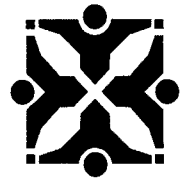


City of Columbia

701 East Broadway, Columbia, Missouri 65201



Agenda Item Number: R 11-15

Department Source: Finance

To: City Council

From: City Manager & Staff

Council Meeting Date: 1/5/2015

Re: Resolution adopting Notice of Sale of Sewer System Revenue Bond Series 2015

Documents Included With This Agenda Item

Council memo, Resolution/Ordinance, Exhibits to Resolution/Ordinance

Supporting documentation includes: None

Executive Summary

In November 2013 the citizens of Columbia approved the issuance of bonds to fund various Sewer System improvements. This resolution authorizes the Notice of Sale of \$19,420,000 principal amount of Sewer System Revenue bonds, Series 2015.

Discussion

The Sewer System has several major projects as shown in the City's Capital Improvement Projects budget which need to be constructed in the next few years. Some of these projects will be funded by Enterprise Revenue. The remaining projects will be funded using the bond issue identified in the attached Notice of Sale of \$19,420,000 principal amount of Sewer System Revenue bonds, Series 2015.

Fiscal Impact

Short-Term Impact: These revenue bonds will be funded through the rate increases which were passed by the voters when the bond issuance authority was granted in November of 2013.

Long-Term Impact: These revenue bonds will be funded through the rate increases which were passed by the voters when the bond issuance authority was granted in November of 2013.

Vision, Strategic & Comprehensive Plan Impact

Vision Impact: Governance and Decision Making

Strategic Plan Impact: Financial Health

Comprehensive Plan Impact: Not Applicable

Suggested Council Action

Approve the attached resolution

Legislative History

City of Columbia

701 East Broadway, Columbia, Missouri 65201



None.



Department Approved



City Manager Approved

A RESOLUTION

authorizing the offering for sale of not to exceed \$21,000,000 principal amount of Sewerage System Revenue Bonds, Series 2015 of the City of Columbia, Missouri.

WHEREAS, the City of Columbia, Missouri (the "City"), a constitutional charter city and political subdivision duly organized and existing under the laws of the State of Missouri, and pursuant to Article VI, Section 27 of the Missouri Constitution and Chapter 250 of the Revised Statutes of Missouri, as amended (the "Act"), now owns and operates a revenue producing sewerage system serving the City and its inhabitants and others within its service area (the "System");

WHEREAS, pursuant to the Act, a special bond election was duly held in the City on November 5, 2013, on the question of whether to issue sewerage system revenue bonds in the principal amount of \$32,340,000 for the purpose of improving and extending the System, and it was found and determined that the required majority of the qualified electors of the City voting on the question had voted in favor of the issuance of said revenue bonds for the purpose aforesaid; and

WHEREAS, none of the bonds so authorized in November of 2013 have heretofore been issued, and the City now proposes to issue the first series of the bonds so authorized, in an aggregate principal amount of not to exceed \$21,000,000, to provide funds to pay the costs of extending and improving the System;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The City is hereby authorized to offer at competitive public sale not to exceed \$21,000,000 principal amount of Sewerage System Revenue Bonds, Series 2015 (the "Bonds"), as described in the Notice of Bond Sale attached hereto as **Exhibit A**.

SECTION 2. The Finance Director is hereby authorized and directed to receive facsimile or electronic bids for the purchase of the Bonds on January 20, 2015, upon the terms and conditions set forth in the Notice of Bond Sale, and to deliver all bids so received to the City Council at its meeting to be held at 7:00 P.M. on said date, at which meeting the City Council shall review such bids and shall award the sale of the Bonds or reject all bids.

SECTION 3. The Notice of Bond Sale is hereby approved in substantially the form attached hereto as **Exhibit A**, and the Mayor or the Finance Director is hereby authorized to execute such Notice of Bond Sale, with such changes and additions thereto as such officials shall deem necessary or appropriate, and to use such document in connection with the public sale of the Bonds.

SECTION 4. The Preliminary Official Statement is hereby approved in substantially the form attached hereto as **Exhibit B**, and the Mayor is hereby authorized to execute such Preliminary Official Statement, with such changes and additions thereto as such official shall deem necessary or appropriate, and to use such document in connection with the public sale of the Bonds.

SECTION 5. The Finance Director is hereby authorized and directed to give notice of the competitive public sale of the Bonds by publishing a summary of the Notice of Bond Sale in a newspaper

having general circulation in the City, such publication to be made at least 10 days prior to the date of sale, and by mailing or otherwise providing copies of the Notice of Bond Sale and Preliminary Official Statement to all parties and financial institutions which in the opinion of the Finance Director might be interested in the purchase of the Bonds and to anyone else who makes a written request for copies thereof.

SECTION 6. For the purpose of enabling the original purchaser of the Bonds to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the appropriate officers of the City are hereby authorized, if requested, to provide the original purchaser a letter or certification to the effect that the City deems the information regarding the City contained in the Preliminary Official Statement to be “final” as of its date, except for the omission of such information as is permitted by Rule 15c2-12(b)(1), and to take such other actions or execute such other documents as such officers in their reasonable judgment deem necessary to enable the original purchaser to comply with the requirements of such Rule.

SECTION 7. The City agrees to provide to the original purchaser of the Bonds, within seven business days of the date of the sale of Bonds or within sufficient time to accompany any confirmation that requests payment from any customer of the original purchaser, whichever is earlier, sufficient copies of the final Official Statement to enable the original purchaser to comply with the requirements of Rule 15c2-12(b)(4) of the Securities and Exchange Commission and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

SECTION 8. The City hereby authorizes and empowers the officers and representatives of the City to do all such acts and things and to execute, acknowledge and deliver all such documents as may in their discretion be deemed necessary or desirable in order to carry out or comply with the terms and provisions of this Resolution in connection with the structure and sale of the Bonds. All of the acts and undertakings of such officers and representatives which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done shall be and the same are hereby in all respects, ratified, confirmed and approved.

[Remainder of this page intentionally left blank]

SECTION 9. This Resolution shall be in full force and effect from and after its adoption by the City Council.

ADOPTED this _____ day of _____, 2015.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor

EXHIBIT A

NOTICE OF BOND SALE

[FOLLOWS THIS PAGE]

NOTICE OF BOND SALE

\$19,420,000*
CITY OF COLUMBIA, MISSOURI
SEWERAGE SYSTEM REVENUE BONDS
SERIES 2015

Proposals. Facsimile and electronic proposals for the purchase of \$19,420,000* principal amount of Sewerage System Revenue Bonds, Series 2015 (the “**Bonds**”) herein described, of the City of Columbia, Missouri (the “**City**”), will be received, in the case of facsimile bids at (913) 312-8053, and in the case of electronic bids, on the Columbia Capital Auction website, <http://www.columbiacapitalauction.com> (“**Columbia Capital Auction**”). Proposals for the purchase of the Bonds will be received until

10:00 A.M. Central Standard Time (the “**Submittal Hour**”)

on **TUESDAY, JANUARY 20, 2015** (the “**Sale Date**”).

Bids on the Bonds will be opened at the Submittal Hour at the offices of the Director of Finance of the City and will be awarded preliminarily, subject to City Council approval, on the Sale Date by 1:00 p.m. CST. Final approval is expected by the City Council at its January 20, 2015 regular meeting. Unless all bids are rejected, award will be made to the bidder offering the *lowest* TIC (as hereinafter defined) to the City. After bid opening, the Director of Finance will notify the bidder providing the apparent low bid. Bids will not be accepted via any other method of delivery (e.g., no telephonic or hand-delivered bids).

The risk of failure to access the facsimile number or bidding website prior to the Submittal Hour is solely upon the party making the proposal and not the City or the Financial Advisor (as hereinafter defined). Any bidder submitting a bid acknowledges that neither the City nor the Financial Advisor assume any liability or responsibility for any inscribing or transmittal error in connection with such bid.

Authority, Purpose and Security. The Bonds are being issued pursuant to the Constitution and laws of the State of Missouri for the purpose of, together with other funds of the City, (i) providing funds to extend and improve the City’s sewerage system (the “**System**”); (ii) funding a debt service reserve for the Bonds and (iii) paying costs and expenses incident to the issuance of the Bonds. The Bonds will be payable solely from the Net Revenues derived by the City from the operation of the System, after payment of the costs of operation and maintenance. ***The taxing power of the City is not pledged to the payment of the principal of the Bonds or the interest thereon.***

Terms of the Bonds. The Bonds will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated the date of delivery and will become due in principal installments on the maturity dates as follows:

* Preliminary, subject to change.

MATURITY SCHEDULE*

<u>Due: October 1</u>	<u>Principal Amount</u>	<u>Due: October 1</u>	<u>Principal Amount</u>
2015	\$760,000	2026	\$ 915,000
2016	765,000	2027	940,000
2017	770,000	2028	970,000
2018	775,000	2029	1,000,000
2019	785,000	2030	1,030,000
2020	795,000	2031	1,065,000
2021	810,000	2032	1,095,000
2022	830,000	2033	1,135,000
2023	845,000	2034	1,170,000
2024	865,000	2035	1,210,000
2025	890,000		

The Bonds will bear interest from the date thereof at rates to be determined when the Bonds are sold as hereinafter provided, which interest will be payable semiannually on April 1 and October 1 in each year, beginning on April 1, 2015.

Any bidder electing to designate a maturity of term bonds shall specify the current serial bonds by year of maturity that are to comprise the term bonds. The final year designated shall be deemed the year of maturity of the term bonds. Term bonds shall be subject to mandatory sinking fund redemption by lot in the amounts currently specified for the serial bonds, at a redemption price of 100% of the principal amount thereof.

For purposes of computing the true interest cost (as hereinafter defined) and awarding the Bonds, the maturity of such term bonds shall be treated as if the amounts subject to mandatory sinking fund redemption are equal to the amounts and mature on the dates currently specified as serial bonds.

Place of Payment. The principal of each Bond will be payable at maturity to the registered owner upon presentation and surrender of such Bond at the principal office of UMB Bank, St. Louis, Missouri (the **"Paying Agent"**). Interest on each Bond will be paid by check or draft mailed by the Paying Agent to the Registered Owner of such Bonds as shown on the registration books of the City maintained by the Paying Agent at the close of business on the Record Date for such interest, which shall be the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date.

The Bonds will be issued as registered Bonds in book entry only form. The Depository Trust Company, New York, New York (**"DTC"**), or its nominee, Cede & Co., will act as securities depository for the Bonds. For as long as the Bonds are registered in book entry form, purchases of the Bonds will be made in book entry only form. Payments of the principal of and interest on the Bonds will be made directly to Cede & Co. as long as DTC is the registered owner of the Bonds. Disbursement of such payments to the beneficial owners of the Bonds is the responsibility of the DTC Participants.

It shall be the obligation of the Successful Bidder (as hereinafter defined) to furnish to DTC an underwriter's questionnaire. It shall be the obligation of the Successful Bidder to qualify the Bonds, if such qualification is necessary, in the jurisdictions in which it intends to reoffer the Bonds.

* Preliminary, subject to change.

Optional Redemption. As provided in the Official Statement, at the option of the City, the Bonds are subject to optional redemption and payment prior to their Stated Maturity, on October 1, 2023, and thereafter, in whole at any time or in part on any date in any order of maturity selected by the City and by lot in multiples of \$5,000 within a maturity, or in such equitable manner as the Paying Agent may determine at a redemption price of 100% of the principal amount being redeemed, without premium, together with accrued interest thereon to the date of redemption.

Submission of Bids. Bids may be submitted on the Columbia Capital Auction website at <http://www.columbiacapitalauction.com> or by facsimile. Bids will not be accepted in any other manner. Faxed bids must be made on forms provided by the City or its Financial Advisor. Bids submitted by facsimile should not be preceded by a cover sheet and should be sent only once to the following number: (913) 312-8053. A bidder may confirm receipt of its facsimile bid by calling the Financial Advisor at (913) 248-8500.

To place an electronic bid, the bidders must first visit the Columbia Capital Auction website <http://www.columbiacapitalauction.com> where, if they have never registered with Columbia Capital Auction, MuniAuction, or any other website powered by Grant Street Group, they can register and then request admission to bid on the Bonds. There is no charge for registration with Columbia Capital Auction. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only FINRA registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. The Financial Advisor will determine whether any request for admission is granted. Bids must be received by the undersigned prior to the Submittal Hour accompanied by the Deposit (as hereinafter defined), which may be submitted separately, provided such Deposit is received by the City prior to the Submittal Hour. The City shall not be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. The City reserves the right to waive irregularities and to reject any or all bids. Bids received after the Submittal Hour will be destroyed.

Good Faith Deposits. Each bid for the Bonds shall be accompanied by a good faith deposit (the “Deposit”) in the form of (1) a certified or cashier’s check, (2) a financial surety bond or (3) a wire transfer, in the amount of \$388,400, which is 2% of the principal amount of the Bonds, payable to the order of the City of Columbia, Missouri.

If a financial surety bond is used, it must be from an insurance or surety company licensed to issue such a bond in the State of Missouri and is rated “AA-” by Standard & Poor’s Ratings Group or “Aa3” by Moody’s Investors Service, Inc., or higher, and such bond must be submitted to the City prior to the Submittal Hour. The financial surety bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder using a financial surety bond, that bidder is required to submit its Deposit to the City in form of a cashier’s check (or wire transfer of such amount as instructed by the City) not later than 2:00 P.M., local time on the next business day following the Sale Date. If such Deposit is not received by that time, the financial surety bond may be drawn by the City to satisfy the Deposit requirements.

If a wire transfer is used, a bidder may wire the Deposit to the City to the account shown below, **not later than the Submittal Hour.** Upon initiation of a wire transfer, the bidder shall promptly send notice of such wire transfer to the Financial Advisor, attention Jeff White (jwhite@columbiacapital.com) and James Prichard (jprichard@columbiacapital.com).

Wire Instructions for the Deposit:

Bank Name:	US Bank, Columbia, MO
ABA Number:	081000210
Account:	152307767508
Acct Name:	City of Columbia Pool Account

No interest on the Deposit will accrue to the Successful Bidder (defined below). The Deposit will be applied to the purchase price of the Bonds. In the event the Successful Bidder shall fail to comply with the terms of its bid, the Deposit will be forfeited as full and complete liquidated damages.

After the award is made, the Deposits of the unsuccessful bidders will be returned forthwith. Deposits wired to the City by unsuccessful bidders will be returned via wire as soon as practical following completion of the bidding. Unsuccessful bidders desiring a return of the Deposit via wire must send wire instructions to the Financial Advisor, attention Jeff White (jwhite@columbiacapital.com) and James Prichard (jprichard@columbiacapital.com), by the applicable Submittal Hour. An unsuccessful bidder's failure to provide return wire instructions will likely result in a delay in the return of their Deposit.

Conditions of Bids. Bids will be received on the Bonds bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions: (a) each bid shall be for all of the Bonds; (b) each interest rate specified shall be a multiple of 1/8th or 1/100th of 1%, or both; and (c) the same interest rate shall apply to all Bonds of the same maturity. No supplemental interest payments will be authorized. **No bid shall be for a price less than 98% of the principal amount of all of the Bonds and accrued interest, if any, thereon to the date of delivery. For Bonds maturing on and after October 1, 2024, no price below 98% will be accepted for any maturity.** Each bid shall specify the total interest cost (expressed in dollars) during the life of the Bonds on the basis of such bid and the original issue discount or premium, if any, offered by the bidder. Each bid shall also specify the true interest cost to the City on the basis of such bid to a delivery date of February 4, 2015. Each bidder agrees that, if it is awarded the Bonds, it will provide to the City the certification as to issue prices described under the caption "Certification as to Offering Prices" in this Notice of Bond Sale (this "Notice").

Basis of Award. Following the opening of the bids for the Bonds, the low bidder (the "Successful Bidder") will be designated by a representative of the City. The Successful Bidder will be the bidder whose bid will result in the lowest "true interest cost" ("TIC"), determined as follows: the TIC is that annual interest rate which, when used to compute the present value of all scheduled payments of principal and interest on the Bonds as of the settlement date, produces an amount equal to the purchase price of the Bonds. The purchase price of the Bonds shall be the aggregate purchase price bid plus accrued interest, if any, and present value shall be computed on the basis of semiannual compounding and a 360-day year consisting of twelve 30-day months to the date of delivery.

No bidder will be designated as the Successful Bidder unless its bid shall be in compliance with the other terms and conditions of this Notice. In the event that two or more bidders offer bids at the same lowest TIC, a representative of the City will determine by lot which bidder will be designated as the Successful Bidder; its determination of the winning bidder shall be final. If there is a discrepancy between the TIC noted on the bid form and the City's calculation of the TIC, the City's calculation of TIC shall be used.

Rules of Columbia Capital Auction. The “Rules of Columbia Capital Auction” can be viewed on Columbia Capital Auction’s website and are incorporated herein by reference. Electronic bidders must comply with the Rules of Columbia Capital Auction in addition to the requirements of this Notice of Bond Sale.

Pre-Bid Revisions. The City reserves the right to issue a Supplemental Notice of Sale (the “**Supplemental Notice**”) not later than 48 hours prior to the Sale Date via the electronic bidding website (<http://www.columbiacapitalauction.com>). If issued, the Supplemental Notice may modify (i) the maturity amounts of the Bonds, and/or (ii) such other terms of this Notice as the City determines. Any such modifications will supersede the maturities and such other terms as set forth herein.

Alternative Sale Date. The City reserves the right to cancel or postpone, from time to time, the date or time established for receipt of bids and in such event, the cancellation or postponement will be announced via the Columbia Capital Auction website at least 24 hours prior to the time established for the receipt of bids. Following a postponement, a new date and time of sale will be announced via the Columbia Capital Auction website and Bloomberg at least 48 hours prior to the time bids are to be submitted. On any such alternative sale date, bidders shall submit bids for the purchase of the Bonds in conformity with the provisions of this Notice, subject to any pre-bid revisions announced via <http://www.columbiacapitalauction.com> as provided under the caption “Pre-Bid Revisions” herein.

