NEW ISSUE **RATINGS:**
BOOK-ENTRY-ONLY **Moody's Investors Service Inc.: Aa2**
Standard & Poor's Ratings Services: AA+

In the opinion of Gilmore & Bell, P.C. and Martinez Madrigal & Machicao, LLC, Co-Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2013A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and State of Missouri income tax purposes, except as described in this Official Statement and is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and corporations. The Series 2013A Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.

$54,000,000

CITY OF KANSAS CITY, MISSOURI
WATER REVENUE BONDS
SERIES 2013A

Dated Date, Maturities, Principal Amounts, Interest Rates, Prices, Yields and CUSIP Numbers are shown on the Inside Cover Page

The Water Revenue Bonds, Series 2013A (the **"Series 2013A Bonds"**) are being issued by the City of Kansas City, Missouri (the **"City"**) to provide funds to: (i) finance extensions and improvements to the City's revenue-producing waterworks system (the **"System"**), and (ii) pay certain costs related to the issuance of the Series 2013A Bonds. The Series 2013A Bonds are special, limited obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the Pledged Revenues (as such term is defined in this Official Statement and consisting primarily of Net Operating Revenues derived by the City from the operation of the System). The taxing power of the City is not pledged to the payment of the Series 2013A Bonds either as to principal or interest. The Series 2013A Bonds will not be or constitute a general obligation of the City nor will they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. The Series 2013A Bonds are issued on a parity basis with certain outstanding water revenue bonds of the City. See the caption **"SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS"** in this Official Statement.

The Series 2013A Bonds will be issued as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for the Depository Trust Company **("DTC")**, New York, New York. DTC will act as securities depository for the Series 2013A Bonds. Purchases of the Series 2013A Bonds will be made in book-entry only form, in the denomination of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in Series 2013A Bonds purchased. So long as Cede & Co. as nominee of DTC, is the Bondowner, references herein to the Bondowners or Registered Owners will mean Cede & Co., as aforesaid, and will not mean the Beneficial Owners (as defined herein) of the Series 2013A Bonds. See **"THE SERIES 2013A BONDS - Book-Entry Only System"** in this Official Statement.

Principal of the Series 2013A Bonds will be paid on December 1 in the years in which the Series 2013A Bonds mature. Interest on the Series 2013A Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2013. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made by BOKF, N.A., d/b/a Bank of Kansas City, Kansas City, Missouri, as paying agent and registrar, or any successor or assign thereof (the **"Paying Agent"**) directly to such Bondowner. Disbursement of such payments to DTC Participants is the responsibility of DTC. Distribution of such payments to Beneficial Owners is the responsibility of Direct Participants and Indirect Participants, as more fully described in this Official Statement.

The Series 2013A Bonds are subject to redemption prior to maturity as more fully described under the caption **"THE SERIES 2013A BONDS – Redemption Provisions"** in this Official Statement.

The Series 2013A Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, and Martinez Madrigal & Machicao, LLC, Kansas City, Missouri, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the Office of the City Attorney. Certain legal matters for the City will be passed upon by King Hershey, PC, Kansas City, Missouri, Clayborn & Associates, LLC, Kansas City, Missouri, and Jane Hart Law Offices, LLC, Kansas City, Missouri, as Co-Disclosure Counsel. Certain legal matters for the Underwriter will be passed upon by the Hardwick Law Firm, LLC, Kansas City, Missouri. It is expected that the Series 2013A Bonds will be available for delivery at DTC on or about March 14, 2013.

Barclays **Loop Capital Markets**

UMB Bank, n.a. **Valdés & Moreno, Inc.**

The date of this Official Statement is February 27, 2013

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP NUMBERS

$54,000,000
CITY OF KANSAS CITY, MISSOURI
WATER REVENUE BONDS
SERIES 2013A

Dated Date: Date of Issuance

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number[2]
2015	$650,000	2.00%	0.45%	104.176%	485116 UJ4
2016	695,000	4.00	0.61	112.429	485116 TQ0
2017	1,565,000	3.00	0.75	110.401	485116 TR8
2018	1,755,000	3.00	0.99	111.138	485116 TS6
2019	1,810,000	4.00	1.24	117.725	485116 TT4
2020	1,885,000	4.00	1.50	118.144	485116 TU1
2021	1,960,000	4.00	1.74	118.197	485116 TV9
2022	2,035,000	4.00	2.05	115.485[1]	485116 TW7
2023	2,120,000	4.00	2.24	113.859[1]	485116 TX5
2024	2,200,000	4.00	2.37	112.762[1]	485116 TY3
2025	2,290,000	2.50	2.61	98.814	485116 TZ0
2026	2,350,000	4.00	2.58	111.015[1]	485116 UA3
2027	2,440,000	4.00	2.67	110.275[1]	485116 UB1
2028	2,540,000	4.00	2.75	109.623[1]	485116 UC9
2029	2,640,000	4.00	2.81	109.137[1]	485116 UD7
2030	2,745,000	3.50	3.15	102.645[1]	485116 UE5
2031	2,845,000	4.00	2.90	108.413[1]	485116 UF2
2032	2,955,000	4.00	2.95	108.012[1]	485116 UG0
2033	3,075,000	3.00	3.10	98.477	485116 UH8

[1] The indicated Serial Bonds are priced at a premium and are priced to the optional redemption date of December 1, 2021, and the optional redemption price of 100%.

TERM BOND

$13,445,000 4.00% Term Bond Due December 1, 2037, priced at 105.803%[1] to Yield 3.230%
CUSIP Number 485116 UK1

[1] The indicated Term Bond is priced at a premium and is priced to the optional redemption date of December 1, 2021, and the optional redemption price of 100%.

---

[2] CUSIP Numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bondowners. Neither the City nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

REGARDING USE OF THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters or by any person to give any information or to make any representation with respect to the Series 2013A Bonds offered hereby, 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 any offer to buy nor will there be any offer, solicitation or sale of the Series 2013A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not so expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable. The Underwriters have provided the following sentences for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. 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 will, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013A 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 SERIES 2013A BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR “BLUE SKY” LAWS. THE SERIES 2013A BONDS ARE BEING OFFERED IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2013A BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement will be posted on the internet website of Financial Printing Resource, Inc. at telephone number 1-800-863-5611. Information in this Official Statement can be relied upon only if downloaded in its entirety from such website or if obtained in original, bound format.

CITY OF KANSAS CITY, MISSOURI
City Hall
414 East 12th Street
Kansas City, Missouri 64106

ELECTED OFFICIALS

MAYOR

Sylvester "Sly" James, Jr.

CITY COUNCIL MEMBERS

Council Members-at-Large		District Council Members	
District 1	Scott Wagner	District 1	Dick Davis
District 2	Ed Ford	District 2	Russ Johnson
District 3	Melba Curls	District 3	Jermaine Reed
District 4	Jim Glover	District 4	Jan Marcason
District 5	Cindy Circo	District 5	Michael Brooks
District 6	Scott Taylor	District 6	John A. Sharp

CITY ADMINISTRATIVE OFFICIALS
CITY MANAGER
Troy Schulte

CITY ATTORNEY	CITY CLERK	DIRECTOR OF FINANCE	DIRECTOR OF WATER SERVICES
William Geary, Esq.	Marilyn Sanders	Randall J. Landes	Terry Leeds

CO-FINANCIAL ADVISORS

First Southwest Company
Dallas, Texas

Moody Reid Financial Advisors
Kansas City, Missouri

CO-BOND COUNSEL

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

Martinez Madrigal & Machicao, LLC
Kansas City, Missouri

CO-DISCLOSURE COUNSEL

King Hershey, PC
Kansas City, Missouri

Clayborn & Associates, LLC
Kansas City, Missouri

Jane Hart Law Offices, LLC
Kansas City, Missouri

UNDERWRITERS' COUNSEL

Hardwick Law Firm, LLC
Kansas City, Missouri

CONSULTING ENGINEER

Burns & McDonnell
Kansas City, Missouri

TABLE OF CONTENTS

Page

OFFICIAL STATEMENT

relating to

$54,000,000
CITY OF KANSAS CITY, MISSOURI
WATER REVENUE BONDS
SERIES 2013A

INTRODUCTION

This introduction is not a summary of this Official Statement, but instead is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the Official Statement including the cover page and appendices thereto and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2013A Bonds to potential investors is made only by means of the entire Official Statement. For definitions of certain capitalized terms used herein and not otherwise defined, see ***Appendix D*** *to this Official Statement.*

Purpose of this Official Statement

The purpose of this Official Statement is to furnish information relating to (i) the City of Kansas City, Missouri (the "**City**"), (ii) the City's revenue-producing waterworks system (the "**System**"), as more fully defined in the Second Committee Substitute for Ordinance No. 080197 passed by the City Council on August 14, 2008 (as amended, the "**Master Bond Ordinance**"), as amended and supplemented by Ordinance No. 130049 passed by the City Council on January 31, 2013 (the "**Series Ordinance**") and (iii) the Water Revenue Bonds, Series 2013A (the "**Series 2013A Bonds**"), of the City, dated as of the date of their original issuance and delivery, to be issued in the principal amount of $54,000,000.

The Series 2013A Bonds; Authority and Purpose

The Series 2013A Bonds are special, limited obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of Pledged Revenues, which consist primarily of Net Operating Revenues derived from the operation of the System. The taxing power of the City is not pledged to the payment of the Series 2013A Bonds either as to principal or interest. The Series 2013A Bonds will not be or constitute a general obligation of the City nor will they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. See the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS**" in this Official Statement.

The Series 2013A Bonds are being issued pursuant to the Master Bond Ordinance, as amended and supplemented by the Series Ordinance (the Series Ordinance, together with the Master Bond Ordinance, referred to as the "**Bond Ordinance**"). The Series 2013A Bonds are being issued to (i) finance extensions and improvements to the System, and (ii) to pay certain costs related to the issuance of the Series 2013A Bonds. As permitted by the Bond Ordinance, the Series 2013A Debt Service Reserve Requirement will not be funded at the time of issuance of the Series 2013A Bonds. See **"SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS – Debt Service Reserve Subaccount"** in this Official Statement.

For additional information relating to the City's authority to issue the Series 2013A Bonds and the purposes for which the Series 2013A Bonds are being issued, see the caption "**AUTHORITY FOR THE SERIES 2013A BONDS AND PLAN OF FINANCE**" in this Official Statement.

The Series 2013A Bonds, together with any outstanding Senior Bonds or additional series of Senior Bonds issued pursuant to the terms of the Bond Ordinance are referred to as the "**Senior Bonds**." See "**AUTHORITY FOR THE SERIES 2013A BONDS AND PLAN OF FINANCE – Outstanding Bonds and Other System Obligations.**" For information relating to the issuance of additional Senior Bonds, see the caption "**ADDITIONAL BONDS**" in this Official Statement.

The City

The City is a constitutional charter city established under the laws of the State of Missouri. The City incorporated on June 3, 1850. See the caption "**THE CITY**" in this Official Statement and **Appendix C** to this Official Statement for additional information relating to the City.

Security and Source of Payment for the Series 2013A Bonds

The Series 2013A Bonds and the interest thereon will constitute special, limited obligations of the City, payable solely from the Pledged Revenues and not from any other source. The Series 2013A Bonds are issued with a right to payment and secured by a lien on a parity with the outstanding Senior Bonds (except with respect to any Credit Facility which may be available only to one or more series of Senior Bonds and except that Senior SRF Bonds, if any, shall not be secured by the Debt Service Reserve Subaccount), and such other revenue bonds of the City as may in the future be issued on a parity therewith pursuant to the Master Bond Ordinance.

The Series 2013A Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. The taxing power of the City is not pledged to the payment of the Series 2013A Bonds. See the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS**" in this Official Statement.

Debt Service Reserve Subaccount

The Bond Ordinance provides for the establishment of a Debt Service Reserve Subaccount within the Sinking Fund Account of the Revenue Fund. Under the Bond Ordinance, the Series 2013A Debt Service Reserve Requirement is not required to be funded at the time of issuance of the Series 2013A Bonds and no payment from the proceeds of the Series 2013A Bonds or otherwise will be made into the Debt Service Reserve Subaccount when the Series 2013A Bonds are issued. See the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS – Debt Service Reserve Subaccount**" in this Official Statement.

Consulting Engineer's Report

The City has retained Burns & McDonnell (the **"Consulting Engineer"**) to prepare a report and feasibility study in connection with the issuance of the Series 2013A Bonds as additional bonds under the Master Bond Ordinance. The Consulting Engineer's Water System Revenue Consulting Engineer's Report (the **"Consulting Engineer's Report"**), presenting the Consulting Engineer's findings concerning debt service coverage requirements for issuance of additional bonds under the Master Bond Ordinance, is included as **Appendix A** to this Official Statement.

Financial Statements

Audited financial statements of the City's Water Fund, as of and for the fiscal years ending April 30, 2012 and April 30, 2011 (the **"Financial Statements"**), are included in **Appendix B** to this Official Statement. The Financial Statements have been audited by a firm of independent certified public accountants, to the extent and for the periods indicated in the report of such firm, which is also included in **Appendix B**. See the caption "**FINANCIAL STATEMENTS**" in this Official Statement.

Bond Ratings

The City has received ratings on the Series 2013A Bonds as set forth on the cover page of this Official Statement and under the caption "**BOND RATINGS**" in this Official Statement.

Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Additional information with respect to this Official Statement and the Series 2013A Bonds may be obtained from First Southwest Company, 325 North St. Paul Street, Suite 800, Dallas, Texas 75201, or from Moody Reid Financial Advisors, 4435 Main Street, Suite 505, Kansas City, Missouri 64111.

Definitions and Summaries of Documents

Definitions of certain words and terms used in this Official Statement and summaries of the Bond Ordinance are included in this Official Statement in **Appendix D**. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be obtained from First Southwest Company or from Moody Reid Financial Advisors at the addresses listed above and will be provided to any prospective purchaser requesting the same upon payment of the cost of complying with such request.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Bondowners to send annual reports, consisting of certain financial information and operating data, and notice of certain events to the Municipal Securities Rulemaking Board (**"MSRB"**) pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12, as amended **("SEC Rule 15c2-12")**. See "**APPENDIX F – FORM OF CONTINUING DISCLOSURE UNDERTAKING."** A failure by the City to comply with such undertaking will not constitute a default on the Series 2013A Bonds (although owners of the Bonds will have any available remedy at law or in equity). Nevertheless, a failure to provide annual reports must be reported in accordance with the SEC Rule 15c2-12 and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2013A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2013A Bonds and their market price.

The City has previously entered into continuing disclosure undertakings under SEC Rule 15c2-12, pursuant to which the City annually files its audited financial statements and certain other information with the MSRB through its Electronic Municipal Market Access ("EMMA") system. To the best of its knowledge, the City has never failed to comply in any material respect with any prior undertaking with regard to SEC Rule 15c2-12 to provide annual reports or notices of material events.

THE CITY

In General

The City was incorporated on June 3, 1850. The City is the central city of a fifteen-county Metropolitan Statistical Area (MSA), which includes Bates, Caldwell, Cass, Clay, Jackson, Platte, Clinton, Lafayette and Ray counties in the State of Missouri and Franklin, Johnson, Leavenworth, Linn, Miami and Wyandotte counties in the State of Kansas, and is situated at the confluence of the Kansas and Missouri rivers and on Interstate Highways I-29, I-35, I-49, and I-70. The City's Department of City Planning and Development estimates the City's 2012 population at 465,680 and the population of the Kansas City MSA at 2,065,586. See "**APPENDIX C - INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI**" for further information.

Available Information

Certain additional information regarding the City is also available at the City's Investor Relations website: http://www.kcmo.org/CKCMO/Depts/Finance/InvestorInfo/index.htm. In addition, the City Finance Department's Financial Reporting Section prepares monthly financial statements, which include unaudited financial summaries of the revenue and expenditure activities of the City for each month on a cash basis. The most recent unaudited monthly financial reports are available at: http://kcmo.org/CKCMO/Depts/Finance/MonthlyFinancialReports/index.htm. The financial information included in **Appendix B** and in such monthly financial reports is not necessarily indicative of the financial results to be achieved for future periods.

Anticipated Future Financings

The City has previously sold and delivered, and from time to time in the future will sell and deliver, numerous series of general obligation bonds payable from ad valorem taxes, revenue bonds payable from a specified revenue source and its special obligation bonds or other bonds secured by annual appropriations of the City. The sole source of revenue for debt service on the Series 2013A Bonds is the Pledged Revenues derived by the City from the operation of the System. See the captions "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS"** and **"THE SYSTEM"** for further information.

The City anticipates issuing additional water revenue bonds in the future as determined appropriate in accordance with its capital improvement program. See the captions "**AUTHORITY FOR THE SERIES 2013A BONDS AND PLAN OF FINANCE," "ADDITIONAL BONDS"** and **"THE SYSTEM."**

Retirement Benefits and Other Postemployment Benefits

General. The information included in this section and the materials referenced herein rely on information produced by the pension plans described below and their independent accountants and actuaries. Actuarial assessments are "forward-looking" analyses that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or may be changed in the future, and will change with the future experience of the particular pension plan. The City has not independently verified the source information, and makes no representations nor expresses any opinion as to the accuracy of the source information.

Substantially all City employees and elected officials of the City, as well as employees of the Police Department, are covered by one of four contributory defined benefit retirement plans: Employees' Retirement System, Firefighters' Pension System, Police Retirement System and Civilian Employees' Retirement System. Information relating to the City's overall pension and other post-employment benefit ("OPEB") obligations and the funded status of such obligations is contained in the notes to the City's Comprehensive Annual Financial Report ("CAFR") for its fiscal year ended April 30, 2012, in particular Note 10 and Note 11 in the Notes to Basic Financial Statements, on page A-114 to A-131, and in the Required Supplementary Information, on page A-148 and Table 7 at pages C-8 through C-11 in the statistical section of the CAFR, available from the City's website at http://www.kcmo.org/CKCMO/Depts/Finance/InvestorInfo/index.htm. While such information is contained in the City's CAFR, the Series 2013A Bonds are special obligations of the City, payable solely from Pledged Revenues and are not general obligations of the City payable from other available funds, as set forth in this Official Statement under the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS**."

Although determinations are not made of the actuarial status of the City's pension and OPEB obligations with respect to the various City departments and the enterprise funds they maintain, the City has historically allocated its pension and OPEB obligations, both accrued and current, to the individual departments and enterprise funds, including the Water Fund. The City does not have a written policy on the method for allocation of pension and OPEB obligations to a particular fund; historically this has been based on the budgetary basis pension expense for the year and the method of allocation could change in the future. There is also no written City policy on priority of funding the Actuarial Required Contribution (**"ARC"**) in relation to other payments from a particular fund. The City is currently undertaking a review of its pension plans and is in the process of formulating a funding policy.

For specific information relating to the Water Fund's allocated share of the City's overall pension and OPEB obligations, see Notes 10 and 11 to the Financial Statements included as **Appendix B** to this Official Statement and the information under "Employee Retirement and Pension Plans" in **Appendix C**.

Historical funding progress for each of the pension systems, including actuarial value of assets and market value of assets, is set forth under **"**Employee Retirement and Pension Plans**"** in **Appendix C** (such information, together with the identified notes to the CAFR, Required Supplementary Information and Table 7 of the statistical section of the CAFR, and Notes 10 and 11 to the Financial Statements included as **Appendix B**, are collectively referred to as the "Employee Retirement and Pension Plan Disclosure.")

Employer contributions are determined annually by the City Council in conjunction with the budget process, based on information provided by the consulting actuary for each plan, and are subject to annual appropriation by the City. The actuarial valuations performed as of April 30, 2012 and May 1, 2012 were available in developing the budget for the year ending April 30, 2014. Actuarial valuations for the plans may be obtained by contacting the boards at the address set forth below.

The City has not funded its entire ARC to its pension plans and OPEB obligations for the last several years. Actuarial reports have stated that the contribution rates will need to be increased in the future to sustain the system over the long term. See the Employee Retirement and Pension Plan Disclosure.

The retirement plans identified above are administered by third party boards. The boards issue publicly available financial reports that include financial statements and required supplementary information. The auditors preparing such financial statements have not been asked to perform any additional work or any post-audit procedures more recently than the dates of such reports. Actuarial valuations for the plans and the financial reports may be obtained by contacting: Employees' Retirement System or Firefighters' Pension System**,** The Retirement Division, City Hall-10th Floor, 414 East 12th Street, Kansas City, MO 64106, 816.513.1928 and for the Police Retirement System or Civilian Employees' Retirement System**,** The Retirement Board of the Police Retirement System of Kansas City, Missouri, 1328 Agnes Avenue, Kansas City, MO 64127, 816.482.8138.

Investments. The plans invest in various investment securities. Investment securities are exposed to certain risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of plan net assets. Given the volatility of economic conditions, the values of assets reflected in the financial reports could change rapidly, resulting in material future adjustments in investment values that could negatively impact the plans. Each plan has a written and adopted investment policy that speaks to the investment of the plan assets. Such investment policies can be changed at the discretion of the respective board. Current investment policies can be obtained by contacting the applicable board at the respective addresses shown in the immediately preceding paragraph.

The unaudited financial reports presented to the board for the Employees' Retirement System state that, subsequent to fiscal year end, the plan's investments increased by approximately $4 million through October 31, 2012 on an accrual basis. The unaudited financial reports presented to the board for the Firefighters' Pension System state that, subsequent to fiscal year end, the plan's investments increased by approximately $100 thousand through October 31, 2012 on an accrual basis.

Pension System Task Force. The Mayor appointed a Pension System Task Force to explore options to control pension costs and provide a report of its findings. Recommendations were made with regard to matters such as plan design, increasing employee contributions, adjusting funding formulas to calculate benefit contributions, and generally improving pension funding levels. The City Council continues to explore the development of policies to this end. The City Manager and representatives from the police, firefighters' and City employees' pension systems have been meeting with a goal of reaching appropriate solutions to the issue of providing properly funded pensions to City and police employees.

Incorporation of Certain Documents by Reference

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement therein or in any other document subsequently filed with MSRB that also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

THE SERIES 2013A BONDS

In General

The Series 2013A Bonds will be issued in the principal amount stated on the cover of this Official Statement, will be dated as of the date of their original issuance and delivery and will consist of fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof. The Series 2013A Bonds will mature, subject to redemption as described below, on December 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2013A Bonds will be payable semiannually on June 1 and December 1, beginning June 1, 2013. Principal will be payable upon presentation and surrender of the Series 2013A Bonds by the Registered Owners thereof to the Paying Agent. Interest will be paid to the Registered Owners of the Series 2013A Bonds as shown on the Bond Register at the close of business on the 15th day of the month preceding such interest payment date (the "**Record Date**"), for such interest (a) by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register or (b) at such other address as is furnished to the Paying Agent in writing by any Registered Owner or (c) in the case of an interest payment to any Registered Owner of $500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer address (which will be in the continental United States) to which such Registered Owner wishes to have such electronic transfer directed.

Redemption Provisions

Optional Redemption. The Series 2013A Bonds or portions thereof maturing on and after December 1, 2022, are subject to redemption prior to maturity, at the option of the City, in whole or in part at any time on or after December l, 2021, at the principal amount thereof, together with accrued interest thereon to date of redemption, at a redemption price equal to 100% of the principal amount, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2013A Bonds maturing in the year 2037 are subject to scheduled mandatory redemption by the City at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, on each December 1 as follows:

Term Bond Due December 1, 2037

Year	Amount
2034	$3,165,000
2035	3,295,000
2036	3,425,000
2037*	3,560,000

* Final Maturity.

Notice of Redemption. Unless waived by any Registered Owner of Series 2013A Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail, at least 30 days prior to the date fixed for redemption to the Registered Owner of the Series 2013A Bond or Series 2013A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated, shall contain the complete official name of the Series 2013A Bond issue, and shall state: (i) the redemption date; (ii) the redemption price; (iii) the interest rate and maturity date of the Series 2013A Bonds being redeemed; (iv) if less than all the Outstanding Series 2013A Bonds are to be redeemed, the Series 2013A Bond numbers and, where part of the Series 2013A Bonds evidenced by one Series 2013A Bond certificate are being redeemed, the respective Principal amounts of such Series 2013A Bonds to be redeemed; (v) that on the redemption date the redemption price will become due and payable upon each such Series 2013A Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after such date; and (vi) the place where such Series 2013A Bonds are to be surrendered for payment of the redemption price (which place of payment shall be the principal payment office of the Paying Agent or at such other office designated by the Paying Agent for such purpose) and the name, address, and telephone number of a person or persons at the Paying Agent who may be contacted with respect to the redemption.

