a fuel for its generating units have continued to make fuels and energy risk management a key strategy to remaining competitive. The City is an active participant in State and Federal legislative and regulatory activities related to electric industry restructuring, electric reliability, electric transmission facilities, and financing issues that may have an impact on the City and its customers.

General Electric Long Term Services Agreement

The City has entered into a Long Term Services Agreement (LTSA) with General Electric International, Inc (GE). Under the terms of the LTSA, GE will perform all of the scheduled preventative maintenance work on the Unit 8 combustion and steam turbine/generators for a fixed cost. The LTSA incorporates availability and heat rate guarantees, including liquidated damages and bonus provisions. These damages and bonus provision are capped at \$500,000 per year. The LTSA also provides for discounts for any additional parts or services needed outside the scope of the agreement and caps the rate of increase for these parts and services to published indices. Entering into this agreement ensures the City that the required support and parts will be available for continued operation of Unit 8. The term of the LTSA is a period of 12 years or 96,000 fired operating hours, which will carry the preventative maintenance work through the second scheduled major inspection in 2011.

Future Power Supply Resources

The City contracted with the consulting firm of Black & Veatch to conduct an integrated resource planning (IRP) study that was completed in the Spring of 2002. The 2002 IRP Study results were generally consistent with those of the City's preliminary resource planning studies. These studies identified the need for additional peaking generation capacity by the summer of 2005 as part of the least-cost plan under base case conditions. The City is currently engaged in another IRP study to further refine its power supply options for the period 2005-2025. The 2004 IRP Study, also being conducted by Black & Veatch, will build on the results of the 2002 study as well as considering additional alternatives including, but not limited to, repowering existing resources, participation in solid-fuel projects in the region, construction of a solid fuel unit and building an expanded portfolio of demand-side measures to help the City meet its customers demand for energy.

The City has included the addition of approximately 100 MW of peaking capacity in its current five-year financial plan. This additional generating capacity will meet the majority of the need identified through 2009 while the remaining small reserve shortfalls can be met with "peak-season" purchases from other systems or delaying the planned retirement of existing combustion turbines.

The firm of Sargent and Lundy (S&L) has been retained by the City to perform the engineering services associated with the peaking resource addition. This included site evaluation for the potential DG sites, development of technical specifications for the power island equipment and detail design and technical specification development for the installation for the peaking resource addition. The City issued a Request for Proposals (RFP) for the power island equipment in August of 2003. This RFP provided for firms to propose peaking resource equipment pricing and performance information for evaluation by the City. The RFP allowed for both simple cycle dual fuel combustion turbines and dual fuel reciprocating engine proposals to be provided to the City. On December 3, 2003, the City Commission approved the selection of General Electric and Wartsila to provide the power island equipment. In this action, The City Commission approved the installation of ~100 MW of peaking generation with ~50 MW being provided from each vendor. GE's offering was a LM-6000 Sprint simple cycle combustion turbine, with a nominal rating of 47 MW, to be located at the A. B. Hopkins Generating Station. Wartsila's offering was to provide nine dual fuel reciprocating engines (18V32DF) with nominal ratings of 5.8 MW each. Six of the

Wartsila engines were to be located at the Hopkins facility and three of the Wartsila engines were to be located at the City's Substation 12, adjacent to Tallahassee Memorial Hospital. Subsequent to the City Commission's action, a start-up emissions issue was identified with the Wartsila units. Staff worked with Wartsila for several months to resolve this issue, but was unable to identify an acceptable solution. In June of 2004, the City Commission authorized staff to terminate negotiations with Wartsila and enter into a contract amendment with GE for a second LM-6000 Sprint simple cycle combustion turbine.

The new units to be installed at the Hopkins facility are General Electric LM-6000 Sprint NexGen units designed to operate on either natural gas or clean low sulfur diesel. Each unit has a net summer (94°F, 54% RH) rating of 47.1 MW, when firing natural gas, and 45.6 MW, when firing clean low sulfur diesel. The summer net heat rate for the units is 9,194 btu/kwh (LHV) when firing natural gas, and 9,314 btu/kwh (LHV) when firing clean low sulfur diesel. The units will be equipped with inlet chilling to reduce the compressor inlet temperature to 48°F, providing for enhanced output and heat rate during the summer months. The units are also equipped with selective catalytic reduction (SCR) and carbon oxidation (CO) catalyst to reduce the emissions of oxides of nitrogen and carbon monoxide, respectively. These will be the first simple cycle LM-6000's installed in Florida with SCR and CO catalyst technology.

Permitting for the resource addition project was done as a modification to the Hopkins Site Certification under the Florida Power Plant Siting Act (PPSA). In-house staff has performed the majority of the permit process. Some outside support has been obtained from Golder Associates for air issues and Phoenix Environmental for ecological issues. The Site Certification Modification Application was submitted to the Florida Department of Environmental Protection (FDEP) in August of 2004. The Final Prevention of Significant Deterioration (PSD) permit was issued by FDEP in November of 2004. The draft modification to the site certification was issued by FDEP in November of 2004 and the final site certification modification in January of 2005. These units will be authorized to operate 5,840 hours per year with up to 4,000 hours per year on liquid fuel.

The resource addition project is being performed as a conventional design, bid then build project. S&L is performing the detail design engineering and has developed technical specifications for the construction phase of the project. In August of 2004, the City issued a Request for Qualifications (RFQ) for the construction general work contractor (GWC). This RFQ outlined a three-phase pre-qualification and proposal process to secure the GWC. Phases 1 and 2 were prequalification phases designed to identify up to five (5) qualified GWC firms. Phase 3 is the technical and pricing proposal process. Following the evaluation of the qualification statements received as a result of the RFQ, five firms were identified as qualified and were invited to participate in the 3rd step of the process. The firms identified are: Zachry Construction, Gemma Power, Graycor Industrial, TIC – The Industrial Company and Fagen. On November 15, 2004, the City issued the Phase 3 RFP documents to these five firms and received proposals on December 21, 2004. Award was made to TIC – The Industrial Company on January 26, 2005 and construction commenced in February of 2005.

As noted above, the IRP identified the need for this additional capacity for the summer of 2004. Purchased power was utilized to meet the summer 2004 capacity shortfall and the first of the new generating units (50 MW) is scheduled to be in commercial operation in July 2005 and the City has acquired a small firm purchase agreement (20 MW) to supplement resources if there is a schedule delay.

Electric Rates

The City Commission, under existing Florida law, has the exclusive authority to establish the level of electric rates, that is, the amount of revenue to be recovered by the Electric System, subject to the Florida PSC's approval of the City's rate structure.

The City's current electric rates include: a customer charge that varies among customer classes, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). The ECRC is a pass through charge that recovers the cost of fuel used in the City's power generating facilities, plus the cost of purchased power from other utilities. The City reviews the actual over or under-recovery of energy cost recovery on a monthly basis and modifies the ECRC, if necessary, on at least a semi-annual basis. All other rates are reviewed periodically for rate level sufficiency and rate structure. The most recent formal review of base rates (excluding ECRC) was the 2001 Electric Rate Study. Based on the results of the study, rates were reduced by \$22.4 million. Current base rates are expected to remain in place through FY 2005. As a result of the rate reduction in 2001, the City's base rates are now among the lowest in Florida. While base rates remain low, as referenced earlier the City continues to place emphasis on managing the cost of fuel and purchased power passed on to our customers through the ECRC. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility and virtually eliminate counter party credit risk utilizing the City's Energy Risk Management Policy and Procedures that govern all trading activity.

The 2001 reduction in base rates was the most recent part of a long-term strategic plan intended to position the electric utility as a viable provider in a potentially competitive market. A principal component of this strategy has been an effort to develop and maintain low rates in advance of any competitive market initiatives in Florida. In addition to competitive base rates, the City also offers a Preferred Customer Electric Service Agreement for our largest customers, which further reduces their rates and ensures a long-term relationship as a City customer.

Capital Improvement Program

The City, as part of its annual budget process, adopts a five-year capital improvement program for the Electric Utility. The first year of this program becomes an appropriation and the remaining four years constitute a planning document, which identifies anticipated capital expenditures and the related funding sources.

The 2005 capital budget identifies approximately \$293 million of capital projects for FY's 2005-2009. Approximately \$197 million of such expenditures may be funded from proceeds of new debt, the first portion to be issued in 2005. The remaining projected capital expenditures are expected to be funded from charges to customers and from deposits to the renewal and replacement fund maintained by the City.

Long Term Retail Electric Contracts

In the Spring of 1999, the City developed a tariff for long-term contracting with all demand metered non-residential electric customers. The tariff, referred to as the "Preferred Customer Electric Service Agreement" (PCES), was approved by the City Commission on April 28, 1999 and by the Florida Public Service Commission on May 4, 1999. Under this Agreement, rate discounts are provided to the customer in return for a ten-year commitment from the customer to use the City as its electricity provider. The rate discounts are 5% for the General Service Demand (GSD) class of non-residential accounts and 7% for the General Service Large Demand (GSLD) accounts. Progress to date and relevant statistics associated with this initiative are as follows:

- § Approximately 2,100 demand metered electric accounts are eligible. These accounts represent around 500 customers.
- § Eligible customers comprise nearly 90% of the annual revenue from all non-residential classes on the City's electric system. About 50% of electric retail revenue comes from the non-residential classes.

- § Contract proposals and associated economic analyses have been presented to most customers representing approximately 1,400 accounts.
- § The PCES Agreements represent revenues of approximately \$46 million, or 51% of the total targeted (“at risk”) revenue of about \$91 million.
- § Of the City’s 20 largest Electric Utility customers, 16 have executed PCES Agreements.

Transmission and Distribution

The City’s existing transmission system includes approximately 185 circuit miles of transmission lines that are operated at voltages of 230 kV and 115 kV. The 115 kV transmission network forms a 115 kV loop that extends around and through the City limits. Seventeen substations, located at various sites, transform power from the transmission voltage of 115 kV to the distribution network voltage of 12.47 kV. The transmission, distribution, and generation facilities are monitored and controlled remotely from the City’s Electric Control Center utilizing a communication network.

The City is interconnected with Florida Power at five locations on its system and with The Southern Company (“Southern”) and its operating affiliates at one location.

The City continues to expand its distribution, transmission and substation facilities to meet the system load growth and reliability requirements.

GAS SYSTEM

As of September 30, 2004, Tallahassee's Municipal Gas System has increased to an average of 24,322 customers, which is an increase of 4.14% in new service connections from September 30, 2003. Our residential base comprises 22,672 customers. The commercial customer base has 1,634 customers, and there are 16 interruptible customers.

Management Discussion of Operations

Tallahassee Gas Utility's revenues increased \$3,000,000 in FY 2004 versus FY 2003. Gas revenue receipts were slightly above projections primarily due to fuel revenue increases. Gas consumption and new service connections increased in all customer categories. Gas utility operating expenses also increased in FY 2004 versus FY 2003 by \$4,000,000. This increase is primarily due to steep fuel cost, new regulatory program mandates, and new technology investments. Net income was \$3,532,000 before a \$2,300,000 transfer to the General Fund and \$1,179,000 transfer to the Gas RR&I fund.

The General Fund transfer is in accordance with the City's budgetary policy, and the Gas RR&I Fund transfer is in accordance with the City's Financing Policy.

During FY 2004, the Gas Department added services to several new restaurants, elderly assisted living facilities, an asphalt plant, and several new small business customers. The Gas Department is currently expanding services in a residential and commercial development named Southwood. These new customers will improve the system's annual load curve and increase system throughput.

The Gas Department also complies with new regulations regarding the Public Awareness & Safety program requirements. In an effort to expand the gas service to surrounding counties, the Gas utility has recently entered into an agreement with the City of Midway to provide natural gas service to this growing City. The Gas Department has continued to add new residential and small commercial customers in Wakulla County with potential additions in Gadsden County.

During FY 2004, 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.

2005 Gas Rates Overview

Applicable bond covenants require gas rates to be periodically reviewed for sufficiency. The 1996 Natural Gas Rate Study, which was prepared by City staff with the assistance of a consultant, was the last full-scale rate review conducted for the gas utility. The proposed rates contained in the above study were accepted by the City Commission in October 1996 and were implemented effective December 1, 1996. The rates were reviewed in FY 1998 and again in FY 2002 by city staff, and were determined to still be sufficient to meet the revenue needs of the gas system. These same rates remain in effect today.

During FY 2005, city staff, with the assistance of a consultant, will again be conducting a rate review to ensure that revenues are sufficient for the financial viability of the Gas system. The study will review the issues of rate level, rate design, and rate structure along with other important issues critical to the long-term success of the gas utility. The focus of the study will be to maintain revenue sufficiency, while competitively positioning the gas utility for a changing business environment.

Gas Supply

To meet the City's gas supply needs for its Electric System and Gas System, the City entered into contracts with a number of primary gas suppliers for production zone supply purchases. To provide as much flexibility and diversity to the City as possible, the contracts with the primary suppliers contain provisions for varying terms, pricing arrangements, escalation factors and renewal provisions. The majority of the contracts with the primary suppliers contain provisions for base and incremental volumes of gas supply. In addition to primary suppliers, the City has contracted with others for purchasing supplemental quantities and trading, on a daily basis, supplies, and transportation of natural gas in the primary and secondary markets.

