

A RESOLUTION

authorizing the City of Columbia, Missouri to offer at competitive public sale its \$30,610,000* principal amount of Water and Electric System Refunding and Improvement Revenue Bonds, 2005 Series A, of the City of Columbia, and to take certain other preliminary actions in connection therewith.

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

SECTION 1. That the City of Columbia, Missouri (the “*City*”), shall offer at competitive public sale \$30,610,000* principal amount of its Water and Electric System Refunding and Improvement Revenue Bonds, 2005 Series A (the “*2005 Series A Bonds*”) and bids for the 2005 Series A Bonds shall be received by the City, at the office of the Director of Finance, City of Columbia, Missouri, 701 East Broadway, Columbia, Missouri 65205, at such time and on a sale date established by such Finance Director, upon the terms and conditions set forth in the hereinafter referenced Notice of Sale.

SECTION 2. That the 2005 Series A Bonds shall be dated and shall be issued in denominations set forth in the Notice of Sale, and shall bear interest at a rate to be determined upon approval of the sale of the 2005 Series A Bonds by the City Council. The principal maturities of the 2005 Series A Bonds shall be established by the Finance Director for inclusion in the Notice of Sale following consultation with A.G. Edwards & Sons, Inc., the financial advisor to the City (the “*Financial Advisor*”). Principal and interest on the 2005 Series A Bonds shall be payable as set forth in the Notice of Sale.

SECTION 3. That the Finance Director and other officers and representatives of the City are hereby authorized and directed, in conjunction with the Financial Advisor to the City (collectively, the “*Advisors*”) to prepare a Notice of Sale and Preliminary Official Statement relating to the 2005 Series A Bonds substantially in the form attached hereto as **Exhibit A**, to use such Notice of Sale and Preliminary Official Statement in connection with the sale of the 2005 Series A Bonds, and to take such other actions as may be necessary or expedient to carry out the public sale of the 2005 Series A Bonds. The Preliminary Official Statement is hereby “*deemed final*” by the City for the purpose of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, except for the omission of the information permitted to be omitted under such rule.

SECTION 4. That notice of said sale is hereby authorized and directed to be given by making available such Notice of Sale and Preliminary Official Statement by electronic distribution or by mailing to investment banking firms and banks and other financial institutions located throughout the United States. Information regarding the competitive sale may also be

made available through the competitive offerings calendar published prior to the date of sale in The Bond Buyer, a newspaper frequently subscribed to by banks and investment banking firms published in New York, New York, or in such other newspapers as the Advisors shall deem appropriate. The Notice of Sale may also be made available through the Thompson Prospectus electronic bidding system.

SECTION 5. That the Financial Advisor and Advisors to the City are hereby authorized to apply to one or more securities rating agencies for a rating relating to the 2005 Series A Bonds, to apply to a bond insurance company for the issuance of a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the 2005 Series A Bonds and to enter into a commitment letter or other contract for such bond insurance if it would result in overall debt service savings on the 2005 Series A Bonds.

SECTION 6. The City shall, and the officers, directors, agents and employees of the City are hereby authorized and directed to, take such further action, and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

SECTION 7. That this Resolution shall be in full force and effect from and after its adoption by the City.

[Remainder of page intentionally left blank]

ADOPTED this _____ day of _____, 2005.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor

The undersigned, the City Clerk in and for the City of Columbia, Missouri hereby certifies that this is a true and exact copy of the Resolution passed by the City Council of the City on _____, 2005, with respect to its Water and Electric System Refunding and Improvement Revenue Bonds, 2005 Series A, as the same appears of record in the council records of said City in my custody.

WITNESS my hand and seal of the City this _____ day of _____, 2005.

(SEAL)

City Clerk

EXHIBIT A

Notice of Sale and Preliminary Official Statement

NOTICE OF BOND SALE

\$30,610,000*

CITY OF COLUMBIA, MISSOURI

**WATER AND ELECTRIC SYSTEM
REFUNDING AND IMPROVEMENT REVENUE BONDS
Series 2005A**

Proposals. Proposals for the purchase of \$30,610,000* principal amount of Water and Electric System Refunding and Improvement Revenue Bonds, Series 2005A (the “Bonds”) herein described, of the City of Columbia, Missouri (the “City”), will be received by the Director of Finance of the City either (i) delivered in person, (ii) electronically via **PARITY** or (iii) sent by telephone at (573) 874-7368 (each as more fully described below), for the purchase of its above described Bonds, Series 2005A at the following time and place:

TIME: Until 11:00 A.M. Central Standard Time
May 2, 2005

PLACE: Offices of the City’s Finance Director
City of Columbia, Missouri
701 East Broadway
Columbia, Missouri 65201

AWARD OF BONDS: Bids will be opened at the above time and place and will be awarded by the city council of the City at a meeting to be held May 2, 2005 at 7 p.m. Unless all bids are rejected, award will be made to the bidder offering the *lowest true interest cost* to the City. After bid opening, the Director of Finance of the City will notify the bidder providing the apparent low bid.

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 TM3 News Service 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 TM3 News Service 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 of Bond Sale (“Notice”), subject to any pre-bid revisions announced via TM3 News Service as provided under the caption “Pre-Bid Revisions” herein.

* Subject to change

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:

Series 2005A BONDS

<u>Due</u> <u>Date</u>	<u>Year</u>	<u>Principal</u> <u>Amount*</u>	<u>Due</u> <u>Date</u>	<u>Year</u>	<u>Principal</u> <u>Amount*</u>
Oct. 1	2006	\$515,000	Oct. 1	2018	2,260,000
Oct. 1	2007	535,000	Oct. 1	2019	2,375,000
Oct. 1	2008	550,000	Oct. 1	2020	2,500,000
Oct. 1	2009	1,580,000	Oct. 1	2021	2,625,000
Oct. 1	2010	1,640,000	Oct. 1	2022	2,755,000
Oct. 1	2011	1,700,000			
Oct. 1	2012	1,765,000			
Oct. 1	2013	1,800,000			
Oct. 1	2014	1,875,000			
Oct. 1	2015	1,945,000			
Oct. 1	2016	2,040,000			
Oct. 1	2017	2,150,000			

Any bidder electing to designate a maturity of term bonds shall specify the current serial bonds by year of maturity which 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. 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 October 1 and April 1 in each year, beginning on October 1, 2005.

Place of Payment. The principal of each Bond will be payable at maturity or upon earlier redemption to the registered owner upon presentation and surrender of such Bond at the principal office of The Bank of New York Trust Company, N.A., (“*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 Paying Agent at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

* Subject to change

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 to furnish to DTC an underwriters' 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.

Optional Redemption. At the option of the City, Bonds or portions thereof maturing on October 1, 2016 and thereafter may be subject to redemption and payment prior to maturity, on October 1, 2015 and thereafter in whole at any time or in part on any interest payment date in any order of maturity selected by the City and by lot in multiples of \$5,000 within a maturity, at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

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: Each bid shall be for all of the Bonds. Each interest rate specified shall be a multiple of 1/8th or 1/20th of 1%, or both. The same interest rate shall apply to all Bonds of the same maturity. **The difference between the highest interest rate specified and the lowest interest rate specified shall not exceed 3.0%.** No supplemental interest payments will be authorized. **No bid shall be for less than [102%] of the principal amount of the Bonds.** Each bid shall specify the total interest cost (expressed in dollars) during the life of the Bonds on the basis of such bid, the premium offered by the bidder, the net interest cost (expressed as a percentage rate) on the basis of such bid. **Solely for purposes of the calculations set forth in the preceding sentence, each bidder shall assume an issuance and dated date for the Bonds of May 17, 2005.** Each bidder agrees that, if it is awarded the Bonds, it will provide to the City the certification as to initial offering price described under the caption "Certification as to Offering Price" in this Notice.

Basis of Award. The Bonds will be awarded to the bidder whose bid will result in the lowest interest cost to the City determined in accordance with the true interest cost method ("**TIC**") of calculation by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds to equal the price bid, excluding interest accrued to the date of delivery. **Solely for purposes of the calculations set forth in the preceding sentence, each bidder shall assume an issuance and dated date for the Bonds of May 17, 2005.** If two or more proper bids providing for identical amounts for the lowest TIC are received, the City shall determine which bid, if any, shall be accepted, and its determination shall be final. The successful bidder shall pay accrued interest, if any, from the date of the Bonds to the date of delivery. The City reserves the right to waive irregularities and to reject any or all proposals.

Pre-Bid Revisions. The City reserves the right to issue a Supplemental Notice of Sale not later than 48 hours prior to the sale date via the TM3 News Service ("**Supplemental**

Notice”). 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.

Post-Bid Revisions. After bids are received on the Sale Date, the City may revise the principal amount and maturities of the Bonds; provided, that the principal amount of Bonds of any maturity shall not be increased or decreased by an amount in excess of 10% and the aggregate issue size shall not be increased or decreased by more than 5%. **THE SUCCESSFUL BIDDER MAY NEITHER WITHDRAW NOR MODIFY ITS PROPOSAL AS A RESULT OF ANY POST-BID REVISIONS TO THE BONDS MADE BY THE CITY PURSUANT TO THIS PARAGRAPH.**

Authority, Purpose and Security. The Bonds are being issued pursuant to the Constitution and laws of the State of Missouri for the purpose of refunding certain outstanding System Revenue Bonds, and pay certain costs of issuance of the Bonds. The Bonds are special limited obligations of the City, payable from the Revenues derived by the City from the operation of the System and certain accounts under the Ordinance, to the extent pledged under the Ordinance. The Bonds do not constitute a general obligation of the City and do not constitute or create an indebtedness, liability or moral obligation of the City within the meaning of any constitutional or statutory provision, limitation or restriction. The City is not obligated to levy taxes or resort to any other moneys of the City to pay the principal of and interest on the Bonds.

Bond Insurance. Financial Security Assurance (the “Bond Insurer”) has issued a bond insurance commitment relating to the Bonds. All bids may be conditioned upon the issuance effective as of the date on which the Bonds are issued, of a policy by the Bond Insurer, insuring the payment when due of principal of and interest on the Bonds, **the premium for which is to be paid by the City.** Each Bond will bear a legend referring to the insurance. The purchaser, holder and owner is not authorized to make any statements concerning the insurance beyond those set out here and in the Bond legend without the approval of the Bond Insurer.

Legal Opinions. The Bonds will be sold subject to the approving legal opinion of Sonnenschein Nath & Rosenthal LLP, St. Louis, 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. 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. The successful bidder will be required to provide the City with the reoffering yields on the Bonds by 12:30 p.m. Central Time on the Sale Date.

Each proposal must either:

i) be submitted via **PARITY** in accordance with this Notice of Sale, until 11:00 a.m. Central Standard Time. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact the Financial Advisor or Dalcomp at 395 Hudson Street, New York, NY 10014, telephone (212) 404-8102; or (ii) be signed and submitted in sealed envelopes addressed to the Finance Director and marked "*Proposal for the Purchase of Bonds - Series 2005A*". Facsimile signatures will not be accepted. If the required Deposit for a proposal is in the form of a cashier's or certified check, such check shall accompany the proposal. If the Deposit is in the form of a Financial Surety Bond, such bond must both be submitted to the City or its Financial Advisor and must identify the bidder(s) whose Deposit is guaranteed by the bond prior to the opening of bids. Proposals may be mailed or delivered in person and must be received by the undersigned at the address given above prior to 11:00 a.m. Central Time, on May 2, 2005. Telephone proposals may be made to (573) 874-7368 prior to such sale time. Bidders who transmit their proposal by telephone must submit a blank signed copy of the official Proposal for the Bonds in the manner set forth above, accompanied by the Deposit in time to be received by the City prior to the sale time, which Proposal must provide the name and telephone number of the authorized representative of the lead manager of each account signed by such representative and must list the members of the account on the back thereof. The signed Proposal will be completed by a representative of the Financial Advisor. The risk of any mistake on a telephone Proposal or a failure to access the telephone number prior to the indicated sale time is solely upon the party making the telephone Proposal and not the City or the Financial Advisor. Any bidder submitting a bid by phone in the manner described above 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.

Bidders wishing to call in a bid should submit the bidding documents together with the good faith deposit to the City's Financial Advisor, on or prior to the date of sale as follows: Laura Radcliff c/o Lori B. Fleming at the City's address given above. If signed bid forms are received as provided above, bids may be called in up to 11:00 A.M., Central Time, on Monday, May 2, 2005, by contacting Laura Radcliff at the City's office (573-874-7368). A bid called in as specified above will constitute a bid received by the City.

Any bidder submitting a bid by phone in the manner described above 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.

A.G. Edwards has received authorization from the City to participate as a syndicate member bidding on the Bonds.

Continuing Disclosure. The City will agree in a Continuing Disclosure Certificate to provide certain annual financial information and notices of certain events to certain national repositories in accordance with SEC Rule 15c2-12, as more particularly described in the Preliminary Official Statement accompanying this Notice under “**CONTINUING DISCLOSURE INFORMATION.**”

Delivery and Payment. The Bonds, properly prepared and executed, will be delivered by the City without cost to the successful bidder on or about May 17, 2005 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. Payment for the Bonds shall be made in federal reserve funds, immediately available for use by the City. 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.

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 in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City.

Good Faith Deposit. A Good Faith Deposit (“*Deposit*”) in the form of a certified or cashier’s check or a Financial Surety Bond in the amount equal to 1% of the par amount of the bonds or \$306,100.00, payable to the order of the City of Columbia, Missouri, is required for each bid to be considered. If a check is used, it must accompany such bid. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Missouri, and such bond must be submitted to the City or its Financial Advisor prior to the opening of the bids. 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 utilizing a Financial Surety Bond, then that bidder (“*Purchaser*”) is required to submit its Deposit to the City or its Financial Advisor in the form of a certified or cashier’s check not later than 3:30 P.M. (Central 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. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the Deposit will be retained by the City.

Submission of Proposals. All proposals other than those submitted via Parity shall be submitted in sealed envelopes addressed to the Director of Finance and marked “Proposal for the Purchase of Water and Electric System Refunding and Improvement Revenue Bonds, Series

2005A”. If the required Deposit for a proposal is in the form of a cashier’s or certified check, such check shall accompany the proposal. If the Deposit is in the form of a Financial Surety Bond, such bond must both be submitted to the City or its Financial Advisor and must identify the bidder(s) whose Deposit is guaranteed by the bond prior to the opening of bids. Proposals may be mailed or delivered in person and must be received by the undersigned at the address given above prior to 11:00 A.M. Central Time, on the Sale Date. Telephone proposals may be made to (573) 874-7368 prior to such sale time. Bidders who transmit their proposal by telephone must submit a blank copy of the official Proposal for the Bonds in the manner set forth above, accompanied by the Deposit in time to be received by the City prior to the sale time, which Proposal must provide the name and telephone number of the authorized representative of the lead manager of each account signed by such representative and must list the members of the account on the back thereof. The signed Proposal will be completed by the Director of Finance or his designee. The risk of any mistake on a telephone Proposal or a failure to access the telephone number prior to the indicated sale time is solely upon the party making the telephone Proposal and neither the City nor the Financial Advisor shall have any responsibility therefor.

Bond Ratings. Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. has assigned their municipal bond rating of “AAA” to the Bonds based on the City’s purchase of a Bond Insurance Policy provided by Financial Security Assurance Inc. (FSA). Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. has assigned their municipal underlying bond rating of “AA-” to the Bonds. **The ratings fees will be paid by the City**

Preliminary Official Statement and Official Statement. The City has prepared a Preliminary Official Statement, copies of which may be obtained from the City’s Financial Advisor or the Director of Finance of the City. 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. Additional copies may be ordered by the successful bidder at its expense.