Any notice of optional redemption of any Series 2013A Bonds may specify that the redemption is contingent upon the deposit of moneys with the Paying Agent in an amount sufficient to pay the redemption price (which price shall include the redemption premium, if any) of all the Series 2013A Bonds or portions of Series 2013A Bonds which are to be redeemed on that date.

Effect of Notice of Redemption. Official notice of redemption having been given in the manner and under the conditions provided in the Bond Ordinance and moneys for payment of the redemption price being held by the Paying Agent as provided in the Bond Ordinance, the Series 2013A Bonds or portions of Series 2013A Bonds called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2013A Bonds or portions of Series 2013A Bonds on such date, and from and after such date interest on the Series 2013A Bonds or portions of Series 2013A Bonds called for redemption shall cease to accrue, such Series 2013A Bonds or portions of Series 2013A Bonds shall cease to be entitled to any lien, benefit, or security under the Bond Ordinance, and the owners of such Series 2013A Bonds or portions of Series 2013A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. Upon surrender for partial redemption of any Series 2013A Bond, there shall be prepared for and delivered to the Registered Owner a new Series 2013A Bond or Series 2013A Bonds of the same series, maturity, and interest rate in the amount of the unpaid Principal.

Partial Redemption. If less than all of the Series 2013A Bonds of like maturity shall be called for redemption, the particular Series 2013A Bonds or portions of Series 2013A Bonds to be redeemed shall be selected by the City. The portion of any Series 2013A Bond of a denomination of more than $5,000 to be redeemed shall be in the Principal amount of $5,000 or an integral multiple of $5,000 in excess thereof and, in selecting portions of such Series 2013A Bonds for redemption, the City shall treat each such Series 2013A Bond as representing that number of Series 2013A Bonds which is obtained by dividing the Principal of such Series 2013A Bond to be redeemed in part by $5,000.

Book-Entry System for the Series 2013A Bonds

The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the City. The Underwriters and the City make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described below or in a timely manner.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2013A Bonds. The Series 2013A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2013A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Series 2013A 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 Series 2013A Bonds, except in the event that use of the book-entry system for the Series 2013A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2013A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013A 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.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2013A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2013A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2013A Bonds may wish to ascertain that the nominee holding the Series 2013A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013A Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Registrar 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 Series 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Series 2013A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2013A Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013A Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2013A Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2013A Bond certificates will be printed and delivered to DTC.

Registration, Transfer and Exchange of Series 2013A Bonds

The City shall cause the Bond Register for the registration and for the transfer of the Series 2013A Bonds as provided in the Bond Ordinance to be kept by the Bond Registrar. The Series 2013A Bonds shall be registered as to Principal and interest on the Bond Register upon presentation thereof to the Bond Registrar which shall make notation of such registration thereon; provided that the City reserves the right to issue coupon Series 2013A Bonds payable to bearer whenever to do so would not result in any adverse federal tax consequences.

Series 2013A Bonds may be transferred by surrender for transfer at the principal corporate trust office of the Bond Registrar or at such other office designated by the Bond Registrar for such purpose, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or the Registered Owner's attorney duly authorized in writing. The City shall cause to be executed and the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees a new Series 2013A Bond or Series 2013A Bonds of the same series, maturity, interest rate, aggregate Principal, and tenor of any authorized denomination or denominations, and bearing numbers not then outstanding.

Series 2013A Bonds may be exchanged at the principal corporate trust office of the Bond Registrar or at such other office designated by the Bond Registrar for such purpose, for a like aggregate Principal amount of Series 2013A Bonds of other authorized denominations of the same series, maturity, and interest rate, and bearing numbers not then outstanding. The City shall cause to be executed and the Bond Registrar shall authenticate and deliver Series 2013A Bonds which the Bondowner making the exchange is entitled to receive.

The Bond Registrar shall not be required to transfer or exchange any Series 2013A Bond after notice calling such Series 2013A Bond for redemption has been given or during the period of 15 days (whether or not a Business Day for the Bond Registrar, but excluding the date of giving such notice of redemption and including such 15th day) immediately preceding the giving of such notice of redemption.

In any exchange or registration of transfer of any Series 2013A Bond, the owner of the Series 2013A Bond shall not be required to pay any charge or fee; provided, however, if and to whatever extent any tax or governmental charge is at any time imposed on any such exchange or transfer, the City or the Bond Registrar may require payment of a sum sufficient for such tax or charge. In the event any Bondowner fails to provide a correct taxpayer identification number to the Bond Registrar, the Bond Registrar may impose a charge against such Bondowner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Bondowner hereunder or under the Series 2013A Bonds.

Mutilated, Lost, Stolen or Destroyed Series 2013A Bonds

If any Series 2013A Bond is mutilated, lost, stolen or destroyed, the City may execute and deliver a new Series 2013A Bond of the same maturity, interest rate, aggregate Principal, and tenor in lieu of and in substitution for the Series 2013A Bond mutilated, lost, stolen or destroyed. In the case of any mutilated Series 2013A Bond, however, such mutilated Series 2013A Bond shall first be surrendered to the Bond Registrar, and, in the case of any lost, stolen or destroyed Series 2013A Bond, there shall first be furnished to the Bond Registrar evidence satisfactory to it of the ownership of such Series 2013A Bond and of such loss, theft or destruction, together with indemnity to the City and the Bond Registrar, satisfactory to each of them. If any such Series 2013A Bond shall have matured or a redemption date pertaining to the Series 2013A Bond shall have passed, instead of issuing a new Series 2013A Bond the City may pay or cause the Paying Agent to pay the Series 2013A Bond. The City, the Bond Registrar, and the Paying Agent may charge the owner of such Series 2013A Bond with their reasonable fees and expenses for replacing mutilated, lost, stolen or destroyed Series 2013A Bonds.

In executing a new Series 2013A Bond and in furnishing the Bond Registrar with the written authorization to deliver a new Series 2013A Bond as provided for in the Bond Ordinance, the City may rely conclusively on a representation of the Bond Registrar that the Bond Registrar is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Series 2013A Bond.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2013A Bonds, but neither the failure to print such numbers on the Series 2013A Bonds, nor any error in the printing of such numbers will constitute cause for the failure or refusal by the purchaser thereof to accept delivery of and payment for any Series 2013A Bond.

AUTHORITY FOR THE SERIES 2013A BONDS AND PLAN OF FINANCE

In General

The Series 2013A Bonds are being issued by the City for the purpose of providing funds (i) to finance extensions and improvements to the System (the "**Project**") (see the subcaption "**The Project**" below for additional information on the anticipated major components of the Project) authorized by voters at the 2005 Election (as such term is defined below), and (ii) to pay certain costs of issuance incurred in connection with the issuance of the Series 2013A Bonds.

Authority for the Series 2013A Bonds

The Series 2013A Bonds are being issued under the authority of and in full compliance with the Constitution and the laws of the State of Missouri, including Article VI, Section 26 of the Constitution of Missouri, 1945, as amended, the Charter of the City, and ordinances adopted by the council of the City. The Series 2013A Bonds were authorized by the voters of the City in an election held on August 2, 2005 (the "**2005 Election**"). At the 2005 Election, a majority of voters of the City authorized $250,000,000 in water revenue bonds to be issued by the City. The City has previously issued $141,635,000 of water revenue bonds authorized by the 2005 Election, leaving $108,365,000 of the water revenue bonds authorized pursuant to the 2005 Election unissued prior to issuance of the Series 2013A Bonds to fund the Project. Following issuance of the Series 2013A Bonds, $54,365,000 of the water revenue bonds authorized by the 2005 Election will remain unissued.

Outstanding Bonds and Other System Obligations

The City has previously issued two series of parity bonds under the Master Bond Ordinance:

(a) Water Refunding and Improvement Revenue Bonds, Series 2009A in the original principal amount of $198,915,000, of which $153,125,000 remains outstanding (the **"Series 2009A Bonds"**); and

(b) Water Revenue Bonds, Series 2012A in the original principal amount of $47,725,000, of which $46,060,000 remains outstanding (the **"Series 2012A Bonds"**).

As used in this Official Statement **"Senior Bonds"** includes the Series 2009A Bonds, the Series 2012A Bonds, the Series 2013A Bonds, and any Bonds (including Senior SRF Bonds) that will be issued with a right to payment and secured by a lien on a parity with the Series 2009A Bonds, the Series 2012A Bonds and the Series 2013A Bonds pursuant to the Master Bond Ordinance (except with respect to any Credit Facility which may be available to only one or more series of Senior Bonds).

The City has previously issued its Subordinate Water Revenue Bonds, Series 2008A in the original principal amount of $35,000,000, of which $29,995,000 principal amount remains outstanding (the **"Series 2008A Subordinate Bonds"**). The Series 2008A Subordinate Bonds were not issued under the Master Bond Ordinance, but are secured by a lien on the revenues of the System subordinate to the Senior Bonds and are Subordinate Bonds under the Master Bond Ordinance.

The City currently has no outstanding Senior SRF Bonds. The City does have outstanding certain Other System Obligations payable from the revenues of the System consisting of two AMR capital leases outstanding in the amount of $24,788,969.22 as of January 25, 2013. The AMR capital leases were entered into to cover the installation of an automated meter reading (AMR) system. The payments on the AMR capital leases are subordinate to payment of the Senior and Subordinate Bonds and are not secured by a pledge of Pledged Revenues.

The Project

A portion of the proceeds from the Series 2013A Bonds will be used, along with Water Services Department revenues, to finance extensions and improvements to the System. Major components of the Project include improvements to the water treatment plant, extension and replacement of water mains, pump station expansions and improvements, security systems for various facilities, and the renovation and rehabilitation of existing water treatment facilities. See the "Project Descriptions" section of the Consulting Engineer's Report, **Appendix A** to this Official Statement, for additional information about the Project.

Estimated Sources and Uses of Funds

<u>Estimated Sources of Funds</u>:	
Par Amount of Bonds	$54,000,000.00
Net Reoffering Premium	4,631,100.65
Total Sources	$58,631,100.65
<u>Estimated Uses of Funds</u>:	
Deposit to Series 2013A Project Account	$58,178,443.43
Costs of Issuance (including Underwriters' discount)	442,657.22
Deposit to Series 2013A Rebate Subaccount	10,000.00
Total Uses	$58,631,100.65

SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS

In General

The Senior Bonds and any additional Senior Bonds and the interest thereon will constitute special, limited obligations of the City, payable solely from the Pledged Revenues and not from any other source. The Senior Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The taxing power of the City is not pledged to the payment of the Senior Bonds. See the caption "**Pledged Revenues**" below for a further description of the source of payment for the Senior Bonds.

To the best of its knowledge, the City has never defaulted on any of its obligations payable from revenues of the System.

The Series 2013A Bonds are issued on parity with the Outstanding Series 2009A Bonds, the Outstanding Series 2012A Bonds and any other revenue bonds which may in the future be issued on a parity therewith under the Bond Ordinance. The pledge of the Pledged Revenues to the Senior Bonds under the Bond Ordinance is senior to the pledge of net water system revenues made with respect to previously issued subordinate water revenue bonds (the "**Subordinate Bonds**"), which, at the time of issuance of the Series 2013A Bonds, consist solely of the Series 2008A Subordinate Bonds. The AMR capital leases, which are payable from the revenues of the System on a subordinate basis to the Senior and Subordinate Bonds, are not secured by a pledge of Pledged Revenues.

The Bond Ordinance establishes the funds and accounts that will be maintained for the Senior Bonds. A discussion of the funds and accounts to be established in regards to the Series 2013A Bonds and the flow of funds for the Senior Bonds and the Subordinate Bonds appears in "**APPENDIX D – DEFINITIONS AND SUMMARY OF BOND ORDINANCE"** to this Official Statement. Copies of the Bond Ordinance are available upon request from First Southwest Company or from Moody Reid Financial Advisors at the addresses listed above.

Pledged Revenues

Pursuant to the Bond Ordinance, the following revenues (the "**Pledged Revenues**") have been pledged to the payment of the Series 2013A Bonds and any other Senior Bonds issued pursuant to the terms of the Bond Ordinance: (a) the Net Operating Revenues, (b) Hedge Receipts, and (c) all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the funds and accounts established pursuant to the Bond Ordinance, but excluding any amounts required in the Bond Ordinance to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Account established within the Revenue Fund.

"**Net Operating Revenues**" means Operating Revenues, after provision for payment of all Expenses of Operation and Maintenance. "**Operating Revenues**" means all income and revenues derived and accrued by the City from the ownership and operation of the System, including capital repayments actually received by the City in connection with improvements to the System, Investment Earnings and any amounts held in escrow in connection with the construction of extensions and improvements to the System to be applied during the period of determination to pay interest on water system revenue bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business.

"**Expenses of Operation and Maintenance**" means all reasonable and necessary expenses of operating and maintaining the System, including any ongoing fees associated with Senior Bonds or subordinate bonds (but, excluding Administrative Service Fees, capital lease payments, if any, interest paid on water revenue bonds, depreciation and amortization charges, any non-cash OPEB Obligations and any other items qualifying as Expenses of Operation and Maintenance under the Master Bond Ordinance).

The pledge of the Pledged Revenues to the payment of the Series 2013A Bonds and any other Senior Bonds issued pursuant to the terms of the Bond Ordinance is senior to the pledge of such revenues to the payment of the Subordinate Bonds which, at the time of issuance of the Series 2013A Bonds, consists solely of the Series 2008A Subordinate Bonds. The AMR capital leases, which are payable from the revenues of the System on a subordinate basis to the Senior and Subordinate Bonds, are not secured by a pledge of Pledged Revenues.

Revenue Fund

Pursuant to the Bond Ordinance, the City will deposit and continue to deposit all Operating Revenues and any extraordinary revenues from the sale of assets not in the ordinary course of business in the Revenue Fund from time to time as and when received. Moneys in the Revenue Fund will be applied by the City from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the following order of priority:

(1) to pay Expenses of Operation and Maintenance;

(2) to deposit into the Sinking Fund (principal and interest) Account the amounts required by the Bond Ordinance;

(3) to deposit into the Rebate Account the amounts required by the Bond Ordinance;

(4) to make Replenishment Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance, and to pay to any Credit Facility Provider any amounts due under a Credit Facility Agreement, including Additional Interest;

(5) to pay any amounts due any Reserve Account Credit Facility Provider pursuant to the Reserve Account Credit Facility Agreement;

(6) to make Accumulation Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance;

(7) to deposit the amounts required to be deposited into the funds and accounts created by any Series Ordinance authorizing the issuance of Subordinate Bonds, for the purpose of paying Principal of (whether at maturity, upon mandatory redemption or as otherwise required by a Series Ordinance relating to Subordinate SRF Bonds) and interest on Subordinate Bonds, making Hedge Contingency Payments under Senior Hedge Agreements, making Hedge Payments and making Hedge Contingency Payments under Subordinate Hedge Agreements, and accumulating reserves for such payments;

(8) to pay any amounts required to be paid with respect to any Other System Obligations, subject to annual appropriation;

(9) to pay Administrative Service Fees;

(10) to deposit to the Renewal and Replacement Account an amount determined by the Operating and Capital Reserves Policy established and approved by the Water Services Department and the City Council, as may be amended from time to time, to be applied in accordance with the Bond Ordinance; and

(11) to deposit any remaining amount in the Surplus Account.

Debt Service Reserve Subaccount

The Debt Service Reserve Subaccount will not be funded at the time of issuance of the Series 2013A Bonds.

The Master Bond Ordinance established a Debt Service Reserve Subaccount within the Sinking Fund Account that secures all Senior Bonds on a parity basis into which funds constituting the Debt Service Reserve Requirement are to be deposited and held. The **"Debt Service Reserve Requirement"** means an amount determined from time to time by the City as a reasonable reserve for the payment of Principal of and interest on Senior Bonds which are not Senior SRF Bonds. The Master Bond Ordinance provides that, initially, this amount shall be no greater than the least of (a) 10% of the stated Principal amount of the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), (b) the maximum annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), or (c) 125% of the average annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds). The Master Bond Ordinance also provides that the City may, in its sole discretion, reduce this amount from time to time by Supplemental Ordinance, but in no event may the City reduce this amount unless each Rating Agency 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 Senior Bonds. The City may also increase this amount from time to time by Supplemental Ordinance, subject to an opinion of Bond Counsel. The City may elect to satisfy the Debt Service Reserve Requirement, in whole or in part, by means of a Reserve Account Credit Facility under the circumstances specified in the Master Bond Ordinance.

The Debt Service Reserve Subaccount will not be funded at the time of issuance of the Series 2013A Bonds. The City has elected pursuant to the definition of Debt Service Reserve Requirement under the Master Bond Ordinance to reduce the Debt Service Reserve Requirement for Senior Bonds to the amount currently on deposit, so that no deposits to the Debt Service Reserve Subaccount of the Sinking Fund Account will be required in connection with the issuance of the Series 2013A Bonds. The City has obtained the necessary confirmation from each Rating Agency that its current rating on the Senior Bonds would not be reduced or withdrawn, as required by the Bond Ordinance.

Upon the occurrence of a Debt Service Reserve Requirement Funding Commencement Date, however, the City will make monthly deposits to the Debt Service Reserve Subaccount equal to 1/24th of the Series 2013A Debt Service Reserve Requirement for 24 months until the Series 2013A Debt Service Reserve Requirement is satisfied.

"Series 2013A Debt Service Reserve Requirement" means an amount equal to the average annual debt service with respect to the Outstanding Series 2013A Bonds as calculated after any principal payment on the Series 2013A Bonds (whether at maturity or by redemption). **"Debt Service Reserve Requirement Funding Commencement Date"** means the first day of the month after a Valuation Date in which the Net Operating Revenues are less than the Debt Service Reserve Debt Service Coverage Requirement for the preceding Fiscal Year. **"Debt Service Reserve Debt Service Coverage Requirement"** means, with respect to the Series 2013A Bonds, 130% of the average annual Debt Service Requirements on all Outstanding Senior Bonds which are not Senior SRF Bonds. **"Valuation Date"** means the first business day of the month following the presentation of the annual financial statement of the System to the City Council, but in no event later than November 30th of any year.

For a further description of the Debt Service Reserve Subaccount and the deposit to and application of funds from such subaccount, see **Appendix D** to this Official Statement.

Rate Covenant

Pursuant to the Bond Ordinance, the City has covenanted and agreed to prescribe, fix, maintain, and collect rates, fees, and other charges for the services, facilities, and commodities furnished by the System fully sufficient at all times to:

(a) provide for 100% of the Expenses of Operation and Maintenance; and

(b) produce Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, in each Fiscal Year which, together with Investment Earnings:

(i) will equal at least (A) 125% of the Debt Service Requirement on all Senior Bonds then Outstanding for the Fiscal Year of computation, (B) 115% of the Debt Service Requirement on all Bonds then Outstanding for the Fiscal Year of computation, and (C) 110 % of the Debt Service Requirement on all Bonds and Other System Obligations then Outstanding for the Fiscal Year of computation; and

(ii) will enable the City to make all required payments, if any, into the Debt Service Reserve Subaccount and the Rebate Account and to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Hedge Payments; and

(iii) will enable the City to make all payments, if any, into the Renewal and Replacement Account required by the Operating and Capital Reserves Policy established and approved by the Water Services Department and the City Council, as may be amended from time to time; and

(iv) will remedy all deficiencies in required payments into any of the funds and accounts established under the Bond Ordinance from prior Fiscal Years.

If the City fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of the Bond Ordinance, the owners of not less than 25% in aggregate Principal of the Bonds then Outstanding, without regard to whether any Event of Default will have occurred, may institute and prosecute in any court of competent jurisdiction an appropriate action to compel the City to prescribe, fix, maintain, or collect such rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the requirements of the Bond Ordinance.

ADDITIONAL BONDS

The Series 2013A Bonds are being issued under the Bond Ordinance on parity with the Outstanding Series 2009A Bonds and Outstanding Series 2012A Bonds and any additional parity Senior Bonds issued under the Bond Ordinance. The City has the right to issue additional Senior Bonds payable from the same source and secured by the same Pledged Revenues as the Series 2013A Bonds; provided, however, such additional Senior Bonds may be issued only in accordance with and subject to the covenants, conditions and restrictions set forth in the Bond Ordinance. Under the Bond Ordinance, the City has covenanted that so long as any Senior Bonds remain Outstanding, the City will not issue any obligations, including capital leases, payable out of the Pledged Revenues which are superior in lien, security or otherwise to the Senior Bonds. The City has also covenanted that it will not issue additional Senior Bonds unless the following conditions are met:

(a) There will have been filed with the City either:

(i) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the historical Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, for the most recent available annual audit for the Fiscal Year prior to the issuance of the proposed Senior Bonds were equal to at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds, or

(ii) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the forecasted Net Operating Revenues for each Fiscal Year in the Forecast Period are expected to equal at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds.

The report required by paragraph (a)(i) above may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System, adopted prior to the date of delivery of the proposed Senior Bonds (which date of adoption may be in the Fiscal Year in which the Senior Bonds are issued) not fully reflected in the historical Net Operating Revenues actually received during the most recent Fiscal Year for which an annual audit is available. Such pro forma adjustments will be based upon a report of a Consulting Engineer as to the amount of Operating Revenues which would have been received during such period had the new rate schedule been in effect throughout such period.

The report required by paragraph (a)(ii) may <u>not</u> take into consideration any rate schedule to be imposed in the future, unless such rate schedule has been adopted by ordinance of the City Council. Such rate schedule adopted by ordinance may contain, however, future effective dates.

For any Fiscal Year of less than 12 months, the preceding calculations may be adjusted to reflect a Maximum Annual Debt Service Requirement that is prorated over the actual number of months in such Fiscal Year.

(b) The City will have received, at or before issuance of the Senior Bonds, a report from a Consulting Engineer or an Independent Certified Public Accountant to the effect that the payments required to be made into each subaccount of the Sinking Fund Account have been made and the balance in each subaccount of the Sinking Fund Account is not less than the balance required by the Bond Ordinance as of the date of issuance of the proposed Senior Bonds.

(c) Except with respect to Senior SRF Bonds, the Series Ordinance authorizing the proposed Senior Bonds must require (i) that the amount to be accumulated and maintained in the Debt Service Reserve Subaccount be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) that the amount of such increase be deposited in such account on or before the date and at least as fast as specified in the Bond Ordinance.

(d) The Series Ordinance authorizing the proposed Senior Bonds must require the proceeds of such proposed Senior Bonds to be used solely to make capital improvements to the System, to fund interest on the proposed Senior Bonds and certain other allowable fees, to acquire existing or proposed waterworks utilities, to refund other obligations issued for such purposes (whether or not such refunding Bonds satisfy the requirements of the Bond Ordinance), and to pay expenses incidental thereto and to the issuance of the proposed Senior Bonds.

(e) If any Senior Bonds are Auction Rate Bonds or would bear interest at a Variable Rate, the Series Ordinance under which such Senior Bonds are issued will provide a maximum rate of interest per annum which such Senior Bonds may bear.

(f) The Director of Finance or the Director of Water Services will have certified, by written certificate dated as of the date of issuance of the Senior Bonds, that the City is in compliance with all requirements of the Bond Ordinance.

(g) The City will have received an opinion of Bond Counsel, dated as of the date of issuance of the Senior Bonds, to the effect that the Series Ordinance and any related Supplemental Ordinance authorizing the issuance of Senior Bonds have been duly adopted by the City.

Pursuant to the terms and conditions of the Bond Ordinance, the City may also issue certain refunding bonds and Subordinate Bonds, enter into Hedge Agreements and Credit Facility Agreements and incur Other System Obligations. For a summary of such terms and conditions, see **Appendix D** to this Official Statement.

THE WATER SYSTEM

The City's Water Services Department is responsible for the operation and maintenance of the City's revenue-producing waterworks system **("System"**), which includes facilities for obtaining, purifying and delivering potable water for domestic, commercial and industrial use and for fire protection within the City and surrounding areas. It is also responsible for obtaining all necessary federal and state permits and compliance with applicable federal and state clean water laws and regulations permits.

Primary System

The primary System includes a 240 million gallon per day treatment plant, four major pump stations, 14 repump stations, numerous water storage facilities, and approximately 2,700 miles of water mains. Treated water service is provided to approximately 164,000 retail customers inside and outside the City and 33 active wholesale customers. There are also connections with the transmission systems of six other regional water suppliers that can be activated in case of an emergency.

The City obtains its raw water for the primary System from a combination of surface and ground water sources. Surface water comes from the Missouri River and accounts for approximately 80% of the raw water. Ground water comes from a well field in the Missouri River aquifer and accounts for the remaining 20% of raw water. Water treatment is a four-step process that consists of sedimentation, softening, stabilization and filtration. The treated water produced by the Water Services Department meets current federal and state requirements for drinking water.