Post-Bid Revisions. Subsequent to the receipt of bids but prior to award, the City reserves the right to modify the total principal amount of the Bonds and the amount of any maturity in order to properly structure certain funds and accounts and substantially obtain annual debt service parameters determined by the City, based upon the interest rates and reoffering yields submitted by the Successful Bidder. The amount of the modification generally will not exceed the amount of net original issue premium or net original issue discount bid on the Bonds. Upon notification of preliminary award, the Successful Bidder must transmit to the City within 20 minutes, by fax or email, its reoffering yields on the Bonds. The Successful Bidder will be notified by means of telephone or facsimile transmission of any modification to such principal amount not later than 3:00 p.m. Central Standard Time on the Sale Date. If the principal amounts are modified, the City will seek to modify the maturity schedule, or make other mutually agreeable changes, in a way that will neither increase nor reduce the Successful Bidder’s spreads as a percentage of the principal amount of the Bonds issued after taking into account such adjustments. ***The Successful Bidder may not withdraw its bid nor modify its proposal as a result of any post-bid revisions to the Bonds made by the City pursuant to this paragraph.***

Delivery and Payment. The Bonds, properly prepared and executed, will be delivered by the City without cost to the Successful Bidder on or about February 4, 2015 at DTC. The Successful Bidder will also be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Bonds and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Bonds affecting their validity, and a certificate regarding the completeness and accuracy of the Official Statement. The denominations of the Bonds and the names, addresses and social security or taxpayer identification numbers of the registered owners shall be submitted in writing by the Successful Bidder to the City and the Paying Agent at least one week prior to the date of delivery of the Bonds. In the absence of such information, the City will deliver Bonds in the denomination of each maturity registered in the name of the Successful Bidder. Payment for the Bonds shall be made in federal reserve funds, immediately subject to use by the City by 9:00 A.M., Central Standard Time, on the day of delivery.

Continuing Disclosure. The City covenants and agrees to enter into a continuing disclosure undertaking to provide ongoing disclosure about the City, for the benefit of the bondholders on or before the date of delivery of the Bonds as required by Section (b)(5)(i) of Rule 15c2-12 of the Securities and

Exchange Commission, which continuing disclosure undertaking shall be in the form as may be agreed to in writing by the Successful Bidder. Except as disclosed in the Preliminary Official Statement, the City is in compliance with each undertaking previously entered into by the City pursuant to Rule 15c-2-12. A description of the City's compliance failures is provided in the Preliminary Official Statement.

CUSIP Numbers. CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Successful Bidder thereof to accept delivery of and pay for said Bonds in accordance with the terms of this Notice. The expenses related to the printing of CUSIP numbers on the Bonds shall be paid by the City.

No Credit Enhancement. The Successful Bidder may not purchase or cause to be purchased any bond insurance policy, letter of credit or other form of credit enhancement with respect to the Bonds.

Bond Ratings. Standard & Poor's has assigned its rating of "[____]" ([____] Outlook) to the Bonds.

Preliminary Official Statement and Official Statement. The City has prepared a Preliminary Official Statement, copies of which may be obtained from the Financial Advisor or the Finance Director. Upon the sale of the Bonds, the City will adopt the final Official Statement and, at the request of the Successful Bidder, will furnish the Successful Bidder with a reasonable number of copies thereof without additional cost within seven business days of the acceptance of the Successful Bidders' proposals in order to comply with Rule 15c2-12(b)(4) of the Securities and Exchange Commission and Rule G-32 of the Municipal Securities Rulemaking Board. Additional copies may be ordered by the Successful Bidder at its expense. The City will make an electronic version of the Official Statement available to the Successful Bidder, suitable for filing with EMMA, at no cost.

Legal Opinions. The Bonds will be sold subject to the approving legal opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, which opinion will be furnished and paid for by the City and attached to or printed on the Bonds and delivered to the Successful Bidder when the Bonds are delivered. Said opinion will also include the opinion of Bond Counsel relating to the exclusion of the interest on the Bonds from gross income for federal and Missouri income tax purposes. Reference is made to the Preliminary Official Statement for further discussion of federal and Missouri income tax matters relating to the interest on the Bonds.

Certification as to Offering Prices. To provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the Successful Bidder will be required to complete, execute and deliver to the City prior to the delivery of the Bonds, a certificate regarding the "issue price" of the Bonds (as defined in Section 148 of the Code), reflecting the initial offering prices (excluding accrued interest and expressed as dollar prices) at which a substantial amount (i.e., 10% or more) of the Bonds of each maturity have been or are expected to be sold to the public. The term "public" excludes bond houses, brokers or similar persons, or organizations acting in the capacity of underwriters or wholesalers. Such certificate shall state that 10% or more of the Bonds of each maturity have been or are expected to be sold to the public at prices no higher than such initial offering prices.

Financial Advisor. The City has engaged Columbia Capital Management, LLC (the "**Financial Advisor**") to serve as financial advisor for the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds.

Additional Information. Additional information regarding the Bonds may be obtained from Columbia Capital Management, LLC, 6330 Lamar, Suite 200, Overland Park, Kansas 66202, Attention: Jeff White (913) 312-8077, e-mail: jwhite@columbiacapital.com, or James Prichard (913) 312-8072, e-mail: jprichard@columbiacapital.com.

DATED this 5th day of January, 2015.

CITY OF COLUMBIA, MISSOURI

By: /s/ John Blattel
Director of Finance

SCHEDULE A—UNDERWRITER CERTIFICATE

This certificate is furnished by [PURCHASER], as the authorized representative of the underwriter(s), of the \$19,420,000* aggregate principal amount of Sewerage System Revenue Bonds, Series 2015 (the “**Bonds**”) of the City of Columbia, Missouri (the “**City**”), to establish, among other things, the “issue price” of the Bonds (and thus, the “**Yield**” thereon) within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “**Code**”) and the Treasury Regulations thereunder.

THE UNDERSIGNED HEREBY CERTIFIES as follows:

1. Issue Price.

A. The underwriter(s) and other bond houses and brokers, if any, (a) made a bona fide public offering of all of the Bonds to the public (excluding bond houses, brokers and similar persons acting in the capacity of underwriters or wholesalers) (the “**Public**”) at the initial public offering prices set forth for each maturity on the cover page of the Official Statement, dated January __, 2015, with respect to the Bonds, plus accrued interest (the “**Offering Prices**”), and (b) reasonably expected as of the date the underwriter’s bid for the Bonds was accepted (the “**Sale Date**”) to sell first at least 10% of the aggregate face amount of each maturity of the Bonds for cash to the Public at their respective Offering Prices. The underwriter’s bid with respect to the Bonds has not been modified since its execution on the Sale Date.

B. The Offering Prices do not exceed the fair market value of the Bonds as of the Sale Date.

C. The aggregate issue price of the Bonds is \$_____, consisting of the aggregate Offering Price (excluding accrued interest) of \$_____ plus accrued interest in the amount of \$_____ through the expected settlement date, February 4, 2015.

2. No Credit Enhancement. The underwriter(s) are not purchasing or causing to be purchased any bond insurance policy, letter of credit or other form of credit enhancement with respect to the Bonds.

3. Reliance. The City may rely on the statements made herein in connection with its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners. Gilmore & Bell, P.C. also may rely on this certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excluded from gross income for federal income tax purposes.

Dated: January __, 2015

[PURCHASER]

By: _____
Name: _____
Title: _____

* Preliminary, subject to change.

**OFFICIAL BID FORM
PROPOSAL FOR THE PURCHASE OF**

\$19,420,000*
CITY OF COLUMBIA, MISSOURI
SEWERAGE SYSTEM REVENUE BONDS
SERIES 2015

January 20, 2015 (or such later Sale Date established
pursuant to the Notice of Bond Sale)

TO: Mr. John Blattel
Director of Finance
701 East Broadway
Columbia, Missouri 65201

For \$19,420,000* principal amount of Sewerage System Revenue Bonds, Series 2015, of the City of Columbia, Missouri, to be dated the date of delivery (subject to the assumption solely for purposes of calculation of this bid of an **issuance and dated date of the Bonds of February 4, 2015**), as described in your Notice of Bond Sale dated January 12, 2015, said Bonds to mature and bear interest as follows:¹

**SERIES 2015 BONDS
MATURITY SCHEDULE***

<u>Due: October 1</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Due: October 1</u>	<u>Principal Amount</u>	<u>Rate</u>
2015	\$760,000	____%	2026	\$915,000	____%
2016	765,000	____%	2027	940,000	____%
2017	770,000	____%	2028	970,000	____%
2018	775,000	____%	2029	1,000,000	____%
2019	785,000	____%	2030	1,030,000	____%
2020	795,000	____%	2031	1,065,000	____%
2021	810,000	____%	2032	1,095,000	____%
2022	830,000	____%	2033	1,135,000	____%
2023	845,000	____%	2034	1,170,000	____%
2024	865,000	____%	2035	1,210,000	____%
2025	890,000	____%			

The undersigned will pay a purchase price equal to \$_____ (which is not less than 98% of the par amount offered), plus accrued interest, if any, to the date of delivery.

* Preliminary, subject to change.

¹ Bidders should carefully review the limitations and specifications set forth in the Notice of Bond Sale under the heading "Conditions of Bids". No bid shall be for a price less than 98% of the principal amount of all of the Bonds and accrued interest, if any, thereon to the date of delivery. For Bonds maturing on and after October 1, 2024, no price below 98% will be accepted for any maturity.

Total interest cost on the Bonds calculated to maturity at the rates specified above (assuming solely for purposes of calculation of this bid an issuance and dated date of the Bonds of February 4, 2015)	\$ _____
Less Premium on the Bonds on the basis of this proposal	(\$ _____)
Net Total Interest Cost on the basis of this proposal	\$ _____
True interest cost on the Bonds on the basis of this proposal	_____ %

This proposal is subject to all terms and conditions contained in said Notice of Bond Sale, and if the undersigned is the Successful Bidder, the undersigned will comply with all of the provisions contained in said Notice. The acceptance of this proposal by the City shall constitute a contract between the City and the Successful Bidder for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission.

A cashier's or certified check, a Financial Surety Bond or a wire to the City in the amount of \$388,400 payable to the order of the City of Columbia, Missouri, accompanies this proposal as an evidence of good faith.

Submitted by the Following Firm as Account Manager:

Firm Name: _____

Address: _____

Phone: _____

By: _____

Authorized Signature

In Association with the Following Account Members:

[City acceptance on following page]

ACCEPTANCE

Pursuant to action duly taken by the City Council of the City of Columbia, Missouri, the above proposal is hereby accepted this 20th day of January, 2015.

CITY OF COLUMBIA, MISSOURI

By: _____
Title:

For completion if this bid is unsuccessful

Return of Good Faith Deposit is hereby acknowledged:

Firm Name: _____

By: _____

EXHIBIT B

PRELIMINARY OFFICIAL STATEMENT

[FOLLOWS THIS PAGE]

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2015

NEW ISSUE

**S&P Rating: Applied For
See "RATINGS" herein.**

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Missouri income tax purposes, except as described in this Official Statement, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.



CITY OF COLUMBIA, MISSOURI

\$19,420,000*

SEWERAGE SYSTEM REVENUE BONDS SERIES 2015

Dated: Date of Issuance

Due: October 1, as shown on inside cover page

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. The Bonds will be available for purchase in denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. DTC will receive all payments with respect to the Bonds from UMB Bank, N.A., St. Louis, Missouri, as Paying Agent for the Bonds. DTC is required to remit such payments to DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. Semiannual interest will be payable on April 1 and October 1, beginning on April 1, 2015.

The Bonds are special obligations of the City, payable solely from the net income and revenues derived by the City from the operation of its sewerage system after payment of the costs of operation and maintenance. The Bonds are on a parity with twelve series of the City's outstanding sewerage system revenue bonds. The Bonds do not constitute a general obligation of the City and do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds or the interest thereon.

The Bonds are being issued for the purpose of providing funds to (i) extend and improve the City's sewerage system, (ii) fund a debt service reserve and (iii) pay costs related to the issuance of the Bonds.

The Bonds are subject to optional redemption prior to maturity as further described herein.

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Gilmore & Bell, P.C. will also pass upon certain matters relating to this Official Statement. It is expected that the Bonds will be available for delivery in book-entry form through DTC, New York, New York on or about February 4, 2015.

Bids for the Bonds will only be received via facsimile or electronically at www.ColumbiaCapitalAuction.com until 10:00 A.M., Central Standard Time, on Tuesday, January 20, 2015, all in accordance with the Notice of Bond Sale for the Bonds.

The date of this Official Statement is January __, 2015

* Preliminary; subject to change.

CITY OF COLUMBIA, MISSOURI
\$19,420,000*
SEWERAGE SYSTEM REVENUE BONDS
SERIES 2015

MATURITY SCHEDULE*

<u>Maturity</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>(Base: 198054)</u>
2015	\$ 760,000				
2016	765,000				
2017	770,000				
2018	775,000				
2019	785,000				
2020	795,000				
2021	810,000				
2022	830,000				
2023	845,000				
2024	865,000				
2025	890,000				
2026	915,000				
2027	940,000				
2028	970,000				
2029	1,000,000				
2030	1,030,000				
2031	1,065,000				
2032	1,095,000				
2033	1,135,000				
2034	1,170,000				
2035	1,210,000				

* Preliminary; subject to change.

CITY OF COLUMBIA, MISSOURI

701 East Broadway
Columbia, Missouri 65201
(573) 874-7111

CITY OFFICIALS

Mayor

Bob McDavid

Council Members

Ginny Chadwick	Michael Trapp
Karl Skala	Ian Thomas
Laura Nauser	Barbara Hoppe

Administrative Officials

Mike Matthes, City Manager
Nancy Thompson, City Counselor
Sheela Amin, City Clerk
John Blattel, Finance Director
John Glascock, Public Works Director

CERTIFIED PUBLIC ACCOUNTANTS

McGladrey LLP
Kansas City, Missouri

BOND COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

FINANCIAL ADVISOR

Columbia Capital Management, LLC
Overland Park, Kansas

PAYING AGENT

UMB Bank, N.A.
St. Louis, Missouri

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information.

In connection with this offering, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or under any state securities or “blue sky” laws. The Bonds are offered pursuant to an exemption from registration with the Securities and Exchange Commission.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, and reflect the City’s current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (i) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (ii) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (iii) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENTS WILL PROVE TO BE ACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE CITY ON THE DATE HEREOF, AND THE CITY ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS SET FORTH IN **APPENDIX B**.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
INTRODUCTION	1
Purpose of the Official Statement.....	1
The City.....	1
The System	1
The Bonds	1
Security and Source of Payment.....	2
Outstanding System Revenue Bonds.....	2
Financial Statements.....	2
Summary of the Bond Ordinance	3
Continuing Disclosure Information	3
PLAN OF FINANCING	3
Authorization and Purpose of the Bonds.....	3
The Improvements.....	3
Sources and Uses of Funds.....	5
THE BONDS	5
General Description.....	5
Redemption Provisions.....	6
Registration, Transfer and Exchange of Bonds.....	6
Book-Entry Only System	6
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	7
Special Limited Obligations	7
The Bond Ordinance	7
THE SYSTEM	10
General	10
History	10
Infrastructure	10
Condition Infrastructure	11
Environmental and Regulatory Matters.....	11
Historical Debt Service Coverage	12
Projected Debt Service Coverage	12
Additional System Information	13
BONDOWNERS' RISKS	13
General	13
Factors Affecting the Business Operations of the City	13
Enforcement of Remedies.....	14
Amendment of the Bond Ordinance	14
BASIC DOCUMENTATION	14
LEGAL MATTERS	14
Legal Proceedings.....	14
Approval of Legality.....	15
TAX MATTERS	15
Opinion of Bond Counsel	15
Other Tax Consequences	16
RATINGS	17
CONTINUING DISCLOSURE	17
Compliance with Prior Undertakings Under the Rule.....	17
MISCELLANEOUS	17
Financial Statements	17
Financial Advisor.....	18
Underwriting.....	18
Certification and Other Matters Regarding Official Statement	18
APPENDIX A: City of Columbia, Missouri	
APPENDIX B: City of Columbia, Missouri Comprehensive Annual Financial Report with Independent Auditor's Report for the Year Ended September 30, 2013	
APPENDIX C: Summary of the Bond Ordinance and the Continuing Disclosure Undertaking	
APPENDIX D: Book-Entry Only System	

OFFICIAL STATEMENT
CITY OF COLUMBIA, MISSOURI
\$19,420,000*
SEWERAGE SYSTEM REVENUE BONDS
SERIES 2015

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (1) the City of Columbia, Missouri (the “City”) and (2) the City’s Sewerage System Revenue Bonds, Series 2015, to be issued in the aggregate principal amount of \$19,420,000* (the “Bonds”), to provide funds to (i) extend and improve the City’s sewerage system, (ii) fund a debt service reserve fund for the Bonds and (iii) pay costs related to the issuance of the Bonds.

The City

The City is a constitutional charter city and political subdivision of the State of Missouri, organized, existing and operating under the constitution and laws of the State of Missouri and the City Charter, adopted in 1949, and exercises powers of municipal government specifically granted by the State of Missouri. For more information about the City, see **Appendix A** and **Appendix B**.

The System

The City owns and operates a revenue-producing sewerage system serving the City and its inhabitants (the “System”). The System includes 24 pumping stations, 697 miles of sewers and 2 treatment facilities (25.22 mgd capacity total). The City has been served by a sewer system since 1901. Centralized treatment was provided in the early eighties when major interceptors and pumping stations were constructed to collect sanitary wastes and convey them to a newly-constructed central plant for treatment. For more information about the System, see **“THE SYSTEM”** herein and **“FINANCIAL INFORMATION CONCERNING THE SYSTEM”** in **Appendix A**.

The Bonds

The Bonds are being issued pursuant to an ordinance to be passed by the City Council of the City on January 20, 2015 (the “Bond Ordinance”) to provide funds to extend and improve the System, fund a debt service reserve and pay costs related to the issuance of the Bonds. The Bonds represent the first installment of \$32,340,000 of sewerage system revenue bonds authorized by the required majority of the qualified voters of the City on November 5, 2013. See **“THE BONDS”** and **“PLAN OF FINANCING.”**

* Preliminary; subject to change.