Additional Information. Additional information regarding the Bonds may be obtained from the City’s Financial Advisor, A.G. Edwards & Sons, Inc., One North Jefferson, St. Louis, Missouri 63103, Attention: Laura Radcliff, (314) 955-4201 or Lori B. Fleming, Director of Finance, 701 East Broadway, Columbia, Missouri 65201 (573) 874-7368.

DATED this 19th day of April, 2005.

CITY OF COLUMBIA, MISSOURI

By: _____
 /s/Lori B. Fleming
 Director of Finance

**PROPOSAL FOR THE PURCHASE OF WATER AND ELECTRIC SYSTEM
IMPROVEMENT REVENUE BONDS OF THE CITY OF COLUMBIA, MISSOURI**

May 2, 2005 (or such later Sale Date established
pursuant to the Notice of Bond Sale)

TO: Ms. Lori B. Fleming
Director of Finance
701 East Broadway
Columbia, Missouri 65201

For \$30,610,000* principal amount of Water and Electric System Refunding and Improvement Revenue Bonds, Series 2005A, 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 May 17, 2005**), as described in your Notice of Bond Sale dated April 19, 2005 said Bonds to mature and bear interest as follows:

<u>Due</u> <u>Date</u>	<u>Year</u>	<u>Principal</u> <u>Amount*</u>	<u>Due</u> <u>Date</u>	<u>Year</u>	<u>Principal</u> <u>Amount*</u>
Oct. 1	2006	\$515,000	Oct. 1	2018	2,260,000
Oct. 1	2007	535,000	Oct. 1	2019	2,375,000
Oct. 1	2008	550,000	Oct. 1	2020	2,500,000
Oct. 1	2009	1,580,000	Oct. 1	2021	2,625,000
Oct. 1	2010	1,640,000	Oct. 1	2022	2,755,000
Oct. 1	2011	1,700,000			
Oct. 1	2012	1,765,000			
Oct. 1	2013	1,800,000			
Oct. 1	2014	1,875,000			
Oct. 1	2015	1,945,000			
Oct. 1	2016	2,040,000			
Oct. 1	2017	2,150,000			

The undersigned will pay a purchase price equal to \$_____ (which is not less than \$31,222,200*), plus accrued interest, if any, to the date of delivery.

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 May 17, 2005)	\$ _____
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	_____ %

As provided in the Notice of Bond Sale, the undersigned hereby designates the following maturities of Bonds, as shown above, as term bonds:

* Preliminary Subject to change

Bonds Maturing in Years

<u>First Year</u>	through	<u>Last Year</u> ^{**}
_____		_____
_____		_____
_____		_____

As provided in the Notice of Bond Sale, the undersigned plans to have the following maturities of the Bonds insured by:

(Name of Insurer)

Maturities to be insured:

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.

^{**} Last year to be maturity for term bonds.

A cashier's or certified check or a Financial Surety Bond in the amount equal to 1% of the par amount of the bonds or \$306,100.00, 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:

ACCEPTANCE

Pursuant to action duly taken by the City Council of the City of Columbia, Missouri, the above proposal is hereby accepted this _____ day of _____, 2005.

CITY OF COLUMBIA, MISSOURI

By: _____

Title:

For completion if this bid is unsuccessful

Return of Good Faith Deposit is hereby acknowledged:

Firm Name: _____

By: _____

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 12, 2005

**NEW ISSUE
Book-Entry Only**

**RATINGS: Financial Security Assurance: Standard & Poor's: AAA
Underlying: Standard & Poor's: AA-
See "Bond Rating" herein**

In the opinion of Bond Counsel, assuming continuing compliance with covenants described under the caption "TAX EXEMPTION" herein, interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is exempt from income taxes imposed by the State of Missouri and Chapter 143 of the Revised Statutes of Missouri, as amended. Also in the opinion of Bond Counsel, interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on corporations and other taxpayers, including individuals. However, interest on the Bonds will be included in adjusted current earnings for purposes of determining federal corporate alternative minimum tax liability. The Bonds are not "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (relating to financial institution deductibility of interest expense). See the section herein captioned "TAX EXEMPTION" and the form of Opinion of Bond Counsel attached hereto as Appendix D.

\$30,610,000*

**City of Columbia, Missouri
Water and Electric System Refunding and Improvement Revenue Bonds
2005 Series A**

Dated: Date of Delivery

Due: April 1 and October 1, as shown on inside cover

The 2005 Series A Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the 2005 Series A Bonds. Purchases of the 2005 Series A Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. Purchasers of the 2005 Series A Bonds ("Beneficial Owners") will not receive certificates representing their interest in the 2005 Series A Bonds. So long as Cede & Co. is the registered owner of the 2005 Series A Bonds as nominee of DTC, references herein to the bondowners or registered owners shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners of the 2005 Series A Bonds. Principal of, redemption premium, if any, and interest on the 2005 Series A Bonds is payable to the registered owners of the 2005 Series A Bonds at the maturity or redemption date thereof upon the surrender thereof at the principal corporate trust office of The Bank of New York Trust Company, N.A., (the "Paying Agent"). See the section entitled "BOOK-ENTRY-ONLY SYSTEM." Interest on the 2005 Series A Bonds will be payable on October 1 and April 1 of each year, beginning on October 1, 2005.

The 2005 Series A Bonds are subject to optional redemption prior to maturity as described under the caption "THE 2005 Series A BONDS – Optional Redemption" herein.

The 2005 Series A Bonds are special limited obligations of the City of Columbia, Missouri (the "City"), payable solely from the Revenues (as defined herein) derived by the City from the operation of its Water and Electric System (the "System") and certain accounts under the Bond Ordinance to the extent pledged under the Bond Ordinance. The 2005 Series A Bonds do not constitute a general obligation of the City and do not constitute or create an indebtedness, liability or moral obligation of the City within the meaning of any constitutional or statutory provision, limitation or restriction. The City is not obligated to levy taxes or resort to any other moneys of the City to pay the principal of and interest on the 2005 Series A Bonds. Neither the faith and credit nor taxing power of the City is pledged to the payment of the 2005 Series A Bonds or the interest thereon.

The Series 2005A Bonds are being issued for the purpose of extending, expanding, improving, repairing, replacing and equipping the City-owned water system. See the section captioned "The PLAN OF FINANCE - The Project." Proceeds of the 2005 Series A Bonds will also be used to refund a portion of the City's 1998 Series A Water & Electric System Revenue Bonds (the "Prior Bonds"). See the section herein captioned "THE PLAN OF FINANCE - The Project."

The scheduled payment of principal of and interest on the 2005 Series A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2005 Series A Bonds by FINANCIAL SECURITY ASSURANCE INC.



This cover page contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to prior placement, withdrawal or modification of the offer without notice and subject to the approval of their validity by Sonnenschein, Nath & Rosenthal, St. Louis, Missouri, Bond Counsel, and subject to certain conditions. It is expected that the 2005 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about _____.



The date of this Official Statement is _____ -

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

<u>Due Date</u>	<u>Year</u>	<u>Principal Amount</u> *	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip</u>
Oct. 1	2006	\$515,000			
Oct. 1	2007	535,000			
Oct. 1	2008	550,000			
Oct. 1	2009	1,580,000			
Oct. 1	2010	1,640,000			
Oct. 1	2011	1,700,000			
Oct. 1	2012	1,765,000			
Oct. 1	2013	1,800,000			
Oct. 1	2014	1,875,000			
Oct. 1	2015	1,945,000			
Oct. 1	2016	2,040,000			
Oct. 1	2017	2,150,000			
Oct. 1	2018	2,260,000			
Oct. 1	2019	2,375,000			
Oct. 1	2020	2,500,000			
Oct. 1	2021	2,625,000			
Oct. 1	2022	2,755,000			

* Preliminary Subject to Change

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

ELECTED OFFICIALS

Darwin Hindman, Mayor
Almeta Crayton, Council Member
Chris Janku, Council Member
Bob Hutton, Council Member
Jim Loveless, Council Member
John John, Council Member
Brian Ash, Council Member

APPOINTED OFFICIALS

Raymond A. Beck, City Manager
Lori B. Fleming, Finance Director
Daniel M. Dasho, P.E., Director of Water and Light Department

CITY COUNSELOR

Fred Boeckmann, Esq.
Columbia, Missouri

BOND COUNSEL

Sonnenschein Nath & Rosenthal LLP
St. Louis, Missouri

FINANCIAL ADVISOR

A.G. Edwards & Sons, Inc.
St. Louis, Missouri

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT 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 2005 SERIES A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE ORDINANCE HAS NOT BEEN QUALIFIED UNDER THE BOND TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 2005 SERIES A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE 2005 SERIES A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2005 SERIES A BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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 2005 Series A 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 2005 Series A 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 thereof.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Exhibit E specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose of the Official Statement	1
The City and the System	1
Purpose of the 2005 Series A Bonds	1
Security and Source of Payment for the 2005 Series A Bonds	2
THE 2005 SERIES A BONDS	2
Authorization for the Bonds	2
Description of the Bonds	3
Optional Redemption	3
Notice of Redemption	3
Registration, Transfer and Exchange	4
Book-Entry Only System	4
SECURITY FOR THE 2005 SERIES A BONDS	6
General	6
Rate Covenant	7
Reserve Account	8
Renewal and Replacement Account	9
Additional Bonds and Refunding Bonds	9
Subordinated Indebtedness	10
BOND INSURANCE	10
Bond Insurance Policy	10
Financial Security Assurance Inc.	10
PLAN OF FINANCE	11
The Project	11
Refunding of the Refunded Bonds	11
Sources and Uses of Funds	11
GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY	13
Location and Size	13
Government and Organization	13
Municipal Services and Utilities	13
Economic Condition and Outlook	13
Major Employers	14
General Demographic Statistics	15
DEBT STRUCTURE OF THE CITY	15
Current Long-Term General Obligation Indebtedness	15
Outstanding Long-Term General Obligation Indebtedness	15
History of General Obligation Indebtedness	16
Overlapping General Obligation Indebtedness	16
Legal Debt Capacity	17
Other Long-Term Obligations of the City	17
FINANCIAL INFORMATION CONCERNING THE CITY	21
Accounting, Budgeting and Auditing Procedures	21
Financial Summary	23
Funding Policy for Police and Fire Pension	24
Annual Pension Cost	25
401(a) Retirement Plan	25
PROPERTY TAX INFORMATION CONCERNING THE CITY	25
Property Valuations	25
Tax Rates	26
Major Property Taxpayers	27

TABLE OF CONTENTS (cont.)

	<u>Page</u>
THE WATER AND ELECTRIC SYSTEM.....	28
Management.....	28
Financial Statements	28
System Maintenance, Expansion and Replacement.....	28
Debt Service Requirements.....	30
Employee Relations	30
Payments to the City	31
Service Area.....	31
Rate Regulation.....	31
Historical and Projected Operating Results	31
THE ELECTRIC UTILITY.....	33
History.....	33
Power Generation Facilities	34
Power Supply Agreements.....	34
Regional Transmission Organization.....	34
Columbia Transmission System.....	35
Electric Distribution System	36
Interconnection Agreements	36
Fuel Supply	36
Power Supply Planning/Future Capital Expenditures.....	36
Electrical Demand and Capacity	37
Electric Customers	37
Ten Largest Electric Customers	38
Electric Rates	39
THE WATER UTILITY.....	41
Production and Distribution Facilities.....	41
Top Ten Water Users	41
Water Rates	42
ENVIRONMENTAL AND REGULATORY MATTERS	43
Air	43
Water.....	43
OTHER MATTERS AFFECTING THE CITY AND THE WATER AND ELECTRIC SYSTEM.....	43
Changes in the Electrical Utility Industry	43
Energy Policy Act of 1992 and Retail Wheeling	45
CONTINUING DISCLOSURE INFORMATION.....	45
LEGAL MATTERS.....	45
Litigation	45
Legal Proceedings	45
TAX EXEMPTION	46
General	46
Original Issue Discount.....	48
Premium	48
MISCELLANEOUS	48
Bond Rating	48
Financial Advisor.....	49
Underwriting	49
Other Matters	49
Additional Information.....	50

- Appendix A: Audited Financial Statements of the City and the Water and Electric System for Fiscal Year Ended September 30, 2004
- Appendix B: Summary of the Ordinance
- Appendix C: Summary of Continuing Disclosure Certificate
- Appendix D: Form of Bond Counsel Opinion
- Appendix E: Specimen Municipal Bond Insurance Policy

(Remainder of Page Intentionally Left Blank)

OFFICIAL STATEMENT

\$30,610,000*

CITY OF COLUMBIA, MISSOURI WATER AND ELECTRIC SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS 2005 SERIES A

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 more complete and detailed information 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. A full review should be made of the entire Official Statement. Summaries of the Ordinance are attached hereto as **APPENDIX B** and do not purport to be comprehensive or definitive. All references herein to the Ordinance are qualified in their entirety by reference to the definitive form of such document, a copy of which may be obtained from A.G. Edwards & Sons, Inc., One North Jefferson, St. Louis, Missouri 63103.

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information concerning the City of Columbia, Missouri (the "City"), the City-owned Water and Electric System (the "System") and the City's \$30,610,000* Water and Electric System Refunding Revenue Bonds, 2005 Series A (the "2005 Series A Bonds" or the "Bonds").

The City and the System

The City is a constitutional charter city organized and existing under the laws of the State of Missouri. See the section herein captioned "THE CITY." The City owns and operates a water and electric utility which is composed of a water system (the "Water Utility") and an electric power and light system (the "Electric Utility") and collectively referred to herein as the "Water and Electric System" or "System." See the sections herein captioned "WATER AND ELECTRIC SYSTEM," "THE ELECTRIC UTILITY," and "THE WATER UTILITY." The Water and Electric System does not include facilities for the generation of power and energy financed by the City through the issuance of obligations of the City which are secured in part by contracts with other utilities for the sale of the power and energy from such utilities. See the section herein captioned "Power Supply Agreements."

Purpose of the 2005 Series A Bonds

The Series 2005 A Bonds are being issued for the purpose of extending, expanding, improving, repairing, replacing and equipping the City-owned water system. See the section

captioned “The PLAN OF FINANCE - The Project.” Proceeds of the 2005 Series A Bonds will also be used to refund a portion of the City’s 1998 Series A Water & Electric System Revenue Bonds (the “Prior Bonds”). See the section herein captioned “THE PLAN OF FINANCE - The Project.”

Security and Source of Payment for the 2005 Series A Bonds

The 2005 Series A Bonds are special limited obligations of the City payable solely from and secured by a pledge of the Revenues (as defined herein) of the Water and Electric System and certain accounts under the Ordinance to the extent pledged under the Ordinance.

The 2005 Series A Bonds do not constitute a general obligation of the City and do not constitute an indebtedness, liability or moral obligation of the City within the meaning of any constitutional or statutory provision, limitation or restriction. The City is not obligated to levy taxes or resort to any other moneys of the City to pay the principal or interest on the 2005 Series A Bonds. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the 2005 Series A Bonds or the interest thereon.