Water is pumped into the transmission system from storage reservoirs located at the water treatment plant, which is located on the north side of the Missouri River. The water transmission system is comprised of two essentially separate systems, one serving customers located north of the Missouri River and the other serving customers located south of the Missouri River. Water is delivered to the southern system through two tunnels under the Missouri River. The distribution systems include booster pumping stations and elevated, underground, and ground level water storage reservoirs. The existing treated water storage capacity is now 141 million gallons. The average daily flow during Fiscal Year 2012 was 115 million gallons per day with a peak day demand of 171 million gallons, which is about 71% of the primary treatment plant's design capacity.

Atherton System

The Atherton System currently provides wholesale service to one public water supply district, Jackson County PWSD #16. The Atherton System consists of three wells located about a mile from the Missouri River and a small treatment plant with a rated capacity of approximately 0.6 million gallons per day. The treatment plant consists of an aerator, a solids upflow contact unit, filters, pumps, chemical feeders, and a clearwell. The distribution system includes a transmission main to the water district.

Additional Information

The following table shows revenues generated by retail (including residential, commercial and industrial) and wholesale customers of the System for the past five years.

Water Revenues by Retail and Wholesale Customers (in 1,000s)

	Fiscal Year Ended April 30				
	2008	2009	2010	2011	2012
Retail Customers	$ 65,126	$ 67,165	$ 68,197	$ 91,072	$ 97,503
Wholesale Customers	13,125	12,205	11,206	13,737	16,292
Total	$ 78,251	$ 79,369	$ 79,403	$ 104,809	$ 113,795

The following table shows the number of System customers for the past five years.

Number of System Customers

	Fiscal Year Ended April 30				
	2008	2009	2010	2011	2012
Retail Customers	137,650	141,401	143,226	144,000	147,448
Commercial/Industrial	15,354	15,239	15,600	15,000	16,160
Wholesale Customers	32	33	34	34	33*
Total	153,036	156,673	158,860	159,034	163,641

* Jackson County PWSD #15 stopped taking water from Kansas City on February 1, 2012. Jackson County PWSD #15 was serviced by the Atherton System, with an average monthly usage of 3,698 ccf. The approximately $7,000 per month reduction in revenues represents less than 0.05% of monthly System revenues.

Management Initiatives

The Water Services Department continues its efforts to improve operating efficiencies, customer service, and service reliability. In 2007, the Water Services Department began installation work associated with a new Automated Meter Reading (“**AMR**”) system. Installation of the AMR system is complete. Improved accuracy, operating efficiencies, and enhanced revenue recovery will result from this undertaking. At present, approximately 95% of the estimated 164,000 meters in the System have already been affixed with AMR and the remaining meters will be changed as needed.

The Water Services Department has completed the AWWA QualServe Process and is working on implementing recommendations from that program. QualServe is a peer review based voluntary program that assists water utilities in enhancing performance and customer satisfaction. AWWA water utility professionals developed the program specifically for water utilities to be applicable to their day-to-day work activities. Through self-assessment, peer review, benchmarking and other assessment tools, business processes are examined, including planning and financing, operations, maintenance and customer relations areas. Some of the recommendations are reorganization and the establishment of benchmarks and performance measures for the Department.

The Water Services Department has initiated the first water master plan since 1997, established a five-year Capital Improvement Plan and is also completing a long term Strategic Business Plan in Fiscal Year 2013.

Security of the System

As a result of the terrorist attacks of September 11, 2001, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (commonly known as the "**Bioterrorism Act**"), was signed into law on June 12, 2002. This law requires all community water systems serving more than 3,300 people to (1) conduct a vulnerability assessment; (2) certify to the United States Environmental Protection Agency ("**USEPA**") that the vulnerability assessment was completed by a date specified in the law; (3) submit a paper copy of the assessment to the USEPA; (4) prepare or revise the emergency response plan based on the results of the vulnerability assessment; and (5) certify to the USEPA the emergency response plan has been developed or revised by a certain date. The Water Services Department has focused significant attention on securing the System. Under the requirements of the Bioterrorism Act, the City has conducted appropriate security activities and provided all required certifications to appropriate federal authorities by the prescribed deadlines concerning assessments and response planning. The City also carries property insurance for Water Services Department property that includes the terrorism coverage referred to in the Terrorism Risk Insurance Act of 2002.

Capital Improvement Program

Starting in 2007, the Water Services Department developed a five-year Capital Improvement Program **("CIP"**) through Fiscal Year 2012. The CIP has since been updated annually, with the current five-year period extending through Fiscal Year 2017. The CIP is intended to provide facilities to meet existing and anticipated federal and state water quality standards and to maintain a reliable water transmission system that can respond to changing patterns of water use throughout the System's service area. The CIP currently identifies an estimated $258 million of specific major capital improvements, which are expected to be financed primarily through a combination of annual revenues, contributions from local sources, available fund balances and bond proceeds.

A question to increase the water revenue bond authorization by $250 million was presented to the voters on August 2, 2005. The voters approved the additional bond authorization by nearly a three to one margin. Of the $250 million authorization, the City has previously issued water revenue bonds totaling $141,635,000, leaving $108,365,000 of authorized but unissued bonds. The City is issuing $54,000,000 water revenue bonds in Fiscal Year 2013, and the Water Services Department projects that the remaining authorization will be issued during Fiscal Year 2014.

In November 2011, the Water Services Department entered into a contract to update the City's system wide water master plan. The Water Services Department last conducted a System planning study in 1996-1997. The purpose of this comprehensive water system master plan update project is to analyze the performance, condition, hydraulic capacities, and improvements needed within the existing System to meet current and projected future water demands. This study is ongoing and intended to develop a capital improvements program with staged improvements up to Fiscal Year 2035.

Regulatory Requirements

In General. The City's water supply operations must comply with the federal Safe Drinking Water Act, 42 USC Sec. 300f *et seq*., and its amendments, including the Bioterrorism Act. The City is also subject to the federal regulations (40 CFR Part 141 *et seq*.) promulgated under the Safe Drinking Water Act and its amendments. These statutory and regulatory requirements are administered by the USEPA through the Missouri Department of Natural Resources ("**MDNR**"). Regulations of these agencies pertain to the treatment and distribution of the City's drinking water.

In addition to federal requirements, the City must comply with State of Missouri requirements. The primary State laws concerned with water supply operations are found in the Missouri Safe Drinking Water Act (Sections 640.100-640.140, RSMo.). The State's Public Drinking Water Program is contained in state regulations at 10 CSR 60.

As a public water system, the City's water treatment facility operates under a permit from MDNR and must comply with rigorous drinking water standards. The City is in full compliance with its permit requirements.

The City has never been sanctioned for a violation of federal or state drinking water laws or regulations. The City is in compliance with the Bioterrorism Act.

Largest Users of the System

The following table sets forth the ten largest users of the System and the percentage of total consumption applicable to each for the Fiscal Year ended April 30, 2012:

User	Type of Business	Annual Consumption (100 cubic feet)	Percentage of Total Consumption
City of Lee's Summit	Wholesale Water	1,390,387	4.09%
Jackson County Public Water Supply Dist. No. 1	Wholesale Water	1,241,662	3.65%
City of Belton	Wholesale Water	960,495	2.83%
City of Blue Springs	Wholesale Water	902,400	2.65%
City of Raymore	Wholesale Water	593,028	1.74%
Pollution Control Dept	Utility	473,051	1.39%
Raytown Water Company	Wholesale Water	465,216	1.37%
Veolia –Kansas City	Utility	403,892	1.19%
City of Platte City #4	Wholesale Water	330,140	0.98%
Public Water Dist. No. 2 of Cass County	Wholesale Water	285,266	0.84%

Billing Procedures and Collections

Water rates are reviewed annually by the City to determine if rate adjustments are required. Water rates are developed based on total costs of service and customer service requirements. The rate schedule for customers outside the City is designed to reimburse the City for operation and maintenance expense, depreciation expense, and to provide a reasonable rate of return on the plant investment serving these customers. Water rates were most recently increased on May 1, 2012 for Fiscal Year 2013.

Charges for water services are combined on a single bill with applicable wastewater and stormwater charges. A late payment service charge of 5% of the unpaid delinquent balance is applied to all metered water service, sanitary sewer service and stormwater fee bills remaining unpaid after the delinquent date. Water and wastewater services are subject to termination without further notice if a bill remains unpaid 20 days after the delinquent date. For one- and two-family dwellings, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is $500 or more. For all other property classifications, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is $1,000 or more. Water and wastewater service can be restored upon receipt of the full amount of the outstanding balance due, including a service restoration charge.

Rate Structure

In March 2012, the City approved the following water rates, representing a 12% water revenue rate increase, which became effective as of May 1, 2012.

	Service Charge	
	Inside City	Outside City
Meter Size (Inches)	Billed Monthly	Billed Monthly
5/8	$10.85	$12.10
3/4	$11.70	$13.05
1	$14.30	$15.95
1-1/2	$17.80	$19.80
2	$27.40	$30.40
3	$93.50	$96.00
4	$118.00	$121.50
6	$176.00	$181.00
8	$254.00	$260.00
10	$333.00	$348.00
12	$393.00	$409.00

Seasonal Off-Peak Commodity Charge
$2.34 per 100 cubic feet

Fire Protection Charge	
Connection Size (Inches)	Rate per Annum
4 or less	$91.00
6	$268.00
8	$572.00
10	$1,028.00
12	$1,662.00
16	$3,541.00

Commodity Charge					
Inside City		Outside City			
Cubic Feet	Charge / 100 Cubic Feet	Cubic Feet	Charge / 100 Cubic Feet	Wholesale	Charge / 100 Cubic Feet
First 600	$3.67			Unrestricted	$1.95
Next 4,400	$4.08	First 5,000	$3.45	Restricted	$1.89
Next 995,000	$3.19	Over 5,000	$3.07	1st Repump	$0.18
Over 1,000,000	$2.25			2nd Repump	$0.25

The City is not required to raise rates annually. The City makes no representation as to whether either a rate increase will be approved in any future Fiscal Years, or, if a rate increase is approved in any Fiscal Year, as to the nature and extent of any such rate increase. Nevertheless, the City will maintain its debt service coverage requirements under existing bond ordinances.

WATER SYSTEM FINANCIAL INFORMATION AND COVERAGE STATEMENT

Operating Revenues and Expenses

86% of water sales revenues are derived from charges to retail customers. The remaining water revenues are from sales of water provided on a wholesale basis under inter-jurisdictional agreements with 33 surrounding cities and water districts. The total number of customers in Fiscal Year 2012 was approximately 164,000.

Operation and maintenance expenses include the cost of labor, materials, supplies and contractual services and represent the normal cost of System operation. Operation and maintenance expenses are assumed to increase slightly during Fiscal Years 2014 through 2016. The projected increases in operation and maintenance expenses take into consideration growth in the System and price inflation as well as the offsetting effects of staff reductions and improvements in cost efficiencies.

Accounting, Budgeting and Auditing Procedures

The Water Services Department is an enterprise activity whose financial records are audited annually and reported in conformity with generally accepted accounting principles for governmentally-owned water utilities. The Water Services Department operates the System on the accrual basis system of accounting, where revenues are recorded when earned and expenses are recorded when incurred.

An annual budget of estimated receipts and disbursements for the coming Fiscal Year is prepared by the Director of Water Services under the direction of the City Manager and is presented to the City Council in March for approval after a public hearing. The Fiscal Year of the System is May 1 through April 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rates required to raise each amount shown on the budget as coming from System revenues.

The financial records of the System are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. For Fiscal Year 2008, the annual audit was performed by KPMG, LLP, Kansas City, Missouri. For Fiscal Years 2009-2012, the annual audit was performed by BKD, LLP, Kansas City, Missouri ("BKD"). Copies of the audit reports of the past five years are on file in the City Clerk's office and are available for review. See Appendix B – Water Fund Accountant's Report and Audited Financial Statements.

Financial Statements

The City maintains its financial records on the basis of a Fiscal Year ending April 30. Such financial statements have been audited by BKD. The City did not ask BKD to perform any additional work or any post-audit procedures more recently than the April 30, 2012 audit with respect thereto.

The tables on the following pages provide the Water Fund's balance sheets and income statements for the Fiscal Years ended April 30, 2008 through 2012.

(Remainder of this page intentionally left blank)

City of Kansas City Missouri Water Fund

Statement of Net Assets

Audited for Fiscal Years ending April 30, 2008-2012

Assets	**2008**	**2009**	**2010**	**2011**	**2012**
Current assets:					
Cash and cash equivalents	$ 863,408	$ 335,592	$ 581,914	$ 1,650,868	$ 3,173,573
Investments	3,242,332	1,575,296	1,567,142	3,225,858	8,850,612
Accounts receivable, net	12,585,884	13,247,479	11,056,642	15,300,787	14,381,331
Accrued interest receivable	150,231	52,264	90,118	173,140	173,959
Current portion of notes receivable	291,259	316,964	477,148	504,919	550,240
Inventories	2,153,974	2,316,166	2,062,190	2,341,134	2,415,413
Prepaid expenses	507,026	484,671	-	-	-
Due from other funds	937,498	229,693	43,826	391,082	30,152
Total unrestricted current assets	20,731,612	18,558,125	15,878,980	23,587,788	29,575,280
Restricted assets:					
Cash and cash equivalents	2,840,402	2,505,295	8,940,205	8,017,760	5,703,876
Investments	4,733,889	26,635,088	6,276,304	4,619,490	15,478,885
Accrued interest receivable	564,074	342,096	693,611	330,100	252,221
Total restricted current assets	8,138,365	29,482,479	15,910,120	12,967,350	21,434,982
Total current assets	28,869,977	48,040,604	31,789,100	36,555,138	51,010,262
Investments	11,137,898	11,613,249	10,622,813	28,077,160	43,459,349
Restricted assets-investments	50,045,238	63,600,103	83,086,017	50,191,184	59,262,280
Special assessments receivable, net of allowance	73,131	48,078	34,336	13,886	11,015
Notes Receivable	6,801,602	6,716,220	9,971,012	9,357,450	8,827,759
Debt issuance costs, net	1,505,353	4,419,139	4,208,857	4,020,827	4,264,767
Capital Assets, depreciable, net	483,133,559	481,905,313	489,055,542	563,674,078	585,378,985
Capital Assets, nondepreciable	68,856,211	101,762,269	123,942,371	86,651,063	95,998,216
Total assets	$ 650,422,969	$ 718,104,975	$ 752,710,048	$ 778,540,786	$ 848,212,633
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$ 4,615,634	$ 4,517,788	$ 5,778,591	$ 5,868,776	$ 5,279,562
Current portion of compensated absences	152,954	718,408	677,366	688,391	607,774
Accrued payroll and related expenses	1,645,411	2,575,795	419,902	551,350	675,111
Contracts and retainage payable	196,187	303,905	170,753	275,274	465,394
Other liabilities	114,064	450,597	262,183	863,979	863,980
Current portion of due to other funds	541,304	579,670	493,702	787,148	388,286
Current portion of claims liability	1,448,311	1,326,763	1,390,512	1,667,197	1,518,013
Total current liabilities	8,713,865	10,472,926	9,193,009	10,702,115	9,798,120
Liabilities payable from restricted assets:					
Accrued interest and fiscal agent fees	2,900,730	1,938,198	4,164,511	3,939,588	4,079,950
Current portion of revenue bonds payable	12,728,329	11,290,104	16,539,098	17,384,537	18,100,341
Contracts and retainage payable	719,478	647,548	591,626	1,542,874	1,760,833
Customer deposits	1,169,518	1,003,047	865,605	1,364,165	1,211,247
Total liabilities payable from restricted assets	17,518,055	14,878,897	22,160,840	24,231,164	25,152,371
Total current liabilities	26,231,920	25,351,823	31,353,849	34,933,279	34,950,491
Claims liability	3,799,194	4,137,356	4,244,489	5,235,283	4,469,352
Compensated absences	2,795,992	2,329,019	2,018,514	1,944,252	2,213,803
Pension liability	1,057,828	961,323	2,251,581	3,363,131	4,310,573
Postretirement liability	1,105,266	2,570,350	3,810,081	4,178,628	4,525,571
Revenue bonds payable	179,008,953	235,068,644	242,979,471	225,911,050	260,557,305
Total liabilities	213,999,153	270,418,515	286,657,985	275,565,623	311,027,095
Net assets:					
Invested in capital assets, net of related debt	406,638,846	428,340,318	438,188,214	455,704,677	470,155,178
Restricted	8,512,872	4,887,540	12,703,629	11,382,337	10,008,982
Unrestricted	21,272,098	14,458,602	15,160,220	35,888,149	57,021,378
Total net assets	436,423,816	447,686,460	466,052,063	502,975,163	537,185,538
Total liabilities and net assets	$ 650,422,969	$ 718,104,975	$ 752,710,048	$ 778,540,786	$ 848,212,633

City of Kansas City, Missouri Water Fund

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Audited for Fiscal Years Ending April 30, 2008 - 2012

	2008	2009	2010	2011	2012
Operating revenues:					
Water sales	$ 78,251,144	$ 79,369,329	$ 79,402,865	$ 104,809,250	$ 113,795,787
Other water revenue	1,802,063	2,401,532	3,051,231	3,043,482	4,425,641
Income from jobbing, contract work and miscellaneous revenues	3,986,649	4,360,006	5,729,988	7,355,893	7,026,768
Total operating revenues	84,039,856	86,130,867	88,184,084	115,208,625	125,248,196
Operating expenses:					
Power and pumping	5,417,959	5,065,124	4,540,886	4,955,130	4,844,668
General and electrical maintenance	3,019,538	2,282,020	2,517,212	2,541,658	4,034,162
Purification	10,971,583	11,078,707	11,549,618	11,892,058	11,020,685
Laboratory services	2,605,167	2,960,532	2,433,467	2,477,521	2,470,682
Transmission and distribution	10,242,782	13,925,182	13,303,041	11,488,867	21,122,053
Customer service	7,574,259	7,156,669	7,040,500	7,295,986	7,236,663
Mechanical maintenance	2,916,693	3,122,413	2,634,981	2,754,732	2,751,426
Customer accounting and collection	4,331,504	4,520,029	4,258,158	4,963,537	5,184,265
Administrative and general	14,278,131	13,423,079	14,477,547	16,123,070	14,585,368
Depreciation and amortization	10,181,650	10,270,730	10,260,837	10,708,385	13,793,442
Total operating expenses	71,539,266	73,804,485	73,016,247	75,200,944	87,043,414
Operating income	12,500,590	12,326,382	15,167,837	40,007,681	38,204,782
Nonoperating revenues (expenses):					
Interest on investments	2,949,674	1,564,504	2,555,115	1,625,220	1,457,756
Interest expense and fiscal agent fees	(5,998,133)	(6,375,875)	(7,208,735)	(9,103,896)	(9,774,619)
Gain on disposal of fixed assets	(27,291)	225,141	(7,600)	(214,237)	(192,146)
Total nonoperating revenues (expenses)	(3,075,750)	(4,586,230)	(4,661,220)	(7,692,913)	(8,509,009)
Net income before capital contributions	9,424,840	7,740,152	10,506,617	32,314,768	29,695,773
Capital contributions	10,014,871	3,522,492	7,858,986	4,608,332	4,514,602
Change in net assets	19,439,711	11,262,644	18,365,603	36,923,100	34,210,375
Total net assets - beginning of the year	416,984,105	436,423,816	447,686,460	466,052,063	502,975,163
Total net assets - end of the year	$ 436,423,816	$ 447,686,460	$ 466,052,063	$ 502,975,163	$ 537,185,538

CITY OF KANSAS CITY, MISSOURI
WATER FUND
Historical Debt Service Coverage Calculation
For Fiscal Years Ending April 30, 2008 through April 30, 2012

	2008	2009	2010	2011	2012
Total Operating Revenues	84,039,856	86,130,867	88,184,084	115,208,625	125,248,196
Less: Total Operating Expenses	71,539,266	73,804,485	73,016,247	75,200,944	87,043,414
	12,500,590	12,326,382	15,167,837	40,007,681	38,204,782
Plus: Depreciation and Amortization	10,181,650	10,270,730	10,260,837	10,708,385	13,793,442
Administrative Fees			4,725,767	4,725,768	4,314,746
Principal of Contracts Received from Other Governmental Units	211,940	496,006	1,055,313	565,529	510,426
Non-Cash OPEB			1,239,731	368,547	346,943
Interest Income	2,949,674	1,564,504	2,555,115	1,625,220	1,457,756
	13,343,264	12,331,240	19,836,763	17,993,449	20,423,313
Net Revenues Available for Debt Service	25,843,854	24,657,622	35,004,600	58,001,130	58,628,095
Debt Service - Senior Bonds			15,594,515	20,460,088	20,673,288
Debt Service Coverage - Senior Bonds			2.24	2.83	2.84
Debt Service - Senior and Subordinate Bonds			18,325,515	23,284,828	23,495,011
Debt Service Coverage - Senior and Subordinate Bonds			1.91	2.49	2.50
Debt Service - All Water Obligations*	19,906,343	21,188,579	20,591,443	27,795,629	27,974,952
Debt Service Coverage - All Water Obligations*	1.30	1.16	1.70	2.09	2.10

*Debt Service on all Water Obligations includes AMR obligations

CONSULTING ENGINEER

The City has retained Burns & McDonnell to serve as the Engineering and Feasibility Consultant (the **"Consulting Engineer"**) in connection with the issuance of the Series 2013A Bonds. The Consulting Engineer's Report, presenting the Consulting Engineer's findings concerning debt service coverage requirements for issuance of additional bonds under the Master Bond Ordinance, is included as **Appendix A** to this Official Statement.

DEBT SERVICE SCHEDULE

The following table sets forth for each respective Fiscal Year, the aggregate amount required to be made available in such Fiscal Year for the payment of the principal of and interest on the Senior Bonds and Subordinate Bonds.

FYE	Outstanding Senior Debt Service	Series 2013A Debt Service Principal	Series 2013A Debt Service Interest	Series 2013A Debt Service Debt Service	Aggregate Senior Debt Service	Outstanding Subordinate Debt Service	Combined Senior and Subordinate Debt Service (1)	FYE
2013	$ 22,092,571	$ -	$ -	$ -	$ 22,092,571	$ 2,821,143	$ 24,913,714	2013
2014	22,053,638	-	1,452,746	1,452,746	23,506,384	2,822,767	26,329,151	2014
2015	22,148,438	-	2,034,975	2,034,975	24,183,413	2,821,362	27,004,774	2015
2016	19,371,738	650,000	2,034,975	2,684,975	22,056,713	2,821,928	24,878,641	2016
2017	19,334,488	695,000	2,021,975	2,716,975	22,051,463	2,824,232	24,875,695	2017
2018	18,516,788	1,565,000	1,994,175	3,559,175	22,075,963	2,823,041	24,899,004	2018
2019	17,993,813	1,755,000	1,947,225	3,702,225	21,696,038	2,818,355	24,514,393	2019
2020	17,403,050	1,810,000	1,894,575	3,704,575	21,107,625	2,820,174	23,927,799	2020
2021	17,381,400	1,885,000	1,822,175	3,707,175	21,088,575	2,818,032	23,906,607	2021
2022	15,443,525	1,960,000	1,746,775	3,706,775	19,150,300	2,816,929	21,967,229	2022
2023	15,418,975	2,035,000	1,668,375	3,703,375	19,122,350	2,816,632	21,938,982	2023
2024	14,150,525	2,120,000	1,586,975	3,706,975	17,857,500	2,816,908	20,674,408	2024
2025	11,970,150	2,200,000	1,502,175	3,702,175	15,672,325	2,817,524	18,489,849	2025
2026	8,070,925	2,290,000	1,414,175	3,704,175	11,775,100	2,818,247	14,593,347	2026
2027	8,067,088	2,350,000	1,356,925	3,706,925	11,774,013	2,813,844	14,587,857	2027
2028	8,067,050	2,440,000	1,262,925	3,702,925	11,769,975	2,904,315	14,674,290	2028
2029	8,067,113	2,540,000	1,165,325	3,705,325	11,772,438		11,772,438	2029
2030	8,068,038	2,640,000	1,063,725	3,703,725	11,771,763		11,771,763	2030
2031	8,065,475	2,745,000	958,125	3,703,125	11,768,600		11,768,600	2031
2032	8,067,350	2,845,000	862,050	3,707,050	11,774,400		11,774,400	2032
2033	8,068,388	2,955,000	748,250	3,703,250	11,771,638		11,771,638	2033
2034	3,052,975	3,075,000	630,050	3,705,050	6,758,025		6,758,025	2034
2035	3,052,775	3,165,000	537,800	3,702,800	6,755,575		6,755,575	2035
2036	3,052,400	3,295,000	411,200	3,706,200	6,758,600		6,758,600	2036
2037	3,056,625	3,425,000	279,400	3,704,400	6,761,025		6,761,025	2037
2038		3,560,000	142,400	3,702,400	3,702,400		3,702,400	2038
	$ 310,035,296	$ 54,000,000	$ 32,539,471	$ 86,539,471	$ 396,574,767	$ 45,195,433	$ 441,770,200	

(1) Combined debt service does not include outstanding AMR system lease obligations. Outstanding AMR obligations as of 1/25/2013 is $24,788,969.