The City also has a natural gas storage contract with Southern Natural Gas Company (SNG). This contract provides, for the storage on the SNG system of up to 70,781 MMBtu, a maximum withdrawal capacity of 1,429 MMBtu/day, and a maximum injection rate of 544 MMBtu/day. The storage of natural gas on the SNG system provides gas supply during periods of unplanned interruptions, and should mitigate daily imbalances and abnormally high market prices.

Gas Transportation

The Gas System receives transportation service from SNG and Florida Gas Transmission Company (FGT) pursuant to tariffs and rates that are subject to FERC jurisdiction. The City's contracted firm capacity on SNG is 5,000 MMBtu per day.

In April 2002, the City added an additional 5000 MMBtu/day of natural gas transmission capacity during the summer months and an additional 1000 MMBtu/day during the winter months on FGT. This brings the City's total capacity on FGT to 70,000 MMBtu/day (Summer) and 61,000 MMBtu/day (Winter). The additional natural gas pipeline capacity will help the City meet the growing needs of the electric system and its natural gas customers.

Selected Energy System Statistics

Electric System - Sales to Ultimate Customers, by Customer Class					
For Fiscal Years Ended September 30	2000	2001	2002 ⁽¹⁾	2003	2004
Residential					
Average Annual Customers	78,730	80,000	83,682	86,377	89,497
Energy Sales (MWh)	959,888	975,018	1,000,699	1,049,062	1,062,416
Average Annual Use Per Customer (kWh)	12,192	12,188	11,958	12,145	11,871
Average Annual Revenue per Customer (\$)	1,087	1,167	986	1,225	1,247
Commercial, Industrial and Interdepartmental					
Average Annual Customers	16,222	16,570	18,375	19,431	20,047
Energy Sales (MWh)	1,452,650	1,452,584	1,496,767	1,543,190	1,594,229
Average Annual Use Per Customer (kWh)	89,548	87,663	81,457	79,419	79,525
Average Annual Revenue Per Customer(\$)	6,064	6,559	5,353	5,628	6,572
Public Street Lighting					
Average Annual Customers	323	328	422	431	437
Energy Sales (MWh)	16,257	16,108	15,836	14,765	16,338
Average Annual Use Per Customer (kWh)	50,332	49,110	37,526	34,258	37,388
Average Annual Revenue per Customer(\$)	3,776	4,040	3,196	2,602	3,426
Total Sales to Ultimate Customers					
Average Annual Customers	95,275	96,898	102,479	106,239	109,981
Energy Sales (MWh)	2,428,795	2,443,710	2,513,302	2,607,017	2,672,983
Average Annual Use Per Customer (kWh)	25,492	25,219	24,525	1,954	2,226
Off System Sales					
Sales for Resale (MWh)	202,295	508,728	92,173	127,599	67,112
Total Sales (MWh)	2,631,090	2,952,438	2,605,475	2,734,616	2,740,095
Electric System - Selected Operating Costs and Ratios					
For Fiscal Years Ended September 30	2000	2001	2002	2003	2004
Revenue per kWh					
Retail Customers	0.089	0.096	0.080	0.093	0.105
Commercial and Industrial Customers	0.068	0.075	0.061	0.071	0.083
Public Street Light	0.075	0.082	0.068	0.076	0.092
Expenses Per kWh					
Total Operating Expense per kWh	0.0572	0.0641	0.0618	0.0589	0.0790
Financial Ratios					
Debt to Total Assets	0.527	0.521	0.483	0.470	0.473
Operating Ratio	0.730	0.812	0.849	0.868	0.849
Current Ratio	2.103	2.485	3.827	3.460	2.824

(1) FY 2002 restated due to new Customer Service Information System which provides a more accurate methodology for counting customers.

(2) FY 2002 restated due to new Customer Information System which provides a more accurate methodology for counting customers.

Electric System - General Statistics

For Fiscal Years Ending September 30	2000	2001	2002	2003	2004
Generating Capacity (MW) (Summer)	429 ⁽¹⁾	661	652	652	652
Capacity Purchases (MW) (Summer) ⁽²⁾	36 ⁽¹⁾	36	35	51	70
Net System Energy Generated (MW)	1,978,596	2,455,047	2,260,483	2,461,517	1,978,596
Net Peak Demand (MW) Summer	550	520	580	549	565
Net Peak Demand (MW) Winter	497	521	510	590	509
Average Residential Monthly Bill (\$)	90.60	97.18	82.06	93.75	115.27
Number of Street Lights	15,303	15,480	15,330	16,143	16,466

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

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

Electric System - Projected Summer Peak Loads and Resources (MW)

For Fiscal Years Ending September 30	2005	2006	2007	2008	2004
Total Generating Capacity	652	747	747	747	738
Total New Generating Capacity	48	48	0	0	0
Capacity Purchases	11	11	11	11	11
Projected Retirements	-	-	-	-10	-10
Total Power Supply Resources	711	806	758	748	739
Projected Net Peak Demand	600	614	624	634	645

Power Supply Resources Available For:

Reserves and Off System Sales	158	144	134	114	94
System Reserve Margin % ⁽³⁾	26%	23%	21%	18%	15%

(3) In FY 2004, in its ongoing power supply resource planning process the City is investigating the best means by which the small projected reserve shortfall (2.4% or 16 MW) in 2009 may be addressed. Options include but are not necessarily limited to: delaying the scheduled retirement of one or both the units in 2008 and 2009, negotiating a capacity purchase for the 2009 summer peak season, and/or the addition of new generating capacity. The City will identify the preferred option in next year's report.

Gas System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2000	2001	2002	2003	2004
Residential (firm)					
Average No. of Customers	18,317	19,358	20,332	20,599	22,672
Usage (Mcf)	558,016	654,909	585,934	694,119	687,412
Average Sales Per Customer (Mcf)	30	34	29	34	30
Non-residential (firm)					
Average No. of Customers	1,362	1,402	1,436	1,327	1,634
Usage (Mcf)	627,091	666,273	634,725	1,413,690	1,315,914
Average Sales Per Customer (Mcf)	460	475	442	1,065	805
Interruptible					
Average No. of Customers	18	18	17	15	16
Usage (Mcf)	847,141	807,159	64,295	118,259	158,097
Average Sales Per Customer (Mcf)	47,063	44,842	50,841	7,884	9,881
Interdepartmental Sales (1)					
Average No. of Customers	41	44	47	-	-
Usage (Mcf)	18,703	27,607	24,235	-	-
Average Sales Per Customer (Mcf)	456	627	516	-	-
Total Gas System					
Average No. of Customers	19,738	20,822	21,832	21,940	24,322
Usage (Mcf)	2,050,951	2,155,948	2,109,189	2,226,068	2,161,423
Average Sales Per Customer (Mcf)	456	104	97	101	89
Miles of Gas Lines	618	645	670	715	731
Heating Degree Days (HDD)	1411	1810	1,442	1,721	1,687

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

Electric System Ten Largest Retail Customers

Fiscal Year Ended September 30, 2004

Percent of Total Retail Sales

<i>Customers</i>	<i>Revenue</i>	<i>kWh</i>	<i>Revenue</i>	<i>kWh</i>
Florida State University	\$17,191,327	\$239,747,022	7.02%	8.97%
State of Florida	15,005,864	189,882,579	6.13%	7.10%
City of Tallahassee	7,901,797	93,613,787	3.23%	3.50%
Florida A & M University	4,846,313	65,738,166	1.98%	2.46%
Leon County School Board	4,347,817	47,284,371	1.78%	1.77%
Tallahassee Memorial HealthCare	3,095,988	41,885,236	1.26%	1.57%
Publix Markets	2,417,054	30,453,440	0.99%	1.14%
Federal Government	2,034,303	25,011,682	0.83%	0.94%
Leon County	2,017,762	25,782,450	0.82%	0.96%
Wal-Mart	1,441,473	18,478,341	0.59%	0.69%
TOTAL	<u>\$60,299,698</u>	<u>\$777,877,075</u>	<u>24.63%</u>	<u>29.10%</u>

Gas System Five Largest Customers by Consumption

Fiscal Year Ended September 30, 2004

Percent of Total Retail Sales

<i>Customers</i>	<i>Revenue</i>	<i>Gas Usage</i>	<i>Revenue</i>	<i>Gas Usage</i>
Florida State University	\$3,076,223	\$446,297	11.53%	19.25%
Florida A&M University	1,489,694	219,586	5.58%	9.47%
Tallahassee Memorial HealthCare	897,075	110,221	3.36%	4.76%
State of Florida	722,793	65,439	2.71%	2.82%
Federal Government	584,345	53,294	2.19%	2.30%
TOTAL	<u>\$6,770,130</u>	<u>\$894,836</u>	<u>25.38%</u>	<u>38.60%</u>

Electric Rates

Current (1)**Residential**

Customer Charge - Single Phase Service	\$4.94
Customer Charge - Three Phase Service	\$16.80
Energy Charge per kWh	\$0.04217

General Service Non - Demand

Customer Charge - Single Phase Service	\$6.00
Customer Charge - Three Phase Service	\$22.00
Energy Charge per kWh	\$0.03141

General Service Demand

Customer Charge	\$40.00
Demand Charge per kW	\$7.25
Energy Charge-The first 500 kWh per kW	\$0.00940
Excess kWh per kW @	\$0.00137

General Service Large Demand

Customer Charge	\$40.00
Demand Charge per kW	\$7.25
Energy Charge-The first 500 kWh per kW	\$0.00940
Excess kWh per kW @	\$0.00137

(1) A fuel and purchased power charge is also applied to all kWh sold. The FY 2004 weighted average charge was \$.05707.

Gas Rates (Effective October 1, 2003)

Monthly Rate:

Customer Charge	
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 ccf	\$0.62824
Nonresidential Service per ccf	\$0.48837

Interruptible Service:

Small Interruptible Service per ccf	\$0.21890
Interruptible Service per ccf	\$0.16890
Large Interruptible Service per ccf	\$0.08190

(1) A fuel charge is also applied to all ccf sold. The FY 2004 weighted average charge was \$.72473/ccf.

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

For Fiscal Years Ending September 30	2000	2001	2002	2003	2004
Operating Revenues (1)					
Retail Sales	\$185,827	\$198,503	\$177,332	\$207,238	\$108,635
Other Operating Sales	9,217	5,921	7,419	8,578	138,626
Sales to Other Utilities	11,130	29,884	4,909	9,609	6,504
Transfer to Operating Reserve	(4,953)	(1,152)	(2,738)	(3,000)	0
Total Operating Revenue	<u>201,221</u>	<u>233,156</u>	<u>186,922</u>	<u>222,425</u>	<u>253,765</u>
Operating Expenses (2)					
Fuel	61,637	106,777	76,457	108,743	114,734
Purchased Power	35,205	25,726	18,820	20,597	42,102
Other Operating Expense	39,100	38,339	44,588	46,223	59,505
Total Operating Expense	<u>135,942</u>	<u>170,842</u>	<u>139,865</u>	<u>175,563</u>	<u>216,341</u>
Net Revenues from Operations	65,279	62,314	47,057	46,862	37,424
Other Income and Deductions	3,256	4,131	12,476	2,956	1,999
Total Available for Debt Service	<u>\$ 68,535</u>	<u>\$ 66,445</u>	<u>\$ 59,533</u>	<u>\$ 49,818</u>	<u>\$ 39,423</u>
Total Sr. Lien Debt Service	\$ 18,592	\$ 21,642	\$ 15,288	\$ 19,947	\$ 19,947
Total Sr. Lien Debt Service Coverage	3.69x	3.07x	3.89x	2.50x	1.98x

(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 September 30	2000	2001	2002	2003	2004
Total Operating Revenues	<u>\$17,635</u>	<u>\$24,431</u>	<u>\$19,181</u>	<u>\$23,287</u>	<u>\$26,486</u>
Total Operating Expenses	<u>12,262</u>	<u>18,315</u>	<u>13,123</u>	<u>17,648</u>	<u>20,391</u>
Net Operating Revenue	<u>\$5,373</u>	<u>\$6,116</u>	<u>\$6,058</u>	<u>\$5,639</u>	<u>\$6,095</u>
Total Pledged Revenue	\$5,373	\$6,116	\$6,058	\$5,639	\$6,095
Debt Service	1,426	651	1,545	1,546	1,546
Debt Service Coverage	3.77x	9.39x	3.92x	3.76x	3.94x