Security and Source of Payment

The Bonds will be special limited obligations of the City payable from the net income and revenues derived by the City from the operation of the System after payment of the costs of operation and maintenance. At the time of issuance of the Bonds, the City will fund a debt service reserve fund in the amount of \$_____.

Outstanding System Revenue Bonds

The City has outstanding (i) \$1,075,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 1999 (the “Series 1999 Bonds”), (ii) \$485,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 1999B (the “Series 1999B Bonds”), (iii) \$970,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2000 (the “Series 2000 Bonds”), (iv) \$995,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2002 (the “Series 2002 Bonds”), (v) \$1,805,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2003 (the “Series 2003 Bonds”), (vi) \$365,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2004 (the “Series 2004 Bonds”), (vii) \$595,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2006 (the “Series 2006 Bonds”), (viii) \$1,245,000 principal amount of Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2007 (the “Series 2007 Bonds”), (ix) \$10,405,000 principal amount of Taxable Sewerage System Revenue Bonds (Build America Bonds – Direct Subsidy), Series 2009 (the “Series 2009 Bonds”), (x) \$52,949,145 principal amount of Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program – ARRA), Series 2010A (the “Series 2010 Bonds”) (issued in the principal amount of \$59,335,000; not yet fully funded), (xi) \$8,515,000 principal amount of Sewerage System Revenue Bonds, Series 2012 (the “Series 2012 Bonds”) and (xii) \$1,990,000 principal amount of Sewerage System Refunding Revenue Bonds, Series 2013. The Series 1999 Bonds, Series 1999B Bonds, Series 2000 Bonds, Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds, Series 2006 Bonds, Series 2007 Bonds, Series 2009 Bonds, Series 2010 Bonds, Series 2012 Bonds and Series 2013 Refunding Bonds are collectively referred to herein as the “Previously Issued Parity Bonds.” The Bonds will be issued on a parity with the Previously Issued Parity Bonds with respect to the revenues of the System.

The City has the right under the Bond Ordinance to issue additional bonds on a parity with the Bonds and the Previously Issued Parity Bonds payable from the same sources and secured by the same revenues as the Bonds and the Previously Issued Parity Bonds, but only in accordance with and subject to the terms and conditions set forth in the Bond Ordinance. The Previously Issued Parity Bonds and any additional bonds or other obligations hereafter issued or incurred pursuant to the Bond Ordinance and standing on a parity and equality with the Bonds with respect to the payment of principal and interest from the net revenues of the System are collectively referred to as the “Parity Bonds.” The taxing power of the City is not pledged to the payment of the Bonds or the interest thereon. See “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” herein.

Financial Statements

Audited financial statements of the City as of and for the fiscal year ended September 30, 2013, are included in the City’s Comprehensive Annual Financial Report in **Appendix B** to this Official Statement. These financial statements have been audited by McGladrey LLP, Kansas City, Missouri, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto.

Summary of the Bond Ordinance

A summary of the Bond Ordinance, including definitions of certain words and terms used herein and in the Bond Ordinance, is included in **Appendix C** to this Official Statement. Such summary and definitions do not purport to be comprehensive or definitive. All references herein to the Bond Ordinance are qualified in their entirety by reference to the Bond Ordinance. Copies of the Bond Ordinance and this Official Statement may be viewed at the office of Columbia Capital Management, LLC, 6330 Lamar Ave., Overland Park, Kansas 66202 (913) 248-8500, or will be provided to any prospective purchaser requesting the same.

Continuing Disclosure Information

The City has agreed to provide certain annual financial information and notices of certain events to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system (“EMMA”), in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See “CONTINUING DISCLOSURE” herein and “Summary of the Continuing Disclosure Undertaking” in **Appendix C**.

PLAN OF FINANCING

Authorization and Purpose of the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 27 of the Missouri Constitution, as amended, and Chapter 250 of the Revised Statutes of Missouri, as amended (the “Act”), the City’s Charter and the Bond Ordinance. The Bonds are being issued to extend and improve the System, fund a debt service reserve for the Bonds and to pay the costs related to the issuance of the Bonds. After issuance of the Bonds, \$19,420,000* of the \$32,340,000 of sewerage system revenue bonds approved at the election held in the City on November 5, 2013, will have been issued.

The Improvements

The Bonds are being issued for the purpose of extending and improving the System. Generally, the improvements will include replacing private common collector sewers, inflow and infiltration reduction projects, repair and rehabilitation of manholes and sewer lines, extending main sewer trunk lines in developing drainage basins, and eliminating existing wastewater treatment facilities that discharge into creeks flowing throughout the City (collectively, the “Project”). The estimated aggregate cost of the Project is \$17,876,100.

Specific Projects (anticipated as of the date of this Official Statement, but subject to change):

Calvert Drive Project: This project involves relocating a sanitary sewer that goes under a building.

Flat Branch Relief Sewer – Elm & 6th Project: This project involves constructing approximately 2,500 linear feet of relief sewers varying in size from 12 to 18 inches along Elm Street and 6th Street.

Flat Branch Relief Sewer – Stadium to Elm Project: This project involves constructing approximately 4,500 linear feet of 30-inch relief sewer along Flat Branch Creek between Stadium Boulevard and Elm Street.

Flat Branch Relief Sewer – Turner Relief Sewer Project: This project involves constructing approximately 750 linear feet of 18” relief sewer from Flat Branch to Turner.

* Preliminary; subject to change.

Henderson Branch Sewer – Midway Sewer Extension Project: This project involves constructing approximately 8,000 linear feet of gravity sewer along the Henderson Branch to extend sewers to the Midway area.

Stewart & Medavista project: This project involves eliminating private common collectors from Stewart Road and Medavista Drive between West Boulevard and Spring Valley Road.

Thilly Lathrop Project/Cliff Drive Project/Spring Valley Road Project/Ridgemont Project: These projects each involve replacing a failing private common collector.

St. James & St. Joseph Project: This project involves eliminating the private common collector on St. James Street and St. Joseph Street.

Grace Ellen Project: This project involves eliminating the private common collector on Grace Ellen Drive.

Upper Hinkson Creek Outfall Extension Project: This project will begin at the terminus of the existing Upper Hinkson Creek Outfall Sewer near Mexico Gravel Road and extend up the Hinkson Creek approximately 23,000 linear feet to the Ewing Industrial Subdivision.

Upper Merideth Branch Stream Bank Stabilization Project: This project involves stabilizing approximately 3,000 linear feet of the Merideth Branch stream in order to protect the existing sanitary sewer.

Woodrail Sewer Replacement Project: This project involves replacing 900 linear feet of public sewer which is a combination of cast iron and plastic pipe on top of the ground as part of the Woodrail subdivision development. This sewer line frequently freezes and breaks during cold weather. This Project would bury the sewer main and associated lateral connections to a sufficient depth.

City-Wide Projects:

100-Acre Point Sewer Projects: The City's sewer utility has a policy that it will construct trunk sewers up to the 100-acre point of a watershed. This project provides the necessary funds for construction of future 100-acre point sewer projects in developing drainage basins to respond to the needs created by development in the service area. These projects are often constructed to eliminate existing wastewater treatment facilities or prevent new wastewater treatment facilities from being constructed.

Private Common Collector Elimination: A private common collector sewer is a sewer line that is not publicly owned or maintained that serves two or more properties. It is estimated that there are approximately 11 miles of private common collector sewers located in the City. In most cases, private common collector sewers were not constructed to City standards and receive very little preventative maintenance. Private common collectors can be significant sources of inflow and infiltration into the System. Private common collectors can be eliminated through the City's sewer district program. This project will provide the necessary funds the annual program to fund the replacement of private common collector sewers.

Sewer Main and Manhole Repair: This project will provide the necessary funds for this annual program to replace, repair or rehabilitate existing sanitary sewer mains and manholes in the System that are in poor physical condition. This work will reduce the amount of inflow and infiltration into the System and help keep the System in proper operating condition.

Inflow & Infiltration: Address inflow and infiltration defects, both public and private, throughout the City.

Sewer System Improvements: Addresses sewer relocation or upgrades required due to other projects, most commonly used to upgrade or relocate sewer mains due to street improvement projects.

The City will deposit a portion of the proceeds of the Bonds in the Project Fund established under the Bond Ordinance. Such proceeds will be used by the City solely to pay costs of such improvements, in accordance with the report and estimate of the City's engineers and plans and specifications for said improvements to be prepared by the City's engineers. Construction of the improvements will begin in March of 2015, and is estimated to be completed by September of 2020.

Sources and Uses of Funds

The following table summarizes the estimated sources of funds, including the proceeds from the sale of the Bonds, and the expected uses of such funds, in connection with the plan of financing:

Sources of Funds:

Proceeds of the Bonds	\$ _____
Net reoffering premium	_____
Total	\$ _____

Uses of Funds:

Deposit to Project Fund	\$ _____
Deposit to Debt Service Reserve Fund	\$ _____
Costs of issuance for the Bonds	_____
Total	\$ _____

THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Bond Ordinance for the detailed terms and provisions thereof.

General Description

The Bonds will be issued in the principal amounts stated on the inside cover page of this Official Statement, will be dated the date of issuance thereof, and will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will mature, subject to redemption as described below, on October 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year, beginning on April 1, 2015. Principal will be payable by check or draft mailed by the Paying Agent upon presentation and surrender of the Bonds by the Registered Owners thereof at the principal payment office of UMB Bank, N.A., St. Louis, Missouri, Paying Agent. Interest shall be paid (a) to the Registered Owners of the Bonds as shown on the registration books of the Paying Agent (the "Bond Register") at the close of business on the Record Date for such interest by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by any Registered Owner, or (b) in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Bonds, by wire transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than five days prior to the Record Date for such interest, containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire directed.

Redemption Provisions

Optional Redemption. At the option of the City, the Bonds or portions thereof maturing on October 1, 20__ and thereafter will be subject to redemption and payment prior to maturity, on October 1, 20__, and thereafter in whole or in part at any time at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Selection of Bonds for Redemption. Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the outstanding Bonds are to be redeemed, such Bonds shall be redeemed from maturities selected by the City, and Bonds of less than a full maturity shall be selected by the Paying Agent in \$5,000 units of principal amount in such equitable manner as the Paying Agent may determine.

Notice and Effect of Call for Redemption. In the event any of the Bonds are to be redeemed and paid prior to the maturity thereof the City, or the Paying Agent acting on behalf of the City, shall give written notice of its intention to redeem and pay said Bonds on a specified date, the same being described by number and maturity, said notice to be given by first class, registered or certified mail addressed to the original purchaser of the Bonds and to the registered owner of each Bond, each of said notices to be mailed at least 30 days prior to the date fixed for redemption. Whenever any Bond is called for redemption and payment, all interest on such Bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the price hereinbefore specified.

The Paying Agent, as long as a book-entry system is used for the Bonds, will send notices of redemption only to the Securities Depository, as the registered owner of the Bonds. It is expected that the Securities Depository will notify the DTC Participants and request the DTC Participants to notify the Beneficial Owners of the Bonds of such redemption. Any failure of the Securities Depository to advise any of the DTC Participants, or of any DTC Participant or any nominee to notify any Beneficial Owner of the Bonds, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption.

Registration, Transfer and Exchange of Bonds

Each Bond when issued shall be registered by the Paying Agent in the name of the owner thereof on the Bond Register. If the Book-Entry Only System (described under the following caption) is discontinued the following provisions would apply: Bonds are transferable only upon the Bond Register upon presentation and surrender of the Bonds, together with instructions for transfer. Bonds may be exchanged for Bonds in the same series, aggregate principal amount and maturity upon presentation to the principal payment office of the Paying Agent, subject to the terms, conditions and limitations set forth in the Bond Ordinance and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, transfer or exchange. Bonds are transferable only upon the Bond Register upon presentation and surrender of the Bonds, together with instructions for transfer. Bonds may be exchanged for Bonds in the same series, aggregate principal amount and maturity upon presentation to the principal payment office of the Paying Agent, subject to the terms, conditions and limitations set forth in the Bond Ordinance and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

Book-Entry Only System

Ownership interests in the Bonds will be available to purchasers only through a book-entry only system (the "Book-Entry Only System") described in ***Appendix D***.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds are special obligations of the City, payable from and secured as to the payment of principal and interest by a pledge of, the net income and revenues derived by the City from the operation of the System and, under certain circumstances, the net proceeds of insurance and other funds held under the Bond Ordinance, after payment of expenses of operation and maintenance of the System.

The Bonds will not be or constitute a general obligation of the City, nor will they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest.

The Bond Ordinance

Pledge of Revenues. The Bonds shall be special obligations of the City payable from, and secured as to the payment of principal and interest by a pledge of, the net income and revenues derived from the operation of the System, after providing for the costs of operation and maintenance thereof, and the City pledges said net income and revenues to the payment of the principal of and interest on the Bonds. The Bonds shall not be or constitute a general obligation of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds, either as to principal or interest.

The Bonds will be on a parity with the Parity Bonds with respect to the revenues of the System.

The covenants and agreements of the City contained in the Bond Ordinance and in the Bonds shall be for the equal benefit, protection and security of the legal owners of any or all of the Bonds, all of which Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Ordinance. The Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the net income and revenues derived from the operation of the System and in all other respects with the Parity Bonds. The Bonds shall not have any priority with respect to the payment of principal or interest from said net income and revenues or otherwise over any Parity Bonds and any Parity Bonds shall not have any priority with respect to the payment of principal or interest from said net income and revenues or otherwise over the Bonds.

Debt Service Reserve Fund. The Bond Ordinance creates a Debt Service Reserve Fund that will be funded in the amount of the Debt Service Reserve Requirement at the time of issuance of the Bonds. All amounts paid and credit to the Debt Service Reserve Fund shall be expended and used by the City solely to prevent any default in the payment of interest on or principal of the Bonds on any Maturity date or Interest Payment Date if the moneys in the Debt Service Fund are insufficient to pay the interest on or principal of said Bonds as they become due.

The amounts required to be paid and credited to the Debt Service Reserve Fund shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service reserve funds established for any Parity Bonds under the provisions of any Parity Ordinance.

After all payments and credits required at the time to be made under the provisions of the Bond Ordinance have been made for costs of operations and maintenance of the System and for debt service on the Bonds and any Parity Bonds, and upon the determination that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, there shall next be paid and credited to the

Debt Service Reserve Fund each month an amount equal to 1/12th of said shortfall until the amount on deposit in said Fund shall aggregate the Debt Service Reserve Requirement. So long as the Debt Service Reserve Fund aggregates the Debt Service Reserve Requirement, no further payments into said Fund shall be required, but if the City shall ever be required to expend and use a part of the moneys in said Fund for the purpose herein authorized and such expenditure shall reduce the amount of said Fund below the Debt Service Reserve Requirement, the City shall resume and continue said monthly payments into said Fund until said Fund shall again aggregate the Debt Service Reserve Requirement.

Moneys in the Debt Service Reserve Fund may be used to call the bonds for redemption and payment prior to their Stated Maturity, provided all of the bonds at the time Outstanding are called for payment and funds are available to pay the same according to their terms. Moneys in the Debt Service Reserve Fund shall be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest thereon are otherwise paid. Any amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement on any valuation date shall be transferred to the Debt Service Fund.

If at any time the moneys in the Revenue Fund shall be insufficient to make in full the payments and credits at the time required to be made to the Debt Service Reserve Fund and to the debt service reserve funds established to protect the payment of any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service reserve funds in proportion to the respective principal amounts of said series of bonds at the time outstanding which are payable from the moneys in such debt service reserve funds.

Depreciation and Replacement Account. A Depreciation and Replacement Account has been established for the System and certain deposits are required to be made into such Account under the ordinances authorizing the Previously Issued Parity Bonds. So long as the amount in the Depreciation and Replacement Account aggregates \$10,000, no further deposits will be required in the Depreciation and Replacement Account. But if the City shall ever be required to expend and use a part of the moneys in said Account for its authorized purposes and such expenditure shall reduce the amount of said Account below \$10,000, then the City shall beginning on October 1, 2015 and each October 1 thereafter, deposit the sum of \$2,000 each year until such Account aggregates \$10,000. The amounts required to be deposited in the Depreciation and Replacement Account by the Bond Ordinance shall include those amounts required to be deposited by the Previously Issued Parity Bonds. Except as provided in the Bond Ordinance, moneys in the Depreciation and Replacement Account shall be expended and used by the City, if no other funds are available therefor, solely for the purpose of making emergency replacements and repairs in and to the System as may be necessary to keep the System in good repair and working order and to assure the continued effective and efficient operation thereof.

Rate Covenant. The City will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System as will produce Revenues sufficient to (a) pay the Expenses of the System; (b) pay the principal of and interest on the System Revenue Bonds as and when the same become due; and (c) provide reasonable and adequate reserves for the payment of the System Revenue Bonds and the interest thereon and for the protection and benefit of the System as provided in the Bond Ordinance. The City further covenants and agrees that such rates and charges will be sufficient to enable the City to have in each Fiscal Year Net Revenues not less than an amount equal to the sum of (i) 110% of the Debt Service Requirements for such Fiscal Year, provided that interest on any System Revenue Bonds will be reduced by the Subsidy Payments, if any, and (ii) the amount then owed to the issuer of any Debt Service Reserve Account Surety Bond in connection with any amount drawn thereon or required to replenish any Outstanding Parity Bond Debt Service Reserve Account as required by the related Parity Ordinance (such capitalized terms having the definitions set forth in ***Appendix C***). The City will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges. The City will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues will be sufficient to cover the obligations of the City under this Section and otherwise under the provisions of the Bond Ordinance. If for any two consecutive Fiscal Years Net Revenues shall be an amount less than as hereinbefore provided, the City will immediately employ a

Consultant to make recommendations with respect to such rates and charges. A copy of the Consultant's report and recommendations shall be filed with the City Clerk and with the Underwriter of the Bonds and shall be furnished to any Registered Owner of the Bonds requesting a copy of the same, at the cost of such Registered Owner. The City shall, to the extent feasible, follow the recommendations of the Consultant.