THE 2005 SERIES A BONDS

Authorization for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, the City’s home rule charter, and the Ordinance, adopted by the City on August 1, 1985, as amended (the “Original Ordinance”), which created and established an issue of bonds of the City designated as “Water and Electric System Revenue Bonds” and Ordinance No. _____ adopted on April __, 2005 (the “2005 Ordinance” and collectively with the Original Ordinance, the “Ordinance”). The Bonds are being issued for the purpose of extending, expanding, improving, repairing, replacing and equipping the City-owned waterworks system. On August 4, 1992, the City issued and delivered \$34,140,000 principal amount of Water and Electric System Refunding and Improvement Revenue Bonds, Series 1992 (the “1992 Series A Bonds”), pursuant to the Original Ordinance and Ordinance No. 13375 adopted on July 20, 1992 (the “1992 Bond Ordinance”). On March 17, 1998, the City issued and delivered \$28,295,000 aggregate principal amount of Water and Electric System Refunding and Improvement Bonds, 1998 Series A (the “1998 Series A Bonds”), pursuant to the Original Ordinance and Ordinance No. 015543 adopted March 2, 1998 (the “1998 Bond Ordinance”). On February 4, 2002, the City issued and delivered \$16,490,000 principal amount of Water and Electric System Revenue Bonds, 2002 Series A (the “2002 Series A Bonds”), pursuant to the Original Ordinance and Ordinance No. 017170 adopted on February 4, 2002 (the “2002 Bond Ordinance”). On February 27, 2003, the City issued and delivered \$8,950,000 principal amount of Water and Electric System Revenue Refunding Bonds, 2003 Series A (the “2003 Series A Bonds”), pursuant to Ordinance No. 17571 adopted on February 3, 2003 (the “2003 Bond Ordinance”). On March 30, 2004, the City issued and delivered \$17,095,000 principal amount of Water and Electric System Revenue Improvement Bonds, 2004 Series A (the “2004 Series A Bonds”), pursuant to Ordinance No. 018028 adopted on March 15, 2004 (the “2004 Bond Ordinance”).

Description of the Bonds

The Bonds will be issued in the principal amount of \$30,610,000*, will be dated as of the date of delivery, and will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, numbered from R-1 consecutively upward. The Bonds will mature on April 1 and October 1 in the years and in the principal amounts set forth on the 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 October 1, 2005 (each, an "Interest Payment Date"). Principal will be payable at the principal corporate trust office of The Bank of New York Trust Company, N.A. (the "Paying Agent"). Interest shall be paid to the person appearing as the registered owner thereof at the close of business on the Record Date for such interest by check or draft mailed by the Paying Agent to the Registered Owner at the address shown on the registration books kept by the Paying Agent or at such other address as is furnished to the Paying Agent in writing by such Registered Owner.

Bond Insurance

The scheduled payment of principal of and interest on the Refunding and Improvement Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Refunding and Improvement Bonds by Financial Security Assurance, Inc. ("Financial Security"). It is a condition to delivery of the Refunding and Improvement Bonds that the required premium relating to its policy has been paid and that such policy be in full force and effect.

Financial Security Assurance has furnished the information relating to Financial Security Assurance and its policy insuring the Refunding and Improvement Bonds contained herein under the caption "BOND INSURANCE" and in Appendix E. No representation is made herein by the City or the Underwriter as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The City has not made any independent investigation of Financial Security Assurance or its policy, and reference should be made to the information set forth below and in Appendix E for a description thereof. See "BOND INSURANCE" herein.

Optional Redemption

At the option of the City, the 2005 Series A Bonds or portions thereof maturing on October 1, 2016 and thereafter may be called for redemption and payment prior to their stated maturity on October 1, 2015 and thereafter, in whole at any time or in part on any Interest Payment Date in any order of maturity selected by the City and by lot in multiples of \$5,000 within a maturity, at the redemption price equal to the principal amount thereof, plus accrued interest thereon to the date of redemption (the "Redemption Date").

Notice of Redemption

In the event of any such redemption, the Paying Agent will give written notice of the City's intention to redeem and pay said 2005 Series A Bonds or any of them by first class mail to the registered owner of each 2005 Series A Bond to be redeemed at the address shown on the Bond Register. Each of said notices are to be mailed at least 30 days but not more than 60 days prior to the redemption date.

Registration, Transfer and Exchange

The Paying Agent will maintain a Bond Register for the registration, transfer and exchange of the Bonds. Bonds may be transferred or exchanged only on the Bond Register maintained by the Paying Agent upon compliance with the terms, conditions and limitations set forth in the 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.

Book-Entry Only System

General. Ownership interest in the Bonds will be available to purchasers only through a book-entry-only system (the **“Book-Entry-Only System”**) maintained by The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Initially, the Bonds will be issued as one fully-registered Bond for each maturity specified on the cover hereof, registered in the Bond Register of the City kept by the Paying Agent in the name of Cede & Co. (DTC’s partnership nominee). 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 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, as amended. DTC holds and provides assets and servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that its 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, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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 Standard and Poor’s highest rating: AAA. The DTC Rules applicable to its Direct 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 (the

“Beneficial Owner”) is in turn to be recorded on the Direct Participants’ 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 Bonds with DTC and their registration in the name of Cede & Co. or other DTC 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 communication 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. Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue 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 and Interest. Principal and interest payments on the Bonds and redemption proceeds 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 payable date in accordance with their respective holdings shown on DTC’s records. Payments by Direct 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 Direct Participant and not of DTC, the Paying Agent or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 Participants 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, Bonds are required to be printed and delivered.

The City may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds are to be printed and delivered.

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 DTC Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with Direct Participants or Indirect Participants, as the case may be.

Neither the City, the Underwriter or the Paying Agent will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Ordinance to be given to Bondholders; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

SECURITY FOR THE 2005 SERIES A BONDS

General

The 2005 Series A Bonds are special limited obligations of the City payable solely from and secured by a pledge of the revenues, income and rents accrued by the City from the ownership and operation of the Water and Electric System and the proceeds of any insurance covering business interruption loss relating to the Water and Electric System, including interest received on any moneys or securities held pursuant to the Ordinance and paid into the Water and Electric Account (the "Revenues") of the Water and Electric System and certain accounts under the Ordinance to the extent pledged under the Ordinance.

The 2005 Series A Bonds will be on a parity with the City's outstanding \$17,095,000 principal amount of Water and Electric System Revenue Improvement Bonds, 2004 Series A (the "2004 Series A Bonds"), \$8,850,000 principal amount of Water and Electric System Refunding Bonds, 2003A Series (the "2003A Series Bonds"), \$15,760,000 principal amount of Water and Electric System Revenue Bonds, 2002A Series (the "2002A Series Bonds"), \$27,950,000 principal amount of Water and Electric System Refunding and Improvement Revenue Bonds, 1998A Series (the "1998 Series A Bonds"), and \$3,690,000 principal amount of Water and Electric System Refunding and Improvement Revenue Bonds, 1992 Series A (the "1992 Series A Bonds," and collectively with the 2003A Series Bonds, the 2002A Series Bonds, and the 1998 Series A Bonds, the "Outstanding Parity Bonds"). The

payment of the principal of, premium, if any, and interest on the Bonds is secured by a pledge of (i) the Revenues and (ii) certain accounts established in the Ordinance, subject only to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The 2005 Series A Bonds, the Outstanding Parity Bonds, together with such Additional Bonds and Refunding Bonds as may be issued on a parity with such Bonds under the Ordinance are and will be equally and ratably secured by such pledge. See the subsection of this section entitled “Additional Bonds and Refunding Bonds.”

The Bonds do not constitute a general obligation of the City and do not constitute an indebtedness, liability or moral obligation of the City within the meaning of any constitutional or statutory provision, limitation or restriction. The City is not obligated to levy taxes or resort to any other moneys of the City to pay the principal of an interest on the Bonds. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the Bonds or the interest thereon.

Rate Covenant

The City has covenanted in the Ordinance to charge and collect rates, fees and other charges for the sale of electric power and energy, water and other services, facilities and commodities of the System as shall be required to provide revenues and income (including investment income) at least sufficient in each Fiscal Year for the payment of the sum of:

- (a) will equal at least 110% of the Debt Service Requirement on all Parity Bonds then Outstanding for the year of computation and 100% of the Debt Service Requirement on all Subordinate Bonds then Outstanding for the year of computation;
- (b) will enable the City to make all required payments, if any, into the Reserve Account, the Renewal and Replacement Account, and the Rebate Fund and to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider;
- (c) will remedy all deficiencies in required payments into any of the funds and accounts established under the Bond Ordinance from prior Fiscal Years; and
- (d) will enable the City to pay and discharge all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

The collection of revenues and income (including investment income) in any Fiscal Year in an amount in excess of the aggregate payments specified above for such Fiscal Year shall not be taken into account as a credit against such aggregate payments for any subsequent Fiscal Year or years.

The City shall review its financial condition in accordance with the provisions of the Charter of the City for the purpose of estimating whether the Revenues and income (including investment income) from the operation of the System will be sufficient to provide all of the payments and meet all other requirements as specified in the Ordinance. If as a result of such review the City determines that such Revenues and income may not be sufficient to provide such payments and meet such other requirements, it shall forthwith make a study for the purpose of making a schedule of rates, fees and charges for the System which will cause sufficient Revenues and income to be collected in the following Fiscal Year

to provide funds for all the payments and other requirements as specified in the Ordinance for such following Fiscal Year and will cause additional revenues and income to be collected in such following and later Fiscal Years sufficient to restore the amount of such deficiency at the earliest practicable time. If, in any Fiscal Year, the revenues and income collected shall not have been sufficient to provide all of the payments and meet all other requirements as specified in the Ordinance, the City shall as promptly as permitted by law establish and place in effect a schedule of rates, fees and charges which will cause sufficient revenues and income to be collected. The failure in any Fiscal Year to comply with the rate covenant in the preceding paragraph shall not constitute an Event of Default under the Ordinance, if the City shall comply with the provisions of this paragraph.

The City will not furnish or supply power, energy, water or any other service or commodity free of charge to any person, firm or corporation, public or private, and the City will promptly enforce the payment of any and all accounts owing to the City by reason of the ownership and operation of the System, to the extent dictated by sound business practice.

Reserve Account

The Original Ordinance establishes a Water and Electric Reserve Account (the "Reserve Account"). The Original Ordinance established the Debt Service Reserve Requirement, which is defined as the maximum Aggregate Debt Service (as defined in the Original Ordinance) for the current or any future Fiscal year on the Bonds, the 1998 Series A Bonds, the 2002 Series A Bonds, the 2003 Series A Bonds (collectively the "Outstanding Parity Bonds"), and any Additional Bonds issued under the Ordinance.

At the time of the issuance of the 2005 Series A Bonds, the Reserve Account will consist of a 1998 Series A Subaccount, a 2002 Series A Subaccount, a 2003 Series A Subaccount, and a 2004 Series A Subaccount (collectively the "Outstanding Parity Bond Reserve"). The total amount in these subaccounts is \$4,927,638. The 2005 Ordinance creates a subaccount (the "2005 Bond Reserve Account") which will be funded from funds of the System at the time of issuance and delivery of the 2005 Series A Bonds in the amount of \$_____. The 2005 Ordinance creates a subaccount (the "2005 A Bond Reserve Account") which will be funded from proceeds of the 2005 Series A Bonds in the amount of \$_____, which is the maximum annual debt service on the 2005 Series A Bonds.

So long as any of the Outstanding Parity Bonds remain Outstanding and unpaid, the total funds on deposit in the various subaccounts in the Outstanding Parity Bond Reserve, the 2005 Series A Bond Reserve Account, and any reserve account established to secure any Additional Bonds that are hereafter issued, shall aggregate the maximum cumulative debt service payable in any Fiscal Year on the Outstanding Parity Bonds, the 2005 Series A Bonds and any such Additional Bonds that are hereafter issued.

The reserve requirement for the 2005 Series A Bonds shall be determined at the beginning of each Fiscal Year and shall be the maximum Debt Service Requirement payable on the 2005 Series A Bonds during such Fiscal Year or any subsequent Fiscal Year. Except as otherwise provided in the Original Ordinance, amounts held in the 2005 A Bond Reserve Account shall be applied only to the payment of the principal of, premium, if any, or interest on the 2005 Series A Bonds.

The Reserve Requirement for any Additional Bonds shall be determined at the time

of issuance of such Bonds and shall be established in the Approving Ordinance for such Bonds. ***“Reserve Requirement”*** means an amount established from time to time by the City in an Approving Ordinance related to an issuance of a series of Parity Bonds as a reasonable reserve for the payment of principal of and interest on Parity Bonds. Initially, this amount shall be the maximum annual Debt Service Requirement with respect to Parity Bonds in the then current or any succeeding Fiscal Year. The City may in its sole discretion change, reduce or increase this amount from time to time by Supplemental Ordinance or Approving Ordinance in connection with the issuance of a series of Additional Bonds, but in no event may the City reduce this amount below the greater of (i) the maximum annual Debt Service Requirement with respect to such series of Parity Bonds in the then current or any succeeding Fiscal Year, or (ii) 50% of the average annual Debt Service Requirement with respect to such series of Parity Bonds in the then current or any succeeding Fiscal Year, unless each Rating Agency with an outstanding rating on the Bonds indicates in writing to the City that such reduction will not, by itself, result in a reduction or withdrawal of its current Rating on the Bonds. Except as otherwise provided in the Original Ordinance, amounts held in the Reserve Account established in connection with a series of Additional Bonds shall be applied only to the payment of the principal of, premium, if any, or interest on such series of Additional Bonds.

The City may provide, in lieu of any amounts required to be on deposit in the 2005 A Bond Reserve Account or a Reserve Account established in connection with a Series of Additional Bond hereafter issued, a bond insurance policy in favor of the Trustee issued by an insurance company rated AAA or its equivalent by one of the Rating Agencies and sufficient, in the opinion of the Trustee, to provide to the Bondowners the amounts which would otherwise have been on deposit in such Reserve Account at the times the Bondowners would have otherwise received such amounts.

Renewal and Replacement Account

The Original Ordinance requires that the City establish a Renewal and Replacement Account in the amount of \$1,500,000, which is presently on deposit in said Account. So long as any of the Outstanding Parity Bonds remain Outstanding, the City is required to maintain the Renewal and Replacement Account at all times so that the amount of monies and the value of all investments on deposit therein, determined each year at the end of the City’s Fiscal Year, at the lower of cost or market value, as provided in the Ordinance, is at least equal to \$1,500,000 and thereafter shall be the amount determined by the City as reasonably necessary for such purposes (the “Renewal and Replacement Requirement”) See APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE under the heading “APPLICATION OF REVENUES.”

Additional Bonds and Refunding Bonds

The City reserves the right to issue Additional Bonds, including commercial paper and variable rate debt obligations, from time to time payable from the Revenues of the Water and Electric System and ranking on a parity with the 2005 Series A Bonds and any Additional Bonds and Refunding Bonds theretofore issued if there exists no default in the performance of any of the provisions of the Ordinance; and either

- (a) Revenues Available for Debt Service, as adjusted to reflect changes in rates which may have gone into effect, for any consecutive 12 calendar months out

of the 24 calendar months next preceding the date of issuance of the Additional Bonds were equal to at least 125% of the maximum total Debt Service for any succeeding Fiscal Year on all Bonds which will be outstanding immediately after the issuance of such Additional Bonds; or

- (b) the estimated Revenues Available for Debt Service, including an adjustment to reflect certain future changes in water and electric rates, in the Fiscal Year immediately following the year in which any project constructed with the proceeds of such Additional Bonds is to be in commercial operation, will be equal to at least 125% of the maximum total Debt Service for any succeeding Fiscal Year on all Bonds which will be outstanding immediately after the issuance of such Additional Bonds.

Additional Bonds shall not be subject to the requirement of (a) or (b) above if such Additional Bonds are being issued because it is necessary, in the opinion of the Consulting Engineer, to repair any damage or loss to the System if the System has been destroyed or damaged by disaster to such an extent that it cannot be operated if such repair is necessary to keep the System in good operating condition after such damage or loss.

Refunding Bonds may be issued in accordance with the Ordinance without regard to the requirements of (a) or (b) above. See **APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE** under the heading “**ADDITIONAL BONDS.**”

Subordinated Indebtedness

The City reserves the right to issue subordinated bonds or other obligations, including commercial paper and variable rate debt obligations, payable from the Revenues of the Water and Electric System subject to the prior lien on the Revenues for payment of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the 2005 Series A Bonds (the “Bonds”), Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European

countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,280,883,000 and its total unearned premium reserve was approximately \$1,649,230,000 in accordance with statutory accounting principles. At December 31, 2004, Financial Security's total shareholder's equity was approximately \$2,699,786,000 and its total net unearned premium reserve was approximately \$1,342,057,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

PLAN OF FINANCE

The Project

The proceeds of the 2005 Series A bonds are being issued and will be applied together with other available funds of the City for the purpose of extending, expanding, improving, repairing, replacing and equipping the City-owned water system.