RISK FACTORS

The following is a discussion of certain risks and other considerations that could affect payments to be made by the City with respect to the Series 2013A Bonds, and possible revisions to federal tax laws that could affect the tax treatment of the interest on the Series 2013A Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2013A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed in this Official Statement will not become material in the future. Prospective purchasers of the Series 2013A Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the Bond Ordinance described herein and summarized in ***Appendix D****.*

Factors Affecting the System

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

Changes in Management or Policies. Changes in key management personnel of the System or City Council policies could adversely affect the financial performance of the System to an extent that cannot be determined at this time.

Future Economic Conditions. Increased unemployment or other adverse economic conditions or changes in the demographics of the City; an inability to control expenses in periods of inflation and difficulties in increasing charges could adversely affect the financial performance of the System to an extent that cannot be determined at this time.

Insurance Claims. Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely affect the financial performance of the System to an extent that cannot be determined at this time.

Organized Labor Efforts. Certain employees of the Water Services Department are represented by collective bargaining units. Labor disputes with these collective bargaining units could result in adverse labor actions or increased labor costs.

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

Natural Disasters. The occurrence of natural disasters, such as tornados, earthquakes, floods or droughts, could damage the facilities of the City, affect water supply, interrupt services or otherwise impair operations and the ability of the System to produce revenues.

Terrorist Attacks. Although potential terrorist attacks could temporarily disrupt water service, the City has taken and continues to take precautions to minimize this risk.

Availability of Water. In the event the City is unable to obtain sufficient water to treat and deliver to meet its needs or other emergency conditions occur, there is no assurance that the City will be able to maintain a source of water to supply its customers.

Miscellaneous Factors. The water supply industry in general has experienced, or may in the future experience, problems including (a) the effects of inflation on the costs of operation of facilities, (b) uncertainties in predicting future demand requirements, such as with a particularly rainy summer, (c) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (d) compliance with rapidly changing environmental, safety and licensing regulations and requirements.

Summary Financial Information

Certain summarized historical financial information and certain projected revenues and expenditures of the System are summarized in **Appendix A** (Consulting Engineer's Report) and **Appendix B** (Financial Statements). There can be no assurance that the financial results achieved by the City in the future will be similar to historical results or the projections contained therein. Such future results will vary from historical results, and actual variations may be material. Information as to the projected figures and the assumptions upon which they are based are contained in **Appendix A** of this Official Statement. No assurance can be given that these assumptions are accurate including, but not limited to, those as to sales volumes, operating and maintenance expenses, expected rate increases and the stability of the customer base. Significant variations in such assumptions may affect the actual operating and financial results. Therefore, the historical operating results of the System contained in this Official Statement cannot be viewed as a representation that the City will be able to generate sufficient revenues in the future to make timely payment of principal of, redemption premium, if any, and interest on its water revenue bonds.

Certain Bankruptcy Risks

The remedies available to the Bondowners upon an Event of Default under the Bond Ordinance are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the United States Bankruptcy Code, 11 U.S.C. 10 *et seq*., the remedies provided in the Bond Ordinance may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2013A Bonds will be qualified as to the enforceability of the various legal instruments by limitation imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws, affecting the rights of creditors generally.

Future Legislation

Congress may from time to time consider legislative proposals which, if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds and could result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds.

Investors in the Series 2013A Bonds should be aware that any such future legislative actions (including federal tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2013A Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2013A Bonds may be adversely affected and the ability of holders to sell their Series 2013A Bonds in the secondary market may be reduced. The Series 2013A Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2013A Bonds are not subject to adjustment in the event of any such change.

Future legislative proposals could prevent investors from realizing the full current benefit of the tax-exemption on interest and may affect the market value of the Series 2013A Bonds. The City cannot predict whether such future legislative proposals will be enacted and how they will impact the excludability of the interest on the Series 2013A Bonds for federal income tax purposes. Prospective purchasers of the Series 2013A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

Forward-Looking Statements

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

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

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

OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION "CONTINUING DISCLOSURE."

Compliance with Securities Laws

The Series 2013A Bonds may be sold by Bondowners only in compliance with the registration provisions, or certain exemptions from the Securities Act and applicable state securities laws (which may be prohibitively expensive if registration is required and may not be possible in any event). In some states, specific conditions must be met or approval of a state securities commissioner is required in order to qualify for an exemption from registration.

Secondary Markets and Prices

The Underwriters will not be obligated to repurchase any of the Series 2013A Bonds and no representation is made concerning the existence of any secondary market for the Series 2013A Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2013A Bonds, and no assurance can be given that the initial offering prices for the Series 2013A Bonds will continue for any period of time.

LITIGATION

No Litigation Relating to the Series 2013A Bonds

As of the date hereof, the Office of the City Attorney certifies there is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2013A Bonds, or questioning or affecting the legality of the Series 2013A Bonds or the proceedings or authority under which the Series 2013A Bonds are to be issued. There is no litigation pending which in any manner questions the rights of the City to construct or finance the Project. The City is not involved in any litigation that might affect the City's ability to meet its obligations to pay the principal of and interest on the Series 2013A Bonds.

Litigation Relating to the Water Services Department

The City is involved in various claims and lawsuits relating to the Water Services Department arising in the ordinary course of business that are covered by insurance or that the City does not believe to be material.

FINANCIAL STATEMENTS

The City maintains its financial records on the basis of a Fiscal Year ending April 30. Set forth in **Appendix B** are the Financial Statements of the City's Water Fund as of and for the Fiscal Years ending April 30, 2012 and 2011. Such Financial Statements have been audited by BKD, LLP, Kansas City, Missouri, independent certified public accountants. The City did not ask BKD, LLP to perform any additional work or any post-audit procedures more recently than the April 30, 2012 audit with respect thereto.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Series 2013A Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Kansas City, Missouri, and Martinez Madrigal & Machicao, LLC, Kansas City, Missouri, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the Office of the City Attorney and for the Underwriters by the Hardwick Law Firm, LLC, Kansas City, Missouri. Certain legal matters for the City will be passed upon by King Hershey, PC, Kansas

City, Missouri, Clayborn & Associates, LLC, Kansas City, Missouri, and Jane Hart Law Offices, LLC, Kansas City, Missouri, as Co-Disclosure Counsel. The various legal opinions to be delivered concurrently with the delivery of the Series 2013A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or for the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. The form of Co-Bond Counsel opinion is attached hereto as **Appendix E**.

Co-Bond Counsel have not participated in the preparation of this Official Statement, except for the sections of this Official Statement captioned "**TAX MATTERS**," **"APPENDIX D - DEFINITIONS AND SUMMARY OF BOND ORDINANCE"** and "**APPENDIX E - PROPOSED FORM OF CO-BOND COUNSEL OPINION**." The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and others as referred to herein and Co-Bond Counsel express no opinion as to the accuracy or sufficiency thereof except for the matters appearing in the sections referred to in this paragraph.

TAX MATTERS

General

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2013A Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2013A Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2013A Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2013A Bonds. See the form of Co-Bond Counsel opinion attached as **Appendix E**.

Opinion of Co-Bond Counsel

Federal and State of Missouri Tax Exemption. The interest on the Series 2013A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and State of Missouri income tax purposes.

Alternative Minimum Tax. Interest on the Series 2013A Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

*Bank Qualification***.** The Series 2013A Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Co-Bond Counsel's opinions are provided as of the date of the original issue of the Series 2013A Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2013A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2013A Bonds in gross income for federal and State of Missouri income tax purposes retroactive to the date of issuance of the Series 2013A Bonds. Co-Bond Counsel are expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2013A Bonds but has reviewed the discussion under the heading **"TAX MATTERS."**

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount **("OID"**) is the excess of the stated redemption price at maturity of a Series 2013A Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Series 2013A Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2013A Bond during any accrual period generally equals (1) the issue price of that Series 2013A Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2013A Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2013A Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2013A Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Series 2013A Bond is purchased at a price that exceeds the stated redemption price at maturity of the Series 2013A Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Series 2013A Bond. Under Section 171 of the Code, the purchaser of that Series 2013A Bond must amortize the premium over the term of the Series 2013A Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2013A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2013A Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Series 2013A Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2013A Bond, an owner of the Series 2013A Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2013A Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2013A Bond. To the extent a Series 2013A Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2013A Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2013A Bonds, and to the proceeds paid on the sale of the Series 2013A Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2013A Bonds should be aware that ownership of the Series 2013A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2013A Bonds. Co-Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2013A Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2013A Bonds, including the possible application of state, local, foreign and other tax laws.

BOND RATINGS

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. and Moody's Investors Service have assigned long-term ratings of "AA+" and "Aa2," respectively, to the Series 2013A Bonds.

Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained the rating agencies. There is no assurance that the ratings will remain in effect for any given period of time or that either or both will not be revised, either downward or upward, or withdrawn entirely, by said rating agencies if, in their judgment, circumstances warrant. Any such downward revisions or withdrawal of the ratings may have an adverse affect on the market price of the Series 2013A Bonds.

CO-FINANCIAL ADVISORS

First Southwest Company and Moody Reid Financial Advisors were retained by the City to act as Co-Financial Advisors (the **"Co-Financial Advisors"**) in connection with this financing. The fees paid to the Co-Financial Advisors with respect to the sale of the Series 2013A Bonds are contingent upon the issuance and delivery of the Series 2013A Bonds. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Series 2013A Bonds are being purchased for reoffering by the Underwriters listed on the cover page hereof. The Underwriters have agreed to purchase the Series 2013A Bonds at a purchase price of $58,383,443.43 (which is equal to the aggregate principal amount of the Series 2013A Bonds, plus net original issue premium of $4,631,100.65 and less an underwriters' discount of $247,657.22) pursuant to a Bond Purchase Agreement between the City and the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2013A Bonds if any are purchased. The City, to the extent permitted by law, has agreed under the Bond Purchase Agreement to indemnify the Underwriters against certain liabilities.

The Underwriters may offer and sell Series 2013A Bonds to certain dealers, including dealers depositing Series 2013A Bonds into investment trusts and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

Loop Capital Markets LLC, one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital Markets LLC will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

CERTAIN RELATIONSHIPS

Gilmore & Bell, P.C. and Martinez Madrigal & Machicao, LLC are serving as Co-Bond Counsel in connection with the issuance and sale of the Series 2013A Bonds. Such firms also represent certain of the Underwriters with respect to other matters. Martinez Madrigal & Machicao, LLC also represents the City with respect to other matters.

Certain disclosure matters will be passed upon for the City by its co-disclosure counsel, King Hershey, PC, Kansas City, Missouri, Clayborn & Associates, LLC, Kansas City, Missouri, and Jane Hart Law Offices, LLC, Kansas City, Missouri. Such firms also represent the City and certain of the Underwriters from time to time in other transactions.

The Hardwick Law Firm, LLC, Underwriters' Counsel, has in the past represented, and is currently representing, the City in matters unrelated to the issuance of the Series 2013A Bonds, but is not representing the City in connection with this issue.

MISCELLANEOUS

The information contained in this Official Statement and its Appendices has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of the date of this Official Statement. The presentation of information in this Official Statement, including tables or receipts of various taxes, is intended to show recent historic information, but is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience as might be shown by such financial or other information will necessarily continue or be repeated in the future. The Appendices to this Official Statement contain selected financial data relating to the City and are integral parts of this document, to be read in their entirety. Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City and other sources, as referred to herein, which are believed to be reliable.

Any statements made in the Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Series 2013A Bonds and the Bond Ordinance do not purport to be complete and reference is made to such documents for full and complete statements of their respective provisions.

Simultaneously with the delivery of the Series 2013A Bonds, the Director of Finance of the City, acting on behalf of the City, will furnish to the Underwriters a certificate which will 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 Series 2013A 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 circumstance under which they were made, not misleading in any material respect.

The form of this Official Statement, and its distribution and use by the Underwriters, 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 Series 2013A Bonds other than those either expressly or by fair implication imposed on the City by the Bond Ordinance.

This Official Statement is not to be construed as a contract or agreement between the City and purchasers or Owners of any of the Series 2013A Bonds.

CITY OF KANSAS CITY, MISSOURI

By: ___/s/ Randall J. Landes_______________________
Director of Finance

APPENDIX A

CONSULTING ENGINEER'S REPORT

(THIS PAGE LEFT BLANK INTENTIONALLY)

Burns & McDonnell
SINCE 1898

February 27, 2013

Mr. Roger Lehr
Water Services Department
City of Kansas City, Missouri
4800 East 63rd Street
Kansas City, Missouri 64130

Re: Consulting Engineer's Report

Dear Mr. Lehr:

In accordance with our agreement with the City of Kansas City, Missouri (City), Burns & McDonnell submits this Consulting Engineer's Report (Report). This Report has been prepared in connection with the issuance of a total par amount of $54,000,000 Water Revenue Bonds, Series 2013A (the Series 2013A Bonds). The proceeds plus a net premium will result in an approximate $58,178,443 deposit into the City's construction account. The purpose of this Report is to present our findings concerning debt service coverage requirements for issuance of bonds as described in the Bond Ordinance authorizing the Series 2013A Bonds.

In conducting our studies, Burns & McDonnell has made such investigations and review of the facilities, books, records, and capital improvement programs of the Water Services Department (the Department) and other investigations, as we deemed necessary. Revenues and revenue requirements for the Department's Water System (System) are presented in this Report for a historical five-year period. This Report concludes with a summary of our major opinions regarding the System.

The City and the Department have provided historical data presented in this Report and comprehensive annual financial reports prepared for the City. Burns & McDonnell reviewed and discussed the data, financial reports, and other information with the Department. Burns & McDonnell has prepared a forecast of revenues and revenue requirements for the System with input from the City and from FirstSouthwest, the City's financial advisor for the Series 2013A Bonds. Burns & McDonnell has also prepared a forecast of expected revenue bond debt service coverage. In preparing our forecasts and in forming an opinion of the forecasts of future operations summarized in this Report, Burns & McDonnell has made certain assumptions with respect to conditions, events, and circumstances that may occur in the future. Such assumptions and methodologies are summarized in this Report and are reasonable and appropriate for the purpose for which they are used. While Burns & McDonnell believes the assumptions are reasonable and the methodology valid, actual results may differ materially from the forecast, as influenced by the conditions, events, and circumstances that actually occur. The methodology utilized by Burns & McDonnell in performing the analyses follows generally accepted practices for such forecasts. Any terms not defined herein shall have their respective meaning as set forth in the Second Committee Substitute for Ordinance 080197, as amended.

9400 Ward Parkway • Kansas City, MO 64114-3319
Tel: 816 333-9400 • Fax: 816 333-3690 • www.burnsmcd.com

As a result of our investigations and analysis of the Department's facilities and records and based upon our continuing studies of System operations, Burns & McDonnell offers the following opinions and conclusions:

- The Department's System properties are and have been maintained, preserved, and kept in good working order and condition, and the Department makes, as necessary, proper repairs, replacements, and renewals. The proposed capital program will provide the funds necessary to continue operating the system in good condition. No facilities were found to be in poor condition.
- The assumptions used in preparing the projections and estimates used in our analysis are reasonable. The forecast of debt service coverage is also reasonable.
- Projected operating results are reasonably attainable by the Department.
- Proceeds from the Series 2013A Bonds are to be used to finance major portions of the Department's Fiscal Year (FY) 2013 capital improvement program.

Based on the financial projections included herein, the requirements of the Rate Covenant are projected to be satisfied.

UTILITY ORGANIZATION

The Department is an enterprise fund of the City and provides water, stormwater and wastewater services for approximately 1 million people in an eight county area. The Department is responsible for engineering, operations, financial management, and billing and collections for all services.

The Director of the Department reports to the City Manager. The Director has six primary direct reports – Water, Wastewater, Stormwater, Customer Service, Finance/Performance Management, and Engineering/Contracting.

Water services are funded entirely by user fees charged to customers based upon their use of the product or services. In preparing this Report, Burns & McDonnell reviewed the Department's policies, practices, procedures, and conducted field observations and interviews of employees at various facilities. Based on these interviews, reviews, and observations, it is our opinion that the Department is suitably organized, managed, and operated by qualified personnel in a responsible manner.

SYSTEM DESCRIPTION

The Department is responsible for obtaining, purifying, and delivering potable water for domestic, commercial, and industrial use and for fire protection within the City and surrounding areas.

Primary Water System

The Primary Water System treated an average of 108 million gallons (MG) of water daily during the FY 2012. The City operates and maintains one water treatment plant (WTP); four pump and 14 repump stations, not including pumps at the WTP; nine elevated storage tanks (EST), two of which are shared with a neighboring utility; 13 ground storage tanks; and approximately 2,700 miles of water mains.

Atherton Water System

The Atherton Water System provides wholesale service to one wholesale water district. The Atherton Water System consists of three wells located near the Missouri River and a small treatment plant with a rated capacity of approximately 0.6 million gallons per day. The treatment plant consists of an aerator, a solids contact unit, filters, pumps, chemical feeders, and a clearwell. The distribution system includes an underground booster pumping station and approximately 7 miles of 8-inch and 10-inch water mains.

System Inspections

Field inspections were performed on select water facilities as part of the study. The purpose of the field inspections was to provide a high level assessment of the condition, reliability, operations, and maintenance of major above ground equipment and structures based on direct observations and discussions with Department staff.

A rating system was used to evaluate the water facilities. Although the process is subjective, this consistent approach and methodology results in similar outcomes regardless of the facility (treatment plant, pump station, etc.).

During the assessment, Burns & McDonnell established a condition rating for each of the sites inspected. The rating system for the facilities is described in Table 1.

Table 1 – Rating System

Rating	Rating Description
Good	The facility is in good condition and provides reliable operation in accordance with design parameters and requires only routine maintenance.
Adequate	The facility is operating at or near design levels; however, upgrading and repairs are needed to provide continued reliable operation.
Poor	The facility cannot be operated within design parameters. Major renovations are required to restore the facility and provide reliable operation.

Burns & McDonnell selected and inspected six facilities utilizing a set of factors that were composed of representative service, critical service, facility capacity and geographic location. The facilities selected were the Kansas City Missouri Water Treatment Plant (KCMO WTP), Arrowhead Pump Station and Standpipe, Blue Ridge Pump Station and Reservoir, Highway 150

Elevated Storage Tank (EST), North Oak EST and Turkey Creek Pump Station. Collectively, the inspected facilities include the vast majority of supply, treatment, and primary pumping facilities of the System, and a representative sampling of distribution system facilities.

Only structures, equipment, and appurtenances above ground or above water were inspected. Field inspections were conducted by Burns & McDonnell engineers who were accompanied by a representative from the Department to lead the tour and provide information and comments. Table 2 provides a list of the facilities and their associated ratings.

Table 2 – Field Inspection Summary

Water Facility	Rating
Kansas City Missouri Water Treatment Plant	Adequate
Arrowhead Pump Station and Standpipe	Good
Blue Ridge Pump Station and Reservoir	Good
Highway 150 Elevated Storage Tank	Good
North Oak Elevated Storage Tank	Adequate
Turkey Creek Pump Station	Adequate

Kansas City Missouri Water Treatment Plant

Facility Description

The KCMO WTP is located at 1 NW Briarcliff Road and serves the Kansas City metropolitan area and surrounding areas. The facility's peak production capacity is 240-million gallons per day (mgd) and the FY 2012 average daily production was 108-mgd. The KCMO WTP was constructed in 1928 and expanded in 1955. Additional expansions in the 1990's include an effluent pump station that provides site drainage to the Missouri River during high river conditions and an additional clear well.

The KCMO WTP receives raw water from a combination of river water through an open intake and well water from underground wells. Unit processes include raw water intake, chemical injection and mixing (purification, softening, stabilization, filtration aid, disinfection, and fluoridation), flocculation, primary settling basins, secondary settling basins, flocculation, final settling basins, filtration, and storage / distribution.

Observations/Comments

Table 3 lists the facilities, the general observations made during the facility site tour, and the condition rating for that piece of equipment or structure.

Table 3 - KCMO WTP Condition Summary

Equipment/Structure	Observations	Condition
Unit Processes		
Intake and pump station	Building structure is in good condition, pumps are regularly scheduled for maintenance, variable frequency drives (VFD's) are operational but may need to be replaced	Adequate
Primary settling basins	Superstructure metal loss in basins five and six, concrete structures are in good condition	Adequate
Flocculation tanks	Structures and equipment are operational	Adequate
Secondary settling basins	Structures and equipment are operational	Adequate
Final settling basins	Structures and equipment are operational	Adequate
Filters	Filter galleries are in good condition, capital improvement project was recently completed	Good
Pump station	Equipment is in adequate condition, maintenance keeps equipment operational, some pumps need to be replaced	Adequate
Clear wells	Structures are operational	Adequate
Support Structures		
Chlorine building	Emergency system able to scrub one third of the 90-ton car, emergency action plan established	Good
Lime storage/ slaking	Equipment is nearing the end of its useful life, new slaking equipment would improve operation	Adequate
Chemical storage buildings	Buildings and equipment are operational	Adequate
Effluent pump station	Pump maintenance is regularly scheduled, generators supply electricity during peak demand (KCPL MPower)	Good
Maintenance building	Fully functional maintenance shop utilized for Water and other City Departments	Good
Laboratory	Did not observe	NA
SCADA system	Upgraded in 2011, system in good condition	Good
Overall		Adequate

Field Inspection Assessment

The equipment and buildings are in adequate condition with wear associated from the age and type of facility. Maintenance is regularly scheduled, which keeps the facility in working order. This includes bi-annual maintenance of tanks and equipment.

Various in-house projects have been discussed to improve plant reliability and operations. Projects aimed to improve plant reliability include a new lime slaking system, new variable frequency drives (VFD's) at the Missouri River intake, and chemical conversion to sodium permanganate for taste and odor control. Also, maintenance or replacement of pumps is required at the pump station to support effective operations.

The individual facilities are varying in condition between adequate and good. Observations indicate aesthetic repair of concrete is needed throughout the plant. An analysis of structural integrity was not performed. Plant personnel indicated metal loss from a structure inside primary settling basins five and six. A new bag house for lime handling was discussed, which would be more environmentally friendly.

The water treatment plant is in adequate condition and operating satisfactorily. Personnel at the facility are performing maintenance and operating the facility effectively; however, future improvements will be needed to continue effective plant operations. The Department's Capital Improvement Plan (CIP) has included several upgrades to the WTP, some of which are funded with the Series 2013A Bonds and are described in a subsequent section of this Report. Additionally, the Department has initiated the first water master plan since 1997, and is also completing a long term Strategic Business Plan in Fiscal Year 2013.

Arrowhead Pump Station and Standpipe

Facility Description

The Arrowhead Pump Station and Standpipe are located off N. Broadway Avenue, near NW 76th St. This facility was built in 1992 with four pumps, and a fifth pump was added in 2005. The pump station includes three electric powered 15-mgd pumps and two natural gas powered 7-mgd pumps. An 800-kW mobile generator is stored at the pump station. The standpipe's design capacity is 6.6-MG.

Observations/Comments

Table 4 lists the equipment and structures, the general observations made during the facility site tour, and the condition rating for that piece of equipment or structure.

Table 4 - Arrowhead Pump Station and Standpipe Condition Summary

Equipment/Structure	Observations	Condition
Pumps	Good condition	Good
Valves	Needs a valve maintenance program	Adequate
Natural gas generators	Good condition	Good
Mobile generator	Good condition	Good
Standpipe	Small patches of surface rust, scheduled paint job in five years	Adequate
Pump station structure	Building is in good condition	Good
Overall		**Good**

Field Inspection Assessment

The pump station is in good condition. The pump station was very clean and equipment was in working order. The standpipe has some small areas of rust, but overall is in good condition. A paint job is scheduled in five years. The plant personnel noted that the valves at the facility have not been operated in ten years. Valve operations should become a regular part of the facilities maintenance plan.

Overall, the Arrowhead Pump Station and Standpipe are in good condition.

Blue Ridge Pump Station and Reservoir

Facility Description

The Blue Ridge Pump Station and Reservoir are located at 8601 E. 67th Street. This facility includes six pumps and a 10-MG above ground concrete storage reservoir. Upgrades include four new pumps with refurbished motors, new motor control cabinets (MCC) and instrumentation panels, new valves, new security fencing, a building extension and new roof.

Observations/Comments

Table 5 lists the equipment and structures, the general observations made during the facility site tour, and the condition rating for that piece of equipment or structure.