Parity Obligations. The City has the right under the Bond Ordinance to issue additional bonds on a parity with the Bonds and the Previously Issued Parity Bonds payable from the same sources and secured by the same revenues as the Bonds, but only in accordance with and subject to the terms and conditions set forth in the Bond Ordinance, which conditions include meeting either of the following requirements (such capitalized terms used below having the definitions set forth in **Appendix C**):

(1) The City is not in default in the payment of principal or interest on the Bonds or any Parity Bonds or in making any deposit into the funds and accounts under the Bond Ordinance or any Parity Ordinance; and

(2) The City provides a certificate showing either of the following:

(A) the average annual Net Revenues as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds, are at least equal to the sum of (i) 110% of the Average Annual Debt Service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in all succeeding Fiscal Years (interest to be paid on any System Revenue Bonds will be reduced by Subsidy Payments, if any) and (ii) the amount then owed to the issuer of any Debt Service Reserve Account Surety Bond in connection with any amount drawn thereon. If the City has made any increase in rates for the use and services of the System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available, the City may add the additional Net Revenues which would have resulted if the rate increase had been in effect for the entire period to the audited Net Revenues, as certified by the Consultant; or

(B) The estimated average annual Net Revenues for the two Fiscal Years immediately following the issuance of the additional bonds or, if improvements are to be made to the System with the proceeds of the additional bonds, for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation, as certified by the Consultant, is at least equal to the sum of (i) 110% of the average annual debt service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in succeeding Fiscal Years following the commencement of commercial operation of the improvements (interest to be paid on any System Revenue Bonds will be reduced by Subsidy Payments, if any) and (ii) the amount then owed to the issuer of any Debt Service reserve Account Surety Bond in connection with any amount drawn thereon. In determining the amount of estimated Net Revenues available for debt service for the purpose of this subsection, the Consultant may adjust the estimated net income and revenues by adding the estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System approved by the City and to become effective during the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation; and

(C) the City complies with the provisions of any Parity Ordinances relating to the issuance of Parity Bonds; and

(D) if any amounts are past due and owing to the issuer of any Debt Service Reserve Account Surety Bond with respect to a draw thereon, the issuer of such Debt Service

Reserve Account Surety Bonds shall have consented in writing to the issuance of such additional revenue bonds or other obligations on a parity with the Bonds.

Further provisions of the Bond Ordinance are set forth in “**SUMMARY OF THE BOND ORDINANCE**” in *Appendix C* hereto.

THE SYSTEM

General

The City Council is responsible for all basic policy design relating to the System including approval of the operating budget, short and long-term capital budgets and, subject to voter approval, bond issues. In addition, the City Council has sole authority to establish sewer rates. The operation of the System is managed by the Director of the Public Works Department who is appointed by and reports to the City Manager. The current Director is John Glascock, who was appointed to that position in May 2006.

History

The System is charged with the responsibility to protect the public health and to ensure minimal impact upon the aquatic environment by adequate collection and treatment of wastewater within a regional area including the City. This is achieved by engineering review of proposed and existing facilities and through effective and economical operation and maintenance of collection and treatment systems.

The City established the sewer system in 1920. Previously sewer districts had been created by City ordinance in 1901, whereby sanitary sewer tax billing procedures were used to pay the related expenses of constructing new sewer facilities. In 1954, the City converted the district sewer system and other sewer facilities to a self-supporting City-owned sewer utility.

During 1969, annexation doubled the land area within the city limits and approximately doubled the number of treatment facilities. Certain of these facilities were replaced by an extensive trunk sewer expansion program. During the period from 1975 to 1977, approximately twenty (20) miles of sewer lines were constructed which eliminated a need for more than fifty (50) public and private lagoons, package treatment plants and pumping stations. From 1977 to 1986, an additional 100 public and private lagoons, small treatment plants and pump stations were eliminated by the construction of 100 miles of sanitary sewers. Presently, the System operates and maintains twenty-four (24) pumping stations and two wastewater treatment facilities.

Infrastructure

The collection system consists of approximately 697 miles of gravity sewer lines varying in size from 6” to 72”. The treatment plant is a complete mix activated sludge type coupled with four constructed wetland units totaling 130 acres with cattails being the predominant vegetation. Effluent from four constructed wetland units is discharged to the Eagle Bluffs Conservation area where it is used as a partial water source for their various management alternatives.

Major and Minor Existing Treatment Facilities

Facility	Initial Year in Service	Design Flow (MGD)	Average Flow (MGD)	Peak Flow (MGD)
Columbia Regional WWTP	1983	25.20	15.400	60.00
Columbia Regional Airport	1976	0.02	0.008	n/a
Total Flows (MGD)		25.22	15.408	60.00

Condition of Infrastructure

The overall health and condition of the System is good. There are presently 21 full time sanitary sewer maintenance personnel who operate and maintain approximately 697 miles of gravity sewer line and approximately 17,782 manholes. The System's routine cleaning and inspection schedule calls for sewer lines, in which an obstruction may result in a backup into a residence or business, to be cleaned or inspected once every five years and all other lines shall be cleaned or inspected once every 10 years.

The City has begun a City-wide inflow and infiltration reduction program aimed at reducing inflow and infiltration from public sources (sewers and manholes) as well as private sources (laterals and lateral connections, sump pumps, down spouts etc.). As part of this program, the City utilizes an annual contract to rehabilitate public sewers. Over the past 10 years the City has rehabilitated approximately 160,000 feet of gravity sewer.

The System also has an active program to inspect and educate food service establishments for compliance with all applicable codes to prevent the discharge of fats, oil and grease into the System. This program has greatly reduced the amount of stoppages in the System related to fats, oils and greases.

Environmental and Regulatory Matters

Federal and State authority's environmental regulations and standards relating primarily to the discharge of wastewater have been followed and will continue to be complied with following the completion of the construction of the Project.

The System is subject to the regulations issued by the United States Environmental Protection Agency (EPA) in accordance with the Federal Water Pollution Control Act of 1972 (PL 92-500) and Amendments. The existing facilities have National Pollutant Discharge Elimination System Permits. The Missouri Department of Natural Resources receives monthly monitoring reports from the City's Wastewater Treatment Facilities in compliance with Federal and State standards and regulations.

Capital Improvement Program

The City's long-range capital improvement program for the System is summarized in the table below:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Routine Capital Spending	\$ 588,200	\$ 366,500	\$ 280,144	\$ 292,500	\$ 548,000
Major Capital Spending	14,860,339	5,630,864	10,676,000	4,759,400	13,241,000
<i>Expected Method of Payment:</i>					
Pay-as-you-Go (Cash)	\$ 782,994	\$ 945,264	\$3,970,144	\$ 646,900	\$ 3,737,600
Debt Financed	<u>14,665,545</u>	<u>5,052,100</u>	<u>6,896,000</u>	<u>4,405,000</u>	<u>10,051,400</u>
Total Sewer System Capital Program	\$15,448,539	\$5,997,364	\$10,956,144	\$5,051,900	\$13,789,000

[Remainder of this page intentionally left blank]

Historical Debt Service Coverage

The following table shows historical debt service coverage for all System Revenue Bonds prepared from the City's audited financial statements for the fiscal years ending September 30, 2012 and 2013 (the figures provided for the fiscal year ending September 30, 2014 are pre-audit numbers):

		Fiscal Year Ending September 30		
		2012	2013	2014 ⁴
Operating Revenue¹		\$17,973,980	\$19,672,456	\$20,320,219
Less Operating and Maintenance Expenses²		\$9,145,955	\$8,750,941	\$9,069,426
Net Revenue Available for Debt Service		\$8,828,025	\$10,921,515	\$11,250,793
Debt Service³		\$4,036,660	\$6,083,775	\$7,235,708
Debt Service Coverage		2.19x	1.80x	1.55x

¹ Includes investment revenue

² Excludes depreciation

³ Includes debt service on certain Special Obligation Bonds of the City (Series 2006 and Series 2012B)

⁴ Based on pre-audit figures for FY 2014.

Projected Debt Service Coverage

The following table shows projected debt service coverage for the System Revenue Bonds, based on the System rates currently in effect. Additional user rate increases are anticipated for fiscal year 2015 (6%) and fiscal year 2017 (5%) and beyond, but have not yet been approved by the City.

		Fiscal Year Ending September 30		
		2015	2016	2017
Operating Revenue¹		\$21,058,189	\$20,958,189	\$21,886,098
Less Operating and Maintenance Expenses²		\$11,571,583	\$11,558,679	\$11,913,325
Net Revenue Available for Debt Service		\$9,486,606	\$9,399,510	\$9,972,773
Debt Service³		\$7,362,969	\$8,507,895	\$8,482,740
Debt Service Coverage		1.29x	1.10x	1.18x

¹ Assumes 6% annual increase in operating revenues for FY 2015 and 5% annual increase in operating revenues for FY 2017

² Assumes 28% annual increase in operating and maintenance expenses for FY 2015 and 3% annual increase in operating and maintenance expenses for FY 2017; excludes depreciation

³ Includes debt service on certain Special Obligation Bonds of the City (Series 2006 and Series 2012B)

These projections are based on certain assumptions which the City believes to be reasonable, but which may or may not prove to be correct, and no warranty is made that such projections will be realized. The achievement of any financial forecasts will be affected by economic conditions and other factors and is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results achieved may vary from the projections and such variations could be material.

Additional System Information

For additional information about the System, see **Appendix A**.

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the City with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully all the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in the Appendices hereto, copies of which are available as described herein.

General

The Bonds are special obligations of the City and are payable solely out of net income and revenues arising from the operation of the System, including any further extensions and improvements thereto hereafter constructed or acquired by the City, after providing for the costs of operation and maintenance thereof. The Bonds do not constitute a general obligation of the City and do not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory provision, limitation or restriction. The Bonds are not payable by and have no recourse to the power of taxation. The Bondowners have no lien on or security interest in any of the physical assets of the City, including the System.

Although the City has agreed in the Bond Ordinance and is required by law to charge rates sufficient to pay, among other things, the principal of and interest on the Bonds (see “**Summary of the Bond Ordinance – Rate Covenant**” in **Appendix C**), there is no assurance that, because of adverse economic conditions, unexpected repairs, replacements or improvements to the System or other unanticipated circumstances, the City will be successful in collecting sufficient revenues to pay debt service on the Bonds on a timely basis.

Factors Affecting the Business Operations of the City

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the City’s operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of management of the City.

2. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the City; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing charges. The City could encounter difficulties in providing water service to residents of the City upon acceptable financial terms which could affect the financial performance of the City.

3. *Environmental Regulation.* Water and sewer utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of water and sewer utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities not in compliance. Legislative, regulatory, administrative or enforcement action involving environmental controls that could adversely affect the operation of the facilities of the City. For example, if property of the City is determined to be contaminated by hazardous materials, the City could be liable for significant clean-up costs even if it were not responsible for the contamination.

Enforcement of Remedies

The enforcement of the remedies under the Bond Ordinance may be limited or restricted by federal or state laws or by the application of judicial discretion, and may be delayed in the event of litigation to enforce the remedies. State laws concerning the use of assets of political subdivisions and federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors may affect the enforcement of remedies. Similarly, the application of general principles of equity and the exercise of judicial discretion may preclude or delay the enforcement of certain remedies. The legal opinions to be delivered with the delivery of the Bonds will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases.

Amendment of the Bond Ordinance

Certain amendments to the Bond Ordinance may be made with consent of the owners of not less than a majority in principal amount of the Bonds then outstanding. Such amendments may adversely affect the security of the owners of the Bonds.

BASIC DOCUMENTATION

The City passed the Bond Ordinance for the purposes and subject to the terms and conditions described herein. A summary of the Bond Ordinance is contained in **Appendix C** to this Official Statement. Such summary of the Bond Ordinance does not purport to be complete and is qualified in its entirety by reference thereto.

LEGAL MATTERS

Legal Proceedings

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the imposition and collection of rates and charges to pay the principal and interest thereof, or which might affect the City's ability to meet its obligations to pay the Bonds.

Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof except for the matters appearing in the sections of this Official Statement captioned **“THE BONDS,” “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS,” “LEGAL MATTERS – Approval of Legality”** and **“TAX MATTERS.”**

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal and Missouri Tax Exemption. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Bond counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Board and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Board and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading **“TAX MATTERS.”**

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), has assigned the Bonds the rating set forth on the cover page hereof. Ratings reflect only the view of S&P at the time such ratings are given, and the City and the Financial Advisor make no representation as to the appropriateness of such ratings or that such ratings will not be changed, suspended or withdrawn.

S&P relies on the City and others for the accuracy and completeness of the information submitted in connection with the ratings. Ratings are not "market" ratings nor recommendations to buy, hold or sell the Bonds, and such ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information. Any downward revision, suspension or withdrawal of ratings could have an adverse effect on the market price and marketability of the Bonds.

CONTINUING DISCLOSURE

The City has agreed to provide certain annual financial information and notices of certain events to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system ("EMMA"), in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"). The City has agreed to have updated financial information and operating data for the City available by the final day of the sixth month following the end of the City's Fiscal Year. The financial statements of the City are audited by the City's independent certified public accountants. The City has also agreed to provide prompt notice of the occurrence of certain material events with respect to the Bonds. See **"Summary of the Continuing Disclosure Undertaking"** in **Appendix C**.

Compliance with Prior Undertakings Under the Rule

The City's record of compliance during the past five years is provided below:

<u>Fiscal Year</u>	<u>Filing Deadline</u>	<u>Filing Date</u>	<u>Link to Filing Documentation</u>
2009	3/29/2010	3/8/2010	http://emma.msrb.org/EP401557-EP315781-EP711880.pdf
2010	3/29/2011	3/7/2011	http://emma.msrb.org/EP505759-EP394339-EP791548.pdf
2011	3/28/2012	2/9/2012	http://emma.msrb.org/ER582347-ER452231-ER854899.pdf
2012	3/29/2013	3/7/2013	http://emma.msrb.org/ER653829-ER507051-ER909781.pdf
2013	3/29/2014	2/10/2014	http://emma.msrb.org/EA582702-EA455043-EA850918.pdf

During the past five years, the City may not have made timely filings of event notices on EMMA relating to bond calls, defeasances or rating changes. The City believes this information was disseminated or available through other sources.

MISCELLANEOUS

Financial Statements

Audited financial statements of the City as of and for the fiscal year ended September 30, 2013, are included in **Appendix B**. These financial statements have been audited by McGladrey LLP, Kansas City, Missouri, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B**.

Financial Advisor

Columbia Capital Management, LLC, Overland Park, Kansas, has acted as Financial Advisor to the City in connection with the sale of the Bonds. The Financial Advisor is a “municipal advisor” as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Financial Advisor has assisted the City in the preparation of this Official Statement and in other matters relating to the issuance of the Bonds. The Financial Advisor has not, however, independently verified the factual information contained in this Official Statement. The Financial Advisor will not be a manager or a member of any underwriting group submitting a proposal for the purchase of the Bonds.

Underwriting

Based upon bids received by the City on January 20, 2015, the Bonds were awarded to _____ (the “Underwriter”). The Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Bonds from the City at a price equal to \$_____ (representing the par amount of the Bonds less an underwriters’ discount of \$_____ and plus a net original issue premium of \$_____). The Underwriter is purchasing the Bonds from the City for resale in the normal course of the Underwriter’s business activities. The Underwriter may sell certain of the Bonds at a price greater than such purchase price, as shown on the inside cover page hereof. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices.

Certification and Other Matters Regarding Official Statement

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Bonds and the Bond Ordinance do not purport to be complete and are qualified in their entirety by reference thereto.

Simultaneously with the delivery of the Bonds, the Mayor of the City, acting on behalf of the City, will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

[Remainder of this page intentionally left blank]

The form of this Official Statement, and its distribution and use by the Underwriter has been approved by the City. Neither the City nor any of its aldermen, officers or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the City by the Bond Ordinance.

CITY OF COLUMBIA, MISSOURI

By: _____
Mayor

APPENDIX A

CITY OF COLUMBIA, MISSOURI

APPENDIX A

INFORMATION CONCERNING THE CITY OF COLUMBIA, MISSOURI

TABLE OF CONTENTS

	<u>Page A-</u>
GENERAL AND DEMOGRAPHIC INFORMATION	2
General.....	2
Municipal Services and Utilities	2
Economic Condition and Outlook.....	2
General Demographic Statistics.....	3
Building Permits	4
DEBT STRUCTURE OF THE CITY	4
Current Long-Term General Obligation Indebtedness.....	4
History of General Obligation Indebtedness.....	4
Overlapping General Obligation Indebtedness	4
Legal Debt Capacity.....	4
Revenue Bonds	5
Other Sewer System-Related Obligations.....	5
No Default.....	6
FINANCIAL INFORMATION CONCERNING THE CITY	6
Accounting, Budgeting and Auditing Procedures.....	6
Sources of Revenue.....	7
Property Valuations.....	8
Property Tax Levies and Collections	9
Tax Rates	10
Tax Collection Record	11
Major Property Taxpayers	11
General Fund Summary	12
HISTORY AND OPERATION OF THE SYSTEM	13
Service Area and Customer Composition	14
FINANCIAL INFORMATION CONCERNING THE SYSTEM.....	15
Accounting, Budgeting and Auditing Procedures.....	15
Financial Statements	15
Summary of Operations for Sanitary Sewer Fund.....	16

GENERAL AND DEMOGRAPHIC INFORMATION

General

The City of Columbia (the “City”) is located in Boone County, Missouri (the “County”), in the central portion of the State of Missouri, approximately 125 miles east of Kansas City and 125 miles west of St. Louis. The City encompasses approximately 60 square miles and has a current estimated population of approximately 112,000.

The City is a constitutional home rule charter city and was organized in 1892 pursuant to the laws of the State of Missouri. The City is governed by a home rule charter and has a Council-Manager, non-partisan form of government which was adopted in 1949. The Mayor and six council members are elected for three year staggered terms with two council members elected each year. The City is divided into six wards, with one council member representing each ward and the Mayor being elected at large.

The Mayor presides over meetings of the City Council. The City Council establishes utility and tax rates and authorizes all municipal indebtedness. Tax rates are established by the City Council in such amounts necessary to generate tax revenues shown in the adopted budget. As required by state law, the aggregate City budget may not include any expenditures in excess of anticipated revenues. The City’s fiscal year ends on September 30.