The Refunding Plan

The proceeds of the 2005 Series A Bonds are being issued and will be applied together with other available funds of the City to advance refund a portion of the 1998 Series A Bonds (the "Prior Bonds"), to fund a debt service Reserve Account, and to pay costs of issuance.

Sources and Uses of Funds

The proceeds of the 2005 Series A Bonds and the sources and uses of funds are estimated to be applied as follows:

Estimated Sources of Funds

Par Amount of the Bonds	\$
Plus Premium	
Plus Accrued Interest	
[Contribution from funds on deposit in 1998 Series A Reserve and Bond Subaccounts]	
Debt Service Reserve fund	

Estimated Uses of Funds

Deposit to Construction Account	
Deposit to Escrow Account	
Deposit to 2005 A Bond Reserve Account	
Costs of Issuance*	
Underwriter's Discount	
Bond Insurance	
Total Uses	\$

* Includes legal fees, paying agent fees, and other costs and expenses related to the issuance of the Bonds.

(Remainder of Page Intentionally Left Blank)

GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY

Location and Size

The City is located in Boone County, Missouri, in the central portion of the State of Missouri, approximately 125 miles east of Kansas City. The City encompasses approximately 56 square miles and has a current estimated population of 90,066 persons.

Government and Organization

The City is a Constitutional Home Rule Charter city and was incorporated in 1892 pursuant to the laws of the State of Missouri. The City is governed by 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 and City Council appoint the City Manager and City Clerk. The City Council makes policy and legislative decisions. The City Manager makes executive decisions and is responsible for carrying out the policies set forth by the City Council. The City has a total of 1,168.30 regular employees.

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 and joint communications, 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, railroad and recreation services; some of which receive operating subsidies from the General Fund. Internal service operations consist of custodial and maintenance service, utility customer services, information services, public communications and fleet operations. These operations provide services to all City departments and assess charges to departments based upon usage in amounts sufficient to cover costs of operation.

Economic Condition and Outlook

The City's central location serves as a crossroad for travelers going east and west on Interstate 70 and north and south on U.S. 63. The City has excellent transportation resources, being serviced by 14 motor carriers, Columbia Regional Airport, Columbia Terminal Railroad, Columbia Area Transit System and one intrastate bus system.

The City is the location of the main campuses of the University of Missouri, Columbia College, and Stephens College. Approximately 35,000 students attend these institutions of higher education during the regular school year. In addition to higher education, the City is also a regional medical center with six hospitals. Insurance is a major business operation in the City with home offices of Shelter Insurance Companies, the Columbia Insurance Group, and a regional office of State Farm Insurance Company. The

City is a regional shopping area for central Missouri with 16 shopping centers. Other industries consist of printing, structural metal fabrication, structural materials production, electric products, auto parts and food processing.

All of these activities have given the City a very stable employment base. Public education (including the University) and government comprise over 26% of non farm employment and are four of the top ten employers in the area. Service industries provide approximately 32% of non-farm employment with the medical industry comprising three of the top 10 employers. The unemployment rate in the City has been well below the national, averaging approximately 2.36% in 2004.

Major Employers

<u>Major Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1. University of Missouri-Columbia	Education	13,950
2. University of Missouri Hospital and Clinics	Medical/Education	5,501
3. Columbia Public Schools	Education	3,000
4. Boone Hospital Center	Medical	2,039
5. City of Columbia	Government	1,168
6. MBS Textbook Exchange	Distribution	1,046
7. State of Missouri (excludes UMC)	Education	1,044
8. Shelter Insurance	Insurance	1,016
9. Hubbell/Chance	Manufacturing	859
10. Harry S. Truman Veteran's Hospital	Medical	858

Source: www.columbiaredi.com

The following table sets forth employment figures for Boone County:

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
1997	84,002	82,745	1,257	1.5%
1998	82,890	81,640	1,250	1.5%
1999	82,119	81,116	1,003	1.2%
2000	84,510	83,471	1,039	1.2%
2001	87,354	85,797	1,557	1.8%
2002	87,232	85,678	1,554	1.8%
2003	89,183	87,137	2,046	2.3%
2004	88,880	86,580	2,220	2.5%
2005	91,300	87,400	3,900	4.3%

Source: <http://works.state.mo.us>

General Demographic Statistics

The following table sets forth statistical information for the City of Columbia and Boone County for the end of the last 5 fiscal years:

<u>Year</u>	<u>Columbia Population</u>	<u>Columbia Median Age</u>	<u>Boone County Per Capita Personal Income</u>	<u>Columbia Household Buying Income</u>
1998	80,642	29.9	\$25,094	\$28,038
1999	82,658	29.4	\$25,623	\$32,605
2000	84,531	30.0	\$26,851	\$34,435
2001	86,391	29.9	\$27,657	\$35,724
2002	88,291	29.9	\$28,486	\$36,650
2003	89,174	29.5	\$29,391	\$34,476
2004	90,066	35.2	\$30,336	\$30,778

Sources: City of Columbia, Missouri FY 2004 Comprehensive Annual Financial Report
City of Columbia, Missouri Finance Department
Bureau of Economic Analysis (www.bea.doc.gov)

DEBT STRUCTURE OF THE CITY

Current Long-Term General Obligation Indebtedness

The following table sets forth as of March 1, 2005, all of the outstanding general obligation indebtedness of the City:

Outstanding Long-Term General Obligation Indebtedness

No outstanding general obligation debt.

(Remainder of Page Intentionally Left Blank)

History of General Obligation Indebtedness

The following table sets forth debt information pertaining to the City as of the end of each the last ten fiscal years:

Fiscal Year Ended 9/30	Estimated Population	Assessed Value ^(a)	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	73,078	607,730,650	20,105,000	8,307,568	11,797,432	1.94%	161.44
1996	75,561	639,932,639	27,540,000	7,986,841	19,553,159	3.06%	258.77
1997	76,316	697,091,033 ^(b)	22,580,000	7,843,602	14,736,398	2.11%	193.10
1998	77,079	827,671,019 ^(b)	16,865,000	8,518,540	8,346,460	1.01%	108.28
1999	79,082	870,153,771 ^(b)	7,620,000	6,739,832	880,168	0.10%	11.13
2000	79,873	910,755,127 ^(b)	5,035,000	6,490,267	(1,455,267)	(0.16)%	(18.22)
2001	86,391	948,632,001 ^(b)	2,125,000	2,574,573	(449,573)	(0.05)%	(5.20)
2002	88,291	1,020,341,889 ^(b)	700,000	1,190,238	(490,238)	(0.05)%	(5.55)
2003	89,174	1,168,059,364 ^(b)	0	484,393	0	0.00%	0.00
2004	90,066	1,115,649,375	00	493,497	0	0.00%	0.00

(a) Real and personal property.

(b) Includes State Assessed.

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, 2003 and the percent attributable (on the basis of assessed valuation) to the City:

Jurisdiction	Bond Issues Outstanding	Amount Available Debt Service Funds	Net Debt Outstanding	Percentage Applicable to City of Columbia	Amount Applicable to City of Columbia
City of Columbia	\$ 0	\$ 0	\$ 0	100.0%	\$ 0
Columbia School District	152,720,000	31,063,269	121,656,731	79.5%	96,717,101
Boone County	<u>785,000</u>	<u>240,986</u>	<u>544,014</u>	69.4%	<u>377,546</u>
Totals	<u>\$153,505,000</u>	<u>\$31,304,255</u>	<u>\$122,200,745</u>		<u>\$97,094,647</u>

Legal Debt Capacity

Under Article VI, Section 26(b) 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. The current legal debt limit of the City is \$231,727,857. The current total outstanding applicable indebtedness for the City is \$0 which leaves a legal debt margin of \$231,727,857.

Other Long-Term Obligations of the City

Revenue Bonds. The City had the following outstanding revenue bonds payable solely from the revenues of the applicable systems, as of September 1, 2004:

	<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>
REVENUE BONDS:						
1992 Water & Electric System Revenue Bonds	2.75 – 5.70%	07/01/92	20	10/01/12	34,140,000	7,185,000
1998 Water & Electric System Revenue Bonds	3.75 – 6.00%	03/01/98	25	10/01/22	28,295,000	28,010,000
2002 Water & Electric System Revenue Bonds	3.00 – 6.00%	02/01/02	25	10/01/26	16,490,000	16,025,000
2003 Water & Electric System Refunding Bonds	2.00 – 4.00%	02/15/03	13	12/01/15	8,950,000	8,900,000
2004 Water & Electric System Refunding Bonds	2.00 – 4.25%	03/15/04	25	10/01/28	17,095,000	17,095,000
1979 Sanitary Sewerage System Revenue Bonds	5.00 – 7.00%	08/01/79	20	10/01/04	3,500,000	285,000
1992 Sanitary Sewerage System Bonds Series B	4.25 – 6.55%	06/01/92	20	01/01/13	870,000	520,000
1999 Sanitary Sewerage System Revenue Bonds Series A	3.625 – 5.250%	06/01/99	20	01/01/20	3,730,000	3,075,000
1999 Sanitary Sewerage System Revenue Bonds Series B	4.125 – 6.000%	12/01/99	20	07/01/20	1,420,000	1,175,000
2000 Sanitary Sewerage System Revenue Bonds Series B	4.350 – 5.625%	11/01/00	20	07/01/21	2,445,000	2,130,000

	<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>
REVENUE BONDS: (continued)						
2002 Sanitary Sewerage System Revenue Bonds	3.000 – 5.375%	05/08/02	24	01/01/26	2,230,000	2,130,000
2002 Sanitary Sewerage System Refunding Bonds	2.000 – 3.750%	09/01/02	15	10/01/17	7,940,000	7,755,000
2003 Sanitary Sewerage System Revenue Bonds	2.00 – 5.25%	04/09/03	20	01/01/24	3,620,000	3,620,000
2004 Sanitary Sewerage System Revenue Bonds	2.00 – 5.25%	05/28/04	20	01/01/25	650,000	650,000
1995 Parking System Revenue Bonds	3.80 – 6.00%	09/15/95	25	10/01/20	3,400,000	2,780,000
Total Revenue Bonds						\$101,335,000

Special Obligation Bonds: The City has the following outstanding special obligation bonds (payable from annually appropriated funds):

<u>Name of Bonds</u>	<u>FY 2004 Payment</u> [†]	<u>FY 200 Payment</u>
Special Obligation Refunding and Capital Improvement Bonds September, 1996	972,550	971,663
Special Obligation Capital Improvement Bonds, Series 2001A November, 2001	212,689	208,856
Special Obligation Capital Improvement Bonds, Series 2001B November, 2001	366,007	364,346

[†] Current Fiscal Year, 10/01/03 - 09/30/04

Fiscal Year Ended 9/30	SPECIAL OBLIGATION BONDS 2001			SPECIAL OBLIGATION BONDS 1996	
	Principal	Interest Due	Principal and Interest	Principal	Interest Due
2005	290,000	283,203	573,203	525,000	446,663
2006	300,000	272,360	572,360	550,000	418,975
2007	310,000	260,998	570,998	580,000	389,450
2008	315,000	249,278	564,278	610,000	357,907
2009	330,000	237,185	567,185	645,000	324,014
2010	340,000	224,537	564,537	680,000	288,248
2011	355,000	211,244	566,244	715,000	250,753
2012	370,000	197,010	567,010	755,000	210,874
2013	380,000	181,725	561,725	795,000	168,438
2014	395,000	165,348	560,348	840,000	123,475
2015	420,000	147,615	567,615	885,000	76,037
2016	435,000	128,588	563,588	940,000	25,850
2017	455,000	108,335	563,335	0	0
2018-2021	<u>2,070,000</u>	<u>202,940</u>	<u>2,272,940</u>	<u>0</u>	<u>0</u>
Total	<u>\$6,765,000</u>	<u>\$2,870,366</u>	<u>\$9,635,366</u>	<u>\$8,520,000</u>	<u>\$3,080,684</u>

Other Lease Obligations. The City has entered into the following lease purchase agreements:

Description and Date of Lease Purchase Agreement	Original Principal Amount	FY04 Payment	FY05 Payment
Certificates of Participation, Series 2001A*	\$16,990,000	\$3,371,702	\$3,464,402
Certificates of Participation, Series 2001	\$ 7,000,000	\$ 418,250	\$ 418,250

*Under GASB regulations the City lists this issue under "Special Obligations" in its CAFR.

(Remainder of Page Intentionally Left Blank)

**CERTIFICATES OF
PARTICIPATION 2001**

**CERTIFICATES OF
PARTICIPATION 2001A**

Fiscal Year Ended 9/30	Principal and Interest			Principal and Interest			Total Principal and Interest
	Principal	Interest Due	Interest	Principal	Interest Due	Interest	
2004	\$0	\$418,250	\$418,250	\$2,950,000	\$421,702	\$3,371,702	\$3,789,952
2005	0	418,250	418,250	3,165,000	299,402	3,464,402	3,882,652
2006	0	418,250	418,250	3,405,000	168,002	3,573,002	3,991,252
2007	7,000,000	209,125	7,209,125	100,000	97,902	197,902	7,407,027
2008	0	0	0	105,000	93,737	198,737	198,737
2009	0	0	0	110,000	89,234	199,234	199,234
2010	0	0	0	115,000	84,381	199,381	199,381
2011	0	0	0	120,000	79,165	199,165	199,165
2012	0	0	0	125,000	73,590	198,590	198,590
2013	0	0	0	130,000	67,660	197,660	197,660
2014	0	0	0	135,000	61,365	196,365	196,365
2015	0	0	0	140,000	54,625	194,625	194,625
2016	0	0	0	150,000	47,375	197,375	197,375
2017	0	0	0	155,000	39,750	194,750	194,750
2018	0	0	0	160,000	31,775	191,775	191,775
	\$7,000,000	\$1,463,875	\$8,463,875	\$11,065,000	\$1,709,665	\$12,774,665	\$21,821,078

The following is a schedule of the present value of net minimum lease payments for all of the City's capitalized leases as of _____:

<u>Year Ending September 30:</u>	<u>Net Minimum Lease Payments</u>
2005	418,250
2006	418,250
2007	<u>7,209,125</u>
Total Minimum Lease Payments	8,045,625
Less Amount Representing Interest	<u>(1,045,625)</u>
Present Value of Net Minimum Lease Payments	<u>\$7,000,000</u>

Source: City of Columbia, Missouri General Purpose Financial Statements September 30, 2004

(Remainder of Page Intentionally Left Blank)

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

Governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they become both available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred except that in the Debt Service Funds interest and principal on general long-term debt is recognized when due, or when payments are due early in the next fiscal year, debt service expenditures are recognized before year end to match the resources provided for these payments.

Proprietary fund revenues and expenses are recognized on the accrual basis. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred.

Fiduciary fund revenues and expenses or expenditures (as appropriate) are recognized on the basis consistent with the fund's accounting measurement objective. The Pension Trust Funds and Nonexpendable Trust Funds are accounted for on the accrual basis; Expendable Trust Funds and Agency Funds are accounted for on the modified accrual basis.

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 and 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 City 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 KPMG, LLP. Copies of past audit reports are on file in the City Clerk's office and are available for review.