Table 5 - Blue Ridge Pump Station Condition Summary

Equipment/Structure	Observations	Condition
Pumps	New pumps in use and older pumps in reserve	Good
Concrete reservoir	Structure is in good condition	Good
Building structure	Building is in good condition	Good
Overall		**Good**

Field Inspection Assessment
The Blue Ridge Pump Station is in good condition and the storage reservoir was indicated to be in good condition.

Highway 150 Elevated Storage Tank (Highway 150 EST)
Facility Description
The Highway 150 EST is located off Highway 150, near Horridge Road. This storage tank was built in 1992 and has a 0.5-MG capacity. A chlorine analyzer inside the EST automatically takes samples and sends results to the supervisory control and data acquisition (SCADA) system operators at the WTP. The site is not gated; however, the Highway 150 EST door is kept locked and visitors accessing the site must call the Department upon entrance and exit. If a call is not made security is dispatched. This is standard Department procedure at all remote water facilities. Bulk water can be purchased onsite.

Observations/Comments
Table 6 lists the equipment and structures, the general observations made during the facility site tour, and the condition rating for that piece of equipment or structure.

Table 6 – Highway 150 EST Condition Summary

Equipment/Structure	Observations	Condition
Valve vault	Good condition, valves and pipes were recently repainted	Good
Elevated storage tank	Surface rust on outside of tank, inside has been repainted	Adequate
Overall		**Good**

Field Inspection Assessment
The Highway 150 EST shows rust on the exterior surface, but is planned to be painted in the near future. Overall the facility is considered to be in good condition.

North Oak Elevated Storage Tank (North Oak EST)

Facility Description

The North Oak EST is located at the intersection of N. Oak Trafficway and NE 109th Terrace. This steel pedestal tank was built in 1989. The base of the structure has space for storage which is used by the City.

Observations/Comments

Table 7 lists the equipment and structures, the general observations made during the facility site tour, and the condition rating for that piece of equipment or structure.

Table 7 – North Oak EST Condition Summary

Equipment/Structure	Observations	Condition
Valve vault	Altitude valve is not operational, repair/ replacement needed	Adequate
Elevated storage tank	Repainted in 2012	Good
Overall		**Adequate**

Field Inspection Assessment

The tank itself is in good condition and was repainted in 2012. However, the facility's altitude valve must be replaced before a new elevated storage tank is brought online. Overall, North Oak EST is considered to be in adequate condition. With repair or replacement of the altitude valve, this tank will be in good overall condition.

Turkey Creek Pump Station

Facility Description

The Turkey Creek Pump Station is located at the corner of W. Allen Ave and Fairmount Ave. The facility was built in 1955. It has four pumps with VFD's and three constant speed pumps. Also, the site has a 15-MG and 20-MG clear well.

Observations/Comments

Table 8 lists the equipment and structures, the general observations made during the facility site tour, and the condition rating for that piece of equipment or structure.

Table 8 – Turkey Creek Pump Station Condition Summary

Equipment/Structure	Observations	Condition
Pumps	VFD's need to be replaced, pumps and motors are in a program to be refurbished	Adequate
Underground storage reservoir	As visually observed and through discussion with staff, structure is in adequate condition	Adequate
Building structure	Aesthetic repair of concrete and brick needed	Adequate
Overall		**Adequate**

Field Inspection Assessment

The pump station is aging and the majority of equipment needs refurbishment or replacement. Currently, the pump station's equipment is working adequately and is subject to scheduled maintenance. Attention to this aging pump station is important, as it plays a critical role in supplying water to downtown Kansas City. Exterior building repairs are needed, which includes aesthetic repair of concrete throughout the plant's exterior structure.

The Turkey Creek Pump Station and storage reservoir are in adequate condition.

PURPOSE OF THE SERIES 2013A BONDS

The Series 2013A Bonds are being issued to provide funds to (i) finance extensions and improvements to the City's revenue-producing System, and (ii) pay certain costs related to the issuance of the Series 2013A Bonds.

In 2012, the Department identified a CIP. This CIP is intended to improve and enhance facilities to meet existing and anticipated federal and state standards, and to maintain a reliable water system that can respond to changing usage patterns throughout the City's service area. Table 9 shows a CIP of approximately $311.8 million which reflects the current five-year CIP as developed by the Department, an estimate of capital expenditures for FY 2018 based on the average annual CIP for the preceding five years, and an inflationary adjustment. The CIP is expected to be financed primarily through a combination of annual revenues, contributions from local sources, available fund balances, and bond proceeds.

Table 9 – Capital Improvement Plan

Line No.	Project Type	2013	2014	2015	2016	2017	2018	Total
		$ - millions	$ - millions	$ - millions	$ - millions	$ - millions	$ - millions	$ - millions
1	Water Treatment Plant	10.0	13.7	6.5	-	2.5		32.7
2	Pump Station	2.6	10.1	6.5	-	15.0		34.2
3	Storage Tank	4.2	1.5	-	-	-		5.7
4	Transmission & Distribution Mains	35.2	30.7	45.0	32.0	32.0		175.1
5	Projects to be Determined (a)						49.5	49.5
6	Total in 2013 Dollars	52.0	56.0	58.0	32.0	49.5	49.5	297.1
7	Inflated CIP (b)	52.0	57.1	60.3	34.0	53.6	54.7	311.8

(a) Five-year CIP planning period ends with FY 2017. FY 2018 is estimated based on the average annual CIP for preceding 5 years.
(b) Assumed inflation rate of 2 percent annually.

PROJECT DESCRIPTIONS

The following descriptions summarize the most significant projects to be financed with the Series 2013A Bonds.

Water Treatment Plant Improvements

Several projects will provide improvements at the KCMO WTP, including the following:

- West Header and Valves at Secondary: This project will replace the existing header and valves in the pit outside of the west pumping.
- Primary and Secondary Basin Improvements: This project will rehabilitate and repair the primary and secondary basins.
- Concrete Rehabilitation Phase V-Flat Work & Intake: This project will provide rehabilitation and repair of concrete at the KCMO WTP.
- Electrical Service Reliability (East and West Substations): This project will study the reliability of the electrical service at the KCMO WTP.
- WTP and Pump Station Improvements: This project will provide various KCMO WTP and pump station improvements.

Replace Switchgear at Secondary Pump Station

This project will replace the switchgear at the Secondary Pump Station.

East Bottoms Pump Station Improvements

This project will rehabilitate the East Bottoms Pump Station.

Shoal Creek Parkway Pump Station and Reservoir
This project will construct a new pump station and storage.

Electrical Service Reliability at Turkey Creek Pump Station
This project will study the reliability of the electrical service at the Turkey Creek Pump Station.

Emergency Power Generation Phase 2
The project will construct portable electrical power generation.

Security Systems for Various Facilities C1P1 Part 1 & 2
This project will install card readers, cameras, and fencing at various facilities.

Tank Rehabilitation and Repair
This project will provide repainting of underground storage tanks at Ruskin, Blue Ridge, and Kansas City International Airport.

Waterline Relocations – N. Brighton Avenue
This project will relocate waterlines along N. Brighton Avenue from NE 58th Street to Pleasant Valley Road.

Arrowhead Phase 3 – N. Oak to Englewood
This project will install 6,800 feet of 48 inch and 54 inch water transmission main.

Shoal Creek Transmission Main along NE 96th Street
This project will install 30 inch water transmission main along NE 96th Street.

Maplewoods Parkway - NE 96th to NE 111th
This project will relocate water mains for a future parkway.

Street Car Water Main Replacement
This project will replace water mains along Main Street from 3rd Street to Pershing Road.

C-85 Water Main Replacement: NE 48th Street to NE Russell Rd; N. Jackson Avenue to N. Topping Road
This project will replace break-prone 2 inch and 4 inch water mains with 6 inch and 8 inch water mains, increasing reliability and capacity, eliminating dead-end water mains, and providing better fire protection.

C-64 Water Main Replacement: NE Russell Road to City Limits; N. Prospect Avenue to Jackson Avenue
This project will replace break prone 2 inch and 4 inch water mains with 6 inch and 8 inch water mains, increasing reliability and capacity, eliminating dead-end water mains, and providing better fire protection.

Various Water Main Replacement Projects
These projects will provide design work to replace break-prone mains, generally sized from a maximum of 16 inches down to 6 inches and smaller.

FINANCIAL FEASIBILITY FOR THE SERIES 2013A BONDS

The historical financial data used in the analyses presented herein were obtained from the financial records of the City. The City's financial records are audited annually.

Current Water Rates

The current water rate schedule is comprised of a service charge plus a commodity charge. The service charge is based on meter size. The commodity charge is based on a four-step tiered rate schedule. Wholesale customers are charged a uniform rate plus repumping charges as applicable depending upon location. The current water rate schedule, effective May 1, 2012, is shown in Table 10. In recent fiscal years, the Department has implemented revenue adjustments

Table 10 – Existing Water Rate Schedule

Service Charge, $/mo		
Meter Size	Inside City	Outside City
5/8"	$10.85	$12.10
3/4"	$11.70	$13.05
1"	$14.30	$15.95
1-1/2"	$17.80	$19.80
2"	$27.40	$30.40
3"	$93.50	$96.00
4"	$118.00	$121.50
6"	$176.00	$181.00
8"	$254.00	$260.00
10"	$333.00	$348.00
12"	$393.00	$409.00
Fire Protection, $/yr		
4" or less	$91.00	
6"	$268.00	
8"	$572.00	
10"	$1,028.00	
12"	$1,662.00	
16"	$3,541.00	

Commodity Charge	
Volume	$/ccf
Inside City	
First 600 cubic feet	$3.67
Next 4,400 cubic feet	$4.08
Next 995,000 cubic feet	$3.19
Over 1,000,000 cubic feet	$2.25
Outside City	
First 5,000 cubic feet	$3.45
Over 5,000 cubic feet	$3.07
Seasonal off-peak	
All Usage	$2.34
Wholesale	
Unrestricted	$1.95
Restricted	$1.89
1st Repump	$0.18
2nd Repump	$0.25

amounting to 8 percent in FY 2008, 10 percent annually for FY 2009 through FY 2012, and 12 percent in FY 2013.

Operating and Non-Operating Revenues

Operating revenue of the System is derived from water sales and miscellaneous revenues. During the past few years the System has experienced a steady increase in the number of customers served while water consumption has fluctuated between 31.0 million hundred cubic feet (ccf) and 37.2 million ccf. Annual operating and non-operating revenues for the historical period FY 2008 through FY 2012 are shown in Table 11. Total revenue increased from $87.0 million in FY 2008 to $90.7 million in FY 2010. In FY 2011, revenues increased to $116.8 million due, in part, to changing all customers from bi-monthly metering to monthly metering and increased water consumption. Revenues in FY 2012 amounted to $126.7 million,

Table 11 – Historical Water Customers, Volumes, Revenues, and Expenses

	2008	2009	2010	2011	2012
Water Customers					
Residential	137,650	141,401	143,226	144,000	147,448
Commercial/Industrial	15,354	15,239	15,600	15,000	16,160
Wholesale	32	33	35	35	33
Total Water Customers (a)	153,036	156,673	158,861	159,035	163,641
Water Volumes, ccf					
Inside City	26,010,866	24,109,971	22,638,473	24,692,668	25,378,166
Outside City	946,906	1,041,091	745,802	938,718	923,839
Wholesale	10,208,284	8,343,665	7,596,129	8,572,509	8,819,564
Total Water Volumes	37,166,056	33,494,727	30,980,404	34,203,895	35,121,569
Revenues, $					
Water Sales (b)	78,251,144	79,369,329	79,402,865	104,809,250	113,795,787
Other Water Revenue	1,802,063	2,401,532	3,051,231	3,043,482	4,425,641
Jobbing, Contract & Misc.	3,986,649	4,360,006	5,729,988	7,355,893	7,026,768
Interest Income	2,949,674	1,564,504	2,555,115	1,625,220	1,457,756
Total Revenues	86,989,530	87,695,371	90,739,199	116,833,845	126,705,952
Operation & Maintenance Expenses, $					
Power & Pumping	5,417,959	5,065,124	4,540,886	4,955,130	4,844,668
General & Electric Maintenance	3,019,538	2,282,020	2,517,212	2,541,658	4,034,162
Purification	10,971,583	11,078,707	11,549,618	11,892,058	11,020,685
Laboratory Services	2,605,167	2,960,532	2,433,467	2,477,521	2,470,682
Transmission & Distribution	10,242,782	13,925,182	13,303,041	11,488,867	21,122,053
Customer Service	7,574,259	7,156,669	7,040,500	7,295,986	7,236,663
Mechanical Maintenance	2,916,693	3,122,413	2,634,981	2,754,732	2,751,426
Customer Accounting & Collection	4,331,504	4,520,029	4,258,158	4,963,537	5,184,265
Adminstrative & General	14,278,131	13,423,079	14,477,547	16,123,070	14,585,368
Total O&M Expenses	61,357,616	63,533,755	62,755,410	64,492,559	73,249,972

Notes:
(a) Excludes City service accounts.
(b) Net of bad debt allowance.

reflecting the impact of increased rates and strong volume sales.

Projected operating and non-operating revenues are shown in Table 12. Projected operating and non-operating revenues for the System are expected to range from $136.0 million in FY 2013 to $170.5 million in FY 2018. Projected revenues assume no growth in total consumption. The projected water sales revenues reflect a 12 percent revenue increase approved and implemented for FY 2013. Projected revenue adjustments for FY 2014 through FY 2018 include a 10 percent adjustment for FY 2014, and 5 percent annual adjustments thereafter. These projected increases are preliminary and are subject to the review and approval of the City Council.

Operating and Maintenance Expenses

Annual operation and maintenance expenses of the System for FY 2008 through FY 2012 are shown in Table 11. Operating expenses include power and pumping, maintenance, purification, lab services, transmission and distribution, and overhead categories, but exclude depreciation and amortization. The water utility's total operation and maintenance expenses for the historical period were $61.4 million in FY 2008, increasing to $73.3 million in FY 2012.

In planning for FY 2012, the Department committed to increase line maintenance and adopted a budget that substantially increased the transmission and distribution budget. This emphasis, along with a relatively high level of main breaks, resulted in cost increases in FY 2012 transmission and distribution expenses. Additionally, general and electrical maintenance costs increased due to statutory pay adjustments made pursuant to an agreement between the local union and the City.

The System's projected operation and maintenance expenses for the period FY 2013 through FY 2018 are presented in Table 12. Total operation and maintenance expenses are expected to increase from a budgeted amount of $83.3 million in FY 2013 and a preliminary budget amount of $92.3 million in FY 2014, to $103.9 million in FY 2018. Expenses for FY 2015 through 2018 are based on 3 percent per year inflationary adjustments. Budgeted transmission and distribution costs provide funding for increased line maintenance. Annual operation and maintenance expenses shown in Table 12 do not include depreciation and amortization expense.

Mr. Roger Lehr
City of Kansas City, Missouri
February 27, 2013
Page 16

Table 12 – Projected Customers, Sales, Revenues and Expenses

	2013	2014	2015	2016	2017	2018
Water Customers						
Residential	148,185	148,926	149,671	150,419	151,171	151,927
Commercial/Industrial	16,241	16,322	16,404	16,486	16,568	16,651
Wholesale	33	33	33	33	33	33
Total Water Customers (a)	164,459	165,281	166,108	166,938	167,772	168,611
Water Volumes, ccf						
Inside City	25,400,000	25,400,000	25,400,000	25,400,000	25,400,000	25,400,000
Outside City	900,000	900,000	900,000	900,000	900,000	900,000
Wholesale	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000
Total Water Volumes	35,100,000	35,100,000	35,100,000	35,100,000	35,100,000	35,100,000
Revenues, $						
Water Sales (b)	122,815,800	134,176,300	139,878,800	145,823,600	152,021,100	158,481,900
Other Water Revenue	4,748,500	3,373,000	3,373,000	3,373,000	3,373,000	3,373,000
Jobbing, Contract & Misc.	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Interest Income	1,484,800	1,569,200	1,603,400	1,660,500	1,613,300	1,613,300
Total Revenues	136,049,100	146,118,500	151,855,200	157,857,100	164,007,400	170,468,200
Operation & Maintenance Expenses, $ (c) (d) (e)						
Power & Pumping	5,205,600	5,438,100	5,601,300	5,769,300	5,942,400	6,120,700
General & Electric Maintenance	5,671,100	6,602,700	6,800,800	7,004,800	7,214,900	7,431,300
Purification	12,558,300	13,190,400	13,586,100	13,993,700	14,413,500	14,845,900
Laboratory Services	2,991,900	3,068,000	3,160,000	3,254,800	3,352,400	3,453,000
Transmission & Distribution	22,405,400	25,780,600	26,554,000	27,350,600	28,171,100	29,016,200
Customer Service	9,060,300	9,587,200	9,874,800	10,171,000	10,476,100	10,790,400
Mechanical Maintenance	3,033,100	3,316,800	3,416,300	3,518,800	3,624,400	3,733,100
Customer Accounting & Collection	6,941,000	6,756,600	6,959,300	7,168,100	7,383,100	7,604,600
Adminstrative & General	17,528,100	20,759,600	21,382,400	22,023,900	22,684,600	23,365,100
Less: Capitalized Engineering	(2,100,000)	(2,163,000)	(2,227,900)	(2,294,700)	(2,363,500)	(2,434,400)
Total O&M Expenses	83,294,800	92,337,000	95,107,100	97,960,300	100,899,000	103,925,900

Notes:
(a) Excludes City service accounts.
(b) Net of bad debt allowance.
(c) Operation and Maintenance Expenses for FY2013 are based upon approved budget amounts for personal services, contractual services, and commodities, less an allowance for capitalized engineering costs.
(d) Operation and Maintenance Expenses for FY2014 are based upon requested budget amounts for personal services, contractual services, and commodities, less an allowance for capitalized engineering costs.
(e) Inflation adjustment of 3 percent annually has been applied to FY 2015 through FY 2018.

Operating and Renewal and Replacement Reserves

In April 2008, the Department developed a Statement of Policy for Operating and Renewal and Replacement Reserves (Reserve Policy), which was reviewed by the City Council and was adopted on August 14, 2008 along with the master ordinance associated with the Series 2013A Bond issuance. The Reserve Policy establishes target reserve levels for operating and renewal and replacement reserves, establishes annual contribution levels, and provides for the annual review and modification of the reserve targets and funding requirements. Reserve targets established for the Water System are as follows:

> Operating Reserves have been established in an amount equal to 25 percent of budgeted annual operating and maintenance expenses, plus budgeted administrative fees; and
>
> A Renewal and Replacement Reserve has been established in an amount equal to the prior year's annual depreciation. Minimum annual contributions of $1,000,000 shall be budgeted and transferred until the required amount is established. Once the required funding level is met, annual contributions may be adjusted to amounts consistent with growth in annual depreciation. To the extent that balances are drawn down and used to fund emergency capital replacements or for other authorized purposes, annual contributions shall resume until the required funding level is met.

Anticipated Bond Financing

Given the proposed CIP shown previously in Table 9, in addition to the Series 2013A Bonds, Burns & McDonnell anticipates that the Department will need additional net bond proceeds in the amount of approximately $54 million in each of the years FY 2014, FY 2016, and FY 2017. Estimated debt service payments for the projected FY 2014 bonds were provided by FirstSouthwest. For bonds projected to be issued in FY 2016 and FY 2017, Burns & McDonnell assumed equal annual payments based on 25 year terms and an average interest rate of 4.5 percent.

In August 2005, citizens voted to authorize $250 million in additional water revenue bonds. Prior to issuance of the Series 2013A Bonds, approximately $108 million remained in the bond authorization. It is anticipated that between the Series 2013A Bonds and projected 2014 bonds, the remaining authorization will be exhausted. Additional authorization is assumed to be obtained for the bonds projected to be sold in FY 2016 and FY 2017.

ANNUAL CASH FLOW

Table 13 presents the cash flow and water revenue bond debt service coverage ratio on an annual basis. The net revenues available for coverage based on the total debt service are projected to be adequate throughout the study period. The annual coverage ratios of net revenues to debt service are shown on Lines 38 through 40 in Table 13. The City has agreed to produce income and revenue through rates and charges sufficient to maintain annual coverage of not less than 125 percent of the debt service requirement on Senior Bonds, 115 percent of the debt service requirement on all Bonds, and 110 percent of the annual debt service requirement on all Bonds and Other System Obligations. As shown on Table 12, annual coverage is anticipated to be adequate throughout the forecast period.

ADDITIONAL BONDS

The Master Ordinance authorizing the Series 2013A Bonds sets forth requirements for the issuance of additional Senior Bonds. It requires certification that Sinking Fund payments have been made and that Sinking Fund reserve balances meet the requirements of the Bond Ordinance, which Burns & McDonnell will certify to at bond closing. The requirements also include either:

> Historical Test: A report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the historical Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, for the most recent available annual audit for the Fiscal Year prior to the issuance of the proposed Senior Bonds were equal to at least 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds, and 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds, or

> Future Test: A report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the forecasted Net Operating Revenues for each Fiscal Year in the Forecast Period are expected to equal at least 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds.

The report that is required by the “Historical Test” above may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System, adopted prior to the delivery date of the proposed Senior Bonds not fully reflected in the historical Net Operating Revenues actually received during the most recent Fiscal Year for which an annual audit is available. Such pro forma adjustments shall be based upon a report of a Consulting Engineer as to the amount of Operating Revenues which would have been received during such period had the new rate schedule been in effect throughout the period.

The report that is required by the “Future Test” above may not take into consideration any rate schedule to be imposed in the future, unless such rate schedules have been adopted by ordinance of the City Council.

Table 13 – Projected Water Cash Flow and Revenue Bond Debt Service Coverage

Line No.	Description	Projected 2013	2014	2015	2016	2017	2018
1	Revenue under Existing Rates (a)	129,279,800	129,279,800	129,279,800	129,279,800	129,279,800	129,279,800
	Proposed Revenue Increases (b)						
	Year / Increase / Months Effective						
2	2014 / 10.0% / 12		11,958,400	11,958,400	11,958,400	11,958,400	11,958,400
3	2015 / 5.0% / 12			6,002,600	6,002,600	6,002,600	6,002,600
4	2016 / 5.0% / 12				6,257,700	6,257,700	6,257,700
5	2017 / 5.0% / 12					6,523,700	6,523,700
6	2018 / 5.0% / 12						6,800,900
7	Total Proposed Additional Revenue	-	11,958,400	17,961,000	24,218,700	30,742,400	37,543,300
8	Bad Debt Expense	(6,464,000)	(7,061,900)	(7,362,000)	(7,674,900)	(8,001,100)	(8,341,200)
9	Total Rate Revenue	122,815,800	134,176,300	139,878,800	145,823,600	152,021,100	158,481,900
10	Other Operating Revenue	11,748,500	10,373,000	10,373,000	10,373,000	10,373,000	10,373,000
11	Interest Income - Capital Repayment	413,300	413,300	413,300	413,300	413,300	413,300
12	Interest Income - Other Funds	1,071,500	1,155,900	1,190,100	1,247,200	1,200,000	1,200,000
13	Total Revenues	136,049,100	146,118,500	151,855,200	157,857,100	164,007,400	170,468,200
14	Operation & Maintenance Expense (c)	79,788,700	87,947,000	90,585,400	93,302,900	96,101,900	98,984,900
15	Net Revenue	56,260,400	58,171,500	61,269,800	64,554,200	67,905,500	71,483,300
16	Existing Senior Debt Service	22,092,600	22,053,600	22,148,400	19,371,700	19,334,500	18,516,800
17	Series 2013A Debt Service	-	1,452,700	2,035,000	2,685,000	2,717,000	3,559,200
18	Future Senior Debt Service	-	-	1,812,200	3,938,300	7,608,600	11,270,600
19	Existing Subordinate Debt Service	2,821,100	2,822,800	2,821,400	2,821,900	2,824,200	2,823,000
20	Total Debt Service	24,913,700	26,329,100	28,817,000	28,816,900	32,484,300	36,169,600
21	Annual Operating Balance	31,346,700	31,842,400	32,452,800	35,737,300	35,421,200	35,313,700
22	Beginning Balance - Operating Funds	50,212,300	60,067,100	62,707,600	60,826,800	57,094,800	48,907,000
23	Annual Operating Balance	31,346,700	31,842,400	32,452,800	35,737,300	35,421,200	35,313,700
24	Routine Annual Improvements	(2,051,900)	(4,878,100)	(4,878,100)	(4,878,100)	(4,878,100)	(4,878,100)
25	Capital Repayments	546,100	546,100	546,100	546,100	546,100	546,100
26	Administrative Charges	(3,506,200)	(4,390,000)	(4,521,700)	(4,657,400)	(4,797,100)	(4,941,000)
27	AMR Capital Lease	(4,479,900)	(4,479,900)	(4,479,900)	(4,479,900)	(4,479,900)	(3,995,200)
28	Transfer to Construction Fund	(10,000,000)	(14,000,000)	(18,000,000)	(22,000,000)	(26,000,000)	(30,000,000)
29	Additions to Replacement Reserve	(2,000,000)	(2,000,000)	(3,000,000)	(4,000,000)	(4,000,000)	(1,000,000)
30	Ending Balance - Operating Funds	60,067,100	62,707,600	60,826,800	57,094,800	48,907,000	39,952,500
31	Targeted Ending Balance (d)	19,673,900	21,685,600	22,336,100	23,006,200	23,696,400	24,407,200
32	Beginning Balance - Construction Fund	54,954,300	71,132,700	81,837,700	39,494,500	81,314,000	107,509,000
33	Net Revenue Bond Issue	58,178,400	53,825,000	-	53,825,000	53,825,000	-
34	Transfers from Operating Funds	10,000,000	14,000,000	18,000,000	22,000,000	26,000,000	30,000,000
35	Total Available Construction Funds	123,132,700	138,957,700	99,837,700	115,319,500	161,139,000	137,509,000
36	Use of Funds - CIP	52,000,000	57,120,000	60,343,200	34,005,500	53,630,000	54,671,900
37	Ending Balance - Construction Fund	71,132,700	81,837,700	39,494,500	81,314,000	107,509,000	82,837,100
	Debt Service Coverage						
38	Senior Debt Service (e)	2.57	2.50	2.38	2.50	2.31	2.16
39	All Debt Service (f)	2.28	2.23	2.15	2.26	2.11	1.99
40	All Bonds & AMR Lease (g)	1.93	1.91	1.86	1.96	1.85	1.79

Notes
(a) Includes retail and wholesale accounts billed at rates effective May 1, 2012.
(b) Rate increases for FY 2014 through 2018 are subject to approval of City Council.
(c) Operation and Maintenance Expense excludes Administrative Charges, which are shown on Line 26.
(d) Target minimum equals the maximum of 25 percent of O&M expenses plus administrative fees.
(e) Senior Debt Service Coverage equals the sum of Net Revenues (Line 15) plus Capital Repayments (Line 25) divided by the total of Existing Senior Bond Debt Service (Line 16), Series 2013A Debt Service (Line 17), and debt service on future debt issues (Line 18).
(f) All Debt Service Coverage equals the sum of Net Revenues (Line 15) plus Capital Repayments (Line 25) divided by Total Debt Service (Line 20).
(g) Coverage for All Bonds & AMR Lease equals the sum of Net Revenues (Line 15) plus Capital Repayments (Line 25) divided by the sum of Total Debt Service (Line 20) and AMR Capital Leases (Line 27).