RESOLUTION NO. 98-R-0057

A RESOLUTION AUTHORIZING THE NEGOTIATED SALE OF \$143,800,000 CITY OF TALLAHASSEE, FLORIDA, ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1998 A, AWARDING THE SALE THEREOF TO GOLDMAN, SACHS & CO., WILLIAM R. HOUGH & CO., LEHMAN BROTHERS, SALOMON SMITH BARNEY, AND BEAR, STEARNS & CO. INC., SUBJECT TO THE TERMS AND CONDITIONS OF A PURCHASE CONTRACT; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE DELIVERY OF THE SERIES 1998 A BONDS; APPROVING THE FORM OF AND AUTHORIZING EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT; APPOINTING A REGISTRAR AND PAYING AGENT; APPOINTING AN ESCROW HOLDER; AMENDING RESOLUTION NO. 98-R-0049 CONCERNING THE DEBT SERVICE RESERVE FUND; PROVIDING FOR THE DEFEASANCE AND REDEMPTION OF THE REFUNDED BONDS; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Tallahassee, Florida (the "Issuer"), has by Resolution No. 98-R-0048, as amended by Resolution No. 98-R-0056 (the "1998 General Bond Resolution"), and as supplemented by Resolution No. 98-R-0049 (the "Series Resolution") (collectively, the General Bond Resolution and the Series Resolution are hereinafter referred to as the "Resolution"), authorized the issuance of not to exceed \$147,000,000 City of Tallahassee, Florida, Energy System Refunding Revenue Bonds, Series 1998 A (the "Series 1998 A Bonds"), to defease and pay certain outstanding obligations; and

WHEREAS, it is in the best interests of the Issuer to issue the Series 1998 A Bonds, in order to (i) defease the City of Tallahassee, Florida, Junior Lien Electric Refunding Revenue Bonds, Series 1992 B Bonds, (ii) retire a loan from the Sunshine State Governmental Financing Commission proceeds of which were used to finance certain transmission and distribution capital improvements to the Issuer's Energy System (iii) to finance certain transmission and distribution capital improvements to the City's Energy System, as described below, and (iv) pay certain costs of issuance in connection with the issuance of the Series 1998 A Bonds;

WHEREAS, due to the complex nature of this financing, the critical importance of the timing of the sale of the Series 1998 A Bonds, as hereinabove defined, and due to the willingness of Goldman, Sachs & Co., William R. Hough & Co., Lehman Brothers, Salomon Smith Barney, and Bear, Stearns & Co. Inc. (the "Underwriters") to purchase \$143,800,000 of City of Tallahassee, Florida, Energy System Refunding Revenue Bonds, Series 1998 A, at interest rates favorable to the Issuer, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Series 1998 A Bonds at a negotiated sale; and

WHEREAS, the Underwriters have submitted an offer to purchase the Series 1998 A Bonds, subject to the terms and conditions set forth in the Contract of Purchase, a copy of which is attached hereto as Exhibit A (the "Purchase Contract"); and

WHEREAS, the Issuer now desires to sell its Series 1998 A Bonds pursuant to the Purchase Contract and in furtherance thereof to approve the form of and authorize distribution of a final Official Statement in connection with the issuance of the Series 1998 Bonds; and

WHEREAS, the Issuer has been provided all applicable disclosure information required by Section 218.385, Florida Statutes; and

WHEREAS, the Issuer also desires to amend Resolution No. 98-R-0049 in order to make changes concerning the Debt Service Reserve Fund; and

WHEREAS, it is also in the best interest of the Issuer to appoint an Escrow Holder, registrar and Paying Agent, to approve the form of an Escrow Deposit Agreement and to do certain other things in connection with the issuance of the Series 1998 Bonds; and

WHEREAS, this Resolution shall constitute a supplemental resolution under the terms of the Resolution and all capitalized undefined terms shall have the meaning set forth in the Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA:

SECTION 1. The negotiated sale of \$143,800,000 of the Energy System Refunding Revenue Bonds, Series 1998 A to the Underwriters is hereby approved. The Mayor and the City Treasurer-Clerk are hereby authorized to execute the Purchase Contract in substantially the form attached as Exhibit A, with such additional changes, insertions and omissions therein as may be approved by the said officers of the Issuer executing the same, such execution to be conclusive evidence of such approval.

SECTION 2. The Series 1998 A Bonds shall be dated November 1, 1998, shall be in the denomination of \$5,000 each or integral multiples thereof. Interest shall accrue on the Series 1998 Bonds from November 1, 1998. Interest on the Series 1998 A Bonds is payable April 1, 1999, and semi-annually thereafter on April 1 and October 1 of each year at the rates and shall mature on October 1 in the years and amounts and shall be subject to redemption as set forth in the Official Statement. The proceeds of the Series 1998 A Bonds, together with certain other available funds of the Issuer, shall be used in the manner set forth in Exhibit B attached hereto, with such changes as shall be approved by the City Treasurer-Clerk and the Mayor, and such use is hereby approved.

SECTION 3. The Series 1998 A Bonds shall be issued under and secured by the Resolution and shall be executed by manual or facsimile signature of the Mayor and the City Treasurer-Clerk of the Issuer in substantially the form set forth in the Resolution, with such additional changes and insertions therein as shall be approved by the officers of the Issuer executing the same, and such execution and delivery shall be conclusive evidence of the approval thereof by such officers.

SECTION 4. The use of the Preliminary Official Statement by the Underwriters is hereby approved and the distribution by the Underwriters of a final Official Statement of the Issuer relating to the Series 1998 Bonds is hereby approved in substantially the form of Exhibit C attached hereto, together with such changes thereto as may be authorized by the Mayor or Mayor Pro Tem-Commissioner and the City Treasurer-Clerk. The Official Statement will be executed by the Mayor- or Mayor Pro Tem-Commissioner and the City Treasurer-Clerk of the Issuer, such execution to be conclusive evidence of approval of the Official Statement in its final form.

SECTION 5. A pure book-entry system of registration is hereby authorized for the Series 1998 A Bonds. The Series 1998 A Bonds shall be initially issued in the name of Cede & Co., as nominee for the Depository Trust Company, which will act as securities depository for the Series 1998 A Bonds and so long as the Series 1998 A Bonds are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof.

SECTION 6. First Union National Bank, Jacksonville, Florida, is hereby appointed as Escrow Holder for the Refunded Bonds. Simultaneously with the delivery of the Series 1998 A Bonds to the

Underwriters, the Issuer shall enter into an Escrow Deposit Agreement in substantially the form attached hereto as Exhibit D. The Mayor or Mayor Pro Tem-Commissioner and the City Treasurer-Clerk are hereby authorized to enter into any agreements with such Escrow Holder, which may be necessary to reflect the obligation of such Escrow Holder to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated by this resolution and the Resolution.

SECTION 7. First Union National Bank, Jacksonville, Florida is hereby appointed as Registrar and Paying Agent for the Series 1998 A Bonds. The Mayor or Mayor Pro-Tem Commissioner and the City Treasurer-Clerk are hereby authorized to enter into any agreements with such Registrar and Paying Agent, which may be necessary to reflect the obligation of such Registrar and Paying Agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated, by this resolution and the Resolution.

SECTION 8. The Mayor, the Mayor Pro Tem-Commissioner, the City Treasurer-Clerk, the City Attorney of the Issuer or any other appropriate officers of the Issuer are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Resolution, the Purchase Contract, the Escrow Deposit Agreement, this resolution or any other document referred to above as a prerequisite or precondition to the issuance of the Series 1998 Bonds and any such representation made therein by officers or representatives of the Issuer shall be deemed to be made on behalf of the Issuer. All action taken to date by the officers of the Issuer in furtherance of the issuance of the Series 1998 Bonds is hereby approved, confirmed and ratified. If necessary, the Mayor Pro Tem-Commissioner is hereby authorized to execute and deliver all documents authorized to be executed by the Mayor and any Deputy Treasurer-Clerk is hereby authorized to execute and deliver all documents authorized to be executed by the City Treasurer-Clerk.

SECTION 9. Moneys in the various funds and accounts created under the resolution authorizing the Refunded Bonds shall be transferred as provided by a certificate to be executed by the Mayor or Mayor Pro Tem-Commissioner and the City Treasurer-Clerk.

SECTION 10. The City Treasurer-Clerk is hereby authorized to call the Refunded Bonds in accordance with the Plan of Refunding, as described in the Preliminary Official Statement. The Paying Agent for the Refunded Bonds is hereby authorized to provide written notice of such redemption to the registered owners of such Refunded Bonds and to any Bondholder whose name and address are on file with the Paying Agent. The Escrow Holder is hereby authorized and directed to publish the notice of defeasance.

SECTION 11. Insurance to insure the holder of any Series 1998 A Bonds payment of the scheduled payment of principal and interest on such Series 1998 A Bonds is hereby authorized to be purchased from Ambac Assurance Corporation and Financial Security Assurance, Inc. and payment for such insurance is hereby authorized from proceeds of the Series 1998 A Bonds. In accordance with the commitment of Financial Security Assurance, Inc., Authorized Investments shall be limited to those investments described in Exhibit E attached hereto.

SECTION 12. Section 20 of Resolution No. 98-R-0049 is hereby amended to read as follows:

SECTION 20. RESERVE REQUIREMENT. There is hereby created and established the "City of Tallahassee Energy System Revenue Bonds, Series 1998 Debt Service Reserve Fund" and within said fund there shall be established separate accounts with respect to the Series 1998 A Bonds and the Series 1998 B Bonds. On the date of issuance of each Series of the Series 1998 Bonds there shall be on deposit therein the Reserve Requirement for each Series. Monies in each account of the Reserve Fund shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the

Series of Bonds for which such account was established when the monies allocated to the Debt Service Fund are insufficient therefore and for no other purpose. Any moneys withdrawn from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, on a pro rata basis as to any other reserve funds established for Bonds issued pursuant to the 1998 General Resolution, after all required current payments for Cost of Operation and Maintenance and all current applications and allocations to the Debt Service Fund and the Subordinated Debt Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in no event shall the Issuer be required to deposit into the Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement and the amounts on deposit in such account on the date of such calculation shall be restored not later than thirty-six (36) months after the date of such deficiency (assuming equal monthly payments into such account for such thirty-six (36) month period).

Amounts on deposit in the special accounts in the Reserve Fund established for the Series 1998 Bonds shall be valued by the Issuer at least annually at the market value thereof. The Issuer is granted the right to deposit into such accounts (and to substitute for investments on deposit therein) municipal bond insurance, a surety bond or other credit enhancement. The issuer of any such municipal bond insurance, surety bond or other credit facility must be rated in one of the two highest rating categories (without regard to gradation) by S&P and Moody's Investors Service.

SECTION 13. The Reserve Requirement on the Series 1998 A Bonds shall be the lesser of (i) the maximum Debt Service Requirement on the Series 1998 A Bonds, (ii) 125% of the Average Annual Debt Service Requirement on the Series 1998 A Bonds or the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

SECTION 14. All prior resolutions or other actions of the Issuer inconsistent with the provisions of this Resolution are hereby modified, supplemented and amended to conform with the provisions herein contained and except as otherwise modified, supplemented and amended hereby shall remain in full force and effect. This Resolution shall constitute a supplement to the Resolution and shall be considered a Series Resolution for purposes of the Resolution.

SECTION 15. This Resolution shall take effect immediately upon its passing.

PASSED AND ADOPTED by the City Commission of the City of Tallahassee, Florida, on this
____ day of October, 1998.

(SEAL)

CITY OF TALLAHASSEE, FLORIDA

Mayor

ATTEST:

City Treasurer-Clerk

Approved as to form and legality:

City Attorney

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

Bond Year			\$27,630,000	\$17,680,000	\$143,800,000	\$49,220,000
Ending			Series 2002	Series 2001	Series 1998 A	Series 1998 B
October 1	Total					
2005	\$ 21,490,471	\$	6,680,525	\$ 1,540,390	\$ 8,235,356	\$ 5,034,200
2006	21,500,090		6,682,500	1,548,390	8,236,000	5,033,200
2007	21,494,690		6,684,100	1,544,790	8,239,000	5,026,800
2008	12,879,120			1,544,120	10,125,000	1,210,000
2009	12,880,110		-	1,541,110	10,129,000	1,210,000
2010	12,878,690		-	1,545,690	10,123,000	1,210,000
2011	12,887,350		-	1,547,350	10,130,000	1,210,000
2012	12,881,850		-	1,540,850	10,131,000	1,210,000
2013	12,886,725		-	1,546,725	10,130,000	1,210,000
2014	12,885,025		-	1,544,025	10,131,000	1,210,000
2015	12,618,025		-	1,278,025	10,130,000	1,210,000
2016	12,563,025		-	1,228,025	10,125,000	1,210,000
2017	12,570,750		-	1,227,750	10,133,000	1,210,000
2018	12,568,750		-	1,234,750	10,124,000	1,210,000
2019	12,579,750		-	1,233,750	10,136,000	1,210,000
2020	11,340,000		-	-	10,130,000	1,210,000
2021	11,340,000		-	-	10,130,000	1,210,000
2022	11,344,000		-	-	10,134,000	1,210,000
2023	13,538,000		-	-	10,128,000	3,410,000
2024	15,206,000		-	-	10,126,000	5,080,000
2025	15,207,000		-	-	10,126,000	5,081,000
2026	15,211,000		-	-	10,129,000	5,082,000
2027	15,219,500		-	-	10,137,000	5,082,500
2028	15,209,000		-	-	10,127,000	5,082,000
TOTALS	\$ 341,178,921	\$	20,047,125	\$ 21,645,740	\$ 237,424,356	\$ 62,061,700

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

Dated: August 1, 2002

Purpose

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

Security

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

Form

\$27,630,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2002.

Agents

Registrar – Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent – Wachovia Bank, NA, Jacksonville, Florida.