The City is a full service City which provides not only the traditional basic services such as public safety, public works and planning, but also a wide variety of enterprise activities. Columbia provides a majority of utility services including water, electricity, solid waste, storm water and sanitary sewers. Additionally, Columbia operates three transportation enterprises: the regional airport, public transportation and railroad operations.

Municipal Services and Utilities

The City provides the normal range of governmental services, such as street construction and maintenance, police protection, fire protection, streets and bridges, civil defense, code enforcement, building inspections, health services, animal control and parks. These items are financed from the revenues of the General Fund.

In addition, the City owns and operates several enterprise and internal service operations. Enterprise operations include: electric (generation and distribution) water, sewer, solid waste, airport, transit system, storm water, parking, railroad, transload and recreation services. Some enterprise operations receive operating subsidies from the General Fund. Internal service operations consist of custodial and maintenance service, utility customer services, information services, employee benefit, self-insurance, public communications, GIS services and fleet operations. These operations provide services to all City departments and assess charges to departments based upon usage in amounts sufficient to cover their costs of operation.

Economic Condition and Outlook

The City’s geographic location serves as a crossroad for travelers going east and west on Interstate 70 and north and south on U.S. 63. Columbia has excellent transportation resources being serviced by the Columbia Regional Airport, Columbia Terminal Railroad, Columbia Transit and two interstate bus services.

The City is the location of the main campus of the University of Missouri, Columbia College, and Stephens College. Approximately 49,977 students attend these institutions of higher education during the regular school year. In addition to higher education, Columbia is also a regional medical center with eight hospitals. Insurance is a major business operation in the City with home offices of Shelter Insurance Company, the Columbia Insurance Group, and a regional office of State Farm Insurance Company. Columbia is a regional shopping area for central Missouri with 16 shopping centers. Other area industry consists of printing,

structural metal fabrication, structural materials production, electronic products, auto parts and food processing.

All of these activities have given the City a fairly stable employment base. The unemployment rate in Columbia, approximately 4.5% in January 2014, has been well below the national average of approximately 6.7%.

<u>Major Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1. University of Missouri – Columbia	Education	8,581
2. University Hospital and Clinics	Medical	4,438
3. Columbia Public Schools	Education	2,141
4. Boone Hospital Center	Medical	1,623
5. U.S. Department of Veterans Affairs	Government	1,374
6. City of Columbia	Government	1,354
7. State Farm	Insurance	1,168
8. Shelter Insurance	Insurance	1,076
9. Veterans United Home Loans	Lender	937
10. MBS Textbook Exchange	Textbook Distribution	919

Source: *Comprehensive Annual Financial Report, Fiscal Year 2013*

The following table sets forth employment figures for the Columbia, Missouri MSA for the past five calendar years:

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2009	93,236	87,248	5,988	6.42%
2010	94,216	88,125	6,091	6.46%
2011	95,331	89,600	5,731	6.02%
2012	97,468	92,894	4,574	4.68%
2013	97,983	93,500	4,483	4.59%

Source: Bureau of Labor Statistics (www.bls.gov)

General Demographic Statistics

The following table sets forth statistical information for the Columbia area at fiscal year-end for the past five years:

<u>Year</u>	<u>Estimated Population</u>	<u>Median Age</u>	<u>Personal Income (\$000)</u>	<u>Per Capita Personal Income</u>
2008	96,093	31.8	5,521,000	33,604
2009	97,403	28.2	6,025,000	36,241
2010	98,893	26.5	6,293,000	35,875
2011	111,213	26.5	6,567,000	37,350
2012	112,414	29.8	6,666,700	39,557

Source: *Comprehensive Annual Financial Report, Fiscal Year 2013*

Building Permits

The following table sets forth statistical information regarding the number and estimated valuation of building permits within the City for five recent years.

<u>Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Number of Permits</u>	<u>Estimated Valuation</u>	<u>Number of Permits</u>	<u>Estimated Valuation</u>
2009	42	90,871,538	355	55,436,649
2010	32	15,776,890	374	69,360,630
2011	33	20,508,272	424	112,250,462
2012	34	64,741,303	411	94,993,740
2013	42	55,728,531	953	214,609,987

Source: Comprehensive Annual Financial Report, Fiscal Year 2013

DEBT STRUCTURE OF THE CITY

Current Long-Term General Obligation Indebtedness

The City has no outstanding general obligation debt.

History of General Obligation Indebtedness

The City has not had any outstanding general obligation bond indebtedness since 2002. The City has never defaulted on the payment of any of its debt obligations.

Overlapping General Obligation Indebtedness

The following table sets forth overlapping indebtedness of political subdivisions with boundaries overlapping the City as of September 30, 2013 and the percent attributable (on the basis of assessed valuation) to the City:

<u>Jurisdiction</u>	<u>Bond Issues Outstanding</u>	<u>Amount Available Debt Service Funds</u>	<u>Net Debt Outstanding</u>	<u>Amount Applicable to City of Columbia</u>	<u>Applicable to City of Columbia</u>
Columbia SD	189,402,000	16,476,184	172,925,816	82.1%	141,940,942
Boone County	<u>4,808,819</u>	<u>395,457</u>	<u>4,413,362</u>	71.6%	<u>3,158,462</u>
Totals	<u>\$194,210,819</u>	<u>\$16,871,641</u>	<u>\$177,339,178</u>		<u>\$145,099,405</u>

Source: Comprehensive Annual Financial Report, Fiscal Year 2013

Legal Debt Capacity

Under Article VI, Section 26(b), (c) and (d) of the Constitution of Missouri, the City may incur indebtedness for authorized City purposes not to exceed 20% of the valuation of taxable tangible property in the City according to the last completed assessment upon the approval of four-sevenths of the qualified voters in the City voting on the proposition at any municipal primary or general election or two-thirds voter approval on any other election date. As of September 30, 2013, the legal debt limit of the City is \$348,567,093. The City has no outstanding indebtedness, which leaves a legal debt margin of \$348,567,093.

Revenue Bonds

The payment of the following revenue bonds are secured by the net revenues of the System and are recorded in the Sanitary Sewer Fund. Outstanding principal amounts of such revenue bonds as of January 10, 2015 were as follows:

<u>Revenue Bonds</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Term In Years</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
Sewerage System Revenue Bonds, Series 1999	3.625 – 5.250%	06/01/1999	20	01/01/2020	3,730,000	\$ 1,075,000
Sewerage System Revenue Bonds, Series 1999B	4.125 – 6.000%	12/01/1999	20	07/01/2020	1,420,000	485,000
Sewerage System Revenue Bonds, Series 2000	4.350 – 5.625%	11/01/2000	20	07/01/2021	2,445,000	970,000
Sewerage System Revenue Bonds, Series 2002	3.000 – 5.375%	05/08/2002	24	01/01/2023	2,230,000	995,000
Sewerage System Revenue Bonds, Series 2003	2.00 – 5.25%	04/09/2003	20	01/01/2024	3,620,000	1,805,000
Sewerage System Revenue Bonds, Series 2004	2.00 – 5.25%	05/28/2004	20	01/01/2025	650,000	365,000
Sewerage System Revenue Bonds Series 2006	4.00 – 5.00%	11/01/2006	20	07/01/2026	915,000	595,000
Sewerage System Revenue Bonds, Series 2007	4.00 – 5.00%	11/15/2007	20	01/01/2028	1,800,000	1,245,000
Taxable Sewerage System Revenue Bonds (Build America Bonds), Series 2009	5.44 – 6.02%	9/29/2009	25	10/01/2034	10,405,000	10,405,000
Sewerage System Revenue Bonds (Direct Loan – ARRA), Series 2010A	1.49%	1/14/2010	22	7/01/2032	59,335,000	52,949,145*
Sewerage System Revenue Bonds, Series 2012	0.35 – 3.75%	3/29/2012	24	10/1/2036	9,365,000	8,515,000
Sewerage System Refunding Revenue Bonds, Series 2013	0.38 – 1.10%	7/2/2013	5	10/1/2017	3,325,000	<u>1,990,000</u>
Total Sewer Revenue Bonds						<u>\$81,394,145</u>

* The Series 2010A Bonds are not yet fully funded

The City may issue additional revenue bonds secured by the Net Revenues of the System without limitation on amount, but in accordance with the requirements of the ordinances by which the above-referenced revenue bonds were issued, upon approval of a majority of the voters voting thereon.

Other Sewer System-Related Obligations

Special Obligation Revenue Refunding and Improvement Bonds, Series 2006. On February 1, 2006, the City issued \$20,005,000 aggregate principal amount of its Special Obligation Revenue Refunding and Improvement Bonds, Series 2006 (the “Series 2006 Special Obligation Bonds”). The Series 2006 Special Obligation Bonds were issued for the purpose of (i) currently refunding the City’s Special Obligation Refunding and Capital Improvement Bonds, Series 1996, (ii) currently refunding the City’s Parking Utility Revenue Bonds, Series 1995, (iii) constructing, improving and extending the System, (iv) constructing and improving the City’s solid waste utility; (v) funding a debt service reserve for the Series 2006 Special Obligation Bonds and (vi) paying certain costs of issuing the Series 2006 Special Obligation Bonds. The Series 2006 Special Obligation Bonds are special limited obligations of the City, payable from the annual appropriation of funds by the City for that purpose. Interest is paid semiannually on February 1 and August 1 and principal payments are due each February 1 through February 1, 2026. Interest rates on the Series 2006 Special Obligation Bonds range from 4.00% to 5.00%. As of September 30, 2014, the Series 2006 Special Obligation Bonds remain outstanding in the principal amount of \$10,305,000.

Special Obligation Refunding Bonds, Series 2012B. On May 21, 2012, the City issued \$1,465,000 aggregate principal amount of its Special Obligation Refunding Bonds, Series 2012B (Sewer System Project – Annual Appropriation Obligation) (the “Series 2012 Special Obligation Bonds”). The Series 2012 Special Obligation Bonds were issued for the purpose of (i) currently refunding the City’s Special Obligation Capital Improvement Bonds, Series 2001A, (ii) funding a debt service reserve for the Series 2012 Special Obligation Bonds and (iii) paying certain costs of issuing the Series 2012 Special Obligation Bonds. The Series 2012 Special Obligation Bonds are special limited obligations of the City, payable from the annual appropriation of funds by the City for that purpose; however, the Series 2012 Special Obligation Bonds are to be treated as revenue bonds of the System and are secured by a first lien on the Net Revenues of the System. Interest is paid semiannually on April 1 and October 1 and principal payments are due each October 1 through October 1, 2020. The interest rate on the Series 2012 Special Obligation Bonds is 2.00%. As of September 30, 2014, the Series 2012 Special Obligation Bonds remain outstanding in the principal amount of \$1,155,000.

No Default

The City has never defaulted on the payment of any of its debt obligations.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and the private purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

The financial statements for the pension and other post-employment benefit trust funds are prepared using the economic resources management focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due, as the City has a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt is recognized when due, or when payments are due early in the next fiscal year, and the advance of resources to the debt service fund is mandatory, and debt service expenditures are recognized before year-end to match the resources provided for these payments.

Property tax, sales tax, gasoline tax, motor vehicle tax, interest, and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so they have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City is required by law to prepare an annual budget of estimated receipts and disbursements for the coming fiscal year under the direction of the City Manager which is presented to the City Council in August for approval after a public hearing. The City's fiscal year is October 1 through September 30. The budget lists estimated receipts by fund, sources and estimated disbursements by fund and purposes, and includes a statement of the rate of levy per hundred dollars of assessed valuation required to raise each amount shown on the budget as coming from ad valorem taxes.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by McGladrey LLP. Copies of past audit reports are on file in the City Clerk's office and are available for review. Financial Statements are also available online at the City's website www.gocolumbiamo.com.

Sources of Revenue

The City finances its general operations through the following taxes and other miscellaneous sources as indicated below for the 2012 and 2013 fiscal years:

<u>Source</u>	<u>2012</u>	<u>2013</u>
General Property Taxes	\$ 7,097,767	\$ 7,228,203
Sales Tax	20,840,696	21,627,785
Other Local Taxes	11,931,167	12,262,325
Licenses and Permits	882,974	921,132
Fines	2,184,075	1,970,138
Fees and Service Charges	1,973,292	2,658,150
Intragovernmental Revenues	4,130,138	3,931,555
Revenue from other Governmental Units	4,503,591	4,103,531
Investment Revenue	471,452	(397,290)
Miscellaneous Revenue	<u>1,412,146</u>	<u>1,208,861</u>
Totals	<u>\$55,373,298</u>	<u>\$55,514,390</u>

Source: *Comprehensive Annual Financial Report, Fiscal Years 2012 and 2013*

Sales tax revenues currently represent nearly 39% of the City of Columbia's general fund revenues. The sales tax revenues of the City are derived from a 1-cent General Sales tax, a ½-cent Transportation Sales Tax, a ¼-cent Capital Improvements Sales Tax and a ¼-cent Local Parks Sales Tax.

The General Sales Tax is used to fund basic government services such as Police, Fire, Health and other City services. A small portion of the General Sales Tax is also dedicated to capital projects for basic governmental operations. This is a permanent tax with no expiration date.

Transportation Sales Tax revenues are used to pay for basic maintenance of streets, provide subsidies to the operations of the bus system and airport and provide funding for capital projects for the bus system and the airport. Any remaining funds (approximately \$1 million annually) are available for road projects. This is a permanent tax with no expiration date.

The City of Columbia has utilized the Capital Improvements Sales Tax to meet capital needs for Public Safety, Parks and Transportation. This ¼-cent tax was first approved by voters in 1991 and has been renewed in 1995, 2001 and 2005. The current tax expires on December 31, 2015.

Sales Tax Revenues

<u>Year</u>	<u>General</u>	<u>Transportation</u>	<u>Capital Improvements</u>	<u>Local Park</u>
2009	\$18,427,197	\$9,200,210	\$4,599,952	\$4,599,880
2010	18,794,534	9,349,477	4,674,637	4,674,563
2011	19,891,980	9,898,088	4,949,012	4,949,003
2012	20,840,696	10,393,186	5,196,536	5,193,354
2013	21,627,785	10,800,210	5,399,873	5,398,029

Source: Comprehensive Annual Financial Report, Fiscal Years 2009-2013

Property Valuations

Assessment Procedure:

All taxable real and personal property within the City is assessed annually by the Boone County Assessor. Missouri law requires that real property be assessed at the following percentages of true value:

Residential real property	19%
Agricultural and horticultural real property	12%
Utility, industrial, commercial, railroad and all other real property	32%

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 0.5%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; poultry, 12%; and certain tools and equipment used for pollution control, used in retooling for the purpose of introducing new product lines or used for making improvements to existing products by certain types of companies specified by state law, 25%.

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The Boone County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The Boone County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

[Remainder of this page intentionally left blank]

Current Assessed Valuation:

The following table shows the 2014 preliminary aggregate assessed valuation as of June 30, 2014, by category, of all taxable tangible property situated in the City as reported by the Boone County Clerk. The final assessed valuation will be as of December 31, 2014:

	<u>Assessed Valuation</u>	<u>Assessment Rate*</u>	<u>Estimated Actual Valuation</u>
Real Estate:			
Residential	\$1,022,912,683	19.00%	\$5,383,750,963
Agricultural	6,217,665	12.00	51,813,875
Commercial	<u>476,697,625</u>	32.00	<u>1,489,680,078</u>
Subtotal	\$1,505,827,973		\$6,925,244,916
Personal Property	294,808,899	33.33	884,426,697
State RR & Utility Prop.	<u>4,095,085</u>	33.33	<u>12,285,255</u>
TOTAL	\$1,804,731,957		\$7,821,956,868

* Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

History of Property Valuation:

The following table shows total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, applicable during each of the following fiscal years of the City (rounded to nearest thousands), including the preliminary assessed valuation of property in the City for fiscal year 2014 as of June 30, 2014.

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2013-14	\$1,804,731,957	4.84%
2012-13	1,721,464,211	2.27
2011-12	1,683,324,254	1.66
2010-11	1,655,914,159	1.01
2009-10	1,639,395,223	0.67
2008-09	1,628,439,181	3.62
2007-08	1,571,621,920	---

Property Tax Levies and Collections

Property taxes are levied and collected by the City. The City is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the City's debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerk. The City must fix its ad valorem property tax rates and certify them to the County Clerk not later than September first for entry in the tax books.

The County Clerk receives the county tax books from the County Assessor, which set forth the assessments of real and personal property. The County Clerk enters the tax rates certified to him by the local taxing bodies in the tax books and assesses such rates against all taxable property in the City as shown in such

books. The County Clerk forwards the tax books by October 31 to the County Collector, who is charged with levying and collecting taxes as shown therein. The County Collector extends the taxes on the tax rolls and issues the tax statements in early December. Taxes are due by December 31 and become delinquent if not paid to the County Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of eighteen percent of each year's delinquency. All lands and lots on which taxes are delinquent and unpaid are subject to sale at public auction in August of each year.

The County Collector is required to make disbursements of collected taxes to the City each month. Because of the tax collection procedure described above, the City receives the bulk of its moneys from local property taxes in the months of December, January and February.

Tax Rates

Debt Service Levy. The City is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The City Council may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments. Since the city has no general obligation bonds outstanding, the City has no debt service levy.

Other Levies. The total tax levy of the City for the fiscal year ended September 30, 2013 was \$0.94 per \$100 of assessed valuation and for the current fiscal year is \$0.95 per \$100 of assessed valuation. The levy for the General Fund does not require annual voter approval but the City Council cannot raise the rate above that approved in the last election without the approval of a majority of the voters voting thereon. Under Article X, Section 11(c) of the Missouri Constitution, any increase in the City's General Fund levy above \$1.00 must be approved by two-thirds of the voters voting on the proposition.

The following table shows the City's tax levies (per \$100 of assessed valuation) for each of the last five fiscal years:

Property Tax Rates (Per \$100 Assessed Value)

Fiscal Year	General Fund	Library	Total
2013-14	0.41	0.54	0.95
2012-13	0.41	0.53	0.94
2011-12	0.41	0.52	0.93
2010-11	0.41	0.52	0.93
2009-10	0.41	0.52	0.93

Source: City; Comprehensive Annual Financial Report, Fiscal Years 2010-2013

[Remainder of this page intentionally left blank]

Tax Collection Record

The following table sets forth tax collection information for the City for the last five fiscal years.