(Remainder of Page Intentionally Left Blank)

Sources of Revenue. The City finances its general operations through the following tax and other miscellaneous sources as indicated below for the fiscal years ending September 30, 2004:

<u>Source</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Property Taxes	\$ 7,979,408	\$ 8,340,896	\$ 8,417,968
Sales Tax	30,725,843	31,612,249	33,549,370
Other Local Taxes	8,425,476	9,063,234	9,534,286
Licenses and Permits	651,697	692,256	696,271
Fines	1,489,192	1,597,787	1,586,050
Fees and Service Charges	1,840,341	2,359,639	2,503,391
Intragovernmental Revenues	10,042,397	10,539,788	3,052,749
Revenues from other Governmental Units	4,768,132	*5,716,475	7,089,845
Investment Revenue	1,596,913	506,219	1,907,040
Miscellaneous Revenue	763,491	754,358	1,320,073
Operating Transfers from other Funds	8,800,299	8,828,243	8,391,920
Proceeds of Certificates of Participation	-	-	-
Sale of Land	-	-	-
Totals	<u>\$77,083,189</u>	<u>\$80,011,144</u>	<u>\$74,316,831</u>

Source: City of Columbia, Missouri General Purpose Financial Statements, September 30, 2004.

* Does not include Capital Projects

The tax revenues of the City are derived from a 1-cent general sales tax, a 1/2-cent transportation sales tax, a 1/4-cent capital improvement sales tax and the more recently approved 1/4-cent Local Park Sales Tax. Revenue is also received from fees for water, electric and sewer services.

Sales Tax Revenue

<u>Fiscal Year</u> <u>Ended 9/30</u>	<u>General</u>	<u>Transportation</u>	<u>Capital</u> <u>Improvements*</u>	<u>Local Park</u>
2004	\$17,060,446	\$8,250,896	\$4,125,150	\$4,112,878
2003	16,081,404	7,766,227	3,882,994	3,881,624
2002	15,586,200	7,564,715	3,782,338	3,792,589
2001	15,059,138	7,302,019	3,668,881	1,514,644
2000	14,571,290	7,101,643	3,541,674	
1999	14,022,185	6,820,868	3,398,956	
1998	13,396,717	6,510,351	3,245,059	
1997	12,695,366	6,170,962	3,074,073	

* Capital Improvement sales tax was extended for a five-year period by voters in November 1999.

Summary of Receipts, Expenditures and Fund Balances. The following table sets forth a summary of revenues and expenditures for the last 5 fiscal years:

Financial Summary (Fiscal Years Ended 9/30, 2000-04)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Budgeted Revenues: (Not Including Transfers)	\$37,718,507	\$40,063,018	\$43,105,295	\$44,530,101	\$47,283,082
Actual General Fund Revenues	\$37,298,873	\$42,118,173	\$44,393,017	46,417,403	49,292,902
Actual General Fund Expenditures	<u>\$39,906,303</u>	<u>\$42,541,265</u>	<u>\$45,757,269</u>	<u>46,826,495</u>	<u>49,762,786</u>
Actual Revenues - Expenditures	(2,607,430)	(423,092)	(1,364,252)	(409,092)	(469,884)
Operating Transfers (Net)	\$ 2,485,362	\$ 3,434,489	\$ 2,168,098	\$ 2,300,355	\$ 2,215,425
Fund Balance, End of Period	<u>\$10,687,361</u>	<u>\$13,698,758</u>	<u>\$14,502,604</u>	<u>\$16,393,867</u>	<u>\$18,139,408</u>

Source: City of Columbia, Missouri General Purpose Financial Statements, 9/30/00 - 9/30/04

* Fund balance calculation revised due to change in accounting principle

Risk Management. The City has established a risk management program for workers' compensation, liability and property losses. Premiums are charged to other funds by the Self Insurance Reserve Trust Fund and are available to pay claims, claim reserves and administrative costs of the program. An actuary is used to determine the level of reserves. An excess coverage insurance policy covers individual claims in excess of \$1,000,000 for liability and property losses and workers' compensation claims in excess of \$750,000. The City carries insurance policies with outside insurers for airport, railroad and boiler and explosion claims.

Employee Retirement and Pension Plans. The City contributes to the Police Retirement Fund and the Firefighters' Retirement Fund, two separate single employer defined benefit pension plans. The City of Columbia acts as an agent of the plans and has administrative responsibility for the assets of the plans. All full-time regular police officers and full-time regular firefighters are participants in their respective plans. Participants become fully vested the completion of their probationary period, which is generally 12 months after employment. Participants are eligible for an annual retirement benefit, payable monthly for life, upon reaching the age of 65, or 20 years of credited service.

All other employees of the City receive retirement benefits through a plan administered by the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. All full-time employees are eligible to participate in LAGERS. Benefits vest after five years of credited service. LAGERS provides retirement benefits, early retirement, death and disability benefits. The City is required by statute to contribute the amounts necessary to finance the coverage of its

employees using the actuarial basis specified by state statute. For the fiscal year ended September 30, 2003, the date of the latest actuarial valuations, the employer contribution rate was 13.2% for general employees and 13.2% for water and electric utility employees.

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

<u>Number of Participants:</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>LAGERS As of Feb 2003</u>
Current Membership (receiving benefits)	97	107	326
Terminated entitled, not yet receiving benefits	4	-	170
Current active members	137	125	815

Funding Policy for Police and Fire Pension

The City's Police and Fire pension contributions for the fiscal year ended September 30, 2004, were made in accordance with actuarially determined contribution requirements determined through actuarial valuation. The LAGERS contribution requirements of plan members determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

The City's annual pension cost for the current year and the related information for each plan is as follows:

<u>Contribution rates:</u>	<u>LAGERS</u>	<u>Fire Plan</u>	<u>Police Plan</u>
City-general, utility	13%, 13.2%	26.62%	26.24%
Plan members -contributory	-	16.32%	8.35%
Plan members noncontributory	-	-	3.50%
Annual pension cost	\$4,007,284	\$1,577,343	\$1,675,017
Contributions made	\$4,007,284	\$1,577,343	\$1,675,017
Actuarial valuation date	2/29/2004	9/30/2002	9/30/2002
Actuarial cost method	Entry age normal	Same	Same
Amortization method	Level % of pay-open	Level % of pay-closed	Level % of pay-closed
Remaining amortization period	15 years	30 years	30 years
Asset valuation method	smooth 5 year market	smooth 4 year market	smooth 4 year market
Actuarial assumptions:			
Investment rate of return	7.5%	8%	8%
Projected salary increases*	0%-4.2%	5%-8%	5%-8%
*Includes inflation at	4%	5%	5%
Benefit Increases	4% maximum annually based on consumer price index	2% annually or biannually contingent upon years of service	2% annually until attained age of 62; 2% thereafter

Prior to September 22, 1985, participants in the police retirement plan were able to elect to receive a higher salary and make a contribution to the plan or elect to receive a lower salary and not make a contribution.

Annual Pension Cost

Schedule of Employer Contributions			
	<u>FY ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>
LAGERS	6/30/2004	\$4,007,204	100%
Police Pension	9/30/2004	1,675,017	100
Fire Pension	9/30/2004	1,577,343	100

The City’s funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Administration costs are financed by the revenues of the Police and Firefighters’ Retirement Funds.

There were no long-term contracts for contributions outstanding on September 30, 2004.

Although the assets of the plans are commingled for investment purposes, each plan’s assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

401(a) Retirement Plan

The City sponsors a 401(a) plan which is a defined contribution plan established to provide benefits at retirement to permanent employees of the City. At September 30, 2004, there were 993 plan members. The City will contribute to the plan on behalf of each participant an amount equal to 2.0% of the participant’s salary contingent upon the participant making a matching contribution to a Section 457 deferred compensation plan. For the year ended September 30, 2004 the City contributed \$727,799 to the plan. Plan provisions and contribution requirements are established and may be amended by the City Council.

PROPERTY TAX INFORMATION CONCERNING THE CITY

Property Valuations

Current Assessed Valuation. The following table shows the total assessed valuation of all taxable tangible real and personal property situated in the City according to the 2004 Fiscal Year assessment:

Real	\$891,032,480
Personal.....	\$217,649,475
State Assessed.....	\$ <u>6,967,420</u>
Total	\$<u>1,115,649,375</u>

History of Property Valuations. The total assessed valuation of all taxable tangible real and personal property situated in the City, excluding state assessed railroad and utility property, according to the assessment of January 1 in each of the following years, has been as follows:

<u>Fiscal Year Ended</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>State Assessed Value</u>	<u>Total Assessed Value</u>	<u>Total Fair Market Value</u>	<u>Percentage of Fair Market Value</u>
1994	470,848,862	105,520,334	2,050,474	578,419,670	2,410,081,958	24.0%
1995	488,789,899	118,940,751	2,310,679	610,041,329	2,541,838,871	24.0%
1996	511,620,136	128,312,503	3,282,682	643,215,321	2,680,063,838	24.0%
1997	538,800,795	153,771,094	4,519,144	697,091,033	2,904,545,971	24.0%
1998	657,617,565	164,951,921	5,101,533	827,671,019	3,448,629,246	24.0%
1999	688,923,971	176,474,738	4,755,062	870,153,771	3,625,640,713	24.0%
2000	714,842,106	190,394,191	5,518,830	910,755,127	3,794,813,029	24.0%
2001	739,345,179	204,214,788	5,072,034	948,632,001	3,952,633,338	24.0%
2002	802,530,799	211,324,296	6,486,794	1,020,341,889	4,251,424,537	24.0%
2003	854,784,262	206,788,704	6,486,398	1,168,059,364	4,450,247,350	24.0%
2004	891,032,480	217,649,475	6,967,420	1,115,649,375	4,648,539,062	24.0%

Source: City of Columbia

Tax Rates

Debt Service Levy. The City has no debt service levy. Once indebtedness has been approved by the voters voting therefore and bonds are issued, the City is required under Article VI, Section 26(t) 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.

Operating Levy. The current operating levy of the City is \$0.41 per \$100 of assessed valuation. The operating levy does not require annual voter approval but the City Council cannot raise the rate above that approved in the last election. Under Article X, Section 11(c) of the Missouri Constitution, any increase in the City's operating levy above \$.45 must be approved by a majority of the voters voting on the proposition.

(Remainder of Page Intentionally Left Blank)

Major Property Taxpayers

The table on the following page sets forth the ten largest property taxpayers in the City for the fiscal year ending September 30, 2004:

**CITY OF COLUMBIA, MISSOURI
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Minnesota Mining and Manufacturing (3M)	Office Products	22,982,530	2.06%
State Farm Mutual Automobile Ins Company	Insurance	9,453,054	0.85%
Columbia Mall Limited Partnership	Property/Developer	8,268,325	0.74%
The Kronke Group	Property/Developer	6,840,573	0.61%
Shelter Mutual Insurance Co	Insurance	6,452,644	0.58%
Broadway Crossings II	Property/Developer	6,137,010	0.55%
Columbia Foods	Manufacturer	6,286,511	0.56%
Spicer Axle, Inc.	Manufacturer	5,921,217	0.53%
The Gates Corporation	Manufacturer	5,172,480	0.46%
Collins and Aikman	Manufacturer	<u>4,928,154</u>	<u>0.44%</u>
		<u>82,442,489</u>	<u>7.38%</u>

Note: The assessed value is approximately 32% of the estimated actual value of the property.

Note: The assessed value is approximately 32% of the estimated actual value of the property.

(Remainder of Page Intentionally Left Blank)

THE WATER AND ELECTRIC SYSTEM

Management

The City Council is responsible for all basic policy decisions relating to the Water and Electric System, including approval of the operating budget, short-term and long-term capital budgets and, subject to voter approval of other than refunding issues, bond issues. A Water and Light Advisory Board (the "Board") is appointed by and renders advisory assistance to the City Council on the foregoing matters. The present members of the Board and their occupations are:

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Dr. David Wollersheim, Chairman	2005	Retired Professor of Mechanical & Aerospace Engineering
Mr. Tom Baumgardner	2007	Stockbroker, Edward D. Jones & Co.
Mr. John Conway	2006	Office Manager Bartlett & West
Mr. Ernie Gaeth	2007	Executive Vice President, Riback Supply Co., Inc.
Mr. Gregory Macias	2008	Utility Engineering Specialist II - Missouri Public Service Commission

Financial Statements

The financial records of the City, including the Water and Electric System, are audited annually by a firm of independent certified accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by KPMG, Kansas City, Missouri. The combined financial statements of the City and the Water and Electric System for the fiscal year ended September 30, 2004 are attached in Appendix A to this Official Statement.

System Maintenance, Expansion and Replacement

The Original Ordinance requires that the City cause a consulting engineer to prepare and file with it and the Trustee a report or survey with respect to the operation and maintenance of the properties constituting the System, the making of necessary and proper renewals and replacements thereof and the status of the construction budget applicable to any part of the System which shall be under construction. On an annual basis, the City obtains and files with the Trustee an insurance certificate. The process of obtaining the insurance certificate involves an annual and ongoing review of the City's Water and Electric System assets, including the identification of loss exposure, the review of past loss history, a review of the City financial statements, an evaluation of acquisitions, divestitures and changes within the System and an evaluation of market, legal, legislative and economic conditions which could affect the protection of assets. In addition, the City includes, as part of its Comprehensive Annual Financial Report, which it files with the Trustee and the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) information on the System, including information on utility rates, customers, debt service and debt service coverage. Further, in connection with the renegotiation of power contracts, the City engages a consulting engineer to identify the types and quantities of resources that the System should

seek to add to its portfolio that will allow the City to maintain a reliable wholesale power supply and minimize potential revenue impacts. The latest report, prepared by R.W. Beck, was completed on January 17, 2002 and has been filed with the Trustee. Stanley Consultants have been contracted to complete an analysis and provide recommendations regarding adding generation and retrofitting existing generation at the City's power plant. This study will be completed by the end of April 2005. Upon completion of that report, another consulting engineer will be hired to assist the City in reviewing the best approach for long term power supply. In addition to building generation on-site, the City has been in discussions with companies regarding unit participation in new plants and long-term purchased power contracts.

The Capital Improvements Plan (CIP) Budget is updated annually. The CIP is a five-year plan for capital expansion and the replacement of aging facilities. As part of preparing the CIP, the water and electric systems are evaluated for adequacy and replacement requirements. The engineering staff of the water and electric utilities develops recommendations for the CIP. These recommendations then go through a review process that includes the Director of Water & Light, the City Manager, the Columbia Water & Light Advisory Board (a citizen advisory board), and finally the Columbia City Council.

Electric: Various evaluation tools are utilized to make the recommendations outlined in the annual CIP. This includes evaluation of circuit loading after system peak; evaluation of customer growth patterns; communication with inter-connected systems; and, the evaluation of the need to upgrade lower voltage lines and/or replace older lines due to a history of faults.

In addition, an active preventive maintenance program is in place. This includes:

- 1.) Monthly walk-through inspections of electric substations.
- 2.) Annual oil testing of distribution transformers and other major equipment.
- 3.) Infra-red scans of electric substations every six months.
- 4.) Infra-red scans of transformers at large industrial customers annually.
- 5.) Eight tree-trimming crews to maintain clearances on overhead lines.

Water: Various evaluation tools are utilized to make the recommendations outlined in the annual CIP. This includes evaluation of fire flows and system pressure; evaluation of customer growth patterns; communication with inter-connected systems; and, the evaluation of the need to upgrade smaller size lines and/or replace older lines due to a history of breaks.

In addition, an active preventive maintenance program is in place. This includes:

- 1.) Monthly walk-through inspections of pump stations and storage facilities.
- 2.) Annual flushing and testing of distribution systems.
- 3.) Sampling and monitoring of supply wells.
- 4.) Cooperation and compliance with State operated agencies such as the Department of Natural Resources

(Remainder of Page Intentionally Left Blank)

Debt Service Requirements

The following table sets forth the estimated debt service on all of the outstanding bonds payable from the net Revenues of the Water and Electric System following the issuance of the Series 2005A Bonds.