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

Ratings

Moody's – Aaa (A1 underlying)

Standard and Poors – AAA (AA- underlying)

Fitch – AAA (AA- underlying)

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2005	2.75%	\$ 6,110,000	\$ 570,525	\$ 6,680,525
2006	3.00%	6,280,000	402,500	6,682,500
2007	3.00%	5,470,000	164,100	5,634,100
2007	5.00%	1,000,000	50,000	1,050,000
TOTALS		\$ 18,860,000	\$ 1,187,125	\$ 20,047,125

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

Dated: May 1, 2001

Purpose

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

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992 A, (the "Minibonds") and its Electric System Refunding Revenue Bonds, Series 1992 A, and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, and Energy System Revenue Bonds, Series 1998 B.

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 – Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent – Wachovia Bank, NA, Jacksonville, Florida.

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

Ratings

Moody's – Aaa (A1 underlying)

Standard and Poors – AAA (AA- underlying)

Fitch – AAA (AA- underlying)

Call Provisions

Optional Redemption

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

Redemption Period (both dates inclusive)

Redemption Prices

October 1, 2011 through September 30, 2012

101%

October 1, 2012 and thereafter

100%

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2005	4.00%	\$ 800,000	\$ 740,390	\$ 1,540,390
2006	4.00%	840,000	708,390	1,548,390
2007	4.10%	870,000	674,790	1,544,790
2008	4.20%	905,000	639,120	1,544,120
2009	4.30%	940,000	601,110	1,541,110
2010	4.40%	985,000	560,690	1,545,690
2011	5.00%	1,030,000	517,350	1,547,350
2012	5.50%	1,075,000	465,850	1,540,850
2013	5.50%	1,140,000	406,725	1,546,725
2014	5.50%	1,200,000	344,025	1,544,025
2015	5.50%	1,000,000	278,025	1,278,025
2016	5.50%	1,005,000	223,025	1,228,025
2017	5.00%	(1) 1,060,000	167,750	1,227,750
2018	5.00%	(2) 1,120,000	114,750	1,234,750
2019	5.00%	(3) 1,175,000	58,750	1,233,750
TOTALS		\$ 15,145,000	\$ 6,500,740	\$ 21,645,740

(1) Term bonds maturing 2017

(2) Term bonds maturing 2018

(3) Term bonds maturing 2019

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

Dated: November 1, 1998

Purpose

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

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Electric System.

Form

\$64,970,000 Serial Bonds, \$19,940,000 4.75% Term Bonds due October 1, 2021, \$40,050,000 4.75% Term Bonds due October 1, 2026, and \$18,840,000 5.00% Term Bonds due October 1, 2028, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1 commencing April 1, 1999.

Agents

Registrar - Wachovia Bank of Florida, Jacksonville, Florida.

Paying Agent - Wachovia Bank of Florida, Jacksonville, Florida.

Trustee - Wachovia Bank of Florida, Jacksonville, Florida.

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

Ratings

Moody's - Aaa (A1 underlying)

Standard and Poors - AAA (AA- underlying)

Fitch - AAA (AA- underlying)

Call Provisions

Optional Redemption

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

<u>Redemption Period (both dates inclusive)</u>	<u>Redemption Prices</u>
October 1, 2008 through September 30, 2009	101%
October 1, 2009 and thereafter	100%

Mandatory Redemption

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

<u>Year</u>	<u>Amount</u>
2019	\$6,345,000
2020	\$6,640,000
2021 (final maturity)	\$6,955,000

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

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

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

<u>Year</u>	<u>Amount</u>
2027	\$9,195,000
2028 (final maturity)	\$9,645,000

Special Mandatory Redemption

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

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

Summary of Remaining Debt Service Requirements

Bond Year	Ending	Interest			
October 1	Rate	Principal	Interest	Total	
2005	4.000%	\$ 1,615,000	\$ 6,620,356	\$ 8,235,356	
2006	4.000%	1,680,000	6,556,000	8,236,000	
2007	4.500%	1,750,000	6,489,000	8,239,000	
2008	5.000%	3,715,000	6,410,000	10,125,000	
2009	4.125%	3,905,000	6,224,000	10,129,000	
2010	5.000%	4,060,000	6,063,000	10,123,000	
2011	5.250%	4,270,000	5,860,000	10,130,000	
2012	5.250%	4,495,000	5,636,000	10,131,000	
2013	5.250%	4,730,000	5,400,000	10,130,000	
2014	5.250%	4,980,000	5,151,000	10,131,000	
2015	5.250%	5,240,000	4,890,000	10,130,000	
2016	4.750%	5,510,000	4,615,000	10,125,000	
2017	4.750%	5,780,000	4,353,000	10,133,000	
2018	4.750%	6,045,000	4,079,000	10,124,000	
2019	4.750%	6,345,000	3,791,000	10,136,000	
2020	4.750%	6,640,000	3,490,000	10,130,000	
2021	4.750%	6,955,000	3,175,000	10,130,000	
2022	4.750%	7,290,000	2,844,000	10,134,000	
2023	4.750%	7,630,000	2,498,000	10,128,000	
2024	4.750%	7,990,000	2,136,000	10,126,000	
2025	4.750%	8,370,000	1,756,000	10,126,000	
2026	4.750%	8,770,000	1,359,000	10,129,000	
2027	5.000%	9,195,000	942,000	10,137,000	
2028	5.000%	9,645,000	482,000	10,127,000	
TOTALS		\$ 136,605,000	\$ 100,819,356	\$ 237,424,356	

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

Dated: November 1, 1998

Purpose

To fund a portion of the costs of construction of planned generation capital improvements to the City's Electric System.

Security

The Bonds are payable solely from and secured by a lien and pledge of the net revenues of the City's Electric System on a subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992 A (the "Minibonds") and its Electric System Refunding Revenue Bonds, Series 1992 A.

Form

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

Agents

Registrar - Wachovia Bank of Florida, Jacksonville, Florida.

Paying Agent - Wachovia Bank of Florida, Jacksonville, Florida.

Trustee - Wachovia Bank of Florida, Jacksonville, Florida.

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

Ratings

Moody's - Aaa (A1 underlying)

Standard and Poors - AAA (AA- underlying)

Fitch - AAA (AA- underlying)

Call Provisions

Optional Redemption

The Series 1998 B Bonds maturing on and prior to October 1, 2007 are not subject to optional redemption prior to the maturity thereof. The Series 1998 B Bonds maturing October 1, 2028, are subject to redemption prior to maturity on or after October 1, 2008, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

Redemption Period

October 1, 2008 through September 30, 2009

October 1, 2009 and thereafter

Redemption Prices

101%

100%

Mandatory Redemption

The Series 1998 B Bonds that mature on October 1, 2028 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to

100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2023 and on each October 1 thereafter in the following principal amounts in the years specified:

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

Special Mandatory Redemption

In the event the City sells or disposed of all or a portion of the Energy System and such sale or disposition will, in the opinion of Bond Counsel, absent a redemption of all or a portion of the Series 1998 B Bonds, adversely effect the exclusion of interest on the Series 1998 B Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A Bonds shall be subject to a special mandatory redemption at the prices (expressed as a percentage of par) set forth below, plus accrued interest to the redemption date. In the event less than all of the Series 1998 B Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 B Bonds to be subject to redemption in such manner, as it shall so determine.

<u>Redemption Period</u>	<u>Redemption Price</u>
October 1, 1999 to September 30, 2000	105%
October 1, 2000 to September 30, 2001	104.5
October 1, 2001 to September 30, 2002	104
October 1, 2002 to September 30, 2003	103.5
October 1, 2003 to September 30, 2004	103
October 1, 2004 to September 30, 2005	102.5
October 1, 2005 to September 30, 2006	102
October 1, 2006 to September 30, 2007	101.5
October 1, 2007 to September 30, 2008	101
October 1, 2008 to September 30, 2009	100.5
October 1, 2009 and thereafter	100

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2005	4.00%	\$ 3,400,000	\$ 1,634,200	\$ 5,034,200
2006	4.00%	3,535,000	1,498,200	5,033,200
2007	4.00%	3,670,000	1,356,800	5,026,800
2008	5.00%	-	1,210,000	1,210,000
2009	5.00%	-	1,210,000	1,210,000
2010	5.00%	-	1,210,000	1,210,000
2011	5.00%	-	1,210,000	1,210,000
2012	5.00%	-	1,210,000	1,210,000
2013	5.00%	-	1,210,000	1,210,000
2014	5.00%	-	1,210,000	1,210,000
2015	5.00%	-	1,210,000	1,210,000
2016	5.00%	-	1,210,000	1,210,000
2017	5.00%	-	1,210,000	1,210,000
2018	5.00%	-	1,210,000	1,210,000
2019	5.00%	-	1,210,000	1,210,000
2020	5.00%	-	1,210,000	1,210,000
2021	5.00%	-	1,210,000	1,210,000
2022	5.00%	-	1,210,000	1,210,000
2023	5.00%	2,200,000	1,210,000	3,410,000
2024	5.00%	3,980,000	1,100,000	5,080,000
2025	5.00%	4,180,000	901,000	5,081,000
2026	5.00%	4,390,000	692,000	5,082,000
2027	5.00%	4,610,000	472,500	5,082,500
2028	5.00%	4,840,000	242,000	5,082,000
TOTALS		\$ 34,805,000	\$ 27,256,700	\$ 62,061,700

THE CONSOLIDATED UTILITY SYSTEM

The Consolidated Utility System refers to the City's Water and Sewer utilities and the Stormwater 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 2005, no such additional utility functions have been added, nor is the City currently considering any additions. As described under "The Energy System," the City completed the transfer of its 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 System covers the 101 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 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.

The City does not retain consulting engineers to assist in setting rates for the Stormwater 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 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. Pursuant to the Resolution, which requires that rates and charges for the Consolidated 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 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. 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.

WATER SYSTEM

The City owns and operates a water system, which currently serves approximately 76,000 connections 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 (100% groundwater supply), elevated storage, and water distribution including metering and customer service. Approximately 11.1 billion gallons of water was pumped from a total of 28 water wells in FY 2004.

Management Discussion of Water System Operations

In FY 2004, after a transfer of \$4,408,000 to the General Fund, the Water Utility realized a budget surplus of \$1,009,000, which was applied to the Water RR&I Fund in accordance with City Financing Policy. The Water Fund's Operating Reserve was less than the required level per the City's Financing Policy by \$42,000. Therefore, a transfer from the operating fund was made for this amount.

There were no major issues with water system operations during FY 2004. Water production and system pressure were more than sufficient to meet the water demand.

The Master Water Plan (MWP) was completed and published in 2004. The plan identified the need for two additional water supply wells, but no other major projects or improvements were indicated for the next 5-year Capital Improvement Plan. One of the two wells will be located on an existing site in the southeast service area to meet the continuing growth in the Southwood development. The test well was completed during 2004 and indicated very good raw water quality which should require only chlorination and fluoridation treatment. The proposed capacity of this well is 2500 gallons per minute (gpm). The design for the well facility is underway this year and construction should start before the end of 2005. The second well will be located in the northeast service area on a site not yet identified and is needed for system reliability. System modeling will be performed by Water Utility Engineering staff to determine the best site and associated distribution system improvements. Design is expected to start in late 2005 with construction during 2006.

The MWP did identify some localized residential areas in the northeast service area that experience low pressure during very dry conditions and corresponding heavy irrigation demands. Engineering staff will perform modeling scenarios to determine the feasibility of pressure booster improvements for these areas. Lastly, the MWP also included annual funding for replacement of undersized or aging distribution system infrastructure.

The study for treatment of Well 26 in the northwest service area was completed in 2004 and recommended the installation of iron/manganese removal facilities. Water Utility staff will develop a Request for Proposals to be advertised in 2005 for a design-build project, with construction of the new treatment facilities scheduled in 2006.

Existing Well 1 in the downtown area has been placed out of service due to air entrainment caused by a nearby chiller re-injection well that serves State buildings. This action has not resulted in any water supply problems due to the availability of redundant wells in the downtown area. A preliminary study has indicated that abandonment and relocation of this well to the new City Governors Park will result in better service delivery and not require the granular activated carbon (GAC) treatment for organic contamination that now serves Well 1. A site will be selected in the park and a test well drilled during 2005. The new well construction is scheduled for 2006.

The current five-year Water Capital Improvement Plan also includes the cleaning and painting of an elevated storage tank each year. The refurbishment of Tank 3 on Interstate 10 at Meridian Road will be completed in early 2005, and Tank 2 is also scheduled for the latter part of 2005.

WASTEWATER SYSTEM

The City owns, operates, and maintains a sewer system that serves approximately 64,406 connections in the City and small areas in 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 applications.

Management Discussion of Wastewater System Operations

In FY 2004, after transfer of \$1,299,000 to the General Fund, the Wastewater fund realized a budget surplus of \$926,000, which was applied to the Wastewater RR&I Fund in accordance with the City Financing Policy. This surplus was a combination of increased revenues from Capital Overhead, and residential customers, and approximately 1% savings in budgeted expenditures, especially in the areas of personnel and contractual services. Unlike the prior year, the Wastewater Operating Reserve Fund was less than the City Financing Policy's required level by \$29,000. Therefore, a transfer was made in this amount from the Operating Fund in accordance with the City's Financing Policy.