Table 14 presents the calculation described above in the Historical Test. Based on the annual coverage levels, Burns & McDonnell is of the opinion that the additional bonds requirements are met by the City.

Table 14 – Historical Additional Parity Bonds Test

Line No.	Description	2012 $1,000
1	Water Charges for Service (a)	113,796
2	Other Operating Revenue	11,452
3	Interest Income	1,458
4	Total Revenue	126,706
5	Operating Expense	73,250
6	Net Revenues	53,456
7	Principal of Contracts Received from Other Governmental Units	510
8	Administrative Charges	4,315
9	Adjusted Net Revenues (b)	58,281
10	Maximum Annual Senior Debt Service (c)	24,183
11	Maximum Annual Debt Service (d)	27,005
12	Senior Debt Service Coverage	241%
13	Total Coverage	216%

Notes
(a) Charges do not include rate increase enacted for FY 2013.
(b) Not adjusted for non-cash OPEB.
(c) Equal to maximum annual existing Senior and Series 2013A Bonds' debt service for FY 2013 - FY 2038.
(d) Equal to maximum annual existing Bonds, and Series 2013A Bonds' debt service for FY 2013 - FY 2038.

ASSUMPTIONS

The following assumptions were used in conducting our investigations and preparing the detailed analysis that is summarized in this Consulting Engineer's Report. It is our opinion that these assumptions are reasonable.

- Projections of sales volumes have been made based upon an analysis of historical consumption and weather conditions, and review of anticipated local growth patterns. Projections for future years assume no growth in total consumption.
- The projections of water sales of the existing System will be similar to those experienced in FY 2012. Significant variation in weather conditions and in economic and demographic conditions may affect the actual results. No such effects have been assumed for the projections or analyses presented in this report.
- Projected revenues are based on the current schedule of rates approved by the City which became effective May 1, 2012, and expected rate increases, to be implemented during the forecast period.
- Projections of future operation and maintenance expenses are based on analyses of historical operating data, modified to recognize current and anticipated operating conditions and trends. Operation and Maintenance expenses of the total System are projected to increase due to a combination of factors including increased line maintenance, labor agreements, material requirements, and inflation.
- Debt Service on the Series 2013A Bonds is based on a par amount of $54 million and has been provided by First Southwest Company, the City's financial advisor.
- As provided by the City's Bond Ordinance, the Department will at all times fix, establish, maintain, and collect rates sufficient to provide for the payment of expenses of operation, maintenance, and repair and to pay any bonds and interest outstanding and to apply the revenue in conformity with the Bond Ordinance.

OPINIONS

As a result of our investigations and analysis of the Department's facilities and records, the reviews, studies, and analyses we have outlined above, and based upon our continuing studies of System operations, it is our opinion that:

- The Department's System properties are and have been maintained, preserved, and kept in good working order and condition, and the Department makes, as necessary, proper repairs, replacements, and renewals. The proposed capital program will provide the funds necessary to continue operating the system in good condition. No facilities were found to be in poor condition.
- The assumptions used in preparing the projections and estimates used in our analysis are reasonable. The forecast of debt service coverage is also reasonable.

- Projected operating results are reasonably attainable by the Department.
- Proceeds from the Series 2013A Bonds are to be used to finance major portions of the Department's FY 2013 capital improvement program.

Based on the financial projections included herein, the requirements of the Rate Covenant are projected to be satisfied.

BURNS & McDONNELL QUALIFICATIONS

Burns & McDonnell has specialized in providing engineering, operations, and financial consulting services to water, wastewater, electric, and gas utilities throughout our history of over 100 years. With over 3,700 employee-owners, consisting of specialists from all engineering disciplines and business functions, Burns & McDonnell offers a comprehensive package of experience and skills for performing rate and financial analyses, feasibility studies, and negotiation services. In addition, the firm has extensive experience in assisting utilities with the issuance of debt and with management and financial aspects of their operations.

Sincerely,

BURNS & McDONNELL

David F. Naumann
Project Manager, Business & Technology Services

Ted J. Kelly
Project Director, Business & Technology Services

APPENDIX B

WATER FUND ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of Kansas City, Missouri Water Fund

Independent Accountants' Reports and Financial Statements

April 30, 2012 and 2011

BKD LLP
CPAs & Advisors

City of Kansas City, Missouri Water Fund

April 30, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

1201 Walnut Street, Suite 1700
Kansas City, MO 64106-2246
816.221.6300 Fax 816.221.6380 www.bkd.com

Independent Accountants' Report

The Honorable Mayor and
Members of the City Council
Kansas City, Missouri

We have audited the accompanying basic financial statements of the City of Kansas City, Missouri (the City) Water Fund (the Water Fund) as of and for the years ended April 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Water Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Water Fund and do not purport to, and do not, present fairly the financial position of the City of Kansas City, Missouri as of April 30, 2012 and 2011, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Kansas City, Missouri Water Fund as of April 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Kansas City, Missouri
October 25, 2012

Management's discussion and analysis (MD&A) of the City of Kansas City, Missouri's Water Fund (the Water Fund) provides readers a narrative overview and analysis of the Water Fund's financial statements and activities for the fiscal years ended April 30, 2012 and 2011. The Water Fund is an enterprise fund of the City of Kansas City, Missouri (the City) and is supported entirely by water service fees collected from residential, business and wholesale customers. The Water Fund is responsible for the operation and maintenance of the water collection, processing and distribution systems.

Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes in order to provide a complete understanding of the financial performance and activities during the years ended April 30, 2012 and 2011.

Overview of the Financial Statements

The accompanying financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid. Capital assets include land, buildings, improvements, equipment and infrastructure assets, such as water mains, pumping stations and treatment plants. Capital assets, except land, are depreciated over their estimated useful lives. Major outlays for capital improvements are capitalized as projects are constructed. Capital assets not completed by year-end have been reported as construction-in-progress. (See the notes to the financial statements for significant accounting policies).

The statements of net assets present information on the Water Fund's assets and liabilities, with the difference between the two reported as net assets.

The statements of revenues, expenses and changes in net assets present information showing how the Water Fund's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Water Fund's cash accounts through operating activities, financing activities and investing activities are listed on these statements.

Financial Position and Assessment

Summary of Net Assets
(In thousands)

	April 30		
	2012	**2011**	**2010**
Assets			
Current assets - unrestricted	$ 29,575	$ 23,588	$ 15,879
Current assets - restricted	21,435	12,967	15,910
Noncurrent investments - unrestricted	43,459	28,077	10,623
Noncurrent investments - restricted	59,262	50,191	83,086
Capital assets	681,377	650,325	612,998
Other assets	13,104	13,392	14,214
Total assets	$ 848,212	$ 778,540	$ 752,710
Liabilities			
Current liabilities	$ 9,798	$ 10,702	$ 9,193
Liabilities payable from restricted assets	25,152	24,231	22,161
Long-term liabilities	276,077	240,632	255,304
Total liabilities	311,027	275,565	286,658
Net Assets			
Invested in capital assets, net of related debt	470,155	455,705	438,188
Restricted	10,009	11,382	12,704
Unrestricted	57,021	35,888	15,160
Total net assets	537,185	502,975	466,052
Total liabilities and net assets	$ 848,212	$ 778,540	$ 752,710

In FY 2012, total assets increased by $69.7 million or 8.9% from the previous year. Greater inflows of cash were generated from bond proceeds and increased water service fees. Accordingly, cash, cash equivalents and investments accounted for most of the 25.4% increase in unrestricted current assets and 65.3% increase in restricted current assets. Similarly, investments accounted for most of the 54.8% increase in unrestricted noncurrent assets and 18.1% increase in restricted noncurrent assets. Capital assets increased by $31.1 million or 4.8% as expected from the ongoing capital improvements program.

Total liabilities increased by $35.5 million or 12.9%. During the year, the City issued $47.7 million of Water Revenue Bonds, Series 2012A, the proceeds from which will finance various improvements to the water system. The increase in debt was offset by the scheduled $17.4 million retirement of other water revenue bonds. The pension liability increased by $0.9 million and other post-employment benefits liability increased by $0.3 million. Claims liability decreased by $0.9 million. Increased construction activity was accompanied by a $0.4 million increase in contract retainage payable.

At the close of FY 2012, total assets exceeded total liabilities resulting in net assets of $537.2 million. Of this amount, $57.0 million is considered unrestricted. The unrestricted net assets may be used to meet ongoing business activities of the Water Fund and may not be used to fund the City’s governmental activities. Total net assets increased by $34.2 million or 6.8% from the previous year indicating that the Water Fund improved its financial position. The largest portion of net assets, $470.2 million or 87.5%, consists of investment in capital assets (e.g., land, buildings, treatment facilities, water utility lines and improvements, machinery, and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the water collection, processing and distribution systems.

In FY 2011, total assets increased by $25.8 million or 3.4% from the previous year. Higher accounts receivable and greater inflows of cash invested in pooled securities contributed most to the 48.5% increase in unrestricted current assets. Restricted current assets decreased by 18.5%, and restricted noncurrent assets decreased 39.6% due to the liquidation of investments and increased capital expenditures. On the other hand, there was a $17.5 million or 164.3% increase in unrestricted noncurrent investments due to the increase in cash generated from operations during the year. Capital assets increased by $37.3 million or 6.1% as expected from the ongoing capital improvements program.

Total liabilities decreased by $11.0 million or 3.9%. The largest component of change was the $16.5 million retirement of long-term debt. However, the decrease in long-term debt was offset by increases in other debt. Pension liability increased by $1.1 million, other post-employment benefits liability by $0.4 million and claims liability by $1.3 million. Investment transactions resulted in an increase of $0.7 million in arbitrage liability during the economic climate of fluctuating interest rates. Also, higher accounts receivable were accompanied by $0.5 million in additional customer deposits payable. Increased construction activity was also accompanied by $1.1 million in contract retainage payable.

At the close of FY 2011, total assets exceeded total liabilities resulting in net assets of $503.0 million. Of this amount, $35.9 million is considered unrestricted. The unrestricted net assets may be used to meet ongoing business activities of the Water Fund and may not be used to fund the City's governmental activities. Total net assets increased by $36.9 million or 8.0% from the previous year indicating that the Water Fund maintained its financial position. The largest portion of net assets, $455.7 million or 90.6%, consists of investment in capital assets (e.g., land, buildings, treatment facilities, water utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the water collection, processing and distribution systems.

Summary of Revenues, Expenses and Changes in Fund Net Assets

(In thousands)

	Year Ended April 30		
	2012	**2011**	**2010**
Operating revenues	$ 125,248	$ 115,209	$ 88,184
Operating expenses	(87,044)	(75,201)	(73,016)
Operating income	38,204	40,008	15,168
Nonoperating expenses, net	(8,509)	(7,693)	(4,661)
Net income before capital contributions	29,695	32,315	10,507
Capital contributions	4,515	4,608	7,859
Change in net assets	34,210	36,923	18,366
Total net assets - beginning of the year	502,975	466,052	447,686
Total net assets - end of the year	$ 537,185	$ 502,975	$ 466,052

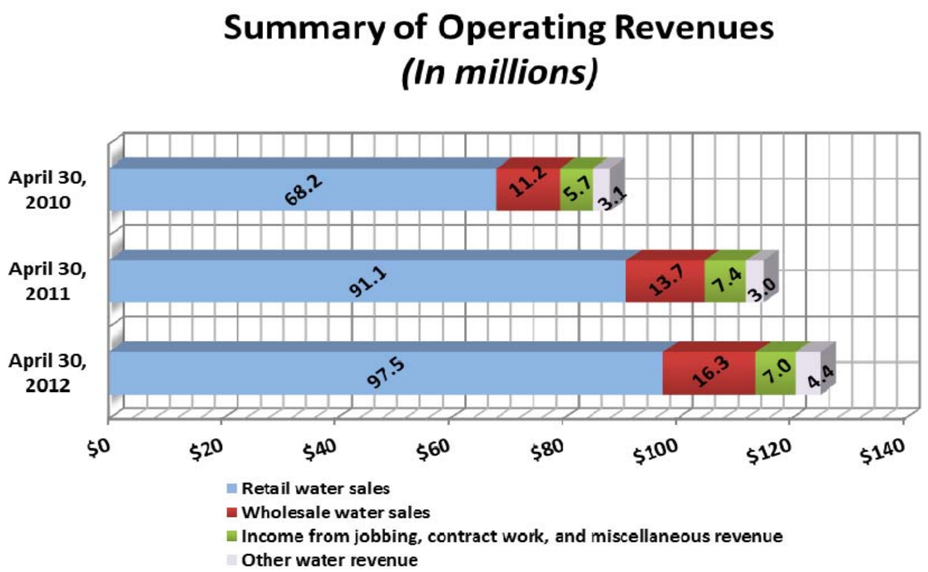
Summary of Operating Revenues

(In thousands)

	Year Ended April 30		
	2012	2011	2010
Retail water sales	$ 97,503	$ 91,073	$ 68,197
Wholesale water sales	16,292	13,737	11,206
Other water revenue	4,426	3,043	3,051
Income from jobbing, contract work and miscellaneous revenue	7,027	7,356	5,730
Total operating revenues	$ 125,248	$ 115,209	$ 88,184

In FY 2012, total operating revenues increased by $10.0 million or 8.7%. Additional sales of $6.4 million to retail customers, reduced by bad debt expense, and additional sales of $2.6 million to wholesale customers was attributable to increased water usage, as well as the scheduled 10% rate increase during the year. Other water revenue consists primarily of interest received on inter-governmental construction cost sharing notes receivable. Other water revenue increased revenue by $1.4 million or 45.4%. Income from jobbing, contract work, and miscellaneous sources, decreased slightly by approximately 4.5%.

At the close of FY 2011, total operating revenues increased by $27.0 million or 30.6%. The primary source of increased revenue was $22.9 million from retail water sales. Several factors contributed to the increase. The 10% water rate increase contributed approximately $10.0 million. The full year effect of converting 144,000 customer accounts from bi-monthly to monthly billing contributed $5.0 million in service charges. Increased usage contributed $7.9 million. Another source of increased revenue was $2.5 million from wholesale customers due to the water rate increase and higher usage. Revenue increased by $1.4 million from income from jobbing, contract work, and miscellaneous sources due to increased billings to the Sewer Fund for its share of debt service on the AMR (automated meter reading system) Master Equipment Lease/Purchase Agreement.



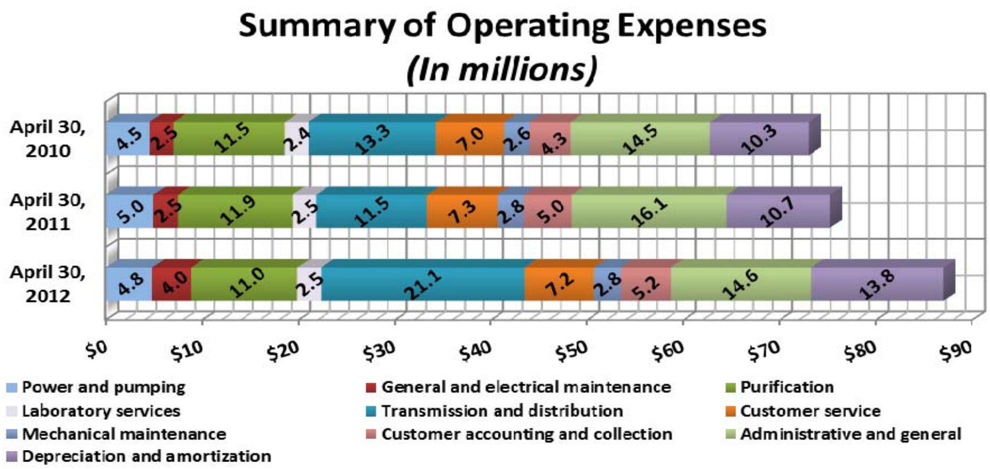
Summary of Operating Expenses

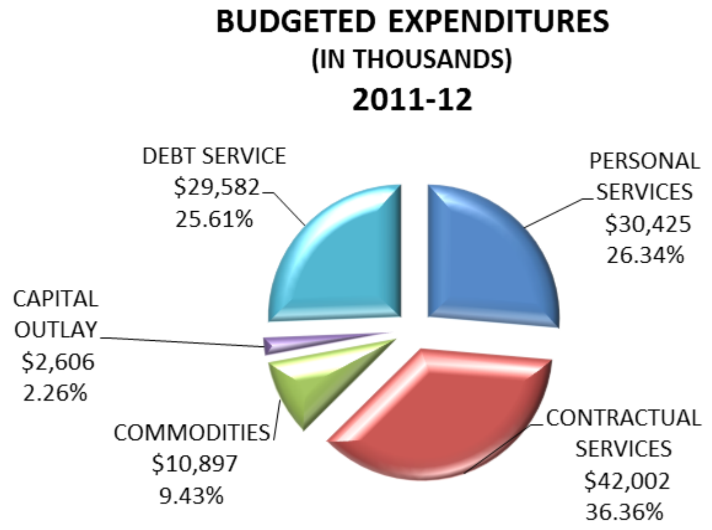
(In thousands)

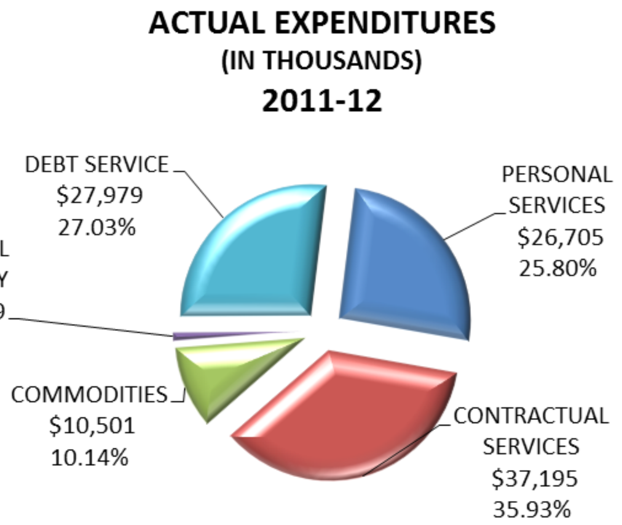
	Year Ended April 30		
	2012	2011	2010
Power and pumping	$ 4,845	$ 4,955	$ 4,541
General and electrical maintenance	4,034	2,542	2,517
Purification	11,021	11,891	11,549
Laboratory services	2,472	2,478	2,433
Transmission and distribution	21,122	11,489	13,303
Customer service	7,237	7,296	7,041
Mechanical maintenance	2,751	2,755	2,635
Customer accounting and collection	5,184	4,964	4,258
Administrative and general	14,585	16,123	14,478
Depreciation and amortization	13,793	10,708	10,261
Total operating expenses	$ 87,044	$ 75,201	$ 73,016

In FY 2012, total operating expenses increased by $11.8 million or 15.7% over the previous year. Three cost centers incurred the most significant expenses or approximately 83.3% of the total increase in operating expenses. General and electrical maintenance expense increased by $1.5 million or 58.7% primarily due to statutory pay adjustments made pursuant to the Memorandum of Understanding between local unions and the City. Transmission and distribution expense increased by $9.6 million or 83.8% due to an historic number of main breaks in the City's water distribution system. The concomitant costs to restore water mains, streets, and sidewalks increased by $6.5 million. Supplemental workforce contracts to perform emergency main repairs increased by $2.3 million, and other operating materials and supplies increased by $0.8 million. Depreciation and amortization expense increased by $3.1 million or 28.8% because more construction projects were completed and transferred to depreciable capital assets.

In FY 2011, total operating expenses increased by $2.2 million or 3.0% overall. The primary sources of increased expenses occurred in three cost centers. Customer accounting and collection incurred $0.7 million of additional expenses in billing services, postage, and bank fees due to the conversion of customer accounts from bi-monthly to monthly billing. Transmission and distribution expense was $1.8 million lower primarily because of the decreased spending in street restoration charges. During the prior year, there was a backlog of work orders that gave rise to higher spending on street restoration. Administrative and general incurred $1.6 million in additional expenses. The largest contributing factor was $1.3 million paid to settle claims. Additionally, depreciation and amortization expense increased by $0.5 million due to the addition of more capital assets from completed projects. Collectively, the other cost centers contributed $1.2 million to the increase in total operating expenses.







Capital Assets

Capital assets totaled $681.4 million (net of accumulated depreciation) and accounted for 80.3% of total assets at April 30, 2012. Construction continues to: replace undersized water mains throughout the City, upgrade and improve water treatment plant operations, and modernize infrastructure. During the year, projects totaling $28.3 million were completed. They included $24.7 million of constructed water mains and appurtenances, $0.7 million for pumping stations and equipment, and $2.8 million for treatment plant and equipment upgrades. In addition to completed projects, there was $2.8 million in contributed assets from property developers, and $0.4 million of motorized vehicles and equipment transferred from Public Works. Additions and replacements of machinery and equipment totaled $4.6 million. The increases in depreciable capital assets were offset by disposals and retirements of $8.1 million.

At April 30, 2011, capital assets totaled $650.3 million (net of accumulated depreciation) and accounted for 83.5% of total assets. As a result of the Water Fund's continued capital improvements program, capital assets increased $37.3 million over the previous year. While construction increased by $45.3 million, there was $82.6 million in projects completed during the year. Completed projects included $63.3 million of constructed water mains and appurtenances, $1.9 million for pumping stations, and $15.7 million for treatment plant improvements. In addition to completed projects, there was $1.6 million in contributed assets from property developers and $1.0 million transferred from Public Works. Additions and replacements of machinery and equipment totaled $7.2 million. The increases in depreciable capital assets were offset by disposals and retirements of $11.8 million.

Debt Administration

Debt Administration provides long-term debt planning, issuance and administration in accordance with the approved Capital Improvement Program to meet the City's capital infrastructure needs. The City promotes effective communication with bond rating agencies in order to maintain its high credit rating and manages debt in accordance with established debt policies. Water revenue bond proceeds are used to finance improvements to the water collection, processing and distribution systems. The Fund's outstanding debt is aligned in such a manner to meet the most stringent debt service requirements. In addition, water system revenues secure outstanding bonds.