Fiscal Year Ended September 30	Current Principal & Interest Requirements	Current Principal & Interest Requirements After Refunding	Series 2005A Bonds			Total Requirements All Bonds
			Principal	Interest	Total Requirements	
				\$		
2005	\$7,319,264.16*					
2006	7,493,336.26					
2007	6,314,305.01					
2008	6,319,498.76					
2009	6,269,051.26					
2010	6,246,221.26					
2011	6,248,454.38					
2012	6,235,015.00					
2013	6,231,405.00					
2014	5,283,005.63					
2015	5,283,975.01					
2016	5,275,683.76					
2017	4,229,297.51					
2018	4,231,747.51					
2019	4,232,063.76					
2020	4,230,145.63					
2021	4,230,267.50					
2022	4,232,217.50					
2023	4,245,382.50					
2024	2,304,142.50					
2025	2,300,912.50					
2026	2,307,693.75					
2027	2,309,575.00					
2028	1,156,293.75					
2029	1,159,118.75					
	\$122,365,752.41					

Employee Relations

* The remaining principal amount of \$3,690,000 from the Series 1992 Bonds, will be defeased upon the close of the Series 2005 Bonds

The Water and Electric System currently has approximately 224 full-time employees. As of December 31, 2004, 115 or 51% of the System's employees were members of the Water and Electric Employees Association. This association is a local, autonomous association composed primarily of employees from the Water Utility and the Electric Distribution Division. There were also at that time 32 Power Plant employees who were members of the Public Service Employees Local 773 of the Laborers International Union. These two groups meet with the City under the State's "meet and confer" statute. The Water and Electric System has never experienced a strike or a slowdown, and the City considers its labor relations to be excellent. Pensions are administered by the Missouri Local Government Employees Retirement System.

Payments to the City

The City's Charter requires the City Council to set rates for water and electric services to produce sufficient revenue for several purposes, one of which is to pay into the General Fund of the City an amount substantially equal to the amount of taxes which would be due if the System were privately owned. There is paid to the General Fund monthly an amount representing the real estate taxes and the gross receipts tax to meet the requirements of the Charter. In fiscal year 2005 this amount is expected to be \$8,392,635. These payments are not included in the System's Operating Expenses and may be paid only after all payments required to be paid from net Revenues, including debt service and other payments required on outstanding Bonds, have been made.

Service Area

The Water and Electric System's area of service extends beyond the corporate limits of the City. The electric service area is approximately 58.4 square miles. As of December 2004, the System had 39,439 electric customers inside the City, plus 881 outside the City. The water service area is approximately 82.6 square miles. As of December 2004, the System had 38,032 water customers inside the City, plus 1,671 outside the City.

Rate Regulation

The System is not subject to federal or state regulation in the establishment of rates. The City Council has sole authority to set rates and charges applicable to the System.

Historical and Projected Operating Results

Water Utility and Electric Utility combined operations reflected operating income of \$1,637,054 for the year ended September 30, 2004, a decrease of 52% over the operating income in 2003 of \$3,392,988. At September 30, 2004, net revenues available for debt service exceeded annual debt service by 2.99 times.

The table on the following page gives historical debt service coverage and operating results which are derived from the audited financial statements for the fiscal years 2000 through 2004, and projected operating results prepared by the City for the fiscal years 2005 through 2009.

(Remainder of Page Intentionally Left Blank)

Water and Electric Utility Fund
Historical and Projected Schedule of Operating Revenues and Expenses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES										
ELECTRIC UTILITY										
Residential Sales	\$21,254,855	\$23,442,171	\$23,356,323	\$23,952,445	\$24,503,495	\$27,150,356	\$30,333,735	\$32,335,761	\$33,144,155	\$33,972,759
Commercial and Industrial Sales	30,771,192	31,298,480	31,588,716	32,607,636	34,774,555	37,001,370	41,339,780	\$44,068,206	45,169,911	46,299,159
Intragovernmental Sales	560,888	568,742	587,509	618,337	639,651	761,652	850,956	907,119	929,797	953,042
Street Lighting and Traffic Signs	576,157	593,282	620,382	636,074	601,715	780,874	872,431	930,011	953,262	977,093
Sales to Public Authorities	5,613,538	6,201,833	5,622,566	5,989,184	6,289,545	7,248,905	8,098,839	8,633,363	8,849,197	9,070,427
Other	488,255	366,560	1,063,595	1,133,589	1,077,306	1,136,000	1,164,400	1,164,400	1,164,400	1,164,400
Total Electric Revenues	\$59,264,885	\$62,471,068	\$62,839,091	\$64,937,265	\$67,886,267	\$74,079,156	\$82,660,141	\$88,038,860	\$90,210,722	92,436,880
WATER UTILITY										
Water	9,677,064	9,560,453	9,897,297	10,591,576	10,633,049	11,908,217	13,121,366	13,920,130	14,767,517	15,666,490
Intragovernmental Sales	0	0	0	0	0	0	0	0	0	0
Sales to Public Authorities	0	0	0	0	0	0	0	0	0	0
Other	661,836	335,771	382,914	565,699	717,700	820,000	820,000	820,000	820,000	820,000
Total Water Revenues	10,338,900	9,896,224	10,280,211	11,157,275	11,350,749	12,728,217	13,941,366	14,740,130	15,587,517	16,486,490
TOTAL REVENUES	\$69,603,785	\$72,367,292	\$73,119,302	\$76,094,540	\$79,237,016	\$86,807,373	\$96,601,507	\$102,778,990	\$105,798,239	\$108,923,370
<u>EXPENSES</u>										
ELECTRIC UTILITY										
Fuel and Purchased Power	33,128,975	35,739,664	35,120,463	37,832,022	42,025,541	48,750,000	49,968,750	51,217,969	52,498,418	53,810,878
Other Production Expenses	3,497,947	3,448,834	3,511,994	4,107,079	3,616,167	4,826,049	4,946,700	5,070,368	5,197,127	5,327,055
Transmission and Distribution	5,331,815	5,398,947	5,871,321	6,323,997	6,023,869	7,421,760	7,731,599	7,924,889	8,123,011	8,326,086
Accounting and Collection	1,772,386	1,607,678	1,670,905	1,712,617	1,645,192	1,620,759	1,661,278	1,702,810	1,745,380	1,789,015
Administrative and General	1,631,479	1,662,541	2,080,711	1,967,203	2,665,654	2,381,287	2,440,819	2,501,840	2,564,386	2,628,495
Total Electric Expenses	45,362,602	47,857,664	48,255,394	51,942,918	55,976,423	64,999,855	66,749,146	68,417,875	70,128,322	71,881,530
WATER UTILITY										
Production	2,290,124	2,359,078	2,626,694	2,607,652	2,589,043	3,288,047	3,370,248	3,454,504	3,540,867	3,629,389
Transmission and Distribution	2,547,387	2,406,684	2,551,916	2,524,770	2,678,425	3,682,830	3,910,226	4,007,981	4,108,181	4,210,885
Accounting and General	927,860	887,216	974,348	958,347	889,381	829,141	849,870	871,116	892,894	915,217
Administrative and General	412,805	378,271	432,558	410,783	426,359	484,062	496,164	508,568	521,282	534,314
Total Water Expenses	6,178,176	6,031,249	6,585,516	6,501,552	6,583,208	8,284,080	8,626,507	8,842,170	9,063,224	9,289,805
TOTAL EXPENSES	51,540,778	53,888,913	54,840,910	58,444,470	62,559,631	73,283,935	75,375,653	77,260,045	79,191,546	81,171,335
REVENUES AVAILABLE FOR DEBT SERVICE	\$20,176,491	\$18,478,379	\$18,278,392	\$17,650,070	\$16,677,385	\$13,523,438	\$21,225,854	\$25,518,945	\$26,606,693	\$27,752,035

Source: City of Columbia

THE ELECTRIC UTILITY

History

The City acquired the Water and Electric System in 1904 to supply water and electricity to its residents. During the 1960's, the City experienced rapid population growth which resulted in increased demand for electricity and caused the Electric Utility to operate at near-capacity levels. In 1976 a capacity purchase contract was entered into with the City of Sikeston, Missouri. A revised contract with the City of Sikeston which became effective June 1, 1986 was signed in 1983 for capacity purchases through 2011, renewable by mutual agreement through 2021 or for the useful life of the Sikeston plant, whichever is longer. In 1983 a capacity purchase contract was entered into with the Kansas City, Kansas Board of Public Utilities (the "BPU") for capacity purchases through 1998. This contract was renewed at the City's option for an additional 15 years or the useful life of the Nearman #1 plant operated by the BPU, whichever is longer. In 1988 a capacity purchase contract was entered into with AmerenUE to supply system participation power to Columbia. The term of the agreement was for 10 years and was extended in 1996 to the year 2004. In 2001 agreements were negotiated with Ameren Energy Development Company that allowed four (4) simple-cycle, natural gas, combustion turbines rated at 36 MW's each to be sited at one of the Electric Utility's substation properties. The agreements allow for capacity purchases with the option to purchase ¼ ownership of the units at a later date. In 2003 agreements were negotiated with Ameren Energy Marketing to: a) allow the City an option to purchase an additional ¼ ownership of the units three years after the first ¼ was purchased; b) allow increasing capacity purchases from the turbine units each year from 2004 through 2008; and c) supply System Firm capacity and energy in increasing amounts through 2007. The City has agreements with the following organizations that will allow for purchase or sale of electricity but are not part of long-term capacity plans:

Omaha Public Power , 444 S 16th St. Mall, 10E/EP-1, Omaha NE 68102

----Joint Marketing and Purchase and Sales Agreement

Tenaska Power Services Co., 1701 E. Lamar Boulevard, Suite 100, Arlington, TX 76006

----Electric Power Services Agreement

The City has interconnection agreements with Associated Electric Cooperative and AmerenUE that provide for a full range of purchases and sales. The City has interchange agreements with various other utilities including Kansas City Power and Light and Missouri Public Service Company. The City has an interconnection agreement with the City of Fulton, Missouri. The Fulton system is part of the Columbia control area. The City provides transmission service and area control for Fulton. The City also has a power sales agreement and a 69KV interconnection with the electric system of the University of Missouri (MU).

In June, 2004, the City joined the Midwest Independent System Operator (MISO) as a transmission owner (TO) and a market participant (MP). In December, 2004, the City contracted with The Energy Authority (TEA) of Jacksonville, Florida, to act as the MISO MP for the City. All purchased power arrangements are handled by TEA.

Power Generation Facilities

The System has a rated installed generation capacity of MW, consisting of two coal-fired steam turbo-generators, one oil or gas fired turbo-generator and one oil or gas fired combustion turbine, and five diesel powered distributed generator units, as follows:

<u>Turbine/Generator Output Rating in MW</u>	<u>Description</u>	<u>Year Installed</u>
16.5 MW	Westinghouse Turbo-generator (Coal)	1957
12.5 MW	Westinghouse Combustion Turbine (Gas or Oil)	1963
22.0 MW	Westinghouse Turbo-generator (Coal)	1965
35.0 MW	General Electric Turbo-generator (Gas or Oil)	1970
1.25 MW	Caterpillar Diesel Generator, model 3512B	2002
1.25 MW	Caterpillar Diesel Generator, model 3512B	2002
2 MW	Cummins Diesel Generator, model 2000DQKC	2004
2 MW	Cummins Diesel Generator, model 2000DQKC	2004
2 MW	Cummins Diesel Generator, model 2000DQKC	2004

The four large generating units are located on the same plant site. Adjacent to the plant is an open area owned by the System and capable of holding a six-month supply of coal, approximately 25,000 tons. Oil storage facilities owned by the System are also located adjacent to the plant. The five distributed generation units are located at three locations. The two 1.25 MW units and one 2 MW unit are located at two industrial customers sites where the customer has contracted for backup power. The remaining two 2 MW units are located at the City's water treatment plant and serve as emergency backup. All five units are self-contained and are available to meet capacity requirements.

Power Supply Agreements

Power Supply Contract with Sikeston, Missouri: The City has entered into two separate, consecutive contracts with the Sikeston Board of Municipal Utilities for capacity from the Sikeston 235 MW coal-fired unit. The Sikeston plant was put in commercial operation on September 1, 1981 at an installed capital cost of approximately \$250,000,000. Energy cost per kWh in FY 2003 was 3.5 cents per kWh. Under the contract, from 1986 to 2011, subject to extension as described below, the capacity participation is for 66 MW. The second contract will be automatically extended through 2021, or for the useful life of the Sikeston power plant, whichever is longer. However, either the City or the City of Sikeston may cancel the contract, at any time after September 2006, on five years' notice to the other party.

Both contracts require the City to pay 110% of capital costs, operations and maintenance costs and fuel used. The City's obligations under the contracts to pay for the agreed-upon amount of power is absolute, regardless of whether the Sikeston plant is operating or operable, or whether power is available or delivered. Payments under the contract are operating expenses of the System and are payable prior to the principal and interest of the bonds.

Notwithstanding these provisions, under the 1983 contract the City may terminate the contract if the Sikeston plant becomes permanently inoperable and is so certified by an independent consulting engineer.

Participation Power Sales Agreement with Kansas City, Kansas Board of Public Utilities (BPU): The City has entered into a Participation Power Sales Agreement with the BPU. The City has contracted to purchase 8.51% (20 MW) of the electric power and energy of the BPU 235 MW coal-fired Nearman Creek Power Station No. 1 through 1998 subject to automatic extension for an additional period of 15 years or the useful life of the Nearman Plant, whichever is longer. The Nearman plant was put in commercial operation on February 20, 1981, at an installed capital cost of approximately \$139,000,000. The energy cost per kWh in FY 2003 was 3.33 cents.

In addition to the capacity charge, the City is required to pay a monthly fuel charge, based on the amount of power actually taken in any month, equal to 105% of the Nearman Plant's fuel cost per kilowatt hour. The City must also pay an operation and maintenance charge based upon its reserved capacity and the amount of power actually taken, and must make a payment in lieu of taxes, currently equal to 7.9% of gross billings. The City may terminate the contract if such payment in lieu of taxes, together with all other state and local taxes required to be paid by the City, exceeds 6% of the City's total monthly bill. The capacity charge and a portion of the operating and maintenance charge, plus the associated payment in lieu of taxes must be paid regardless of whether the Nearman Plant is operating or operable. Payments under contracts are operating expenses, payable prior to the principal and interest of the Bonds. The energy cost per kWh in FY 2004 was 3.56 cents.

The City may terminate the contract if the Nearman plant become permanently inoperable and is so certified by an independent engineer.

Regional Transmission Organization

Federal Energy Regulatory Commission (FERC) order 2000 requested that all transmission-owning utilities place their facilities under the control of a Regional Transmission Organization (RTO). The City has decided to use Midwest Independent System Operator (MISO) as our RTO. The City is participating in MISO as a Control Area and as a Market Participant. The requirements for the Control Area (which include Columbia, Fulton and UMC) are the operational responsibility of the City. The City signed an agreement to have The Energy Authority (TEA) perform our Market Participant requirements. TEA is a pooled municipal resource that takes public power to the wholesale market and brings the market to public power through a variety of energy services.

Columbia Transmission System

The City's transmission network is comprised of approximately 41 miles of 69 KV circuits and 24 miles of 161 KV circuits. Power is delivered to the 69 KV system through power transformers at the existing generating site, through 161 KV transformers at Bolstad Substation and Perche Creek Substation, and through two 69 KV interconnections with Central Electric Power Cooperative. The City has four 161 KV interconnections: one at AmerenUE's Overton Substation, the second at Associated Electric Cooperative's Boone Substation, the third with Associated Electric Cooperative at the City's Bolstad Substation, and the fourth at Union Electric Co.'s line near McBaine. The City also has a 69 KV line to Associated Electric Cooperative's Boone Substation for another 69 KV interconnection. The City is a Transmission Owning (TO) member of MISO. As such, the City is eligible for a prorated share of monthly transmission revenues administered by MISO.