The major accomplishment in 2004 was the installation and start up of the 60-wet ton indirect heat dryer that produces Class AA biosolids. The dryer operation has resulted in approximately 85% of the city's total biosolids being processed at the T.P. Smith Water Reclamation Facility as Class AA product, which is transported and disposed of in bulk outside of Leon County by a private distributor. The remaining 15% of the biosolids is processed at the smaller Lake Bradford Road Wastewater Treatment Plant as Class B material and land applied by Water Utility staff on permitted sites at the City airport. The City's goal is 100% Class AA biosolids production, which is expected to be achieved in 2005 when solids levels in the treatment units at the T.P. Smith Facility are reduced to normal operating levels. Until the dryer was operational, solids at the T.P. Smith Facility did reach unacceptable levels in some treatment units. Consequently, the Total Suspended Solids (TSS) concentration in the final treated effluent exceeded operating permit limits on 19 days in 13 months. As mentioned above, the dryer operation has resulted in normal solids levels, and there has been no TSS violation since February 2004.

A second dryer is budgeted for 2005, but the needed capacity is under study by a consulting engineer, who was retained at the end of 2004 to perform a detailed audit of treatment operations at the T.P. Smith Facility. The final audit report is expected in the Spring of 2005, and a Request for Proposals to design-build the second dryer unit will follow in the summer of 2005. The operations audit report is also expected to include several other recommendations, including a new building or enclosure for the second dryer; additional screw presses for dewatering the biosolids ahead of their input to the dryer; addition of primary clarifiers; a centralized blower building; separate septage and grease treatment facilities; and a new database management system.

Renewal of the operating permits for both the Lake Bradford Road and T.P. Smith facilities are expected in mid 2005. The permit renewals have been delayed due to negotiations with a local environmental group concerned with the impact of the Southeast Farm effluent disposal facility on the Wakulla Springs watershed. The City has committed to work with the group, and the Florida Department of Environmental Protection (FDEP) has indicated that the permits can be renewed as submitted but has requested that the City negotiate in good faith with the environmental group to reach mutual agreement on as many issues as possible.

The delay in the operating permit renewal has also resulted in a delay of the permit for the new Reclaimed Water Treatment Plant. However, FDEP has indicated that this permit will be issued in the spring of 2005; therefore, the project bid should follow soon after, with construction completion now expected in early summer of 2006.

A contract with a consultant for a Master Sewer Plan (MSP) was executed in early 2005. The MSP schedule is 18 months and will address wastewater collection and pumping systems, including the development of a computer model of both the gravity and pressure systems. Condition assessments will

be performed and result in a 20-year Capital Improvement Plan (in 5-year increments) for replacement, rehabilitation, and addition of wastewater system infrastructure.

A Request for Proposals for the Master Treatment Plan, which will also have a 20-year planning period, will be issued in the latter part of 2005. This plan will address future wastewater treatment and disposal alternatives beyond the point when the capacity of the City's current facilities is reached. Advanced wastewater treatment and public access reuse are examples of alternatives that will be fully explored.

STORMWATER SYSTEM

The City operates and maintains the Stormwater system (i.e. a network of pipes, channels, and detention ponds) to serve the 101 square miles within the City's incorporated limits. The Stormwater system consists of approximately 330 stormwater management ponds, 8,700 drainage structures, 330 miles of enclosed storm drains, 245 miles of roadside ditches, 16 miles of minor to medium outfall ditches, and 26 miles of major outfall canals.

The operation, maintenance and expansion of the Stormwater 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. The runoff generated from a property is closely associated with its impervious area, so the City uses impervious area as the basis for the stormwater fee. Property taxes would only be poorly correlated to runoff, if at all. Second, the stormwater utility fee method recognizes that over half of the property on the tax rolls in Tallahassee is tax-exempt. If the stormwater program were funded through property taxes, the owners of these tax-exempt properties would not contribute to the cost of managing runoff despite their generating a large portion of the demand for services.

Management Discussion of Operations

During FY 2004, actual revenue for the Stormwater system exceeded the budgeted amount by 6% while expenditures were approximately 1% below budget, resulting in actual budgetary income before transfers of \$896,000. In accordance with the Financing Policy, \$802,000 of income was transferred to the Stormwater RR&I fund to offset the need for future debt. The remaining \$94,000 was transferred to the Reserve for Encumbrances.

The Stormwater program is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. Stormwater maintenance activities are provided by the Public Works Department but are funded from the Stormwater Fund. Approximately \$3.9 million was budgeted for maintenance in FY 2004. In addition to maintenance, a major portion of annual revenue goes to capital improvements to improve and expand the physical drainage system. The FY 2005 Five-Year Capital Improvement Program Plan included 17 projects. The total cost of these projects is approximately \$32 million, which is programmed for FY 2005 through FY 2009. No debt funding is programmed for stormwater projects at this time.

During calendar year 2005, it is anticipated the City Commission will consider increasing the base stormwater fee to fund a program to reduce stormwater pollution. If a fee increase is approved, it is not anticipated that it will take effect until fiscal year 2006. Pollution from stormwater is referred to as "non-point source" because it originates from rainwater simply running off the land where it picks up a variety of pollutants. This is to be contrasted to "point sources" such as an industrial plant discharge, or a municipal sewage treatment plant discharging into a stream. Due to its ubiquitous nature, stormwater pollution is very difficult to manage. The stormwater pollution reduction program under consideration would focus on twenty watersheds that have been determined through City research and testing to have the highest pollutant loadings. While not an "end-all" solution, the program is viewed as a responsible and realistic start for what will have to be a very long term effort; one that will easily take several decades, just as did the nation's efforts to clean up wastewater.

Stormwater System Rates and Revenue

The FY 2004 base stormwater fee is \$6.25 per ERU per month. An ERU is the amount of impervious area associated with a typical residential unit. This has been determined statistically to be 1,990 square feet (SF). In these terms then 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 74,000 customers. While approximately 91% of the customer base is residential, the 9% nonresidential customer base generates approximately 54 % of the annual revenue. The FY 2005 revenue projection from the stormwater utility fee is \$12.2 million.

Selected Consolidated Utility System Statistics

Water System					
Fiscal Year Ended September 30	2000	2001	2002	2003	2004
Miles of Water Mains ⁽¹⁾	1,100	1,200	1,184	1,172	1,131
Plant Capacity	73.60	73.60	73.60	73.60	73.60
Daily Avg. Consumption (MGD)	27.60	29.49	26.87	28.89	30.43
Residential					
Avg. No. of Customers	60,641	61,947	63,312	68,430	68,168
Water Sold (000)	5,652,397	5,045,555	5,382,795	4,759,796	5,228,428
Avg. Sales Per Customer	93,210	81,450	85,020	69,557	76,699
Commercial					
Avg. No. of Customers	6,691	6,861	7,021	8,390	7,869
Water Sold (000)	4,218,096	4,085,916	4,248,922	4,145,123	4,500,698
Avg. Sales Per Customer	630,413	595,528	605,173	494,055	571,953
Interdepartmental ⁽²⁾					
Avg. No. of Customers	346	349	355	-	-
Water Sold (000)	203,844	171,763	175,759	-	-
Avg. Sales Per Customer	589,145	492,158	495,096	-	-
Sewer System					
Fiscal Year Ended September 30	2000	2001	2002	2003	2004
Miles of Sanitary Sewers	857.3	934.6	858*	928	949
Annual Flow-Millions of Gallons	6,399	6,278	6,056	6,010	6,063
Daily Average Treatment (MGD)	17.48	17.24	16.59	16.47	16.61
Rainfall (fiscal year totals)	42.24	63.12	49.59	69.43	62.56
Gallons Treated Per Customer	111,447	108,650	102,653	102,688	94,137
Avg. No. of Customers					
Residential	51,041	52,291	54,972	57,761	58,413
Commercial	5,292	5,398	5,907	6,136	5,993
Interdepartmental ⁽²⁾	97	99	99	0	0
Rated Capacity	32	32	32	32	

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

(2) Interdepartmental is now included in commercial

Water System Ten Largest Customers by Consumption (as of September 30, 2004)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	3,864,927	\$543,598	2.98%
State of Florida	2,657,596	398,132	2.18%
City Government	1,872,548	345,971	1.89%
Florida A&M University	2,039,831	301,964	1.65%
Leon County School Board	975,710	155,461	0.85%
TMH (Hospital)	1,034,788	139,314	0.76%
Federal Government	1,079,757	146,190	0.80%
Leon County Government	874,918	126,086	0.69%
Wolverine Apartments	294,560	35,998	0.20%
Blairstone Apartments	230,522	28,272	0.15%

Sewer System Ten Largest Customers by Consumption (as of September 30, 2004)

Customer	Sewer Usage	Billed Amount	Percentage of Revenues
Florida State University	3,251,520	\$1,007,845	4.07%
Florida A&M University	1,536,605	510,335	2.06%
State of Florida	1,464,395	538,869	2.18%
Federal Government	1,017,455	309,237	1.25%
Leon County Government	843,262	281,073	1.13%
Leon County School Board	739,897	271,690	1.10%
TMH (Hospital)	710,421	208,318	0.84%
City Government	419,722	177,891	0.72%
Wolverine Apartments	294,560	80,479	0.32%
Blairstone Apartments	230,107	63,281	0.26%

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

Fiscal Year Ended September 30	2000	2001	2002	2003	2004
Operating Revenues					
Water	\$21,115	\$19,917	\$20,997	\$20,780	\$21,783
Sewer	<u>25,555</u>	<u>25,239</u>	<u>26,486</u>	<u>26,525</u>	<u>258,202</u>
Total Operating Revenues	<u>46,670</u>	<u>45,156</u>	<u>47,483</u>	<u>47,305</u>	<u>279,985</u>
Operating Expenses					
Water	9,988	9,908	10,667	13,397	14,109
Sewer	<u>18,485</u>	<u>18,488</u>	<u>17,812</u>	<u>20,491</u>	<u>22,631</u>
Total Operating Expenses	<u>28,473</u>	<u>28,396</u>	<u>28,479</u>	<u>33,888</u>	<u>36,740</u>
Net Operating Revenue	18,197	16,760	19,004	13,417	243,245
Gross Stormwater Revenue	9,898	13,249	11,310	11,503	11,874
Other Revenue	<u>4,369</u>	<u>3,377</u>	<u>1,382</u>	<u>1,239</u>	<u>757</u>
Total Pledged Revenue Available for Debt Service	<u>\$32,464</u>	<u>\$33,386</u>	<u>\$31,696</u>	<u>\$26,159</u>	<u>\$255,876</u>
Debt Service	7,826	5,167	6,157	5,944	6,154
Coverage	4.15x	6.46x	5.15x	4.40x	4.22x

* 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.

RESOLUTION NO. 01-R-25

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$27,000,000 CITY OF TALLAHASSEE, FLORIDA CONSOLIDATED UTILITY SYSTEMS REVENUE BONDS, SERIES 2001; PROVIDING FOR THE ISSUANCE OF SUCH SERIES 2001 BONDS TO REFUND CERTAIN OUTSTANDING OBLIGATIONS OF THE ISSUER; PROVIDING CERTAIN COVENANTS IN CONNECTION WITH THE ISSUANCE THEREOF; PROVIDING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT; PROVIDING CERTAIN AGREEMENTS REGARDING CONTINUING DISCLOSURE; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Chapter 166, Part II, Florida Statutes and other applicable provisions of law.

SECTION 2. DEFINITIONS. All capitalized undefined terms shall have the same meaning as set forth in the General Resolution, as hereinafter defined. In addition, the following terms shall have the following meanings herein, unless the text expressly requires otherwise. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

“Cede” means Cede & Co., the nominee of DTC, and any success or nominee of DTC with respect to the Series 2001 Bonds pursuant to Section 15 hereof.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Deposit Agreement” shall mean the escrow deposit agreement as shall be approved by subsequent resolution of the Issuer.

“General Resolution” shall mean Resolution No. 90-R-0052, as amended and supplemented by Resolution No.91-R-0025 and Resolution No. 91-R-0036 of the Issuer, and as amended and supplemented from time to time.

“Issuer” shall mean the City of Tallahassee, Florida, a municipal corporation.

“Parity Bonds” shall mean all Senior Lien Bonds previously issued and Outstanding under the General Resolution, except the Refunded Bonds.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Series 2001 Bonds as securities depository.

“Record Date” means the fifteenth (15th) day of the calendar month immediately preceding the applicable Debt Service Payment Date.

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

“Refunded Bonds” means all or a portion of the Issuer’s remaining outstanding \$4,490,000 Consolidated Utility Systems Revenue Bonds, Series 1991A, \$47,785,000 Consolidated Utility Systems Revenue Bonds, Series 1991B and \$37,725,000 Consolidated Utility System Revenue Bonds, Series 1994 as shall be determined by subsequent resolution of the Issuer.

“Series 2001 Bonds” shall mean the Consolidated Utility Systems Revenue Bonds, Series 2001, authorized to be issued pursuant to this Resolution.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. It is necessary and desirable to provide for the refunding of the Refunded Bonds, as provided herein, in order to preserve and protect the public health, safety and welfare of the inhabitants of the Issuer and to issue the Series 2001 Bonds to provide funds for such purposes.