Moody's Investors Service has affirmed the Aa2 rating of the City's $212.5 million of senior lien debt outstanding, including the Series 2012A Water Revenue Bonds issued in February 2012. The rating affirmation reflects the:

- Large service area that covers the greatest part of the Kansas City, Missouri, metropolitan area
- Stable regional economy
- Debt service coverage levels that have improved following consecutive rate increases
- Adequate working capital
- Favorable debt profile with future borrowing expected
- Satisfactory legal protection for bondholders

Credit Rating Agencies	Water Revenue Bonds Credit Rating
Moody's	Aa2
Standard & Poor's	AA+

The Standard & Poor's Ratings Services has affirmed the AA+ rating on the City's Series 2012A Water Revenue Bonds issued in February 2012, and other outstanding water revenue bonds. The rating reflects the:

- Strong and diverse service area economy
- Moderate rates with timely rate increases
- Low debt to plant ratio

In August 2005, citizens voted to authorize $250 million in additional water revenue bonds to be issued annually through 2012. Following the Series 2012A bond issue, the City will have approximately $108 million remaining from its original bond authorization.

The Water Fund has the right under the bond ordinances to issue additional bonds payable from the same sources and secured by the same revenues, but only in accordance with and subject to the terms and conditions set forth in the bond ordinances. The Water Fund is required to meet an earnings test before issuing any additional bonds on parity with existing debt. See the notes to the financial statements.

Request for Information

This financial report is designed to provide the Water Fund's management, investors, creditors and customers with a general view of the Water Fund's finances and to demonstrate the Water Fund's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact:

Sean P. Hennessy
Assistant Director, Finance & Business Support
Water Services Department
4800 East 63rd Street
Kansas City, Missouri 64130

City of Kansas City, Missouri Water Fund

Statements of Net Assets

April 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 3,173,573	$ 1,650,868
Investments	8,850,612	3,225,858
Accounts receivable, net	14,381,331	15,300,787
Accrued interest receivable	173,959	173,140
Current portion of notes receivable	550,240	504,919
Inventories	2,415,413	2,341,134
Due from other funds	30,152	391,082
Total unrestricted current assets	29,575,280	23,587,788
Restricted assets		
Cash and cash equivalents	5,703,876	8,017,760
Investments	15,478,885	4,619,490
Accrued interest receivable	252,221	330,100
Total restricted current assets	21,434,982	12,967,350
Total current assets	51,010,262	36,555,138
Investments	43,459,349	28,077,160
Restricted assets - investments	59,262,280	50,191,184
Special assessments receivable, net	11,015	13,886
Notes receivable	8,827,759	9,357,450
Debt issuance costs, net	4,264,767	4,020,827
Capital assets, depreciable, net	585,378,985	563,674,078
Capital assets, nondepreciable	95,998,216	86,651,063
Total assets	$ 848,212,633	$ 778,540,786

See Notes to Financial Statements

	2012	2011
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 5,279,562	$ 5,868,776
Current portion of compensated absences	607,774	688,391
Accrued payroll and related expenses	675,111	551,350
Contracts and retainage payable	465,394	275,274
Other liabilities	863,980	863,979
Current portion of due to other funds	388,286	787,148
Current portion of claims liability	1,518,013	1,667,197
Total current liabilities, less liabilities payable from restricted assets	9,798,120	10,702,115
Liabilities payable from restricted assets		
Accrued interest and fiscal agent fees	4,079,950	3,939,588
Current portion of revenue bonds and capital leases payable	18,100,341	17,384,537
Contracts and retainage payable	1,760,833	1,542,874
Customer deposits	1,211,247	1,364,165
Total liabilities payable from restricted assets	25,152,371	24,231,164
Total current liabilities	34,950,491	34,933,279
Claims liability	4,469,352	5,235,283
Compensated absences	2,213,803	1,944,252
Pension liability	4,310,573	3,363,131
Other post-employment benefit obligation	4,525,571	4,178,628
Revenue bonds and capital leases payable, net of current portion	260,557,305	225,911,050
Total liabilities	311,027,095	275,565,623
Net assets		
Invested in capital assets, net of related debt	470,155,178	455,704,677
Restricted	10,008,982	11,382,337
Unrestricted	57,021,378	35,888,149
Total net assets	537,185,538	502,975,163
Total liabilities and net assets	$ 848,212,633	$ 778,540,786

City of Kansas City, Missouri Water Fund

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended April 30, 2012 and 2011

	2012	2011
Operating Revenues		
Water sales	$ 113,795,787	$ 104,809,250
Other water revenue	4,425,641	3,043,482
Income from jobbing and contract work and miscellaneous revenues	7,026,768	7,355,893
Total operating revenues	125,248,196	115,208,625
Operating Expenses		
Power and pumping	4,844,668	4,955,130
General and electrical maintenance	4,034,162	2,541,658
Purification	11,020,685	11,892,058
Laboratory services	2,470,682	2,477,521
Transmission and distribution	21,122,053	11,488,867
Customer service	7,236,663	7,295,986
Mechanical maintenance	2,751,426	2,754,732
Customer accounting and collection	5,184,265	4,963,537
Administrative and general	14,585,368	16,123,070
Depreciation and amortization	13,793,442	10,708,385
Total operating expenses	87,043,414	75,200,944
Operating Income	38,204,782	40,007,681
Nonoperating Revenues (Expenses)		
Interest income	1,457,756	1,625,220
Interest expense and fiscal agent fees	(9,774,619)	(9,103,896)
Other	(192,146)	(214,237)
Total nonoperating expenses, net	(8,509,009)	(7,692,913)
Excess of Revenues Over Expenses Before Capital Contributions	29,695,773	32,314,768
Capital Contributions	4,514,602	4,608,332
Increase in Net Assets	34,210,375	36,923,100
Net Assets, Beginning of Year	502,975,163	466,052,063
Net Assets, End of Year	$ 537,185,538	$ 502,975,163

City of Kansas City, Missouri Water Fund

Statements of Cash Flows

Years Ended April 30, 2012 and 2011

	2012	2011
Operating Activities		
Cash received from customers	$ 126,378,535	$ 111,136,234
Cash paid to employees, including benefits	(26,043,368)	(25,636,521)
Cash paid to suppliers	(50,675,536)	(36,597,568)
Net cash provided by operating activities	49,659,631	48,902,145
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(35,638,852)	(37,946,705)
Proceeds from issuance of revenue bonds and capital leases, net of premium and discount	52,462,382	-
Principal payments on revenue bonds and capital leases	(17,384,537)	(16,539,098)
Fiscal agent fees and interest paid on revenue bonds and capital leases	(10,594,654)	(12,199,917)
Debt issuance costs	(435,027)	-
Proceeds from sale of capital assets	58,126	-
Proceeds from notes receivable	484,370	585,791
Net cash used in capital and related financing activities	(11,048,192)	(66,099,929)
Investing Activities		
Investment purchases	(104,206,386)	(68,789,009)
Investment maturities and sales	63,472,176	84,386,595
Interest received on investments	1,331,592	1,746,707
Net cash provided by (used in) investing activities	(39,402,618)	17,344,293
Net Increase (Decrease) in Cash and Cash Equivalents	(791,179)	146,509
Cash and Cash Equivalents, Beginning of Year	9,668,628	9,522,119
Cash and Cash Equivalents, End of Year	$ 8,877,449	$ 9,668,628

City of Kansas City, Missouri Water Fund

Statements of Cash Flows (Continued)

Years Ended April 30, 2012 and 2011

	2012	2011
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 38,204,782	$ 40,007,681
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	13,793,442	10,708,385
Changes in assets and liabilities		
Accounts receivable and special assessments receivable	922,327	(4,223,695)
Inventories	(74,279)	(278,944)
Due from other funds	360,930	(347,256)
Accounts payable	(3,687,757)	(1,173,615)
Compensated absences	188,934	(63,237)
Accrued payroll and related expenses	123,761	131,448
Other liabilities	1	601,796
Due to other funds	(398,862)	293,446
Claims liability	(915,115)	1,267,479
Customer deposits	(152,918)	498,560
Pension liability	947,442	1,111,550
Other post-employment benefit obligation	346,943	368,547
Total adjustments	11,454,849	8,894,464
Net cash provided by operating activities	$ 49,659,631	$ 48,902,145
Components of Cash and Cash Equivalents at End of Year		
Unrestricted	$ 3,173,573	$ 1,650,868
Restricted	5,703,876	8,017,760
	$ 8,877,449	$ 9,668,628
Noncash Activities		
Contributions of capital assets	$ 4,514,602	$ 4,608,332
Increase in fair value of investments	203,224	159,002
Accounts payable incurred for purchase of capital assets	5,051,738	2,636,347

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The City of Kansas City, Missouri Water Fund (the Water Fund) is a fund of the City of Kansas City, Missouri (the City) and is operated by the Water Services Department. The financial statements present only the Water Fund and are not intended to present fairly the financial position of the City, and the respective changes in its financial position and cash flows as of April 30, 2012 and 2011, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. The Water Fund is supported wholly by water service charges and is responsible for the administration, promotion, operation and maintenance of the water system.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus, wherein revenues (including unbilled revenue) are recorded when earned and expenses are recorded when incurred. In reporting its financial activity, the Water Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Water Fund’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments

All investments are reported at fair value. The fair value of marketable securities is based on quotations from that are generally obtained from national securities exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or pricing services.

Accounts Receivable

Accounts receivable balances are recorded at the invoiced amount. The Water Fund provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Revenue Recognition

Revenues are recognized when earned. Unbilled revenue representing estimated consumer usage for the period between the last billing date and the end of the period is accrued by the Water Fund.

Inventories

Inventories, consisting of repair parts, materials, supplies, chemicals, rock and fuel, are valued at the lower of weighted average cost or market.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Capital Assets and Depreciation/Amortization

Capital assets are stated at cost, including capitalized interest on construction, or estimated historical cost. These include assets funded by revenue and general obligation bonds, contributions and special assessments. Contributed assets are valued at fair value at the date of contribution.

Depreciation is provided on the straight-line method. Buildings, water lines and improvements are depreciated on a composite basis ranging from 40 to 100 years. Machinery and equipment are depreciated on a unit basis over useful lives of three to 20 years.

At the time of retirement or other disposition of assets for which depreciation is computed on the composite method, the original cost of the assets, net of any proceeds from their sale, are removed from the asset and accumulated depreciation accounts and no retirement gain or loss is recorded. For retirements or dispositions of assets for which depreciation is computed on the unit method, the asset and related depreciation accounts are eliminated and the difference between the net carrying value and any proceeds is recorded as a gain or loss.

Any conspicuous or known events, or changes in circumstances, affecting a capital asset are reviewed by the Water Fund to determine whether there is a significant and unexpected decline in the service utility of the capital asset, which could indicate asset impairment.

Expenses for maintenance and repairs of property are charged to operations as incurred.

Interest costs capitalized on project-related debt for the years ended April 30, 2012 and 2011 totaled $1,244,611 and $3,187,214, respectively.

Compensated Absences

Under the terms of the City's personnel policy, Water Fund employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at the annual rate of 10 to 20 days, depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period. The maximum amount of vacation that may be carried forward, which is accrued in the Water Fund, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 2,080 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit.

Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; and employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

Operating vs. Nonoperating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Water Fund's ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted Net Assets

When both restricted and unrestricted net assets are available for use, it is the Water Fund's policy to use restricted net assets first, then unrestricted net assets as they are needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of demand and time deposits, repurchase agreements and other investments with maturities of less than five years. As of April 30, 2012 and 2011, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account, was approximately $43,534,000 and $39,099,000, respectively, which was covered by federal depository insurance or by collateral held by the City's agents under joint custody agreements in accordance with the City's administrative code. The Water Fund's allocation of deposits was $5,262,465 and $1,263,184 at April 30, 2012 and 2011, respectively.

The City of Kansas City, Missouri is empowered by City Charter to invest in the following types of securities:

1. *United States Treasury Securities (Bills, Notes, Bonds and Strips)*. The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. *United States Agency/GSE Securities*. The City may invest in obligations issued or guaranteed by any agency of the United States government and in obligations issued by any government-sponsored enterprise (GSE) that has a liquid market and a readily determinable market value that are described as follows:

   a. U.S. Government Agency Coupon and Zero Coupon Securities.

   b. U.S. Government Agency Callable Securities. Restricted to securities callable at par only.

   c. U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.

   d. U.S. Government Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.

   e. U.S. Govt. Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than four (4) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.

3. *Repurchase Agreements*. The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association’s guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.

4. *Bankers’ Acceptances*. The City may invest in bankers’ acceptances issued by domestic commercial banks possessing the highest rating issued by Moody’s Investor Services, Inc. or Standard and Poor’s Corporation.

5. *Commercial Paper*. The City may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody’s Investor Services, Inc. or Standard and Poor’s Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars ($500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase. In addition, the City’s portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the City’s aggregate investment portfolio.

6. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
7. Any full faith and credit obligations of any county in which the City is located rated at least AA or Aa2 by Standard and Poor's or Moody's.
8. Any full faith and credit obligations of any school district in Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
9. Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
10. Any municipal obligation as defined in (6), (7), (8) or (9) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury securities as to both principal and interest.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the final maturity on any security owned to a maximum of five years. In addition, the City compares the weighted average maturity of its portfolio to the weighted average maturity of the Merrill Lynch 1-3 year Government/Agency index, and relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates. As of April 30, 2012, the City had the following investments and maturities (amounts are in thousands):

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1 – 2	2 – 3	3 – 5	Weighted Average
Pooled investments						
Municipal securities	$ 2,072	$ 2,072	$ -	$ -	$ -	0.76
U.S. Treasury bills	19,998	19,998	-	-	-	0.12
U.S. Treasury notes/bonds	138,667	65,578	31,005	31,664	10,420	1.49
U.S. agency discounts	4,994	4,994	-	-	-	0.76
U.S. agencies – noncallable	401,250	151,140	131,965	13,455	104,690	1.78
U.S. agencies – callable	105,341	45,215	30,165	9,999	19,962	1.80
Mortgage-backed agency	9,513	9,513	-	-	-	0.41
Total pooled	681,835	298,510	193,135	55,118	135,072	1.59
Non-pooled investments						
U.S. agencies – noncallable	219,759	77,734	109,561	24,540	7,924	1.35
U.S. agencies – callable	53,155	46,635	-	3,001	3,519	0.70
Total non-pooled	272,914	124,369	109,561	27,541	11,443	1.22
	$ 954,749	$ 422,879	$ 302,696	$ 82,659	$ 146,515	1.53

The Water Fund's allocation of pooled investments at April 30, 2012 was $82,568,844. The Water Fund's non-pooled investments at April 30, 2012 were $44,240,005.

Some of the restricted assets are held by a trustee associated with the proceeds from a capital lease. The amount held by the trustee includes investments that are insured or registered or for which the securities are held by the Water Fund or its agent in the Water Fund's name or under joint agreements. Restricted assets held by the trustee were $3,857,261 at April 30, 2012 and consisted primarily of money market funds.

As of April 30, 2011, the City had the following investments and maturities (amounts are in thousands):

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 – 2	2 – 3	3 – 5	Weighted Average
Pooled investments						
U.S. Treasury notes/bonds	$ 134,946	$ 53,219	$ 10,027	$ 30,417	$ 41,283	2.13
U.S. agency discounts	22,995	22,995	-	-	-	0.27
U.S. agencies – noncallable	404,039	102,434	148,354	122,854	30,397	1.75
U.S. agencies – callable	127,249	53,096	5,092	-	69,061	2.66
Total pooled	689,229	231,744	163,473	153,271	140,741	1.88
Non-pooled investments						
U.S. agency discounts	3,249	3,249	-	-	-	0.33
U.S. agencies – noncallable	73,878	56,393	9,872	-	7,613	1.07
U.S. agencies – callable	19,190	11,724	2,030	-	5,436	1.68
Total non-pooled	96,317	71,366	11,902	-	13,049	1.17
	$ 785,546	$ 303,110	$ 175,375	$ 153,271	$ 153,790	1.80

The Water Fund's allocation of pooled investments at April 30, 2011 was $78,887,787. The Water Fund's non-pooled investments at April 30, 2011 were $9,984,162.

Some of the restricted assets are held by a trustee associated with the proceeds from a capital lease. The amount held by the trustee includes investments that are insured or registered or for which securities are held by the Water Fund or its agent in the Water Fund's name or under joint agreements. Restricted assets held by the trustee were $5,647,187 at April 30, 2011 and consisted primarily of money market funds.

Callable Agency Securities. The City actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of April 30, 2012 and 2011, the total fair value of the City's callable bond portfolio (pooled and non-pooled) is $158,495,887 and $146,438,810, respectively.

Mortgage-Backed Securities. The City has invested in a collateralized mortgage obligation security issued by the Federal National Mortgage Association (FNMA). Details of that security are as follows:

> **FNR 2006-17 A, $100,000,000 original par value.** The security has a fixed coupon rate of 5.50% and pays principal and interest monthly. The security was purchased on January 12, 2012 and, although has a stated final maturity of April 25, 2033, the security is the first tranche that began receiving principal payments. Based on current prepayment speeds using industry-standard modeling, the City's principal amount should be fully retired by April 30, 2013. At April 30, 2012, the security had a remaining face value of $9,425,782, a book value of $9,613,931, and a fair market value of $9,514,196.

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligation. In order to prevent over concentration by investment type and thereby mitigate credit risk, the City's Investment Policy provides for diversification of the portfolio by investment type as follows:

Investment Type	Maximum
U.S. Treasury securities and government guaranteed securities	100%
Collateralized time and demand deposits	100%
U.S. Government agency and GSE securities	80%
Collateralized repurchase agreements	50%
U.S. agency callable securities	30%
Commercial paper	30%
Bankers acceptances	30%
Qualified municipal obligations	10%

As of April 30, 2012, the City had the following pooled and non-pooled investment balances that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

	Fair Value	Moody's/ S&P Ratings
U.S. Treasury securities	$ 158,665	Aaa/AA+
U.S. agency securities	794,012	Aaa/AA+
Municipal obligations	2,072	Aa2/AA
	$ 954,749	

As of April 30, 2011, the City had the following pooled and non-pooled investment balances that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

	Fair Value	Moody's/ S&P Ratings
U.S. Treasury securities	$ 134,946	Aaa/AAA
U.S. agency securities	650,600	Aaa/AAA
	$ 785,546	

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party (i.e., the City's safekeeping institution).

The City's investment policy requires that all funds on deposit with any financial institution be secured with collateral securities in an amount equal to at least 102 percent of the deposit less any amount insured by the Federal Deposit Insurance Corporation (FDIC), or any other governmental agency performing a similar function. As of April 30, 2012 and 2011, all deposits were adequately and fully collateralized.

The City's investment policy required that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution, thereby mitigating custodial credit risk. As of April 30, 2012 and 2011, all investment securities were in the City's name in the City's safekeeping accounts at its safekeeping institutions. In addition, all collateral securities were in the City's joint custody account(s) at the Federal Reserve Bank and were either U.S. Treasury (U.S. government guaranteed) or U.S. agency (Aaa/AA+ rated) obligations, with the exception of an irrevocable Letter of Credit issued in the City's favor by the Federal Home Loan Bank in the amount of $50,000,000 at April 30, 2011, to secure the City's deposits at Commerce Bank. The Letter of Credit is safe kept in the City's cash vault in the Cash Operations section of the Treasury Division.

Concentration of Credit Risk

At April 30, 2012, more than five percent of the City's investments are in the following U.S. Agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 10%, 24%, 21% and 26%, respectively, of the City's total investments.

At April 30, 2011, more than five percent of the City's investments are in the following U.S. Agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 10%, 37%, 12% and 21%, respectively, of the City's total investments.

In the City's opinion, the debt securities issued by these agencies do not have an explicit government guarantee, but rather an implied guarantee and, therefore, the City does not impose limits as to the concentration of any one agency. However, total agency securities in the portfolio are limited by the investment policy to 80% of the total portfolio value.

Summary

The following is a complete listing of cash and investments held by the Water Fund at April 30, 2012 and 2011:

	2012	2011
Deposits	$ 5,262,465	$ 1,263,184
Pooled investments	82,568,844	78,887,787
Non-pooled investments	44,240,005	9,984,162
Trustee accounts	3,857,261	5,647,187
Total	$ 135,928,575	$ 95,782,320

The deposits and investments of the Water Fund at April 30, 2012 and 2011 are reflected in the statements of net assets as follows:

	2012	2011
Current assets		
Unrestricted		
Cash and cash equivalents	$ 3,173,573	$ 1,650,868
Investments	8,850,612	3,225,858
Restricted		
Cash and cash equivalents	5,703,876	8,017,760
Investments	15,478,885	4,619,490
Investments	43,459,349	28,077,160
Restricted investments	59,262,280	50,191,184
Total	$ 135,928,575	$ 95,782,320

Note 3: Accounts Receivable

A summary of accounts receivable at April 30, 2012 and 2011 is as follows:

	2012	2011
Water customers	$ 16,655,404	$ 15,055,505
Unbilled utility revenue	7,413,700	5,536,453
	24,069,104	20,591,958
Less allowance for doubtful accounts	9,687,773	5,291,171
Net accounts receivable	$ 14,381,331	$ 15,300,787

Note 4: Notes Receivable

The Water Fund has built several major transmission mains to reach wholesale customers. These customers agree to pay for a proportionate share of the main based on their projected use of the capacity. At the time they start using the main, they can either pay the entire amount or pay the Water Fund over a time period at an interest rate tied to the bond interest rate. The monthly payment is included in their water billing.