Property Tax Levies and Collections (amounts expressed in millions)

Fiscal Year	Taxes Levied	Current & Delinquent Taxes Collected	
		Amount	%
2014	\$7,086,610	\$7,055,890	99.57%
2013	6,862,793	6,850,525	99.82
2012	6,780,699	6,724,628	99.17
2011	6,615,690	6,505,263	98.33
2010	6,783,852	6,730,379	99.21

Source: City; Comprehensive Annual Financial Report, Fiscal Years 2010-2013

Major Property Taxpayers

The following table sets forth the ten largest property taxpayers in the City based upon local assessed valuation for fiscal year 2013.

Company Name	Type	Valuation	Percentage of Total Assessed Valuation
Union Electric	Utility	\$17,688,143	1.03%
Shelter Insurance	Insurance	14,960,458	0.87
TKG Biscayne LLC	Property/Developer	9,618,659	0.56
State Farm Mutual Auto Ins. Co.	Insurance	9,313,884	0.54
3M Company	Manufacturer	8,502,262	0.49
The Links at Columbia	Property/Developer	6,839,287	0.40
Boone Hospital Center	Health Services	6,713,024	0.39
Hubbell Power Systems	Manufacturer	6,466,943	0.38
Grindstone Plaza Development	Property/Developer	5,736,997	0.33
Columbia Foods	Manufacturer	5,422,418	0.31
Total		\$91,262,075	5.30%

Source: Comprehensive Annual Financial Report, Fiscal Year 2013

[Remainder of this page intentionally left blank]

General Fund Summary

The following is a summary of the revenues, expenditures and changes in fund balance for the City's General Fund for the five-year period ended September 30, 2014. The information for 2010 through 2013 has been derived from audited financial statements of the City. The information for 2014 has been derived from the unaudited financial statements of the City.

REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u> (unaudited)
REVENUES:					
General property taxes	\$ 6,893,193	\$ 6,876,040	\$ 7,097,767	\$ 7,228,203	\$ 7,319,211
Sales tax	18,794,534	19,891,980	20,840,696	21,627,785	22,463,031
Other local taxes	11,606,208	11,661,935	11,931,167	12,262,325	12,804,876
Licenses and permits	818,100	845,158	882,974	921,132	965,309
Fines	1,900,869	2,049,392	2,184,075	1,970,138	1,883,631
Fees and service charges	1,665,294	1,905,917	1,973,292	2,658,150	2,961,020
Intragovernmental revenue	4,200,389	4,139,602	4,130,138	3,931,555	3,944,617
Revenue from other governmental Units	6,486,581	5,431,035	4,503,591	4,103,531	5,015,621
Investment revenue (loss)	1,035,128	661,033	417,452	(397,290)	567,866
Miscellaneous	1,677,407	1,234,220	1,412,146	1,208,861	1,316,818
Total Revenues	\$55,077,703	\$54,696,312	\$55,373,298	\$55,514,390	\$59,242,000
EXPENDITURES:					
Current:					
Policy development and administration	\$10,112,082	\$ 9,145,790	\$ 7,443,163	\$ 7,609,817	\$ 8,014,699
Public safety	36,661,665	37,847,252	37,426,056	37,839,647	38,329,749
Transportation	7,775,001	7,821,261	7,280,684	7,728,445	7,596,788
Health and environment	8,197,581	8,597,497	7,444,661	7,469,627	7,623,046
Personal development	6,405,595	5,987,656	6,603,425	6,837,072	6,991,200
Misc. nonprogrammed activities	921,771	815,943	4,775,185	5,006,410	4,785,017
Capital outlay	1,473,496	2,261,349	765,509	1,482,056	1,644,068
Debt Service:					
Principal	-	-	80,009	76,509	78,483
Interest	-	-	498	3,999	2,024
Total Expenditures	\$71,547,191	\$72,476,748	\$71,819,190	\$74,053,582	\$75,065,074
Excess (Deficiency) of Revenues over Expenditures	\$(16,469,488)	\$(17,780,436)	\$(16,445,892)	\$(18,539,192)	\$(15,823,074)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$20,317,715	\$22,104,954	\$21,311,398	\$21,923,249	\$23,490,510
Transfers out	(2,903,136)	(3,011,157)	(3,197,024)	(3,527,590)	(3,500,448)
Issuance of capital lease	-	-	235,000	-	-
Total Other Financing Sources (Uses)	\$17,414,579	\$19,093,797	\$18,349,374	\$18,395,659	\$19,990,062
Net Change in Fund Balances	\$945,091	\$1,313,361	\$1,903,482	\$(143,533)	\$4,166,988
FUND BALANCE – BEGINNING	\$25,659,827	\$26,604,918	\$27,918,279	\$29,821,761	\$29,678,228
FUND BALANCE - ENDING	\$26,604,918	\$27,918,279	\$29,821,761	\$29,678,228	\$33,845,216

HISTORY AND OPERATION OF THE SYSTEM

User Charge Rates

The City Council is the sole authority for setting rates applicable to the System. The Bond Ordinance provides that the City will fix, maintain and establish such rates, fees and charges for the use and service furnished by the System which will insure that revenues are sufficient to pay all costs of operation and maintenance necessary to operate the System, to pay principal and interest on the outstanding System Revenue Bonds as they become due and to provide reasonable and adequate reserves for the payment of the System Revenue Bonds and the interest thereon and for the protection of the System as provided in the Bond Ordinance. The City agrees that so long as any of the System Revenue Bonds remain outstanding it will not issue any additional bonds or other obligations payable out of the Net Revenues of the System which are on a parity unless revenues are sufficient to pay an amount equal to the expense of operation and maintenance of the System incurred during the preceding and succeeding fiscal years as determined and attested to by the City's consulting engineer, plus 110% of the maximum amount of principal and interest which shall become due in any fiscal year for all System Revenue Bonds.

City management reviews the System rates and charges annually to determine if any changes will be necessary to assure that adequate revenues will be available for the System.

In 2014 the City engaged the firm of Burton & Associates, to perform a cost-of-service study for the Sanitary Sewer Fund and to design new rates (the "2014 Rate Study"). The results of the 2014 Rate Study revealed that for equitable recovery of costs attributable to customer demands on the System, a sewerage service and quantity charge rate increase was necessary. In addition, an increase in the sewer connection fees for development was necessary. In accordance with the 2014 Rate Study, and pursuant to Ordinance No. 22209, adopted by the City Council on September 15, 2014, the City implemented the current rates for the System (which became effective on October 1, 2014). Current rates are \$11.01/month plus \$2.27 per hundred cubic feet of water per month (based on winter quarter average water usage). A typical monthly residential sewer bill is \$22.36, which is lower than other sewer utilities in the region.

For those customers who reside outside the corporate limits, a factor of 1.5 times the existing rate schedule is applied as authorized by Missouri State Statute (Section 150.190 R.S. Mo. 1969). As a basis for estimating sewerage flow, the City relies on an average water usage by during the calendar months of November, December, January, February and March dropping out the highest and lowest usage months. If the calculated average usage results in an average of less than one (1) CCF, the average will be recalculated using the water usage for the previous twelve (12) month billing periods, April through March. These averages are then used in calculating monthly sewer bills consistent with existing rates. All customers are billed on a monthly basis except the University of Missouri- Columbia which is billed quarterly.

Utility bills are considered delinquent if not paid on or before 20 days after billing and service may be discontinued if payment is not received 5 days after the delinquent date. Utility accounts are charged off annually to bad debt expense in accordance with the direct write-off method. In the past five years the actual amount written off was less than 0.56% per annum of billed revenues of the System.

The City anticipates adopting and implementing a rate increase of 6% during Fiscal Year 2015 and a rate increase of 5% during Fiscal Year 2017.

[Remainder of this page intentionally left blank]

Sewerage System Rates (effective October 1, 2014)

Residential Base Charge: \$11.01

Non-residential Base Charge:

<u>Water Meter Size</u>	<u>Meter Capacity (gpm)</u>	<u>Capacity Difference</u>	<u>Base Charge by Meter Capacity</u>
5/8-inch	20	1	\$11.01
3/4-inch	30	1.5	\$16.52
1-inch	50	2.5	\$27.53
1½-inch	100	5	\$55.05
2-inch	160	8	\$88.08
3-inch	320	16	\$176.16
4-inch	500	25	\$275.25
6-inch	1,000	50	\$550.50
8-inch	1,600	80	\$880.80
10-inch	2,300	115	\$1,266.15
12-inch	4,300	215	\$2,367.15

Volume Charge, per 100 cu. Ft. (Ccf): \$2.27

Service Area and Customer Composition

The System provides service to substantially all the residents of the City and approximately 1,665 customers outside the City limits. The following table summarizes the customer mix of the System at September 30, 2014.

Classes and Locations of Customers

	<u>Customers Inside the City</u>	<u>Customers Outside the City</u>	<u>Total Customers</u>	<u>Percentage of Customers by Class</u>
Residential	40,865	1,665	42,530	90.39%
Non-Residential	4,287	41	4,328	9.20
University of Missouri-Columbia	<u>193</u>	<u>0</u>	<u>193</u>	<u>0.41</u>
TOTAL	45,345	1,706	47,051	100.0%

Sewer Customer Information

	<u>Monthly Water Usage*</u>	<u>Percentage of Usage by Class</u>	<u>Monthly Revenue</u>	<u>Percentage of Revenue by Class</u>
Residential	255,196	53.06%	\$ 816,915	50.57%
Non-Residential	184,663	38.40	680,774	42.14
University of Missouri-Columbia**	<u>41,061</u>	<u>8.54</u>	<u>117,841</u>	<u>7.29</u>
TOTAL	480,920	100.0%	\$1,615,530	100.0%

* In cubic feet.

** System's largest customer.

FINANCIAL INFORMATION CONCERNING THE SYSTEM

Accounting, Budgeting and Auditing Procedures

An annual budget of estimated receipts and disbursements of the System for the coming fiscal year is prepared by the City Administrator and is presented to the City Council for approval. The fiscal year of the City is October 1 through September 30. The budget lists estimated receipts by fund and sources and estimated disbursements by funds and purposes and includes a statement of the rates required to raise each amount shown on the budget as coming from System revenues.

Financial Statements

Audited financial statements of the City as of and for the fiscal year ended September, 2013, are included in the City's Comprehensive Annual Financial Report in **Appendix B** to this Official Statement. These financial statements have been audited by McGladrey LLP, Kansas City, Missouri, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto.

[Remainder of page intentionally left blank]

Summary of Operations for Sanitary Sewer Fund

The following is a summary of the revenues, expenses and changes in fund net assets for the Sanitary Sewer Fund for the five-year period ended September 30, 2014. The information for 2010 through 2013 has been derived from the audited financial statements of the City. The information for 2014 has been derived from the unaudited financial statements of the City.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN SEWER FUND NET ASSETS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u> (as restated)	<u>2014</u> (unaudited)
OPERATING REVENUES					
Charges for services	\$12,228,688	\$14,470,315	\$17,173,614	\$19,465,358	\$19,394,518
OPERATING EXPENSES					
Personal services	\$ 3,971,309	\$ 4,047,769	\$ 4,269,354	\$ 4,297,452	\$ 4,435,161
Material, supplies and power	616,791	630,081	718,133	712,241	1,073,279
Travel and training	13,321	5,505	15,694	9,824	5,111
Intragovernmental	1,207,322	1,268,244	1,456,517	1,429,382	1,506,702
Utilities, services and miscellaneous	1,767,960	1,898,728	2,686,257	2,302,042	2,049,173
Depreciation	3,073,225	3,101,607	3,233,811	3,394,659	4,989,043
Total Operating Expenses	\$10,649,928	\$10,951,934	\$12,379,766	\$12,145,600	\$14,058,469
Operating Income (Loss)	\$ 1,578,760	\$ 3,518,381	\$ 4,793,848	\$ 7,319,758	\$ 5,336,049
NONOPERATING REVENUES (EXPENSES)					
Investment revenue	\$ 1,308,221	\$ 959,841	\$ 800,366	\$ 207,098	\$ 925,701
Revenue from other governmental units	-	-	-	-	-
Miscellaneous revenue	172,125	141,961	435,804	26,148	831,553
Interest expense	(1,759,110)	(1,594,062)	(1,723,130)	(1,697,631)	(2,317,366)
Loss on disposal of capital assets	(2,625)	(22,234)	(232,392)	(7,090)	(385,420)
Miscellaneous expense	(122,502)	(121,736)	(135,173)	(245,328)	(336,496)
Total Nonoperating Revenues (Expenses)	\$ (403,891)	\$ (636,230)	\$ (854,525)	\$(1,716,803)	\$(1,282,028)
Income (Loss) Before Contributions and Transfers	\$1,174,869	\$2,882,151	\$3,939,323	\$5,602,955	\$4,054,021
Capital contributions	\$3,161,872	\$377,075	\$717,299	\$3,124,466	\$1,415,970
Transfers in	-	42	100,000	-	-
Transfers out	(122,365)	(241,094)	(116,555)	(116,693)	(580,268)
Total Net Transfers and Capital Contributions	\$3,039,507	\$136,023	\$700,744	\$3,007,773	\$ 835,702
Change in Net Assets	\$4,214,376	\$3,018,174	\$4,640,067	\$8,610,728	\$4,889,723
TOTAL NET ASSETS – BEGINNING	\$127,535,560	\$131,749,936	\$134,768,110	\$138,395,372*	\$147,006,100
TOTAL NET ASSETS - ENDING	\$131,749,936	\$134,768,110	\$139,408,177	\$147,006,100	\$151,895,823

* Beginning Total Net Assets for FY 2013 were restated by \$1,012,805 for bond issuance costs, related to GASB 65. These costs were being amortized over the life of the related bond issuances, and after the implementation of GASB 65, these costs, other than prepaid insurance for bonds, are generally to be expensed in the period incurred.

APPENDIX B

CITY OF COLUMBIA, MISSOURI

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

APPENDIX C

SUMMARY OF THE BOND ORDINANCE AND THE CONTINUING DISCLOSURE UNDERTAKING

SUMMARY OF THE BOND ORDINANCE

The following is a summary of certain provisions contained in the Bond Ordinance. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Bond Ordinance for a complete recital of the terms thereof.

Definitions

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Bond Ordinance and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Bond Ordinance for complete definitions of all terms.

“Accountant” means an independent certified public accountant or firm of certified public accountants.

“Act” means Article VI, Section 27 of the Missouri Constitution and Chapter 250 of the Revised Statutes of Missouri, as amended.

“Authority” means the State Environmental Improvement and Energy Resources Authority, a governmental instrumentality of the State of Missouri.

“Authority Program Bonds” means any bonds of the Authority heretofore or hereafter issued under the SRF Program, all or a portion of the proceeds of which are loaned to the City with respect to the System and pursuant to the SRF Program.

“Average Annual Debt Service” means the average of the Debt Service Requirements as computed for the then current and all future Fiscal Years.

“Bond Counsel” means Gilmore & Bell, P.C., Kansas City, Missouri, or other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing selected by the City.

“Bond Payment Date” means any date on which principal of or interest on any Bond is payable at the Maturity thereof or on any Interest Payment Date.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Paying Agent.

“Bondowner” or **“Registered Owner”** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

“Bonds” means the Sewerage System Revenue Bonds, Series 2015, of the City, in the aggregate principal amount of \$_____, authorized and issued pursuant to the Bond Ordinance.

“Business Day” means a day other than a Saturday, Sunday or holiday on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

“Cede & Co.” means Cede & Co., as nominee name of The Depository Trust Company, New York, New York, and any successor nominee with respect to the Bonds.

“City” means the City of Columbia, Missouri, and any successors or assigns.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

“Consultant” means the Consulting Engineer, an Accountant or a registered municipal advisor.

“Consulting Engineer” means each independent engineer or engineering firm with experience in designing and constructing wastewater treatment, sanitary sewerage or water pollution control facilities, and retained by the City.

“Continuing Disclosure Instructions” means the Continuing Disclosure Undertaking dated the date set forth therein, the form of which is attached to the Bond Ordinance.

“Debt Service Account” means the Series 2015 Debt Service Account for the Bonds, created in the Bond Ordinance.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and net interest or interest-like payments (after taking into account any applicable Subsidy Payments) on all System Revenue Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State of Missouri and having full trust powers.

“Debt Service Reserve Account Surety Bond” means, any irrevocable insurance policy, letter of credit or surety bond satisfying the requirements described in the applicable Parity Ordinance which guarantees payments into the debt service reserve account for the applicable series of Parity Bonds or payment of the principal of and interest on the applicable series of Parity Bonds in an amount which, together with cash or Permitted Investments on deposit in the debt service reserve account for such Parity Bonds, is equal to the Debt Service Reserve Requirement for such Parity Bonds.

“Debt Service Reserve Fund” means the fund by that name ratified and confirmed by the Bond Ordinance.

“Debt Service Reserve Requirement” means (a) with respect to the Series 2009 Bonds, the lesser of \$937,988.92 or the maximum annual debt service on the Series 2009 Bonds outstanding at the time of calculation, (b) with respect to the Series 2012 Bonds, the lesser of \$550,070 or the maximum annual debt service on the Series 2012 Bonds outstanding at the time of calculation, (c) with respect to the Bonds, the sum of \$_____, plus (d) with respect to any series of future Parity Bonds, the amount specified in the Ordinance authorizing such series of Parity Bonds.

“Defaulted Interest” means interest on any Bond which is payable but not paid on any Interest Payment Date.

“Defeasance Obligations” means any of the following obligations:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates; or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in the highest rating category by Moody's Investors Service, Inc. (presently "Aaa") or Standard & Poor's Ratings Services (presently "AAA").

"Depreciation and Replacement Account" means the account by that name ratified and confirmed by the Bond Ordinance.

"Depreciation and Replacement Accumulation Requirement" means \$10,000, which includes amounts required to be accumulated in the Depreciation and Replacement Account pursuant to the ordinances of the City authorizing all other outstanding issues of System Revenue Bonds, as such amounts may be decreased upon redemption or maturity of each series of System Revenue Bonds.

"DNR" means the Missouri Department of Natural Resources.