B. In order to accomplish such refunding, the Issuer has adopted the General Resolution.

C. It is anticipated that the Series 2001 Bonds will be issued in one Series for the purposes described above. The Series 2001 Bonds shall be considered Senior Lien Bonds for purposes of the General Resolution.

D. The principal of and interest on the Series 2001 Bonds and all required reserve and other payments shall be payable solely from the revenues pledged for the payment thereof, as provided herein and in the General Resolution. The Issuer shall never be required to levy ad valorem taxes on any real or personal property within the City of Tallahassee to pay the principal of and interest on the Series 2001 Bonds herein authorized or to make any other payments provided for herein. The Series 2001 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer.

The revenues pledged for the payment thereof are not now pledged or encumbered in any manner except for the prior payment of principal and interest on the Refunded Bonds which pledge and encumbrance shall be defeased pursuant to the refunding herein authorized and except for the payment of the Parity Bonds.

E. The estimated revenues pledged for the payment thereof will be sufficient to pay all principal of and interest on the Series 2001 Bonds to be issued hereunder and the Parity Bonds, as the same become due, and to make all required reserve or other payments required by this Resolution.

SECTION 4. AUTHORIZATION OF REFUNDING. There is hereby authorized the refunding of the Refunded Bonds.

SECTION 5. THIS RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2001 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of the Series 2001 Bonds,

all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2001 Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 6. AUTHORIZATION OF SERIES 2001 BONDS. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as “City of Tallahassee, Florida, Consolidated Utility Systems Revenue Bonds, Series 2001” are authorized to be issued in the aggregate principal amount of not exceeding \$27,000,000 and may be issued as shall be determined by subsequent resolution of the Issuer.

SECTION 7. DESCRIPTION OF SERIES 2001 BONDS. The Series 2001 Bonds shall be issued in fully registered form, may be Capital Appreciation Bonds and/or Capital Appreciation and Income Bonds; shall be numbered consecutively from R-1 upward if current interest bonds; shall be numbered consecutively from CABR-1 upward if Capital Appreciation Bonds; shall be numbered consecutively from CAIR-1 upward if Capital Appreciation and Income Bonds; shall be in denominations of \$5,000 each or integral multiples thereof except in the case of Capital Appreciation Bonds and Capital Appreciation and Income Bonds, or in \$5,000 maturity amounts or in \$5,000 multiples thereof if Capital Appreciation Bonds or if Capital Appreciation and Income Bonds; shall bear interest at such rate or rates not exceeding the maximum rate allowed by Florida law, the actual rate or rates or method of determining rates to be determined by resolution of the governing body of the Issuer prior to or upon the sale of the Series 2001 Bonds; may be issued with variable, adjustable, convertible or other rates with original issue discounts and as zero interest rate bonds, interest to be payable at such times as are fixed by subsequent resolution of the Issuer; and shall mature on such date in such years and amounts as will be fixed by subsequent resolution of the Issuer prior to or upon the sale of the Series 2001 Bonds and may be Serial and/or Term Bonds and/or Designated Maturity Obligations and/or Variable Rate Obligations and/or Option Bonds.

Each Series 2001 Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Series 2001 Bond shall bear interest from the date to which interest shall have been paid.

The Series 2001 Bonds which are Capital Appreciation Bonds shall bear interest only at maturity or upon redemption prior to maturity in the amount determined by reference to the Accreted Value. The Series 2001 Bonds which are Capital Appreciation and Income Bonds shall bear interest after the Interest Commencement Date with respect to such Capital Appreciation and Income Bonds. Such Capital Appreciation and Income Bonds shall bear interest at the Interest Commencement Date or upon redemption prior to such date in the amount determined by reference to the Appreciated Amount.

The principal of and the interest on the Series 2001 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The principal of the Series 2001 Bonds, except with respect to the Capital Appreciation Bonds and the Capital Appreciation and Income Bonds in which case the Accreted Values and Appreciated Values, respectively, shall be payable only to the registered Holder or his legal representative at the principal corporate trust office of the Paying Agent, and payment of the interest on the Bonds (other than the Capital Appreciation Bonds), including the Capital Appreciation and Income Bonds after the Interest Commencement Date shall be made by the Paying Agent on each interest payment date to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by draft or check mailed to such registered Holder at his address as it appears on such registration books. Payment of the Accreted Value with respect to the Capital

Appreciation Bonds, the Appreciated Value with respect to the Capital Appreciation and Income Bonds and the principal on all other Series 2001 Bonds shall be made upon the presentation and surrender of such Series 2001 Bonds as the same shall become due and payable.

SECTION 8. EXECUTION OF SERIES 2001 BONDS. The Series 2001 Bonds shall be signed by, or bear the manual or facsimile signature of, the Mayor and shall be signed by, or bear the manual or facsimile signature of, the City Treasurer-Clerk and a facsimile of the official seal of the Issuer shall be imprinted on such Series 2001 Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2001 Bonds shall cease to be such officer before the delivery of such Series 2001 Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he has remained in office until such delivery. Any Series 2001 Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Series 2001 Bond, shall be the proper officers to sign such Series 2001 Bonds although at the date of such Series 2001 Bonds such persons may not have been such officers.

SECTION 9. AUTHENTICATION OF SERIES 2001 BONDS. Only such of the Series 2001 Bonds as shall have been endorsed thereon a certificate of authentication substantially in the form herein below set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Resolution and the General Resolution. No Series 2001 Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Series 2001 Bond shall be conclusive evidence that such Series 2001 Bond has been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Series 2001 Bond shall be deemed to have been duly executed if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer manually sign the certificate of authentication of all of the Series 2001 Bonds that may be issued hereunder at any one time.

SECTION 10. EXCHANGE OF SERIES 2001 BONDS. Any Series 2001 Bonds, upon surrender thereof at the principal corporate trust office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Series 2001 Bonds equal to the principal amount of and of the same type and Series as the Series 2001 Bond or Series 2001 Bonds so surrendered.

The Registrar shall make provision for the exchange of Series 2001 Bonds at the principal corporate trust office of the Registrar.

SECTION 11. NEGOTIABILITY, REGISTRATION AND TRANSFER OF SERIES 2001 BONDS. The Registrar shall keep books for the registration of and for the registration of transfers of Series 2001 Bonds as provided in this Resolution. The transfer of any Series 2001 Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Series 2001 Bond, a new Series 2001 Bond or Series 2001 Bonds registered in the name of the transferee, and in an aggregate principal amount equal to and of the same type and Series as the principal amount of such Series 2001 Bond or Series 2001 Bonds so surrendered.

In all cases in which Series 2001 Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, Series 2001 Bonds of the same type in accordance with the provisions of this Resolution. All Series 2001 Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Series 2001 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Series 2001 Bonds under the provisions of this Resolution. Neither the Issuer nor the Registrar shall be required to make any such exchange or registration of transfer of Series 2001 Bonds during the fifteen (15) days immediately preceding any Debt Service Payment Date or redemption date.

SECTION 12. OWNERSHIP OF SERIES 2001 BONDS. The person in whose name any Series 2001 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal, redemption premium, if any, and the interest on any such Series 2001 Bonds, (or, in the case of the Capital Appreciation Bonds and Capital Appreciation and Income Bonds, Accreted Values and Appreciated Values with respect thereto), shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2001 Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

SECTION 13. SERIES 2001 BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Series 2001 Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion cause to be executed, and the Registrar shall authenticate and deliver, a new Series 2001 Bond of like date and tenor as the Series 2001 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2001 Bond upon surrender and cancellation of such mutilated Series 2001 Bond or in lieu of and substitution for the Series 2001 Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Series 2001 Bonds so surrendered shall be canceled by the Registrar. If any of the Series 2001 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2001 Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Series 2001 Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Series 2001 Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Series 2001 Bonds be at any time found by anyone, and such duplicate Series 2001 Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Series 2001 Bonds issued hereunder.

SECTION 14. PROVISIONS FOR REDEMPTION. Series 2001 Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by resolution of the Issuer prior to or at the time of sale of the Series 2001 Bonds.

Unless provided otherwise by subsequent resolution of the Issuer, notice of such redemption shall, at least thirty (30) days but not more than sixty (60) days, prior to the redemption date, be filed with the Registrar; and mailed, postage prepaid, to all Holders of Series 2001 Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for, but failure to mail such notice to one or more Holders of Series 2001 Bonds shall not affect the validity of the proceedings for

such redemption with respect to Holders of Series 2001 Bonds to which notice was duly mailed hereunder. Each such notice shall set forth the date fixed for redemption, the redemption premium to be paid and, if less than all of the Series 2001 Bonds of one maturity are to be called, the distinctive numbers of such Series 2001 Bonds to be redeemed and in the case of Series 2001 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Upon surrender of any Series 2001 Bond for redemption in part only, the Registrar shall authenticate and deliver to the Holder thereof, the cost of which shall be paid by the Issuer, a new Series 2001 Bond of an authorized denomination equal to the unredeemed portion of the Series 2001 Bond surrendered.

SECTION 15. BOOK ENTRY SYSTEM. Notwithstanding any provision of this Resolution to the contrary, the Series 2001 Bonds shall be initially issued in the form of a separate single certificated fully registered Series 2001 Bond for each of the maturities of the Series 2001 Bonds. Upon initial issuance, the ownership of each such Series 2001 Bond shall be registered in the registration books kept by the Registrar in the name of Cede, as nominee of DTC.

With respect to Series 2001 Bonds registered in the registration books kept by the Registrar in the name of Cede, as nominee of DTC, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation to any such Participant or to any indirect participant. Without limiting the immediately preceding sentence, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the Series 2001 Bonds, (ii) the delivery to any Participant or any other person other than a Series 2001 Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Series 2001 Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Holder of a Series 2001 Bond, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, premium, if any, or interest on the Series 2001 Bonds. The Issuer, the Registrar and the Paying Agent may treat and consider the person in whose name each Series 2001 Bond is registered in the registration books kept by the Registrar as the holder and absolute owner of such Series 2001 Bond for the purpose of payment of principal, premium and interest with respect to such Series 2001 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2001 Bond, for the purpose of registering transfers with respect to such Series 2001 Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Series 2001 Bonds only to or upon the order of the respective Holders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2001 Bonds to the extent of the sum or sums so paid. No person other than a Holder, as shown in the registration books kept by the Registrar, shall receive a certificated Series 2001 Bond evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions herein with respect to Record Dates, the word "Cede" in this Resolution shall refer to such new nominee of DTC; and upon receipt of such a notice the Issuer shall promptly deliver a copy of the same to the Registrar and the Paying Agent.

Upon receipt by the Issuer of written notice from DTC (i) to the effect that DTC has received written notice from the Issuer or from Participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then outstanding Series 2001 Bonds of a Series to the effect that a continuation of the requirement that all of the outstanding Series 2001 Bonds be registered in the registration books kept by the Registrar in the

name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2001 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, such Series 2001 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede, as nominee of DTC, but may be registered in whatever name or names Holders transferring or exchanging such Series 2001 Bonds shall designate, in accordance with the provision of hereof.

SECTION 16. FORM OF SERIES 2001 BONDS. OMITTED.

SECTION 17. APPLICATION OF PROVISIONS OF THE GENERAL RESOLUTION.

The Series 2001 Bonds, herein authorized, shall for all purposes (except as herein expressly provided) be considered to be issued under the authority of the General Resolution, and shall be entitled to all the protection and security provided therein for the Senior Lien Bonds.

The principal of and interest on the Series 2001 Bonds herein authorized shall be payable from the Senior Lien Debt Service Fund established in the General Resolution on a parity with any other Senior Lien Bonds, and payments shall be made into such Senior Lien Debt Service Fund by the Issuer in amounts fully sufficient to pay the principal of and interest on the Series 2001 Bonds herein authorized as such principal and interest become due.

SECTION 18. APPLICATION OF SERIES 2001 BOND PROCEEDS. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2001 Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2001 Bonds to the purchaser thereof, as follows:

A. The accrued interest shall be deposited into the Senior Lien Debt Service Fund or into such other fund as shall be approved by subsequent resolution of the Issuer and shall be used only for the purpose of paying interest becoming due on the Series 2001 Bonds.

B. The initial Reserve Requirement for such Series 2001 Bonds shall be deposited in the special account in the Senior Lien Reserve Fund created pursuant to the General Resolution for the benefit of the Series 2001 Bonds, and shall be used only for the purposes provided therefore.

C. A sum as specified in a subsequent resolution shall be deposited pursuant to an Escrow Deposit Agreement for the purpose of refunding all or a portion of the Refunded Bonds, all as shall be determined by deposit of an appropriate sum pursuant to an Escrow Deposit Agreement.

D. The remaining proceeds of the Series 2001 Bonds shall be deposited as provided by subsequent resolution.

SECTION 19. SPECIAL OBLIGATIONS OF ISSUER. The Series 2001 Bonds shall not be or constitute general obligations or indebtedness of the Issuer as “bonds” within the meaning of the Constitution of Florida, but shall be Senior Lien Bonds payable solely from and secured by a senior lien upon and a pledge of the Pledged Revenues as herein provided and in the General Resolution. No Holder or Holders of any Series 2001 Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds or property of the Issuer except the Pledged Revenues. The Series 2001 Bonds shall be considered Senior Lien Bonds for purposes of the General Resolution and the Holders thereof shall be entitled to all rights and benefits granted thereunder to the Holders of Senior Lien Bonds.