Electric Distribution System

The System's electric distribution system consists of 304 circuit miles of overhead line and 379 miles of underground distribution lines. There are 41,047 electric meters in service, and 10,240 distribution transformers with 605,874 KVA capacity. The distribution circuits are fed from the Power Plant and nine substations. The substations are controlled and monitored by a Supervisory Control and Data Acquisition ("SCADA") system. The SCADA control station is located at the Power Plant. The SCADA system was replaced and updated in 2004.

Interconnection Agreements

The City has interconnection or interchange agreements with AmerenUE, Associated Electric Cooperative ("AEC"), Central Electric Power Cooperative and the Missouri Public Utility Alliance. These agreements allow transactions which provide economic as well as reliability benefits.

Fuel Supply

The City has a purchase contract with Massey Coal Sales to buy coal for the municipal electric generating plant. The City will require approximately 40,000 tons per year for the contract term beginning June 1, 2002, and ending May 31, 2005 at a price subject to annual adjustment based on the final Producers Price Indexes as published by the U.S. Department of Labor. The price per ton for the fiscal year ending September 30, 2003 was \$35.28 per ton. This price is adjusted monthly based on the average BTU/LB content for coal delivered during the month. The City currently has RFP's out for a new coal contract and will complete that process in the near future.

The City's two oil or natural gas units are used primarily as mid-range or peaking units. Oil storage capacity is 2.5 million gallons. Most recently, oil has not been used since natural gas is available. The City does not have long-term contracts for the purchase of oil or natural gas because the City's requirements are minimal.

Power Supply Planning/Future Capital Expenditures

The City has a comprehensive and ongoing planning process for the System. Long range forecasts have been prepared for both the Water Utility and Electric Utility. Bulk power supply planning has provided adequate but not excessive capacity through 2007. The City's power supply includes the purchase of existing capacity, the adding of capacity in increments to attempt to match additions to load growth, rehabilitation of existing generation facilities, and a comprehensive energy management program. Cost of services studies and rate design are performed by staff personnel following a strategy developed to attempt to generate adequate revenues, charge customers according to cost, and through price differentials, induce customers to reduce use on peak and increase use off peak.

A long range financial strategy has been developed for capital improvements that uses a combination of internally generated revenues and bond sales to finance system expansion as well as reconstruction. It has been the policy of the City to finance major, long-lived equipment and improvements with bond financing. Improvements of smaller size and medium sizes are financed approximately with 60% bonds and approximately 40% from operating revenues and all other items are financed solely from revenues.

Electrical Demand and Capacity

The following table summarizes historical peak demand and capacity for 1998 to 2004 and projected data for the period 2005 to 2008 (in MW):

	<u>Peak Demand Requirement</u>	<u>Reserve Requirement</u>	<u>Net Capacity Requirement</u>	<u>Total Capacity</u>
1998	210	32	242	242
1999	226	34	260	247
2000	230	35	265	267
2001	230	35	265	272
2002	239	36	275	279
2003	253	38	291	291
2004	240	29	269	286
2005*	260	31	291	294
2006*	265	32	297	297
2007*	273	33	306	306
2008*	278	42	320	320

*Projected

Source: City of Columbia

Electric Customers

The Electric Utility delivers electricity to approximately 39,100 customers within its service area. The number of customers and kilo-watt hour sales distributed by customer classification served by the Electric Utility in each of the fiscal years ended September 30, 2000 through September 30, 2004 is as follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential					
Average # of Customers	30,852	31,566	32,162	32,808	33,900
Percent of Total Customers	85.8%	85.8%	85.7%	85.1%	85.1%
Sales – MWh	299,278	334,280	314,796	341,442	333,534
Percent of Total Sales	31.7%	33.7%	32.8%	33.4%	32.2%
Average kWh/Mth/Customer	808	892	816	867	831
Sales Revenue – (000)	\$21,255	\$23,442	\$23,356	\$23,952	\$24,504
Percent of Total Revenue	36.2%	37.7%	37.8%	37.5%	36.7%
S.G.S.*					
Average # of Customers	4,313	4,420	4,517	4,848	5,000
Percent of Total Customers	12.0%	12.0%	12.0%	12.6%	12.6%
Sales – MWh	86,141	92,279	88,602	94,016	89,763
Percent of Total Sales	9.1%	9.3%	9.2%	9.2%	8.7%
Average kWh/Mth/Customer	1,666	1,742	1,636	1,617	1,506
Sales Revenue – (000)	\$5,995	\$6,397	\$6,355	\$6,572	\$6,177
Percent of Total Revenue	10.2%	10.3%	10.3%	10.3%	9.2%
L.G.S.**					
Average # of Customers	773	797	819	849	894
Percent of Total Customers	2.1%	2.2%	2.2%	2.2%	2.2%
Sales – MWh	295,692	305,294	307,221	314,948	310,441
Percent of Total Sales	31.3%	30.8%	32.0%	30.8%	30.0%
Average kWh/Mth/Customer	31,918	31,921	31,222	30,877	28,943

Sales Revenue – (000)	\$17,400	\$18,162	\$18,380	\$18,630	\$18,736
Percent of Total Revenue	29.6%	29.2%	29.8%	29.2%	28.0%
Industrial					
Average # of Customers	22	25	25	28	32
Percent of Total Customers	0.1%	0.1%	0.1%	0.1%	0.1%
Sales – MWh	245,034	236,387	238,751	259,488	288,343
Percent of Total Sales	26.0%	23.8%	24.9%	25.4%	27.8%
Average kWh/Mth/Customer	1,134,486	1,036,785	947,425	864,960	785,676
Sales Revenue – (000)	\$13,032	\$12,545	\$12,773	\$13,526	\$16,266
Percent of Total Revenue	22.2%	20.2%	20.7%	21.2%	\$24.3%
Other***					
Average # of Customers	3	3	2	2	2
Percent of Total Customers	0.0%	0.0%	0.0%	0.0%	0.0%
Sales – MWh	8,282	14,598	49	2,562	2,821
Percent of Total Sales	0.9%	1.5%	0.0%	0.3%	0.3%
Average kWh/Mth/Customer	230,056	405,500	2,042	106,750	117,542
Sales Revenue – (000)	\$235	\$683	\$4	\$128	\$104
Percent of Total Revenue	0.4%	1.1%	0.0%	.2%	.2%
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Lighting					
Unmetered use – MWh	9,423	9,636	9,979	10,130	11,049
Sales Revenue – (000)	\$860	\$876	\$908	\$996	\$1,022
Totals					
Total Number of Customers	35,959	36,808	37,523	38,532	39,825
Total energy sales – MWh	943,865	992,474	959,398	1,022,586	1,035,951
Energy Losses – MWh	45,879	33,726	75,299	40,093	14,552
Total Energy Distributed – MWh	989,744	1,026,200	1,034,697	1,062,679	1,050,503
Total Revenues of Electricity – (000)	\$58,777	\$62,105	\$61,776	\$63,804	\$66,809

*S.G.S is Small General Service

**L.G.S. is Large General Service

***Other is spot sales to other utilities including the University of Missouri-Columbia.

Source: City of Columbia W&L

Ten Largest Electric Customers

The ten largest customers served by the Electric Utility based on kilowatt-hour sales for the fiscal year ended September 30, 2004 are set forth in the table below:

<u>Customer</u>	<u>Billed kWh</u>	<u>Billed Revenue</u>
Minnesota Mining and Manufacturing (3M)	47,298,519	\$ 2,322,556
Columbia Foods	32,089,656	1,668,555
Boone Hospital Center	22,101,550	1,206,405
PW Eagle (Formerly ETI)	17,824,084	923,597
VA Hospital	16,212,741	939,268
Davidson Textron	15,800,749	973,473

Columbia Mall	11,656,781	772,651
Quaker Oats	11,010,176	689,236
Square D	9,515,929	541,158
UMC Columbia Regional Hospital	9,160,387	506,057
	<u>192,670,572</u>	<u>\$ 10,542,956</u>

Source: City of Columbia

Electric Rates

The City Council has sole authority to set rates and charges applicable to the Electric Utility. The City reviews these rates and charges annually to determine if any changes therein are necessary to assure that adequate Revenues will be available for the Water and Electric System.

Currently the City maintains four schedules of rates for electric services for different classes of customers (residential, small general service, light industrial and industrial). The schedule applicable to any customer is based upon the type and amount of services provided. Within each schedule, there is block rate structure which incorporates different charges based on the cost characteristics of providing power and energy. The City provides power and energy to the University of Missouri under separate contract. There are no provisions limiting rate increases in this contract.

The City has created a Rate Division in the Water and Light Department. This Division performs cost of service studies, load research, and designs rates; and coordinates and initiates the preparation and execution of operating and capital budgets.

The City has a fuel adjustment clause which became effective in 1973 and was amended in 1975 to permit immediate recovery of (i) increases in energy charges (fuel expenses and the charges payable under power purchase contracts varying with the amount of energy delivered to the System) and (ii) increases in charges payable under power purchase contracts.

Included in the charges to all customers is a payment in lieu of gross receipts tax equal to 7% of gross receipts. This amount, which is collected by the System and remitted to the City's General Fund after deposits required by the Ordinance, represents payments in lieu of taxes substantially equivalent to the gross receipts and real estate taxes paid by privately owned utilities. Customers not otherwise exempt are also subject to a 7.35% sales tax, which includes the City's 1 cent general sales tax, 1/2 cent transportation tax, 1/4 cent capital improvement tax and 1/4 cent local park tax.

(Remainder of Page Intentionally Left Blank)

The following table provides a schedule of electric rates currently in effect.

Schedule of Electric Service Rates*
2002-2003

Residential service rate (per kilowatt hour):		
Customer charge		\$5.00 per month
First 750 kWh (June through September)		6.70¢ per kWh
All remaining kWh (June through September)		7.37¢ per kWh
All kWh (October through May)		6.70¢ per kWh
Electric Heating (October through May) first 750 kWh		6.70¢ per kWh
Electric Heating(October through May) remaining kWh		5.36¢ per kWh
Residential heat pump rate (October through May):		
Customer charge		\$5.00 per month
First 750 kWh		6.70¢ per kWh
All remaining kWh		4.69¢ per kWh
Small general service rate (per kilowatt hour):		
Customer charge (single-phase)		\$5.00 per month
Customer charge (three-phase)		7.00 per month
First 1,500 kWh (June through September)		6.74¢ per kWh
All remaining kWh (June through September)		7.414¢ per kWh
All kWh (October through May)		6.74¢ per kWh
Electric Heating(October through May) first 1,500 kWh		6.74¢ per kWh
Electric Heating(October through May) remaining kWh		6.403¢ per kWh
Small general service heat pump rate (October through May):		
Customer charge (single-phase)		\$5.00 per month
Customer charge (three-phase)		7.00 per month
First 1,500 kWh		6.74¢ per kWh
All remaining kWh		5.729¢ per kWh
Private street and outdoor area lighting rate:		
100 Watt Mercury Vapor (M.V.)		\$ 4.22 per month
100 Watt High Pressure Sodium (H.P.S.)		4.53 per month
175 Watt M.V.		5.23 per month
250 Watt M.V.		7.39 per month
250 Watt H.P.S.		13.44 per month
310 Watt H.P.S.		14.68 per month
400 Watt H.P.S.		16.14 per month
400 Watt M.V.		10.48 per month
700 Watt M.V.		19.84 per month
1,000 Watt M.V.		26.55 per month
100 Watt H.P.S. PTL		10.14 per month
175 Watt H.P.S. PTL		10.08 per month
Large general service rate:		
Monthly demand charge:	<u>Summer</u>	<u>Non-Summer</u>
First 25 kW or less billing demand	\$270.00	\$216.00
Additional kW	10.80 per kW	8.64 per kW
Energy charge:		
All kWh	3.60¢ per kWh	3.60 per kWh

Industrial service rate:	<u>Summer</u>	<u>Non-Summer</u>
Demand charge:		
First 750 kW or less billing demand	\$10,500.00	\$8,400.00
All additional kW	\$14.00 per kW	11.20 per kW
Energy charge (all kWh)	2.73¢ per kWh	2.73 per kWh
 Special outdoor lighting:		
Customer charge		\$40.00 per month
Cost per kWh		8.95¢ per kWh
 69 KV service rate:		
Demand charge (all KW of billing demand)		\$8.39 per kW
Energy charge (all KWH)		3.00¢ per kWh

* The rates shown in this table are those in effect October 1, 2004. The electric service rates for residential service, small general service, and the energy charge portion for large general service and industrial services, are increased or decreased by a fuel adjustment allowance. The fuel adjustment is computed annually based on the energy costs estimate (purchased power and fuel) per kWh.

THE WATER UTILITY

Production and Distribution Facilities

The City's water supply was originally provided by a series of twelve deep wells located throughout the City. In the late 1960's, as area usage approached the safe perennial yield of these deep wells, a new, long-range source was developed. The deep wells, currently maintained to provide a reserve, have been replaced as the main source of water by a system of fourteen shallow wells. These wells draw on an underground aquifer located in the alluvial plain in the Missouri River Valley eight miles southwest of the City. The shallow well field consists of 14 wells having a firm capacity of 24.0 MGD. In 2004, the City's water system had an average demand of 12.6 MGD and a maximum demand of 17.52 MGD.

Water from the alluvial plain requires softening and treatment for iron removal, and accordingly a treatment plant was opened in 1972 with a capacity of 16 MGD. The entire system has been expanded to 24 MGD with a 36 inch main capable of distributing 24 MGD. The treatment plant is being expanded to 32 MGD. The design and bid process is complete and the addition is schedule to be completed by May 2005. Design for another 36 inch main is being completed. Construction will be completed at the same time as the treatment plant addition.

Storage and distribution facilities and equipment consist of numerous reservoirs, high service pumps, booster pumps, 4,603 fire hydrants, 597.05 miles of water main lines and 40,115 water meters in service.

The City has entered into a territory agreement with Public Water Supply District #9.

Top Ten Water Users

The ten largest customers served by the Water Utility for the fiscal year ended

September 30, 2004 are set forth below:

**Largest Water Utility Customers
September 30, 2004**

<u>Customer</u>	<u>Billed CCF</u>	<u>Billed Revenue</u>
Columbia Foods	424,148	\$537,884
Minnesota Mining and Manufacturing (3M)	234,524	305,156
VA Hospital	69,112	91,623
Boone Hospital Center	58,624	79,678
PW Eagle (formerly ETI)	34,477	44,071
UMC Columbia Regional Hospital	30,621	39,625
Executive Center	24,726	32,847
Harold Johnson Co.	20,587	28,512
Lenoir Memorial Home	17,666	23,436
Columbia Ready Mix	16,704	23,459
	931,189	\$1,206,291

Source: City of Columbia

Water Rates

The following table shows water service rates currently in effect.