"Expenses" means all reasonable and necessary expenses of operation, maintenance and repair of the System and keeping the System in good repair and working order (other than interest paid on System Revenue Bonds and depreciation and amortization charges during the period of determination), determined in accordance with generally accepted accounting principles, including without limiting the generality of the foregoing, current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, Paying Agent fees and expenses, annual audits, periodic Consultant's reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, if any, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short-term indebtedness incurred and payable within a particular fiscal year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the operation of the System, but shall exclude all general administrative expenses of the City not related to the operation of the System.

"Federal Tax Certificate" means the Federal Tax Certificate dated as of January 1, 2015, delivered by the City, which sets forth certain facts, covenants, representations, and expectations relating to the use of

Bond proceeds and the use of property financed or refinanced with those proceeds, and the investment of the Bond proceeds and certain other related money in order to comply with the requirements of Code imposed on the Bonds.

“Fiscal Year” means the fiscal year of the City, currently October 1 to September 30.

“Interest Payment Date” means the Stated Maturity of an installment of interest on any Bond.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and provided in the Bond Ordinance, whether at the Stated Maturity thereof or by call for redemption or otherwise.

“Net Revenues” means all Revenues less all Expenses.

“Operation and Maintenance Account” means the account by that name ratified and confirmed in the Bond Ordinance.

“Outstanding,” when used with reference to Bonds, means, as of any particular date of determination, all Bonds theretofore issued and delivered hereunder, except the following Bonds:

- (a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Bond Ordinance; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered hereunder.

“Outstanding Parity Bond Debt Service Reserve Account” means the debt service reserve account for any Parity Bonds.

“Parity Bonds” means the Previously Issued Parity Bonds and any additional bonds or other obligations hereafter issued or incurred pursuant to the Bond Ordinance and standing on a parity and equality with the Bonds with respect to the payment of principal and interest from the Net Revenues of the System.

“Parity Ordinances” means the Previously Issued Parity Ordinances and the ordinance or ordinances under which any additional Parity Bonds are hereafter issued pursuant to the Bond Ordinance.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Paying Agent” means UMB Bank, N.A., St. Louis, Missouri, and any successors and assigns.

“Permitted Investments” means any of the following securities and obligations, if and to the extent the same are at the time legal for investment of the moneys held in the funds and accounts listed in the Bond Ordinance.

- (a) United States Government Obligations;
- (b) certificates of deposit or time deposits, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of the United States or any state, provided that

such certificates of deposit or time deposits shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by United States Government Obligations which shall have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time deposits; and

(c) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

“Person” means any natural person, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

“Previously Issued Parity Bonds” means, collectively, the Series 1999 Bonds, the Series 1999B Bonds, the Series 2000 Bonds, the Series 2002 Bonds, the Series 2003 Bonds, the Series 2004 Bonds, the Series 2006 Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2010 Bonds, the Series 2012 Bonds and the Series 2013 Bonds.

“Previously Issued Parity Ordinances” means, collectively, the Series 1999 Ordinance, the Series 1999B Ordinance, the Series 2000 Ordinance, the Series 2002 Ordinance, the Series 2003 Ordinance, the Series 2004 Ordinance, the Series 2006 Ordinance, the Series 2007 Ordinance, the Series 2009 Ordinance, the Series 2010 Ordinance, the Series 2012 Ordinance and the Series 2013 Ordinance.

“Project” means improving and extending the City’s sewerage system.

“Project Fund” means the fund by that name created in the Bond Ordinance.

“Purchaser” means _____, [City], [State], the original purchaser of the Bonds.

“Rebate Fund” means the fund by that name created in the Bond Ordinance.

“Record Date” for the interest payable on any Interest Payment Date means the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

“Redemption Date” when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms of the Bond Ordinance.

“Redemption Price” when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of the Bond Ordinance, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“Replacement Bonds” means Bonds issued to the beneficial owners of the Bonds in accordance with the Bond Ordinance.

“Revenue Fund” means the fund by that name ratified and confirmed in the Bond Ordinance.

“Revenues” means all income and revenues derived from the ownership and operation of the System, including investment and rental income, net proceeds from business interruption insurance, sales tax revenues which have been annually appropriated by the City or which are limited solely to the payment of improvements to or expenses of the System, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of System facilities to be applied during the period of determination to pay interest on System Revenue Bonds, but excluding any profits or losses on the

early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

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

“Series 1999 Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 1999, of the City, in the aggregate principal amount of \$3,730,000, authorized and issued pursuant to the Series 1999 Ordinance.

“Series 1999 Ordinance” means Ordinance No. 016011 of the City passed on May 20, 1999, under which the Series 1999 Bonds were issued.

“Series 1999B Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 1999B, of the City, in the aggregate principal amount of \$1,420,000, authorized and issued pursuant to the Series 1999B Ordinance.

“Series 1999B Ordinance” means Ordinance No. 016262 of the City passed on November 18, 1999, under which the Series 1999B Bonds were issued.

“Series 2000 Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2000, of the City, in the aggregate principal amount of \$2,445,000, authorized and issued pursuant to the Series 2000 Ordinance.

“Series 2000 Ordinance” means Ordinance No. 016647 of the City passed on November 2, 2000, under which the Series 2000 Bonds were issued.

“Series 2002 Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2002, of the City, in the aggregate principal amount of \$2,230,000, authorized and issued pursuant to the Series 2002 Ordinance.

“Series 2002 Ordinance” means Ordinance No. 017274 of the City passed on April 24, 2002, under which the Series 2002 Bonds were issued.

“Series 2003 Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2003, of the City, in the aggregate principal amount of \$3,620,000, authorized and issued pursuant to the Series 2003 Ordinance.

“Series 2003 Ordinance” means Ordinance No. 017634 of the City passed on April 2, 2003, under which the Series 2003 Bonds were issued.

“Series 2004 Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2004, of the City, in the aggregate principal amount of \$650,000, authorized and issued pursuant to the Series 2004 Ordinance.

“Series 2004 Ordinance” means Ordinance No. 018078 of the City passed on May 12, 2004, under which the Series 2004 Bonds were issued.

“Series 2006 Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2006, of the City, in the aggregate principal amount of \$915,000, authorized and issued pursuant to the Series 2006 Ordinance.

“Series 2006 Ordinance” means Ordinance No. 019272 of the City passed on October 16, 2006, under which the Series 2006 Bonds were issued.

“Series 2007 Bonds” means the Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2007, of the City, in the aggregate principal amount of \$1,800,000, authorized and issued pursuant to the Series 2007 Ordinance.

“Series 2007 Ordinance” means Ordinance No. 019709 of the City passed on October 15, 2007, under which the Series 2007 Bonds were issued.

“Series 2009 Bonds” means the Taxable Sewerage System Revenue Bonds (Build America Bonds – Direct Subsidy), Series 2009, of the City, in the aggregate principal amount of \$10,405,000, authorized and issued pursuant to the Series 2009 Ordinance.

“Series 2009 Ordinance” means Ordinance No. 020420 of the City passed on September 21, 2009, under which the Series 2009 Bonds were issued.

“Series 2010 Bonds” means the Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program - ARRA), Series 2010A, of the City, in the aggregate principal amount of \$59,335,000, authorized and issued pursuant to the Series 2010 Ordinance.

“Series 2010 Ordinance” means Ordinance No. 020519 of the City passed on January 4, 2010, under which the Series 2010 Bonds were issued.

“Series 2012 Bonds” means the Sewerage System Revenue Bonds, Series 2012, of the City, in the aggregate principal amount of \$9,365,000, authorized and issued pursuant to the Series 2012 Ordinance.

“Series 2012 Ordinance” means Ordinance No. 021268 of the City passed on March 19, 2012, under which the Series 2012 Bonds were issued.

Series 2013 Bonds” means the Sewerage System Refunding Revenue Bonds, Series 2013, of the City, in the aggregate principal amount of \$3,325,000, authorized and issued pursuant to the Series 2013 Ordinance.

“Series 2013 Ordinance” means Ordinance No. 021742 of the City passed on July 1, 2013, under which the Series 2013 Bonds were issued.

“Special Record Date” means the date fixed by the Paying Agent pursuant to the Bond Ordinance for the payment of Defaulted Interest.

“SRF Program” means the Missouri Leveraged State Water Pollution Control Revolving Fund Program of DNR and the Authority.

“SRF Program Bonds” means any System Revenue Bonds heretofore or hereafter issued in connection with the City’s participation in the SRF Program.

“Stated Maturity” when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Bond Ordinance as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“Subsidy Payments” means funds received (or with respect to **Section 902(b)** of the Bond Ordinance funds that are reasonably expected to be received) by the City that either (a) must be used or (b) have been used (or with respect to **Section 902(b)** of the Bond Ordinance are reasonably expected to be used) to reduce

the interest or principal payments on System Revenue Bonds. Such Subsidy Payments would include, but are not limited to, payments received by the City through a federal or State of Missouri program.

“Surplus Account” means the account by that name ratified and confirmed by the Bond Ordinance.

“System” means the entire sewerage plant and system owned and operated by the City for the collection, treatment and disposal of sewage, to serve the needs of the City and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the City.

“System Revenue Bonds” means, collectively, the Bonds and all other revenue bonds or other obligations which are payable out of, or secured by an interest in, the Net Revenues of the System.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation).

“Valuation Date” means the first business day of each fiscal year of the System.

Establishment of Funds and Accounts

There are created and ordered to be established and maintained in the treasury of the City the following separate accounts to be known respectively as the:

- (a) Project Fund.
- (b) Revenue Fund.
- (c) Operation and Maintenance Account.
- (d) Debt Service Account- Series 2015 Bonds.
- (e) Debt Service Reserve Fund.
- (e) Depreciation and Replacement Account.
- (f) Surplus Account.
- (g) Rebate Fund.

The funds and accounts referred to in paragraphs (a) through (g) of this Section shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Act and in the Bond Ordinance and in the Previously Issued Parity Ordinances so long as any of the Bonds or the Previously Issued Parity Bonds remain outstanding within the meaning of the Bond Ordinance and said Previously Issued Parity Ordinances, respectively.

The City acknowledges the creation and continuing existence of the reserve accounts, debt service accounts, principal accounts and interest accounts established under the Previously Issued Parity Ordinances.

Application of Moneys in the Project Fund

Money in the Project Fund shall be used solely for the purpose of (a) paying the cost of the Project as provided in the Bond Ordinance, in accordance with the plans and specifications therefor prepared by the City's Consultant for the Project, as approved by the Council of the City and on file in the office of the City Clerk, including any alterations in or amendments to said plans and specifications deemed advisable by the Consultant and approved by the Council of the City, and (b) paying the costs and expenses incident to the issuance of the Bonds.

Upon completion of the Project as hereinbefore provided, any surplus money remaining in the Project Fund and not required for the payment of unpaid costs thereof shall be deposited into the Debt Service Account.

Revenue Fund

The City covenants and agrees that from and after the delivery of the Bonds, and continuing as long as any of the Bonds remain Outstanding under the Bond Ordinance, all of the Revenues derived and collected from the operation of the System shall as and when received be paid and deposited into the Revenue Fund. Said revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be commingled with any other moneys, revenues, funds and accounts of the City. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Bond Ordinance.

Application of Moneys in Fund and Accounts

The City covenants and agrees that from and after the delivery of the Bonds and continuing so long as any of the Bonds shall remain Outstanding, it will administer and allocate all of the moneys then held in the Revenue Fund as follows:

- (a) *Operation and Maintenance Account.* On the 1st day of each month, there shall be paid and credited to the Operation and Maintenance Account an amount sufficient to pay the estimated Expenses during the ensuing month. All amounts paid and credited to the Operation and Maintenance Account shall be expended and used by the City solely for the purpose of paying the Expenses of the System.
- (b) *Debt Service Account.* On the 25th day of each month, there shall next be paid and credited to the Debt Service Account, to the extent necessary to meet on each Bond Payment Date the payment of all interest on and principal of the Bonds, the following sums:
 - (1) Beginning with the first of said deposits and continuing on the 25th day of each month thereafter to and including March 25, 2015, an equal *pro rata* portion of the amount of interest becoming due on the Bonds on April 1, 2015; and thereafter, beginning on April 25, 2015, and continuing on the 25th day of each month thereafter so long as the Bonds shall remain outstanding and unpaid, an amount not less than 1/6 of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date; and
 - (2) Beginning with the first of said deposits and continuing on the 25th day of each month thereafter to and including September 25, 2015, an equal *pro rata* portion of the amount of principal becoming due on the Bonds on October 1, 2015; and thereafter, beginning on October 25, 2015, and continuing on the first day of each month thereafter so long as the Bonds shall remain outstanding and unpaid, an

amount not less than 1/12 of the amount of principal that will become due on the Bonds on the next succeeding Maturity.

The amounts required to be paid and credited to the Debt Service Account pursuant to this Section shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service accounts established for the payment of principal and interest on Parity Bonds under the provisions of the Parity Ordinances.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Account and to the debt service accounts established to pay the principal of and interest on any Parity Bonds, the available moneys in the Revenue Fund shall, unless otherwise directed by the Previously Issued Parity Ordinances, be divided among such debt service accounts in proportion to the respective principal amounts of said series of bonds at the time outstanding which are payable from the moneys in said debt service accounts.

All amounts paid and credited to the Debt Service Account shall be expended and used by the City for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due on each Bond Payment Date.

- (c) *Debt Service Reserve Fund.* Except as provided in the Bond Ordinance, all amounts paid and credited to the Debt Service Reserve Fund shall be expended and used by the City solely to prevent any default in the payment of interest on or principal of the Bonds on any Maturity date or Interest Payment Date if the moneys in the Debt Service Fund are insufficient to pay the interest on or principal of said Bonds as they become due. After all payments and credits required at the time to be made under the provisions of paragraphs (a) and (b) of this Section have been made, and upon the determination that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, there shall next be paid and credited to the Debt Service Reserve Fund each month an amount equal to 1/12th of said shortfall until the amount on deposit in said Fund shall aggregate the Debt Service Reserve Requirement. So long as the Debt Service Reserve Fund aggregates the Debt Service Reserve Requirement, no further payments into said Fund shall be required, but if the City is ever required to expend and use a part of the moneys in said Fund for the purpose authorized in the Ordinance and such expenditure reduces the amount of said Fund below the Debt Service Reserve Requirement, the City shall resume and continue said monthly payments into said Fund until said Fund shall again aggregate the Debt Service Reserve Requirement.

The amounts required to be paid and credited to the Debt Service Reserve Fund pursuant to this Section shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service reserve funds established for the Parity Bonds under the provisions of any Parity Ordinance.

Moneys in the Debt Service Reserve Fund may be used to call the Bonds for redemption and payment prior to their Stated Maturity, provided all of the Bonds at the time Outstanding are called for payment and funds are available to pay the same according to their terms. Moneys in the Debt Service Reserve Fund shall be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest thereon are otherwise paid. Any amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement on any valuation date shall be transferred to the Debt Service Fund.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Reserve Fund and to the debt service reserve funds established to protect the payment of any Parity Bonds, the available

moneys in the Revenue Fund shall be divided among such debt service reserve funds in proportion to the respective principal amounts of said series of bonds at the time outstanding which are payable from the moneys in such debt service reserve funds.

- (d) *Depreciation and Replacement Account.* So long as the amount in the Depreciation and Replacement Account aggregates \$10,000 (the “Depreciation and Replacement Accumulation Requirement”), no further deposits will be required in the Depreciation and Replacement Account. But if the City shall ever be required to expend and use a part of the moneys in said Account for its authorized purposes and such expenditure shall reduce the amount of said Account below the Depreciation and Replacement Accumulation Requirement, then the City shall beginning on October 1, 2015 and each October 1 thereafter, deposit the sum of \$2,000 each year until such Account aggregates the Depreciation and Replacement Accumulation Requirement. The amounts required to be deposited in the Depreciation and Replacement Account by the Bond Ordinance shall include those amounts required to be deposited by the Previously Issued Parity Bonds. Except as provided in the Bond Ordinance, moneys in the Depreciation and Replacement Account shall be expended and used by the City, if no other funds are available therefor, solely for the purpose of making unusual or extraordinary replacements and repairs in and to the System as may be necessary to keep the System in good repair and working order and to assure the continued effective and efficient operation thereof, including replacing or repairing portions of the System or major items of any plant or equipment which either have been fully depreciated and are worn out or have become obsolete, inefficient or uneconomical. No moneys in said Account shall be used for the purpose of extending or enlarging the System.
- (e) *Surplus Account.* After all payments and credits required at the time to be made under the provisions of paragraphs (a), (b), (c) and (d) of this Section have been made, all moneys remaining in the Revenue Fund shall be paid and credited to the Surplus Account. Moneys in the Surplus Account may be expended and used for the following purposes as determined by the Council of the City:
 - (1) Paying Expenses of the System to the extent that may be necessary after the application of the moneys held in the Operation and Maintenance Account under the provisions of paragraph (a) of this Section;
 - (2) Paying the cost of extending, enlarging or improving the System;
 - (3) Preventing default in, anticipating payments into or increasing the amounts in the debt service accounts or debt service reserve accounts for System Revenue Bonds or the Depreciation and Replacement Account, or any one of them, said payments made to prevent default to be made in the order prescribed in this Section or in the applicable sections of ordinances authorizing additional System Revenue Bonds hereafter issued, or establishing or increasing the amount of any debt service account or debt service reserve account created by the City for the payment of any additional System Revenue Bonds;
 - (4) Calling, redeeming and paying prior to Stated Maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), any System Revenue Bonds, including principal, interest and redemption premium, if any; or
 - (5) Any other lawful purpose in connection with the operation of the System and benefitting the System.

So long as any of the Bonds remain Outstanding, no moneys derived from the operation of the System shall be diverted to the general governmental or municipal functions of the City.

- (f) *Deficiency of Payments into Accounts.* If at any time the revenues derived from the operation of the System are insufficient to make any payment on the date or dates specified in the Bond Ordinance, the City will make good the amount of such deficiency by making additional payments or credits out of the first available revenues thereafter received from the operation of the System, such payments and credits being made and applied in the order specified in the Bond Ordinance.