The payment of the principal of and interest on the Series 2001 Bonds, Amortization Installments, if any, and premium, if any, shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Holders of the Series 2001 Bonds an irrevocable lien on the Pledged Revenues, to the extent provided in the General Resolution and the Issuer does irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Series 2001 Bonds, for the reserves therefor and for all other required payments, to the extent provided in the General Resolution.

SECTION 20. FEDERAL INCOME TAX COVENANTS. With respect to any Series 2001 Bonds for which the Issuer intends on date of issuance thereof for the interest thereon to be excluded from gross income for purposes of federal income taxation:

(A) The Issuer shall not use or permit the use of any proceeds of the Series 2001 Bonds or any other funds of the Issuer, directly, or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Issuer with respect to the Series 2001 Bonds in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Series 2001 Bonds to be a “private activity bond” within the meaning of Section 141 or an “arbitrage bond” within the meaning of Section 148, or “federally guaranteed” within the meaning of Section 149(b), of the Internal Revenue Code of 1986, as amended (the “Code”), or otherwise cause interest on such Series 2001 Bonds to become subject to federal income taxation.

(B) The Issuer shall, at all time, do and perform all acts and things permitted by law and the Resolution which are necessary or desirable in order to ensure that interest paid on such Series 2001 Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being so excluded.

(C) The Issuer shall pay or cause to be paid to the United State Government any amounts required by Section 148(f) of the Code and the regulations thereunder (the “Regulations”). In order to ensure compliance with the rebate provisions of Section 148(f) of the Code with respect to any Series 2001 Bonds for which the Issuer intends on the date of issuance thereof to be excluded from gross income for purposes of federal income taxation, the Issuer has created the Rebate Fund pursuant to the General Resolution. Moneys in the Rebate Fund shall be held for future payment to the United State Government as required by the Regulations and as set forth in instructions of Bond Counsel delivered to the Issuer upon issuance of the Series 2001 Bonds.

SECTION 21. PRELIMINARY OFFICIAL STATEMENT. The Issuer hereby authorizes and directs a Preliminary Official Statement to be prepared, which shall be in substantially the form on file with the City Treasurer-Clerk and incorporated herein by reference, with such changes, insertions and omissions as shall be approved by the City Treasurer-Clerk. The City Treasurer-Clerk is hereby authorized to deem the Preliminary Official Statement final for purposes of Rules 15c2-12 (the “Rule” of the Securities and Exchange Commission, except for “permitted omissions,” as defined in the Rule, with such changes, insertions and omissions as shall be approved by the City Treasurer-Clerk.

SECTION 22. CONTINUING DISCLOSURE. The Issuer hereby covenants and agrees that, in order to provide for compliance by the Issuer with the secondary market disclosure requirements of Rule 15c2-12 of the United States Security and Exchange Commission (the “Rule”), that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate to be executed by the Issuer and dated the date of issuance and delivery of the Series 2001 Bonds, as it may be amended from time to time in accordance with the terms thereof (the “Continuing Disclosure Certificate”). Notwithstanding any other provision of this resolution or the Resolution, failure of the Issuer to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default; however, any

Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section.

SECTION 23. UNDERWRITER. It is hereby confirmed and ratified that William R. Hough & Co. will act as underwriter and senior manager in connection with the issuance of the Series 2001 Bonds.

SECTION 24. MODIFICATION OR AMENDMENT. This resolution may be amended and supplemented to the same extent as the General Resolution.

SECTION 25. CONFLICTS REPEALED. All resolutions in conflict or inconsistent with this Resolution are to the extent of such conflict or inconsistency hereby modified or repealed.

SECTION 26. EFFECTIVE DATE. This Resolution shall take effect immediately.

ADOPTED on this 11th day of April 2001.

CITY OF TALLAHASSEE, FLORIDA

/S/ Scott Maddox
SCOTT MADDOX
MAYOR

ATTEST:

/S/ Gary Herndon
GARY HERNDON
INTERIM CITY TREASURER-CLERK

APPROVED AS TO FORM AND SUBSTANCE:

/S/ James R. English
JAMES R. ENGLISH
CITY ATTORNEY

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

Bond Year Ending October 1			\$23,900,000 Series 2001	\$46,780,000 Series 1995
	Total			
2005	\$ 6,161,939	\$	1,932,663	\$ 4,229,276
2006	6,156,326		1,927,063	4,229,264
2007	6,155,176		1,930,263	4,224,914
2008	6,153,576		1,926,863	4,226,714
2009	6,155,499		1,929,575	4,225,924
2010	6,151,299		1,927,575	4,223,724
2011	6,147,319		1,923,075	4,224,244
2012	6,156,381		1,926,775	4,229,606
2013	6,154,519		1,926,050	4,228,469
2014	6,157,031		1,926,750	4,230,281
2015	2,233,600		2,233,600	-
2016	2,229,550		2,229,550	-
2017	2,230,550		2,230,550	-
2018	2,226,050		2,226,050	-
2019	2,226,050		2,226,050	-
TOTALS	\$ 72,694,865		\$ 30,422,450	\$ 42,272,415

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

Dated: May 1, 2001

Purpose

To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds.

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility System Revenue Bonds, Series 1995, not refunded by the Series 2001 Bonds or the Energy System Revenue Bonds.

Form

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

Agents

Registrar – Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent – Wachovia Bank, NA, Jacksonville, Florida.

Trustee – Wachovia Bank, NA, Jacksonville, Florida.

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

Ratings

Moody's – Aaa (Aa2 underlying)

Standard and Poors – AAA (AA underlying)

Fitch – AAA (AA+ underlying)

Redemption Provisions

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

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

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1				
2005	4.00%	\$ 890,000	\$ 1,042,663	\$ 1,932,663
2006	4.00%	920,000	1,007,063	1,927,063
2007	4.00%	960,000	970,263	1,930,263
2008	4.25%	995,000	931,863	1,926,863
2009	5.00%	1,040,000	889,575	1,929,575
2010	5.00%	1,090,000	837,575	1,927,575
2011	4.50%	1,140,000	783,075	1,923,075
2012	5.50%	1,195,000	731,775	1,926,775
2013	5.50%	1,260,000	666,050	1,926,050
2014	5.50%	1,330,000	596,750	1,926,750
2015	5.50%	1,710,000	523,600	2,233,600
2016	5.50%	1,800,000	429,550	2,229,550
2017	5.50%	1,900,000	330,550	2,230,550
2018	5.50%	2,000,000	226,050	2,226,050
2019	5.50%	2,110,000	116,050	2,226,050
TOTALS		\$ 20,340,000	\$ 10,082,450	\$ 30,422,450

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

Dated: July 1, 1995

Purpose

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

Security

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

Form

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

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

Agents

Registrar - Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent - Wachovia Bank, NA, Jacksonville, Florida.

Trustee - Wachovia Bank, NA, Jacksonville, Florida.

Escrow - Securing payment for refunded Series 1991 A and 1991 B Consolidated Utility System Bonds, Wachovia Bank, NA, Jacksonville, Florida.

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

Ratings

Moody's - Aa

Standard and Poors - AA-

Fitch - AA

Call Provisions

Mandatory Redemption

Term Bonds Due October 1, 2012

Term Bonds Due October 1, 2014

Term Bonds Due October 1, 2019

<u>Year</u>	<u>Amount</u>
2011	\$3,715,000
2012 (maturity)	\$3,930,000
2013	\$4,155,000
2014 (maturity)	\$4,390,000
2015	\$400,000
2016	\$420,000
2017	\$445,000
2018	\$470,000
2019 (maturity)	\$495,000

Optional Redemptions

Series 1995 Bonds maturing on or after October 1, 2008. In whole or in part in any order on October 1, 2005 or on the first day of each month thereafter.

Redemption Period (both inclusive)

October 1, 2005 and thereafter

Redemption Price

100%

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2005	5.750%	\$ 2,435,000	\$ 1,794,276	\$ 4,229,276
2006	5.800%	2,575,000	1,654,264	4,229,264
2007	6.000%	2,720,000	1,504,914	4,224,914
2008	5.400%	2,885,000	1,341,714	4,226,714
2009	5.500%	3,040,000	1,185,924	4,225,924
2010	5.600%	3,205,000	1,018,724	4,223,724
2011	5.750%	3,385,000	839,244	4,224,244
2012	5.750%	3,585,000	644,606	4,229,606
2013	5.625%	3,790,000	438,469	4,228,469
2014	5.625%	4,005,000	225,281	4,230,281
TOTALS		<u>\$ 31,625,000</u>	<u>\$ 10,647,415</u>	<u>\$ 42,272,415</u>

TALLAHASSEE REGIONAL AIRPORT

Introduction

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

Air Service Discussion

The tragic events of September 11, 2001 and the economic recession that was already occurring in 2001 have continued to place the airline industry in a precarious position. The airline industry can still be described as an industry with substantive financial, customer service, and anti-competitive issues, and whose economic recovery is not expected for a number of years. Tallahassee Regional Airport, not unlike other small hub airports throughout the country operating in a deregulated environment, had experienced high airfares and limited air service.

High airfares were determined to be one of the leading inhibitors to economic development. When combined with Tallahassee's dependence on state government employment and its continued employment downsizing, economic development became an even more critical component for Tallahassee's future community vitality. The City embarked on a strategy of improving competition in order to lower airfares and upgrade services that consisted of securing a low fare carrier, improving interstate/intrastate competition and services, and increasing jet service.

The City initially was able to attract service by Northwest/Pinnacle to their Memphis hub in 2000, and Delta Connection (Comair) began service to their Cincinnati hub and added jet service to Fort Lauderdale in 2001 and to West Palm in 2003. Additionally, the City succeeded in attracting low fare carrier AirTran to Tallahassee with service to Atlanta and Tampa and continuing service to Miami during 2001. During 2004, Continental Express began jet service to its Houston hub, US Airways upgraded service to its Charlotte hub with regional jets, a Continental Connection (Gulfstream International Airlines) added frequency to Tampa, and Delta significantly lowered fares to Orlando. Although AirTran left the Tallahassee Market during 2004, other airlines have absorbed AirTran's passengers and have maintained lower airfares while increasing frequency. Overall, the AirTran departure is anticipated to have a minimal impact on the Airport's operating results.

Although other airports report reductions in air service since September 11, 2001, Tallahassee has actually increased the number of departures, flight frequency, and the total available seats. Five years ago, Tallahassee only had access to two airline hubs – Delta's Atlanta and US Air's Charlotte; today the list also includes Northwest's Memphis hub, Comair's Cincinnati hub, and Continental's Houston hub. By securing a low fare carrier in 2001, the City achieved its strategy of improving competition in order to lower airfares and upgrade services. TLH experienced a big jump in enplanements as a result of lower airfares, which brought back passengers that had been driving to Atlanta, Jacksonville, Orlando and Tampa to avoid Tallahassee's high fares. Even with AirTran's departure, TLH continues to offer strong service options to every major region of the United States and direct jet service to its major intrastate destinations (Miami, Tampa, Orlando, Fort Lauderdale and West Palm). In January 2005 Delta begins direct, non-stop jet service to JFK/New York City.

Passenger traffic in past years showed only minor fluctuations in any given year. Despite a decrease nationally in passenger growth as a result of September 11, 2001 and the war in Iraq, TLH experienced an average increase of 9.5% per year in passenger traffic since 2001. Barring any other unforeseen circumstances, it is anticipated that 2004 passenger counts will be sustained at a 4% growth rate. In order to remain competitive and continue the City's strategy of improving competition in order to lower airfares and upgrade services, the City Commission established a \$300,000 recurring project in March 2002 to provide funding for various incentives to airlines similar to those being provided at other

airports to help in achieving their goals. The Airport continues to approach carriers about providing service to the Tallahassee market by demonstrating the potential market opportunities and profitability of providing service.

Financial Discussion

The Airport is self-supporting and does not receive a subsidy from any local government nor make a transfer to any local government. Citizens who do not use the airport do not contribute to the costs of its operations. Its operations are funded through concessions, parking fees, terminal and general aviation leases, and landing fees. Signatory airline agreements are structured on a residual basis whereby approximately 60% of the Airport’s net income is utilized to reduce airline rates and charges. The non-signatory airlines are required to pay 125% of the signatory airline rates. In FY 2004, actual operating income, before transfers, was \$2,448,266 or \$371,604 more than budget. The \$371,604 was allocated between the Airline Prepaid Fees Credit and the Airport RR & I Fund, in accordance with the Airline Use and Lease Agreements. Operating revenue, excluding transfers, was 17.9% above projections primarily due to above budget rental car, concession and parking revenue. Expenditures were 2.76% above projections due to increased expenses related to Police and Fire services.

The Airport’s Capital Improvement Program (CIP) is primarily supported from Federal Aviation Administration (FAA) entitlement funding, Passenger Facility Charges (PFC), and Florida Department of Transportation (FDOT) grants. Increased funding levels from FAA entitlements, coupled with increased availability of passenger facility charge funds, have more than tripled available construction funding and accelerated the Airport’s implementation of many projects. As a result, the Capital Program Administration unit was established in FY 2002 to manage the Airport’s Capital Program.