Schedule of Water Service Rates

	<u>Water Rates</u>		
	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Former Water Dist. O/S City</u>
Residential:			
First 5 CCF (June through September)	\$1.533 per CCF	\$2.04 per CCF	\$1.77 per CCF
Remaining CCF (June through September)	\$2.146 per CCF	\$2.854 per CCF	\$2.483 per CCF
All CCF (October through May)	\$1.533 per CCF	\$2.04 per CCF	\$1.77 per CCF
Commercial:*			
All CCF	\$1.41 per CCF	\$1.88 per CCF	\$1.631 per CCF
Large Commercial:*			
All CCF	\$1.295 per CCF	\$1.72 per CCF	\$1.498 per CCF
* Summer surcharged rate for Commercial and Large Commercial customers: (June through September water use in excess of 120% average for January through March use)	\$2.146 per CCF	\$2.854 per CCF	\$2.483 per CCF

* In effect 10/1/04

<u>Meter Size</u>	<u>Minimum Charge Per Month</u>		<u>Former Water Dist. O/S City</u>
	<u>Inside City Limits</u>	<u>Outside City Limits</u>	
5/8 & 3/4 inch	\$5.00	\$6.65	\$5.79
1 inch	5.40	7.20	6.25
1 1/2 inch	7.75	10.30	8.95
2 inch	8.97	11.92	10.37
3 inch	21.96	29.20	25.40
4 inch	33.93	45.13	39.26
6 inch	67.86	90.26	78.52

Note: The City of Columbia meters and bills in hundred cubic feet (CCF). There are approximately 748 gallons per 1 CCF.

ENVIRONMENTAL AND REGULATORY MATTERS

Air

The City municipal power plant is a Phase II generating station and is under the SO₂ allowance program.

Water

The Water Utility is a public water system subject to Federal & State regulation, including various regulations issued pursuant to the federal Safe Drinking Water Act and the Missouri Drinking Water Law. The Water Utility is in compliance with relevant regulations.

OTHER MATTERS AFFECTING THE CITY AND THE WATER AND ELECTRIC SYSTEM

Changes in the Electrical Utility Industry

General. The electric utility industry has been, and in the future will be, affected by a number of factors that will have an impact on the business, affairs and financial condition of both public and private electric utilities, including the City's Electric Utility.

One of the most significant of these factors is the effort on both the national and local levels to restructure the electric utility industry from a heavily regulated, vertically-integrated monopoly to an industry in which there is a separation of control between generation and transmission and open competition for power supply service on both the wholesale and retail

level.

In addition, such factors include, among others (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (iii) changes that might result from a regional or national energy pool, (iv) increasing competition from independent power producers, marketers and brokers, (v) "self generation" by certain industrial and commercial customers, (vi) issues relating to the ability to issue tax-exempt obligations, (vii) service restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations (viii) changes from projected future load requirements, (ix) increases in costs, (x) shifts in the availability and relative costs of different fuels. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The City continually monitors factors that will impact the operation of the electric utility. Currently, the most significant impact is the development of an "Energy Market" for electric energy. As stated previously, the City contracted with The Energy Authority to act as the City's MP in the Energy Market. The following information does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industry is, and is expected to be, available from legislative and regulatory bodies and other sources in the public domain.

The Federal Energy Regulatory Commission ("FERC") and Midwest Independent System Operator ("MISO").

The Midwest Independent Transmission System Operator, Inc. is the nation's first Regional Transmission Organization (RTO) approved by the Federal Energy Regulatory Commission (FERC). The Midwest ISO is based in Carmel, Indiana, and is responsible for monitoring the electric transmission system that delivers power from generating plants to wholesale power transmitters (the entities that deliver power to distribution companies that, in turn, deliver power to residential and commercial customers). The Midwest ISO's role is to ensure equal access to the transmission system and to maintain or improve electric system reliability in the Midwest.

The Midwest ISO was founded on Feb. 12, 1996, and was specifically configured to comply with FERC's concept of an independent organization that will ensure the smooth regional flow of electricity in a competitive wholesale marketplace.

The MISO's primary objective is to "direct traffic" on the wholesale bulk electric power lines. In this role, the Midwest ISO will ensure that every electric industry participant has access to the lines and that no entity has the ability to deny access to a competitor. The Midwest ISO will also manage the use of the lines to make sure that they don't become overloaded. The MISO began selling transmission service under its tariff on Feb. 1, 2002.

Utilities with more than 100,000 miles of transmission lines covering 1.1 million square miles from Manitoba, Canada, to Kentucky have committed to participate in the Midwest ISO.

The Midwest ISO administers the tariff - the terms, conditions and rate information

applicable to various types of electric service. A tariff is consistent with the mandate of

FERC Order No. 2000, which requires RTOs to provide real-time energy imbalance services and a market-based mechanism for congestion management.

The Midwest ISO filed Certificates of Operational and Organizational Readiness with FERC affirming the organization is prepared to successfully launch its Energy Markets on April 1.

Energy Policy Act of 1992 and Retail Wheeling.

Regulatory authority with respect to retail wheeling, which allows a retail customer to be located in one utility's service area and to obtain power from another utility or non-utility source, is specifically excluded from the enhanced authority granted to the FERC under the Energy Policy Act. Many believe that this leaves the authority for regulation of retail wheeling with state legislative and regulatory bodies that, in several states, are now receiving and acting on requests for this service. One potential effect of this trend is that utilities with low-cost power may be better able to compete for new and existing loads. Neither the Missouri Legislature nor the Missouri Public Service Commission has yet taken any action relating to retail wheeling.

CONTINUING DISCLOSURE INFORMATION

The City has covenanted in the Ordinance and in the Continuing Disclosure Certificate to provide certain financial information and operating data relating to the City and notices of material events to each nationally recognized municipal securities information repository, in compliance with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission and provide a copy to Ambac Assurance. A summary of the Continuing Disclosure Certificate is included as Appendix C to this Official Statement. The City has not defaulted in its obligations to disclose information pursuant to Rule 15c2-12.

LEGAL MATTERS

Litigation

There is no litigation pending or threatened which, in the opinion of the City Counselor, would have a material adverse effect on the operations or financial condition of the City. There is not now pending against the City any litigation restraining or enjoining the issuance or delivery of the Bonds, questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued or questioning or affecting the obligations of the City under the Ordinance.

Legal Proceedings

All matters incident to the authorization and issuance by the City of the 2005 Series A Bonds are subject to the approving opinion of Sonnenschein Nath & Rosenthal, St. Louis, Missouri, Bond Counsel. Bond Counsel has not reviewed this Official Statement except for the matters appearing in the sections of this Official Statement captioned "INTRODUCTION," "THE BONDS," "LEGAL MATTERS -- Legal Proceedings" and "TAX EXEMPTION" herein and, accordingly expresses no opinion as to the accuracy or sufficiency thereof except

for the matters appearing in such sections.

TAX EXEMPTION

General

The opinion of Sonnenschein Nath & Rosenthal LLP, St. Louis, Missouri, Bond Counsel, to be delivered upon the issuance of the 2005 Series A Bonds will state that, under existing law, interest on the 2005 Series A Bonds (including any original issue discount properly allocable to the owners thereof as discussed in the portion of this Official Statement captioned “TAX EXEMPTION-Original Issue Discount”) is excluded from the gross income of the owners thereof for federal income tax purposes and is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. No opinion is expressed regarding the applicability with respect to the 2005 Series A Bonds or the interest on the 2005 Series A Bonds (including any original issue discount properly allocable to the owners thereof) of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

In addition, the opinion of Bond Counsel will state that under existing law the 2005 Series A Bonds are not “specified private activity bonds” within the meaning of the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and, accordingly, interest on the 2005 Series A Bonds (including any original issue discount properly allocable to the owners thereof) is not a specific item of tax preference for purposes of the federal alternative minimum tax on corporations and other taxpayers, including individuals. However, interest on the 2005 Series A Bonds (including any original issue discount properly allocable to the owners thereof) will be included in a corporate taxpayer’s adjusted current earnings preference item for purposes of determining its federal alternative minimum tax liability. Furthermore, the 2005 Series A Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

Bond Counsel’s opinion will assume continuing compliance with the covenants in the Ordinance and the Tax Letter of Instructions to comply with the requirements of the Code as to the exclusion of interest on the 2005 Series A Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City and others, with respect to matters solely within their knowledge, which Bond Counsel has not independently verified. Failure to comply with such covenants or the requirements of the Code, or the foregoing representations being determined to be inaccurate or incomplete, may cause interest on the 2005 Series A Bonds to be included in gross income of the Bondholders for federal income tax purposes and not be exempt from income taxes imposed by the State of Missouri retroactive to the date of issuance of the 2005 Series A Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences arising with respect to the 2005 Series A Bonds.

Prospective purchasers of the 2005 Series A Bonds should be aware that the ownership of tax-exempt obligations (such as the 2005 Series A Bonds) may result in other federal (and, in some cases, state and local) tax consequences to certain owners, including, without

limitation, financial institutions, insurance companies, foreign corporations doing business in the United States, S corporations with excess net passive income, individual recipients of Social Security or Railroad Retirement benefits, individuals who may be eligible for the earned income credit, taxpayers who have incurred or continued indebtedness to purchase or carry such obligations, owners who dispose of any 2005 Series A Bond prior to its stated maturity (whether by sale or otherwise) and owners who purchase any 2005 Series A Bond at a price different from its initial offering price. Prospective purchasers of the 2005 Series A Bonds should consult their own tax advisors as to the applicability and the impact of any such other tax consequences and the status of interest on the 2003 Series A Bonds (including any original issue discount properly allocable to the owners thereof) under state or local laws other than those of the State of Missouri.

Under the Code, all taxpayers are required to report on their federal income tax returns the amount of interest received or accrued during the year that is excluded from gross income for federal income tax purposes. This requirement applies to interest on all tax-exempt bonds, including, but not limited to, the 2005 Series A Bonds.

Prospective purchasers of the 2005 Series A Bonds should also be aware that proposed legislation is from time to time considered by the United States Congress that, if enacted, may adversely affect the federal tax consequences of ownership or disposition of, and, whether or not enacted, may adversely affect the value of, tax-exempt obligations, such as the 2005 Series A Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective.

Original Issue Discount

The initial public offering prices of certain Bonds, as set forth on the cover page of this Official Statement, may be less than the principal amounts thereof, which principal amounts are the stated redemption prices at maturity (such 2005 Series A Bonds are hereinafter referred to as "OID Bonds"). An amount equal to the difference between the initial public offering price of an OID Bond (assuming a substantial amount is sold at that price) and its stated redemption price at maturity constitutes original issue discount. The amount of original issue discount properly accruable with respect to an OID Bond is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri (subject to compliance by the City with the tax covenants in the Ordinance and the Tax Letter of Instructions). The amount of properly accruable original issue discount during the period that the owner holds an OID Bond is added to the owner's tax basis for purposes of determining gain or loss upon maturity, redemption, prior sale or other disposition of such OID Bond.

Under Section 1288 of the Code original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of an OID Bond who purchases such OID Bond in this initial offering at the initial offering price generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such OID Bond (determined on the basis of compounding at the close of each accrual period and properly

adjusted for the length of the accrual period) less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period. Each owner of an OID Bond may select accrual periods that may vary in length over the term of the OID Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period.

Original issue discount as described above is not a specific item of tax preference for purposes of the federal alternative minimum tax on corporations and other taxpayers, including individuals. However, the portion of the original issue discount that accrues in each year to an owner of an OID Bond that is a corporation will be included in the adjusted current earnings preference item for purposes of determining the corporation's federal alternative minimum tax liability. Consequently, corporate owners of any OID Bonds should be aware that the accrual of original issue discount in each year may result in federal alternative minimum tax liability, although the owners of such OID Bonds have not received cash attributable to the original issue discount in such year.

Owners of OID Bonds (and particularly those not purchasing in this initial offering at the initial offering price) should consult their own tax advisors with respect to the determination and treatment of original issue discount for federal income tax purposes and with respect to other federal, state, local and foreign tax consequences of owning or disposing of such OID Bonds.

Premium

An amount equal to the excess of the purchase price of a 2005 Series A Bond over its stated redemption price at maturity constitutes premium on such 2005 Series A Bond. A purchaser of a 2005 Series A Bond must amortize any premium over such 2005 Series A Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such 2005 Series A Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such 2005 Series A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Owners of 2005 Series A Bonds who purchase at a premium (whether at the time of initial issuance or subsequent thereto) should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to other federal, state, local and foreign tax consequences of owning or disposing of such 2005 Series A Bonds.

MISCELLANEOUS

Bond Rating

Standard & Poor's, a Division of the McGraw-Hill Companies, has assigned a rating of "AAA" to the Bonds, with the understanding that, upon delivery of the Bonds, the Policy will be issued by the Insurer. In addition, Standard & Poor's, a Division of the McGraw-Hill Companies, has assigned an underlying rating of "AA-" to the Bonds without taking into

account the benefits of the Bond Insurance Policy. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's, a Division of the McGraw-Hill Companies, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

Financial Advisor

A.G. Edwards & Sons, Inc., St. Louis, Missouri, is employed as Financial Advisor to the City to render certain professional services, including advising the City on a plan of financing and preparing the Official Statement for the sale of the Bonds. A.G. Edwards & Sons, Inc., in its capacity as Financial Advisor, has read and participated in drafting certain portions of this Official Statement and has supervised the compilation and editing thereof. The Financial Advisor has not, however, independently verified the factual information contained in the Official Statement. The city has given the Financial Advisor the permission to bid on the Bonds as a member of a syndicate.

Underwriting

The Bonds have been sold at public sale by the City to _____ (the "Underwriter") the Underwriter has agreed to purchase the Bonds at a price of \$_____, (which is equal to the principal amount of the Bonds, less original issue discount of \$_____, plus original issue premium of \$_____, and less an underwriting discount of \$_____), plus accrued interest from the date of the Bonds to the date of payment and delivery of the Bonds.

Other Matters

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Simultaneously with the delivery of the Bonds, the Director of Finance 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.

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 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 officers, directors 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 Ordinance.

Additional Information

Additional information regarding the City or the Bonds may be obtained from Lori Fleming, Finance Director, at 701 East Broadway, Columbia, Missouri 65201 (573) 874-7368.

CITY OF COLUMBIA, MISSOURI

By: _____
Mayor

Source

TO: City Council

FROM: City Manager and Staff *[Signature]*

DATE: 4/13/2005

RE: Resolutions Authorizing Competitive Public Sale of Water and Electric Revenue and Refunding Bonds and Certain Preliminary Actions

[Signature]
Lori B. Fleming

Daniel M. Dasho
[Signature]

Executive Summary

In November 2003, Columbia voters authorized \$28,300,000 in bonds for purposes of providing funds to extend, improve, repair, replace and equip the Water & Electric systems. In February of 2004, the City issued 17,095,000 as the first installment of the bonds to be used for system improvements. This issue will fund the remaining projects from the ballot that include the northeast pressure zone improvements, completion of the 36" transmission main and other system improvements. The attached resolutions authorize the competitive sale of \$11,205,000 of these bonds, \$19,405,000 of refunding bonds for outstanding 1998 debt and certain preliminary actions in connection with the issuance and sale of these bonds.

Fiscal Impact

YES

NO

Other Info.

Discussion

In November 2003, Columbia voters authorized \$28,300,000 in bonds for purposes of providing funds to extend, improve, repair, replace and equip the Water & Electric systems. The projects to be funded with this issue will complete the funding for the remaining projects approved, all related to improvements to the water system and include expanding the capacity of the Water Treatment Plant, complete a 36' transmission main from the Plant to Columbia, add capacity north of I-70 and other system improvements.

In addition, the City will be taking advantage of the call provisions on a portion of the 1998 bond issue to refund \$19,405,000 in outstanding bonds to reduce interest costs. The current interest rate environment now makes it economical to pursue the refunding of the 1998 bonds. It is also beneficial at this time to issue the remaining bonds authorized in 2003 to take advantage of lower interest rates and economy of scale by having one larger issue rather than two smaller issues.

These bonds will be sold on May 2nd. We will once again take bids electronically over the internet as well as allowing for bids to be hand delivered, phoned or faxed into the Finance Director's office. Pricing details will be provided at the May 2 meeting.

Suggested Council Action

Approve the attached resolutions authorizing the competitive sale of Water and Electric System Improvement Revenue and Refunding Bonds, 2005 Series A, and certain preliminary actions in connection with the issuance and sale of these bonds.