Payments Due on Saturdays, Sundays and Holidays

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Nonpresentment of Bonds

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the City to the Registered Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Ordinance or on, or with respect to, said Bond. If any Bond is not presented for payment within one year following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the City the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Registered Owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Application of Moneys in the Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the City nor the Registered Owner of any Bond shall have any rights in or claim to such money.

Deposit and Investment of Moneys

Money in each of the funds and accounts created by and referred to in the Bond Ordinance shall be deposited in a bank or banks located in the State of Missouri that are members of the Federal Deposit Insurance Corporation. All such deposits shall be continuously and adequately secured by the banks holding such deposits as provided by the laws of the State of Missouri.

Moneys held in any fund or account held in the custody of the City referred to in the Bond Ordinance may be invested in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than the date when the moneys invested may be needed for the purpose for which such fund or account was created. All earnings on any investments held in any fund or account shall accrue to and become a part of such fund or account. In determining the amount held in any fund or account under any of the provisions of the Bond Ordinance, obligations shall be valued at the lower of the cost or the market value

thereof; provided, however, that the investments held in the Debt Service Reserve Fund shall be valued at market value only. If and when the amount held in any fund or account shall be in excess of the amount required by the provisions of the Bond Ordinance, the City shall direct that such excess be paid and credited to the Revenue Fund.

Efficient and Economical Operation

The City will continuously own and will operate the System as a revenue producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order at a reasonable cost. The City will establish and maintain such rules and regulations for the use of the System as may be necessary to assure maximum utilization and most efficient operation of the System.

Rate Covenant

The City will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System as will produce Revenues sufficient to (a) pay the Expenses of the System; (b) pay the principal of and interest on the System Revenue Bonds as and when the same become due; and (c) provide reasonable and adequate reserves for the payment of the System Revenue Bonds and the interest thereon and for the protection and benefit of the System as provided in the Bond Ordinance. The City further covenants and agrees that such rates and charges will be sufficient to enable the City to have in each Fiscal Year Net Revenues not less than an amount equal to the sum of (i) 110% of the Debt Service Requirements for such Fiscal Year, provided that interest on any System Revenue Bonds will be reduced by the Subsidy Payments, if any, and (ii) the amount then owed to the issuer of any Debt Service Reserve Account Surety Bond in connection with any amount drawn thereon or required to replenish any Outstanding Parity Bond Debt Service Reserve Account as required by the related Parity Ordinance. The City will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges. The City will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues will be sufficient to cover the obligations of the City under this Section and otherwise under the provisions of the Bond Ordinance. If for any two consecutive Fiscal Years Net Revenues shall be an amount less than as hereinbefore provided, the City will immediately employ a Consultant to make recommendations with respect to such rates and charges. A copy of the Consultant's report and recommendations shall be filed with the City Clerk and with the Underwriter of the Bonds and shall be furnished to any Registered Owner of the Bonds requesting a copy of the same, at the cost of such Registered Owner. The City shall, to the extent feasible, follow the recommendations of the Consultant.

Restrictions on Mortgage or Sale of System

The City will not mortgage, pledge or otherwise encumber the System or any part thereof, nor will it sell, lease or otherwise dispose of the System or any material part thereof; provided, however, the City may:

- (a) sell at fair market value any portion of the System which has been replaced by other similar property of at least equal value, or which ceases to be necessary for the efficient operation of the System, and in the event of sale, the City will apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of Stated Maturity, or (2) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the System as provided in the Bond Ordinance;
- (b) cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the City; or

- (c) lease, (1) as lessor, any real or personal property which is unused or unimproved, or which has become obsolete, nonproductive or otherwise unusable to the advantage of the City, or which is being acquired as a part of a lease/purchase financing for the acquisition and/or improvement of such property; and/or (2) as lessee, with an option of the City to purchase, any real or personal property for the extension and improvement of the System. Property being leased as lessor and/or lessee pursuant to this subparagraph (c) shall not be treated as part of the System for purposes of this Section and may be mortgaged, pledged or otherwise encumbered.

Insurance

The City will carry and maintain insurance with respect to the System and its operations against casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the System insofar as the same are of an insurable nature, public liability insurance, business interruption insurance, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other municipalities or public entities engaged in similar activities of comparable size and similarly situated. In the event of loss or damage, the City, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or in paying the claims on account of which such proceeds were received, or if such reconstruction or replacement is unnecessary or impracticable, then the City will pay and deposit the proceeds of such insurance into the Revenue Fund. The City will annually review the insurance it maintains with respect to the System to determine that such insurance is customary and adequate to protect its property and operations. The cost of all insurance obtained pursuant to the requirements of this Section shall be paid as an Expense out of the Revenues.

Annual Budget

Prior to the commencement of each Fiscal Year, the City will cause to be prepared and filed with the City Clerk a budget setting forth the estimated receipts and expenditures of the System for the next succeeding Fiscal Year. The City Clerk, promptly upon the filing of said budget in the City Clerk's office, will mail a copy of said budget to the original Purchaser of the Bonds.

Annual Audit

Annually, promptly after the end of the Fiscal Year, the City will cause an audit to be made of the System for the preceding Fiscal Year by a certified public accountant or firm of certified public accountants to be employed for that purpose and paid from the revenues of the System. Said annual audit shall cover in reasonable detail the operation of the System during such Fiscal Year.

Within 30 days after the completion of each such audit, a copy thereof shall be filed in the office of the City Clerk, and a duplicate copy of said audit shall be mailed to the Purchaser of the Bonds. Such audits shall at all times during the usual business hours be open to the examination and inspection by any taxpayer, any user of the services of the System, any Registered Owner of any of the Bonds, or by anyone acting for or on behalf of such taxpayer, user or Registered Owner. A copy of any such audit will, upon request and upon receipt by the City of payment of the reasonable cost of preparing and mailing the same, be sent to any Bondowner or prospective Bondowner.

As soon as possible after the completion of the annual audit, the governing body of the City shall review such audit, and if any audit shall disclose that proper provision has not been made for all of the requirements of the Bond Ordinance, the City will promptly cure such deficiency and will promptly proceed to increase the rates and charges to be charged for the use and services furnished by the System as may be necessary to adequately provide for such requirements.

Tax Covenants

The City covenants that (1) it will comply with all applicable provisions of the Code, including Sections 103 and 141 through 150, necessary to maintain the exclusion from federal gross income of the interest on the Bonds, and (2) it will not use or permit the use of any proceeds of the Bonds or any other funds of the City, nor take or permit any other action, or fail to take any action, which would adversely affect the exclusion from federal gross income of the interest on the Bonds. The City will also pass such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future law in order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the City.

The City covenants and agrees that (1) it will use the proceeds of the Bonds as soon as practicable for the purposes for which the Bonds are issued, and (2) it will not invest or directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the City in any manner, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

The City covenants that it will pay or provide for the payment from time to time of all arbitrage rebate to the United States pursuant to Section 148(f) of the Code and the Federal Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Federal Tax Certificate may be amended or replaced if, in the opinion of Bond Counsel, such amendment or replacement will not adversely affect the exclusion from federal gross income of the interest on the Bonds.

The City covenants that it will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any Bond to be a “private activity bond” within the meaning of Section 141 of the Code.

Senior Lien Bonds

The City covenants and agrees that so long as any of the Bonds remain Outstanding, the City will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the City for the payment of moneys determined in accordance with generally accepted accounting principles including capital leases as defined by generally accepted accounting principles, payable out of the net income and revenues of the System or any part thereof which are superior to the Bonds.

Parity Lien Bonds

The City covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any Parity Bonds payable out of the Net Revenues of the System or any part thereof which stand on a parity or equality with the Bonds (“Parity Bonds”) unless the following conditions are met:

(1) The City is not in default in the payment of principal or interest on the Bonds or any Parity Bonds or in making any deposit into the funds and accounts under the Bond Ordinance or any Parity Ordinance; and

(2) The City provides a certificate showing either of the following:

(A) the average annual Net Revenues as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds, are at least equal to the sum of (i) 110% of the Average Annual Debt Service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in all succeeding Fiscal Years (interest to be paid on any System Revenue Bonds will be reduced by Subsidy Payments, if any) and (ii) the amount then owed to the issuer of any Debt Service Reserve Account Surety Bond in connection with any amount drawn thereon. If the City has

made any increase in rates for the use and services of the System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available, the City may add the additional Net Revenues which would have resulted if the rate increase had been in effect for the entire period to the audited Net Revenues, as certified by the Consultant; or

(B) The estimated average annual Net Revenues for the two Fiscal Years immediately following the issuance of the additional bonds or, if improvements are to be made to the System with the proceeds of the additional bonds, for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation, as certified by the Consultant, is at least equal to the sum of (i) 110% of the average annual debt service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in succeeding Fiscal Years following the commencement of commercial operation of the improvements (interest to be paid on any System Revenue Bonds will be reduced by Subsidy Payments, if any) and (ii) the amount then owed to the issuer of any Debt Service reserve Account Surety Bond in connection with any amount drawn thereon. In determining the amount of estimated Net Revenues available for debt service for the purpose of this subsection, the Consultant may adjust the estimated net income and revenues by adding the estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System approved by the City and to become effective during the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation; and

(C) the City complies with the provisions of any Parity Ordinances relating to the issuance of Parity Bonds; and

(D) if any amounts are past due and owing to the issuer of any Debt Service Reserve Account Surety Bond with respect to a draw thereon, the issuer of such Debt Service Reserve Account Surety Bonds shall have consented in writing to the issuance of such additional revenue bonds or other obligations on a parity with the Bonds.

Junior Lien Bonds and Other Obligations

Nothing shall prohibit or restrict the right of the City to issue additional revenue bonds or other revenue obligations for any lawful purpose in connection with the operation of the facility and benefiting the System and to provide that the principal of and interest on said revenue bonds or obligations shall be payable out of the revenues of the System, provided at the time of the issuance of such additional revenue bonds or obligations the City is not in default in the performance of any covenant or agreement contained in the Bond Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default), and provided further that such additional revenue bonds or obligations shall be junior and subordinate to the Bonds so that if at any time the City shall be in default in paying either interest on or principal of the Bonds, or if the City is in default in making any payments required to be made by it under the provisions of the Bond Ordinance, the City shall make no payments of either principal of or interest on said junior and subordinate revenue bonds or obligations until said default or defaults be cured. In the event of the issuance of any such junior and subordinate revenue bonds or obligations, the City, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations out of moneys in the Revenue Fund.

Refunding Bonds

The City shall have the right, without complying with the provisions of the Bond Ordinance, to refund any of the Bonds or any Parity Bonds under the provisions of any law then available in a manner which provides present value debt service savings, and the refunding bonds so issued shall enjoy complete equality of

pledge with any of the Bonds or the Parity Bonds which are not refunded, if any, upon the revenues of the System.

Acceleration of Maturity Upon Default

The City covenants and agrees that if it defaults in the payment of the principal of or interest on any of the Bonds as the same become due on any Bond Payment Date, or if the City or its governing body or any of the officers, agents or employees thereof fail or refuse to comply with any of the provisions of the Bond Ordinance or of the constitution or statutes of the State of Missouri, and such default continues for a period of 60 days after written notice specifying such default has been given to the City by the Registered Owner of any Bond then Outstanding, then, at any time thereafter and while such default continues, the Registered Owners of 25% in principal amount of the Bonds then Outstanding may, by written notice to the City filed in the office of the City Clerk or delivered in person to said City Clerk, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of said Bonds shall become and be immediately due and payable, anything in the Bond Ordinance or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Outstanding Bonds has been so declared to be due and payable, all arrears of interest upon all of said Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds has been paid in full and all other defaults, if any, by the City under the provisions of the Bond Ordinance and under the provisions of the statutes of the State of Missouri have been cured, then and in every such case the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by written notice to the City given as specified in the Bond Ordinance may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

Other Remedies

The provisions of the Bond Ordinance, including the covenants and agreements contained in the Bond Ordinance, shall constitute a contract between the City and the Registered Owners of the Bonds, and the Registered Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Registered Owners of Bonds similarly situated:

- (a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Registered Owner or Owners against the City and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Ordinance or by the Constitution and laws of the State of Missouri;
- (b) by suit, action or other proceedings in equity or at law to require the City, its officers, agents and employees to account as if they were the trustees of an express trust; and
- (c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds.

Limitation on Rights of Bondowners

No one or more Bondowners secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Bond Ordinance, or to enforce any right under the Bond Ordinance, except in the manner provided in the Bond Ordinance, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Registered Owners of such Outstanding Bonds.

No Obligation to Levy Taxes

Nothing contained in the Bond Ordinance shall be construed as imposing on the City any duty or obligation to levy any taxes either to meet any obligation incurred in the Bond Ordinance or to pay the principal of or interest on the Bonds.

Defeasance

When any or all of the Bonds or the interest payments thereon have been paid and discharged, then the requirements contained in the Bond Ordinance and the pledge of revenues made under the Bond Ordinance and all other rights granted shall terminate with respect to the Bonds so paid and discharged. Bonds or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Ordinance if there has been deposited with the Paying Agent or other commercial bank or trust company located in the State of Missouri and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds, in trust for and irrevocably appropriated thereto, money and/or Defeasance Obligations which, together with the interest to be earned thereon, will be sufficient for the payment of the principal or Redemption Price of said Bonds, and/or interest to accrue on such Bonds to the Stated Maturity or Redemption Date, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments.

Amendments

The Continuing Disclosure Instructions are exempt from the provisions of this Section and are subject to amendment and modification only as provided therein. The rights and duties of the City and the Bondowners, and the terms and provisions of the Bonds or of the Bond Ordinance, may be amended or modified at any time in any respect by ordinance of the City with the written consent of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Registered Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the City Clerk, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Bond;
- (b) effect a reduction in the amount which the City is required to pay by way of principal of or interest on any Bond;
- (c) permit the creation of a lien on the revenues of the System prior or equal to the lien of the Bonds or Parity Bonds;
- (d) permit preference or priority of any Bonds over any other Bonds; or
- (e) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Ordinance.

Any provision of the Bonds or of the Bond Ordinance may, however, be amended or modified by ordinance duly adopted by the governing body of the City at any time in any respect with the written consent of the Registered Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Bondowners, the City may amend or supplement the Bond Ordinance for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the security of the Bondowners.

SUMMARY OF THE CONTINUING DISCLOSURE UNDERTAKING

The following is a summary of certain provisions of the Continuing Disclosure Undertaking. The following is not a comprehensive description, however and is qualified in its entirety by reference to the Continuing Disclosure Undertaking for a full recital of the provisions thereof.

Definitions

In addition to the definitions set forth in the Bond Ordinance, which apply to any capitalized term used in the Continuing Disclosure Undertaking unless otherwise defined below, the following capitalized terms have the following meanings:

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, the Continuing Disclosure Undertaking.

“Beneficial Owner” means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosures.

“Material Events” means any of the events listed in the Continuing Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” means the MSRB.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Reports

The City shall, not later than 180 days after the end of the City’s fiscal year, provide to the MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):

(1) The audited financial statements of the City for the prior fiscal year prepared in accordance with the accounting principles described in the notes to the financial statements included as part of the Official Statement for the Bonds and audited by its independent auditors (or if not available as of such date, the unaudited financial statements of the City and as soon thereafter as available such audited financial statements of the City); and

(2) Updates as of the end of the fiscal year of the financial information and operating data contained in **Appendix A** to the final Official Statement for the Bonds in substantially the scope and form contained in such Appendix in the tables labeled or identified as follows, which information may be contained in the audited financial statements of the City or any schedules supplemental thereto:

- A. All of the tables under the heading **“FINANCIAL INFORMATION CONCERNING THE CITY.”**
- B. All of the tables under the heading **“HISTORY AND OPERATION OF THE SYSTEM.”**
- C. The information contained in the table **“Summary of Operations for Sewer Fund”** under the heading **“FINANCIAL INFORMATION CONCERNING THE SYSTEM.”**
- D. The information contained in the table **“Historical Debt Service Coverage”** under the heading **“SYSTEM”** for the most recently ended fiscal year (located in the body of the Official Statement).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an **“obligated person”** (as defined by the Rule), which have been provided to the MSRB and is available through EMMA or to the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; *provided* that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Material Event.

Reporting of Material Events

Pursuant to the provisions of the Continuing Disclosure Undertaking, the City shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds, if material (**“Material Events”**):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the City has not submitted the Annual Report to the MSRB by the date required above, the City shall send a notice to the MSRB of the failure of the City to file on a timely basis the Annual Report.

Termination of Reporting Obligation

The City's obligations under the Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the City's obligations under the Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with the Continuing Disclosure Undertaking in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the City shall give notice of such termination or substitution in the same manner as for a Material Event.

Designated Agents

The City may, from time to time, appoint or designate one or more agents (each, a "designated agent") to submit Annual Reports, Material Event notices, and other notices or reports with the MSRB.

Amendment; Waiver

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the City may amend the Continuing Disclosure Undertaking and any provision of the Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in United States securities law matters provides the City with its written opinion that the undertaking of the City contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Undertaking, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

Nothing in the Continuing Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by the Continuing Disclosure Undertaking. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by the Continuing Disclosure Undertaking, the City shall have no obligation under the Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Default

If the City fails to comply with any provision of the Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Undertaking. A default under the Continuing Disclosure Undertaking shall not be deemed an event of default under the Bond Ordinance or the Bonds, and the sole remedy under the Continuing Disclosure Undertaking in the event of any failure of the City to comply with the Continuing Disclosure Undertaking shall be an action to compel performance.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's Book-Entry Only System has been obtained from sources that the City believes to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Paying Agent or the Underwriter. The City, the Paying Agent and the Underwriter make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

General. The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the **"Book-Entry System"**) maintained by The Depository Trust Company (**"DTC"**), New York, New York.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of the DTC Book Entry Only System, as described below.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (**"Direct Participants"**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**"DTCC"**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**"Indirect Participants"**). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (**"Beneficial Owner"**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Ordinance. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, Redemption Price and Interest. Payment of principal or redemption price of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Bond Ordinance.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized

representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described in the Bond Ordinance.

RESPONSIBILITY OR OBLIGATIONS TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE CITY AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF, AND NEITHER THE PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON THE FOREGOING INFORMATION WITH RESPECT TO SUCH MATTERS BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE PARTICIPANTS, AS THE CASE MAY BE.