Although the \$3 PFC Authorization expired during September 2002, the Airport received FAA approval to raise the PFC fee from \$3 to \$4.50 effective October 1, 2002. The increased PFC fees 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. In prior years, most of these PFC funds have been used to initiate the Federal Aviation Regulation (FAR) Part 150 Noise Program. The Program is estimated to cost approximately \$21 million with the bulk of the funding anticipated to come from the FAA. The purpose of the land acquisition program is to eliminate incompatible land uses around the Airport facility. This will minimize future planning problems and optimize facility development. The following table shows the revenue collections by source used to fund the Airport’s CIP:

Over \$10,000,000 of the Airport’s Capital Program has been earmarked for terminal rehabilitation/improvements. During 2004, contracts were awarded for improvements to the terminal building infrastructure including: the renewal or repair of restrooms, the build-out of office space for TSA, a training room, a new Operations Center, and concession space improvements. The design and award of contracts for Air Quality Improvements, Water Intrusion and Public Entryways are anticipated during 2005 and includes heating, ventilation, and air conditioning systems and the electrical distribution and fire alarm systems. National trends indicate that small hub markets and short haul routes similar to TLH will be served by Regional Jets. To meet this need, TLH is in the process of activating two unused gates for regional jets and retrofitting other gates to also serve regional jets. These improvements will extend the useful life of the terminal complex for another 10 to 15 years.

The following table shows the revenue collections by source used to fund the Airport’s CIP:

Aviation Department CIP Revenue Collections

Fiscal Year	FAA	FDOT	PFC
2004	6,664,082	677,233	1,507,313
2003	1,747,246	1,470,000	2,160,452

Management Discussion of Operations

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

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

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

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

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

The Capital Program Administration Division is responsible for identifying capital program needs, stormwater management and environmental compliance, and providing construction management and engineering liaison services that includes design plans and specifications, monitoring on-going construction activities, and other regulatory requirements of the City, FAA, and FDOT.

Selected Airport Statistics

Historical Operating Results

For Fiscal Years Ended September 30

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenues (1)	\$ 7,036,000	\$ 7,449,000	\$ 7,896,000	\$ 9,257,000	\$ 9,616,434
Prepaid Fees Credit (1)	568,096	568,096	823,089	438,358	664,519
Operating Expenses (2)	(4,862,000)	(5,277,000)	(6,216,000)	(7,755,000)	(7,701,955)
Non-operating Revenues(Expenses)	<u>202,000</u>	<u>308,109</u>	<u>106,193</u>	<u>60,174</u>	<u>44,135</u>
Revenues Available for Debt Service	<u>\$ 2,944,096</u>	<u>\$ 3,048,205</u>	<u>\$ 2,609,282</u>	<u>\$ 2,000,532</u>	<u>\$ 2,623,133</u>
Sr. Lien Debt Service	\$ 979,000	\$ 979,000	\$ 982,000	\$ 978,000	\$ 1,058,328
Sr. Lien Debt Service Coverage	3.01x	3.11x	2.66x	2.05x	2.48x

(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.

Airport Financial Statistics

For Fiscal Year Ended September 30	2000	2001	2002	2003	2004
Revenue Per Enplaned Passenger	\$ 16.22	\$ 16.85	\$ 15.63	\$ 16.64	\$ 16.45
Debt Per Enplaned Passenger	27.90	20.29	16.75	14.27	12.48

Aircraft Operations - Landings and Take-offs

For Fiscal Year Ended Sept. 30	2000	2001	2002	2003	2004
Air Carrier Operations(1)	4,401	3,468	6,241	5,959	5,099
Air Taxi Operations(2)	38,793	35,217	32,692	26,906	28,622
General Aviation					
Itinerant Operations	44,015	39,254	38,719	38,023	39,114
Local Operations	22,208	16,313	20,027	14,251	12,665
Military					
Itinerant Operations	6,841	7,764	10,987	13,491	11,215

(1) Consists of planes of 50 or more seats

(2) Consists of planes having less than 50 seats

Enplanements by Carrier

For Fiscal Year Ended September 30	2000	2001	2002	2003	2004
USAirways/ Piedmont	82,209	92,318	64,777	29,863	11,417
Mesa	4,750	0	215	0	25,109
CC Air	51,005	36,355	20,528	1,504	0
Air Midwest	9,327	10,708	6,668	234	0
Delta	183,140	151,059	136,969	180,578	210,604
Comair	78,482	55,086	86,054	93,446	60,914
Atlantic Southeast	30,800	56,011	55,599	45,798	40,278
Skywest	0	0	18,834	24,884	12,095
Chautauqua	0	0	0	43,033	101,466
Northwest Airlin	6,032	28,856	27,205	33,286	32,380
AirTran Airways (1)	0	0	87,770	44,982	8,754
AirWisconsin (2)	0	0	0	58,859	74,266
Continental Connection/Gulfstream (3)	13,810	11,712	724	0	445
Florida Air (FL-AIR)	0	350	0	0	0
Express Jet Airlines/Continental Express (4)	0	0	0	0	6,986
Total Enplanements	\$ 459,555	\$ 442,455	\$ 505,343	\$ 556,467	\$ 584,714

(1) AirTran services discontinued in September 2004

(2) AirWisconsin services commenced January 2003 and terminated in July 2004

(3) Continental Connection discontinued service October 2001 and commenced in 2004

(4) Express Jet Airlines/Continental Express commenced May 2004

RESOLUTION NO. 04-R-31

A RESOLUTION OF THE CITY OF TALLAHASSEE, FLORIDA AMENDING AND SUPPLEMENTING RESOLUTION NO. 04-R-20 ADOPTED MAY 12, 2004 TO PROVIDE FOR ADDITIONAL BOND INSURANCE PROVISIONS; RATIFYING ALL PRIOR ACTIONS TAKEN RELATED TO THE BOND INSURANCE; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA, AS FOLLOWS:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Chapter 166, Part II, Florida Statutes, Resolution No. 88-R-0006 adopted on February 24, 1988, as amended and supplemented, Resolution No. 04-R-20 adopted on May 12, 2004 (collectively, the "Resolution"), and other applicable provisions of law.

SECTION 2. DEFINITIONS. Unless the context otherwise requires, the terms used herein shall be as defined in the Resolution. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. It is in the best interest of the Issuer to amend Resolution No. 04-R-20 to clarify and supplement provisions related to the Financial Guaranty Insurance Policy.

B. Except as amended or supplemented by this Resolution, Resolution No. 04-R-20 shall remain in full force and effect.

SECTION 4. SUPPLEMENT TO RESOLUTION. SECTION 2. DEFINITIONS. of Resolution No. 04-R-20 is hereby supplemented as follows:

"Acquired Obligations" shall mean the following:

- (A) Cash (insured at all times by the Federal Deposit Insurance Corporation)
- (B) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- US. Treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the

rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Authorized Investments” shall mean (i) Acquired Obligations and (ii) the following obligations for all purposes other than defeasance investments in refunding escrow accounts:

- (A) Obligations of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); Federal Housing Administration; Federal Financing Bank;
- (B) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; senior debt obligations of other Government Sponsored Agencies approved by Ambac Assurance;
- (C) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing no more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);
- (D) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
- (E) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;
- (F) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and
 - (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (ii)(a) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions as appropriate, and (b) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (G) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “Aw/A” or higher by both Moody's and S&P.
- (H) Investment agreements approved in writing by Ambac Assurance (supported by appropriate opinions of counsel); and
- (I) Other forms of investments (including repurchase agreements) approved in writing by Ambac Assurance.

The value of the above investments shall be determined as follows:

- (1) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Paying Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.
- (2) As to certificates of deposit and banker's acceptances: the face amount thereof, plus accrued interest thereon; and
- (3) As to any investment not specified above: the value thereof established by prior agreement among the Issuer and Ambac Assurance.

SECTION 5. AMENDMENT OF RESOLUTION.

I. Section 20.B. of Resolution No. 04-R-20 is hereby amended as follows:

B. Consent of Ambac Assurance in lieu of Holder Consent.

Unless otherwise provided in this Section, Ambac Assurance’s consent shall be required in lieu of Holder consent, when required, for the following purposes: (i) execution and delivery of any supplemental resolution or any amendment, supplement or change to or modification of the Resolution (ii) removal of the Paying Agent and selection and appointment of any successor paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Holder consent.

II. Section 20.I.(a) of Resolution No. 04-R-20 is hereby amended as follows:

- (a) At least one (1) business day prior to all Interest Payment Dates the Paying Agent will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Series 2004 Bonds on such Interest Payment Date. If the Paying Agent determines that there will be insufficient funds in such Funds or Accounts, Paying Agent shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Series 2004 Bonds to which such deficiency is applicable and whether such Series 2004 Bonds will be deficient as to principal or interest, or both. If the Paying Agent has not so notified Ambac Assurance at least one (1) business day prior to an Interest Payment Date, Ambac Assurance will make payments of principal or interest due on the Series 2004 Bonds on or before the first (1st) business day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Paying Agent.

SECTION 6. RATIFICATION OF ACTIONS. The Commitment for Financial Guaranty Insurance, Commitment No. 27070 dated July 28, 2004 (the “Commitment”) is hereby accepted. All

actions taken to date by the Mayor, the City Treasurer-Clerk, the City Attorney and any other staff member relating to the Commitment or the Financial Guaranty Insurance Policy are hereby ratified, confirmed and approved.

SECTION 7. EFFECTIVE DATE. The provisions of this Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA THIS 18th DAY OF AUGUST, 2004.

By: _____
Mayor

ATTEST:

By: _____
City Treasurer-Clerk

Approved as to form and correctness:

By: _____
City Attorney

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

Dated: August 31, 2004

Purpose

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

Security

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

Form

\$7,355,000 Serial Bonds

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

Agents

Registrar - Wachovia Bank, NA, Jacksonville, Florida.

Paying Agent - Wachovia Bank, NA, Jacksonville, Florida.

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

Insurance - AMBAC Indemnity Corporation.

Ratings

Fitch - AAA

Moody's - Aaa

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2005	2.500%	\$ 725,000	\$ 238,363	\$ 963,363
2006	2.500%	740,000	220,238	960,238
2007	2.500%	760,000	201,738	961,738
2008	3.000%	780,000	182,738	962,738
2009	3.250%	800,000	159,338	959,338
2010	3.500%	825,000	133,338	958,338
2011	3.475%	855,000	104,463	959,463
2012	4.000%	885,000	72,400	957,400
2013	4.000%	925,000	37,000	962,000
TOTALS		<u>\$ 7,295,000</u>	<u>\$ 1,349,613</u>	<u>\$ 8,644,613</u>

OTHER DEBT FINANCING

Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the “Commission”) was created in 1985 through interlocal agreement between the City of Tallahassee and the City of Orlando, Florida. Subsequently, other Florida governments joined the Commission, including 11 additional cities and three counties. The Commission was created to provide large, sophisticated governments the opportunity to work together to create low cost, flexible financing instruments.

Variable Rate Loan

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

As of September 30, 2004, the City had outstanding six loan agreements with the Commission under this program, as described below:

- § \$18,200,000 in November 1986; secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011-2016, with all principal to be retired by January 30, 2016; as of September 30, 2004, the balance outstanding on this loan was \$16,999,730.
- § \$3,550,000 in May 1991, description same as (1); September 30, 2004 balance of \$3,550,000.
- § \$1,150,000 in September 1991; description same as (1); September 30, 2004 balance of \$1,150,000.
- § \$36,500,000 in April 1999; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016; September 30, 2004 balance of \$35,835,000.
- § \$7,909,000, in April 2001; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a final maturity of 2015; September 30, 2004 balance of \$7,765,000.
- § \$5,050,000, in April 2001; secured by a covenant to budget and appropriate from all non ad-valorem revenues of the City and has no specific claims on any revenue stream; interest to be paid monthly with annual principal payments due on October 1 beginning in 2001; loan has a final maturity of 2015; September 30, 2004 balance of \$4,041,308.

Commercial Paper Program

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

forth in their loan agreements, and to pay their prorata share of the interest on the outstanding commercial paper, along with all related costs of the Commission associated with operating and maintaining the program.

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. September 30, 2004 balance of \$3,335,000.
- § \$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. September 30, 2004 balance of \$10,087,500.

Conduit Issues, Non-Profit Organizations

The City has also acted as a conduit for the issuance of bonds for three non-profit organizations in the City: Tallahassee Memorial HealthCare, Inc., Tallahassee Community College Foundation, Inc., and Florida State University Schools, Inc.

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

Conduit Issues, Industrial Development and Industrial Revenue Bonds

From time to time the City also acts as a conduit issuer for private industries in the issuance of Industrial Development Revenue Bonds. Originally, there were two issues for Rose Printing. A second issue was called and refinanced by the issuer during FY 2004. The refinancing paid off the full amount of this second issue; the refinancing was accomplished without City involvement. There is currently one issue of Industrial Development Revenue Bonds outstanding for which the City has acted as the conduit issuer. These bonds are issued pursuant to an indenture of trust between the City and a trustee, with the entity on whose behalf the bonds are issued being solely responsible for their repayment, with no resulting liability on behalf of the City. The Industrial Development Revenue Bond currently outstanding was issued as follows:

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