Notes receivable outstanding consists of the following issues at April 30, 2012 and 2011:

Customer	Interest Rates	Loan Completion Date	2012	2011
Dogwood Energy	5.565%	February 2023	$ 2,755,809	$ 2,920,591
City of Kearney	5.565	November 2023	952,709	1,009,171
Platte County PWSD #2	4.126	April 2026	331,490	348,638
Platte County PWSD #9	4.126	April 2026	1,005,855	1,064,673
City of Dearborn	4.126	April 2026	546,789	575,074
Cass County PWSD #3	4.394	January 2028	132,166	137,864
Jackson County PWSD #12	5.565	March 2029	206,196	214,093
City of Harrisonville	4.238	March 2028	2,701,501	2,818,812
Cass County PWSD #10	4.238	November 2029	745,484	773,453
			9,377,999	9,862,369
Less current portion			(550,240)	(504,919)
Noncurrent portion			$ 8,827,759	$ 9,357,450

Note 5: Capital Assets

Capital asset activity for the year ended April 30, 2012 is as follows:

	May 1, 2011	Additions	Retirements/ Adjustments	Transfers	April 30, 2012
Depreciable assets					
Buildings	$ 150,998,951	$ 2,220,709	$ (201,720)	$ -	$ 153,017,940
Utility lines and improvements	533,504,225	28,187,823	(1,561,231)	-	560,130,817
Machinery and equipment	52,092,963	5,041,662	(6,331,957)	-	50,802,668
Total depreciable assets	736,596,139	35,450,194	(8,094,908)	-	763,951,425
Accumulated depreciation					
Buildings	(77,536,274)	(2,266,702)	201,720	-	(79,601,256)
Utility lines and improvements	(63,466,190)	(8,519,343)	1,561,231	-	(70,424,302)
Machinery and equipment	(31,919,597)	(2,816,310)	6,189,025	-	(28,546,882)
Total accumulated depreciation	(172,922,061)	(13,602,355)	7,951,976	-	(178,572,440)
Total depreciable assets, net	563,674,078	21,847,839	(142,932)	-	585,378,985
Nondepreciable assets					
Land and permanent right of ways	3,966,449	5,500	-	-	3,971,949
Construction in process	82,684,614	41,176,191	(31,834,538)	-	92,026,267
Total nondepreciable assets	86,651,063	41,181,691	(31,834,538)	-	95,998,216
Capital assets, net	$ 650,325,141	$ 63,029,530	$ (31,977,470)	$ -	$ 681,377,201

Capital asset activity for the year ended April 30, 2011 is as follows:

	May 1, 2010	Additions	Retirements/ Adjustments	Transfers	April 30, 2011
Depreciable assets					
Buildings	$ 136,003,278	$ 12,281,708	$ (1,067,301)	$ 3,781,266	$ 150,998,951
Utility lines and improvements	468,959,620	65,724,295	(1,179,690)	-	533,504,225
Machinery and equipment	58,185,564	7,219,782	(9,531,117)	(3,781,266)	52,092,963
Total depreciable assets	663,148,462	85,225,785	(11,778,108)	-	736,596,139
Accumulated depreciation					
Buildings	(75,740,818)	(1,768,396)	1,065,398	(1,092,458)	(77,536,274)
Utility lines and improvements	(58,323,506)	(6,322,374)	1,179,690	-	(63,466,190)
Machinery and equipment	(40,028,596)	(2,248,551)	9,265,092	1,092,458	(31,919,597)
Total accumulated depreciation	(174,092,920)	(10,339,321)	11,510,180	-	(172,922,061)
Total depreciable assets, net	489,055,542	74,886,464	(267,928)	-	563,674,078
Nondepreciable assets					
Land and permanent right of ways	3,966,449	-	-	-	3,966,449
Construction in process	119,975,922	45,321,530	(82,612,838)	-	82,684,614
Total nondepreciable assets	123,942,371	45,321,530	(82,612,838)	-	86,651,063
Capital assets, net	$ 612,997,913	$ 120,207,994	$ (82,880,766)	$ -	$ 650,325,141

Note 6: Revenue Bonds, Capital Leases and Restricted Assets

Revenue bonds and capital leases outstanding consist of the following issues at April 30, 2012 and 2011:

Issue	Interest Rates	Maturity Through	2012	2011
2008 Series A	4.66%	December 2027	$ 31,355,000	$ 32,655,000
2009 Series A	2.00 - 5.25%	December 2032	164,725,000	177,465,000
2012 Series A	1.00 - 5.00%	December 2036	47,725,000	-
AMR Capital Lease-2008	3.44%	December 2017	7,477,139	8,652,080
AMR Capital Lease-2009	4.06%	December 2019	19,905,795	22,075,391
			271,187,934	240,847,471
Add premiums			12,841,428	8,531,217
Less				
Current portion			(18,100,341)	(17,384,537)
Deferred loss on refunding, net of accumulated amortization			(5,371,716)	(6,083,101)
Noncurrent revenue bonds and capital leases payable			$ 260,557,305	$ 225,911,050

Changes in revenue bonds and capital leases payable during the year ended April 30, 2012 are as follows:

	May 1, 2011	Additions	Retirements	April 30, 2012
Revenue bonds and capital leases	$ 240,847,471	$ 47,725,000	$ (17,384,537)	$ 271,187,934
Less current portion	(17,384,537)			(18,100,341)
Total noncurrent	$ 223,462,934			$ 253,087,593

Changes in revenue bonds and capital leases payable during the year ended April 30, 2011 are as follows:

	May 1, 2010	Additions	Retirements	April 30, 2011
Revenue bonds and capital leases	$ 257,386,569	$ -	$ (16,539,098)	$ 240,847,471
Less current portion	(16,539,098)			(17,384,537)
Total noncurrent	$ 240,847,471			$ 223,462,934

The annual requirements to retire the bonds and capital leases outstanding as of April 30, 2012 are as follows:

Year Ending April 30	Principal	Interest	Total
2013	$ 18,100,341	$ 11,293,315	$ 29,393,656
2014	18,236,292	11,120,053	29,356,345
2015	19,052,596	10,397,146	29,449,742
2016	17,009,461	9,664,146	26,673,607
2017	17,707,109	8,931,552	26,638,661
2018 – 2022	75,972,135	33,901,159	109,873,294
2023 – 2027	52,710,000	19,050,818	71,760,818
2028 – 2032	34,230,000	9,009,340	43,239,340
2033 – 2037	18,170,000	2,113,163	20,283,163
	$ 271,187,934	$ 115,480,692	$ 386,668,626

The amount of outstanding advance refunding of insubstance defeased debt as of April 30, 2012 and 2011 was a total of $49,840,000 and $63,840,000, respectively.

All funds obtained through the issuance of water revenue bonds are restricted for the purpose of extending and improving the facilities of the Water Fund. All debt service requirements are payable solely from revenues generated by the Water Fund. Under the terms of the ordinances enacted at the time of the issuance of the revenue bonds, the 2009A and 2012A bonds (Senior Bonds) share equal claim to the revenue generated by the Water Fund. The pledge of revenue is senior to the pledge of such revenues for the payment of the 2008A bonds (Subordinate Bond). The AMR capital leases, which are payable from the revenues of the Water Fund on a subordinate basis to the Senior and Subordinate Bonds, are secured by the equipment under the leases. The ordinances require the City to maintain adequate insurance coverage and establish the priority for the allocation of revenue generated by the Water Fund. After meeting normal operating and maintenance expenses, all remaining moneys are to be allocated to the following accounts in the order listed below:

Account	Restriction
Principal and interest	For the monthly accumulation of moneys to meet the maturing revenue bond principal and interest requirement. Each month, the City is to set aside 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment.
Construction	For recording bond proceeds to be used to finance construction.

The bond ordinances also require that the Water Fund establish additional reserve accounts for the retirement of the bonds totaling $18,361,452 at April 30, 2012. However, in lieu of setting aside cash, the ordinances allow the Water Fund to obtain insurance policies. The Water Fund has obtained insurance policies to satisfy $15,304,827 of the reserve requirements. As of April 30, 2012, the Water Fund's debt service coverage ratio was above the 130% threshold, so the remaining bond reserve account was not required to be funded.

Restricted accounts are reported on the accompanying statements of net assets as restricted assets for 2012 and 2011 as follows:

	2012	2011
Principal and interest	$ 10,010,739	$ 9,841,022
Construction	69,471,478	52,393,467
Customer deposits	1,215,045	924,045
	$ 80,697,262	$ 63,158,534

Note 7: Pledged Revenues

The City has pledged revenues of the Water Fund, net of specified operating expenses, to repay $271,187,934 in water revenue bonds and capital leases. The bonds were issued to provide improvements to the water system and facilities. Capital leases were issued to cover the installation of an automated meter reading (AMR) system and lab equipment. The various issues and maturity dates are listed in Note 6. The bonds and capital lease payments are payable solely from the revenues derived by the Water Fund. Annual principal and interest payments on the bonds and capital leases are expected to require 19% of net revenues on average over the next 25 years. The total principal and interest remaining to be paid on the bonds and capital leases is $386,668,626. Principal and interest paid for the year ended April 30, 2012 and total net revenues were $27,974,953 and $58,628,095, respectively.

Note 8: Due to/from Other Funds

Amounts due to/from other funds at April 30, 2012 and 2011 were as follows:

	2012		2011	
	Due from	Due to	Due from	Due to
Sewer fund	$ 29,620	$ 3,286	$ 7,870	$ 402,148
General fund	532	385,000	383,212	385,000
	$ 30,152	$ 388,286	$ 391,082	$ 787,148

Amounts due from and due to the Sewer fund represent reimbursement of operating costs between the two funds. Amounts due from and due to the General fund represent reimbursement of operating costs between the funds.

Note 9: Administrative Service Fees

Payments to the General fund of the City for office space and certain administrative, data processing and accounting services for the years ended April 30, 2012 and 2011 are presented as administrative and general expenses and are as follows:

	2012	2011
Administrative, data processing and accounting	$ 5,111,980	$ 5,653,176

The Water Fund provides billing and collection services for the City of Kansas City, Missouri Sewer Fund and charged the City of Kansas City, Missouri Sewer Fund $4,230,372 and $4,157,691 for these services for the years ended April 30, 2012 and 2011, respectively.

Note 10: Employee Retirement Plan

The City sponsors a contributory, single-employer, defined benefit pension plan, The Employees' Retirement System (the Plan), covering substantially all employees of the Water Fund. Contributions to the Plan are made by the City and covered employees. The contributions are calculated to fund normal cost and amortization of unfunded prior service costs. The City receives an annual actuarial report on the actuarial accrued liability and net assets available for benefits.

At May 1, 2011, the actuarial accrued liability of the Plan was approximately $1,010,996,000 and the actuarial value of assets of the Plan was approximately $806,793,000; however, a determination is not made for individual funds. Although determinations of the actuarial status are not made for individual funds, the City has allocated its overall net pension obligation of approximately $35,564,000 to each participating fund. The Water Fund's allocation was approximately $4,311,000 as of April 30, 2012. Contributions to the Plan made by the Water Fund during the year ended April 30, 2012 were approximately $2,190,000.

At May 1, 2010, the actuarial accrued liability of the Plan was approximately $994,768,000, and the actuarial value of assets of the Plan was approximately $749,552,000; however, a determination is not made for individual funds. Although determinations of the actuarial status are not made for individual funds, the City has allocated its overall net pension obligation of approximately $27,593,000 to each participating fund. The Water Fund's allocation was approximately $3,363,000 as of April 30, 2011. Contributions to the Plan made by the Water Fund during the year ended April 30, 2011 were approximately $2,235,000.

A stand-alone financial report is issued for the Plan. The report may be obtained by writing to The Retirement Division of the City of Kansas City, Missouri, 12th Floor, City Hall, 414 East 12th Street, Kansas City, Missouri 64106 or by calling (816) 513-1928.

Note 11: Other Post-Employment Benefits

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (GASB 45), other post-employment benefits (OPEB) are recorded in the financial statements as non-current liabilities on the statements of net assets and are included as an operating expense in salaries and wages and employee benefits on the statements of revenues, expenses and changes in net assets.

Plan Description

The City sponsors a single-employer, defined benefit health care plan that provides health care benefits to retirees' and their dependents, including medical, dental and vision coverage. The City requires the retirees to pay 100% of the same medical premium charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered OPEB under GASB 45.

Retirees and spouses have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age or dies.

As of May 1, 2010, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was $76.6 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $76.6 million. The covered payroll (annual payroll of active employees covered by the OPEB plan) was $205.9 million, and the ratio of UAAL to the covered payroll was 37 percent.

Although determinations of the actuarial status were not made for individual funds, the City has allocated its 2012 and 2011 overall net OPEB obligation of approximately $60,820,000 and $55,668,000, respectively, to each participating fund. For the years ended April 30, 2012 and 2011, the Water Fund's allocation was approximately $4,526,000 and $4,179,000, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented in the City's comprehensive annual financial report as required supplementary information following the notes to the financial statements and presents multi-year trend information over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2010 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 3.0% inflation rate, a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets (of which there are none) and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 9-10 percent annually, reduced by decrements to an ultimate rate of 4.5% after 11 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2011 was 30 years.

The May 1, 2010 actuarial valuation included the following changes in assumptions:

1. Medicare eligibility: In the prior valuation, it was assumed that 25% of firefighter retirees hired before 1987 would not be eligible for Medicare. It was determined that this assumption was not holding true for the current retirees (all were Medicare eligible). For the current valuation, all retirees are assumed to be eligible for Medicare at attainment of age 65.

2. Participation and election assumptions: In the prior valuation, it was assumed that 90% of eligible retirees would elect coverage at retirement and that 100% of those electing would elect 2-person coverage. This was determined to be overly conservative for an access only plan (a plan where the retiree pays the full blended premium), and was not being observed in the actual retiree elections. For the current valuation, 50% participation was assumed with 85% of males participating electing 2-person coverage and 55% of females participating electing two-person coverage.

The plan has also had favorable claims experience during the period since the previous valuation. The premiums charged have been the same for fiscal years 2010 through 2012, while standard medical trend assumptions are 9-10% per year. This favorable claims experience, along with the assumption changes mentioned above, substantially reduced the plan's liabilities and annual required contribution. The following summarizes the actuarial gain of each of the changes mentioned above for the Plan at the City-wide level (*in millions*):

Removing 25% Medicare ineligible assumption	$	18
Changing participation and election assumptions		85
Favorable claims experience		41
Total	$	144

Note 12: Commitments

At April 30, 2012 and 2011, the City had made purchase commitments, primarily for additions to utility lines and improvements on behalf of the Water Fund of approximately $30,762,000 and $30,569,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

Note 13: Risk Management

The Water Fund is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water Fund is self-insured for workers' compensation and general liability exposures and participates in the City's self-insurance programs. The City has purchased insurance to limit the exposure to $1,000,000 on workers' compensation claims per occurrence occurring prior to fiscal year 1997, $500,000 exposure for all claims originating in fiscal year 1997, $400,000 exposure for all claims originating in fiscal year 1998, $2,000,000 exposure for all claims originating in fiscal years 2003 through 2007 and $1,000,000 exposure for all claims originating thereafter. The City also purchases an excess liability policy to cover torts, which are not barred by sovereign immunity. The policy has a $2,600,000 retention and a $5,000,000 loss limit. Current sovereign tort immunity statutes and law limit general liability and automobile claim exposure to a maximum of $378,814 per person and $2,525,423 per occurrence. Settled claims have not exceeded the self-insured retention in any of the past three fiscal years.

The City also maintains commercial insurance coverage for those areas not covered by the City's self-insurance programs, such as general liability, property, law enforcement and auto. Settled claims have not exceeded commercial insurance coverage for the past three years.

All funds of the City participate in the program and make payments based on estimates of the amounts needed to pay prior and current year claims. The claims liability for the Water Fund includes an estimate of claims incurred but not reported (IBNR), which was determined based upon historical claims experience. Activity in the Water Fund's claims liability for the years ended April 30, 2012 and 2011 is summarized as follows:

	2012	2011
Balance, beginning of the year	$ 6,902,480	$ 5,635,001
Current year claims incurred and changes in estimates for claims incurred in prior years	1,780,168	3,552,913
Claims and expenses paid	(2,695,283)	(2,285,434)
Balance, end of the year	5,987,365	6,902,480
Less current portion	(1,518,013)	(1,667,197)
Noncurrent portion	$ 4,469,352	$ 5,235,283

Note 14: Net Assets

Invested in capital assets, net of related debt is comprised of the following:

	2012	2011
Capital Related Assets		
Land	$ 3,971,949	$ 3,966,449
Construction in progress	92,026,267	82,684,614
Buildings	153,017,940	150,998,951
Utility line and improvements	560,130,817	533,504,225
Machinery and equipment	50,802,668	52,092,963
	859,949,641	823,247,202
Less accumulated depreciation	(178,572,440)	(172,922,061)
Capital assets, net	681,377,201	650,325,141
Bond issuance cost, net	4,264,767	4,020,827
Total capital related assets	685,641,968	654,345,968
Less Related Liabilities		
Current portion, bonds and capital leases payable	18,100,341	17,384,537
Bonds and capital leases payable, net of premium, discount and unspent proceeds	195,160,222	179,438,606
Contracts and retainages payable	2,226,227	1,818,148
Total capital related liabilities	215,486,790	198,641,291
Invested in Capital Assets, Net of Related Debt	$ 470,155,178	$ 455,704,677

Restricted net assets at April 30, 2012 and 2011 are as follows:

	2012	2011
Restricted Assets		
Cash and cash equivalents	$ 5,703,876	$ 8,017,760
Investments	74,741,165	54,810,674
Interest receivable	252,221	330,100
	80,697,262	63,158,534
Less Liabilities from Restricted Assets		
Debt related to unspent bond proceeds	65,397,083	46,472,444
Accrued interest and fiscal agent fees	4,079,950	3,939,588
Customer deposits	1,211,247	1,364,165
	70,688,280	51,776,197
Restricted Net Assets	$ 10,008,982	$ 11,382,337

Note 15: Current Economic Conditions

The current protracted economic decline continues to present governments with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in government support and tax revenues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Water Fund.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact the Water Fund's ability to maintain sufficient liquidity.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX C

INFORMATION REGARDING THE CITY OF KANSAS CITY, MISSOURI

(THIS PAGE LEFT BLANK INTENTIONALLY)

INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI

GENERAL INFORMATION

Location, Size and Demographics

Kansas City, Missouri (the "City") is the largest City in Missouri and is the central city of a fifteen county Metropolitan Statistical Area (MSA) which includes Bates, Caldwell, Cass, Clay, Clinton, Lafayette, Ray, Jackson and Platte counties in the State of Missouri and Johnson, Franklin, Linn, Wyandotte, Miami and Leavenworth counties in the State of Kansas. The City is located in parts of Jackson, Clay, Platte and Cass counties on the western border of the State of Missouri, and is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-49, I-35 and I-70.

Historically, the City has pursued a policy of annexation, and is today the 14th largest city in land area in the United States with a total area of approximately 319 square miles (excluding cities consolidated with counties). The Department of City Planning and Development of Kansas City, Missouri estimates that the City's 2012 population is 465,680 and the Kansas City MSA is 2,065,586. There is excellent quality and reasonably priced housing available in the City. The cost of an existing home in the City is approximately eighteen percent below the average for comparable homes in the United States as of second quarter in 2012.

Municipal Government and Services

The City was incorporated on June 3, 1850. The City is a constitutional home rule city and adopted its present Charter by popular vote on August 8, 2006, pursuant to Article VI, Section 19 of the Missouri Constitution.

The City has a Council-Manager form of government. There are 13 members of the Council, including the Mayor. All are elected for four-year terms, with the Mayor and six Council members elected at large and the other six Council members elected by the residents of their districts. The City Manager is appointed by the Council. The Council determines City policy and oversees City affairs. All resolutions and most ordinances can be passed by the affirmative vote of seven Council members. However, emergency measures for the immediate preservation of the public peace, property, health, safety or morals and ordinances to expel a council member, to amend the zoning law when under protest, or to borrow money require nine affirmative votes.

As of September 1, 2012, the City has approximately 6,490 employees including the Police Department. The police are not unionized. Certain Fire personnel are union-eligible; however, not all Fire Department employees are represented by a bargaining unit. Along with the Fire Chief and his Principal Assistant, the Fire Department has administrative, clerical, and Deputy Chiefs that are not represented by any bargaining unit. The Fire personnel are represented by the Local 42 International Association of Fire Fighters ("IAFF") (approximately 1,216 members) and the 3808 IAFF Union (approximately 60 members). Approximately 1,641 City employees in labor classifications are represented by the AFSCME Local 500. .Each of the City's three public employee bargaining unions have active work agreements. The AFSCME Local Union No. 500 is the City's largest union. The City reached agreement with them effective December 23, 2012. The agreement is scheduled to expire on April 25, 2015. The work agreement with the IAFF Local No. 42 expires on April 26, 2015. The Local 3808 IAFF agreement expires on April 25, 2015.

The City's tax structure is diverse and includes the Earnings and Profits Tax, Sales and Use Tax, Convention and Tourism Tax, General Property Tax, Gaming Tax, Motor Fuel Tax, Utility Tax which includes Land-line and Wireless Telephone, Natural Gas, Steam, Cable Television and Electric Taxes, Cigarette and Occupational License Tax.

For the purpose of providing funds for the acquisition, development, construction, operation, and maintenance of a Downtown Arena and appurtenant facilities including costs of land, infrastructure, design, engineering, finance and furnishing and equipping said facilities, qualified voters of the City approved at a general election on August 3, 2004, the modification of the license fees on rental car agencies and on hotels, motels and tourist courts referred to as the Arena Fee.

The City provides all basic municipal services, including police and fire protection, emergency medical treatment, water and sewage treatment, street construction and maintenance, traffic regulation and control, refuse collection, street lighting, public health protection, animal health and safety, property maintenance and public nuisance code enforcement, planning and maintenance of City parks and boulevards, street tree maintenance, municipal golf courses, public swimming pools and tennis courts, community center operations, management of two municipal airports, administration of zoning and building code regulations, parking garage operations, and operation of the City's convention facilities. The Police Department, although financed primarily by General Funds of the City, is a separate governmental entity governed by a Board of Police Commissioners appointed by the Governor of the State of Missouri. School districts, which serve the City, are also separate governmental entities. Truman Medical Center receives funding from a dedicated ad valorem property tax but is governed by a separate board.

SELECTED DEMOGRAPHIC STATISTICS

Kansas City, Missouri

Year	Population[1]	Per Capita [4] Personal Income
2003	447,018	20,026
2004	448,842	22,405
2005	450,666	24,567
2006	452,490	24,180
2007	454,314	24,299
2008	456,139	27,298
2009	457,963	25,189
2010	459,787[2]	24,756
2011	463,202[5]	25,078[6]
2012	465,680[7]	25,423[6]

Metropolitan Statistical Area[3]

Year	Population[1]	Per Capita [4] Personal Income
2003	1,896,098	24,907
2004	1,915,989	24,914
2005	1,935,880	26,251
2006	1,955,770	26,848
2007	1,975,661	27,650
2008	1,995,552	29,084
2009	2,015,443	27,922
2010	2,035,334[2]	27,377
2011	2,052,676[5]	27,700[6]
2012	2,065,586[7]	28,049[6]

(1) The Calendar Year 2003-2009 population estimates were provided by the City Planning and Development Department using interpolation between the censuses.

(2) The 2010 Calendar Year population numbers are from the 2010 Census.

(3) The Federal Office of Management and Budget changed Kansas City, Missouri's Metropolitan Statistical Area (MSA) from eleven (11) to fifteen (15) counties in 2003. All fifteen (15) counties are included in the MSA population numbers.

(4) Fiscal Year 2003-2010 American Community Survey.

(5) Census Bureau's 2011 Population Estimates Program.

(6) For 2011 and 2012 the estimates are based upon averaging two figures: (1) the 2010 American Community Survey adjusted for CPI change from 2010 to 2011 and (2) City Planning and Development Department extrapolation of the change from 2009 to 2010.

(7) The Calendar Year 2012 estimates were provided by the City Planning and Development Department using extrapolation of the change from 2010 to 2011.

Sources: U.S Census Bureau; City Planning and Development Department; Consumer Price Index and Census Bureau's Annual America Community Survey and their Population Estimates Program.

COMPARISON OF METROPOLITAN AREAS

	ACCRA Cost of Living Index 2012 2nd Quarter (1)	Median Price, Existing Homes 2012 2nd Quarter (2)	Per Capita Retail Sales (2012)(3)
Kansas City	99.5	$148,400	$14,261
U.S.	100.0	181,500	13,043
Atlanta	97.8	103,200	14,471
Chicago	115.6	187,700	13,432
Columbus	89.8	142,100	15,058
Dallas	98.0	163,000	14,030
Denver	104.6	260,700	15,203
Los Angeles	132.7	296,800	12,552
Memphis	85.2	123,500	12,516
Minneapolis	109.4	174,500	15,357
New York	226.0	377,600	12,269
Norfolk(4)	102.6	195,000	11,934
Phoenix	96.8	148,400	13,550
Sacramento(4)	119.7	170,200	13,242
Saint Louis	91.4	134,700	13,565
San Francisco	164.2	552,600	14,806

Sources*:*

All information in the above table was obtained from the Kansas City Area Development Council (KCADC).
For comparability to other City MSA's, Kansas City information is based on fifteen (15) county areas for the "Per Capita Retail Sales" and "Median Home Price." Reference is further made by KCADC to the following sources:

(1) The Council for Community and Economic Research, ACCRA.
(2) National Association of Realtors.
(3) Woods & Poole Economics.
(4) Prior year comparisons included Charlotte and Salt Lake City.

THE KANSAS CITY ECONOMY

The City is a regional center for transportation, telecommunications, manufacturing, health care, trade, financial services, and government. Major companies headquartered in metropolitan Kansas City, Missouri include Sprint Nextel Corporation, HCA-Midwest Health Systems and St. Luke's Health System. Other major employers include the Public School Systems, State/County/City Government, Federal Government, The University of Kansas Hospital, Children's Mercy Hospitals and Clinics and Cerner Corporation.

The City's economy provides for a consistent and well distributed earnings and employment environment for its business sectors.

The City's proximity and ready access to geographical and population centers throughout the nation make the area an attractive location for industrial product distribution and trade. The City's central location is advantageous for commuting to all parts of the United States and has enhanced its development and posture as a major transportation center with a complete range of transportation facilities, including a major highway network, eleven railroad trunk lines, and the Kansas City International Airport (KCI). KCI handled 10.3 million passengers in fiscal year 2012. As of April 30, 2012, there were 10 passenger marketing airlines and 21 passenger operating carriers serving 49 cities with nonstop service. From May 2012 through July 2012, KCI handled 2.7 million passengers. As of July 31, 2012, there were 10 passenger marketing airlines and 21 passenger operating carriers serving 49 cities with nonstop service. Flight times from KCI are about three hours to either coastline.

MAJOR KANSAS CITY METROPOLITAN STATISTICAL AREA EMPLOYERS

Employer	Type of Business	Number of Employees
Federal Government	Government	27,600
State/County/City Government (1)	Government	26,326
Public School System (2)	Education	26,250
HCA Midwest Health Systems	Health Care Provider	8,632
Sprint Nextel Corp.	Wireless Telecommunication	7,000
Saint Luke's Health System	Health Care Provider	6,891
Cerner Corp	Health Care Information Technology	6,615
Children's Mercy Hospitals & Clinic	Health Care Provider	5,151
DST Systems(3)	Information Processing & Software Products	5,000
The University of Kansas Hospital	Health Care & Research Hospital	4,721
Truman Medical Centers	Health Care Provider	4,258
General Motors Fairfax Assembly Plant	Automotive Assembly	4,100
Ford Motor Company	Automotive Assembly	4,000
Hallmark Cards, Inc.	Greeting Cards, Expression Products	3,700
	Television Programming	
Black & Veatch	Global Engineering Consulting and	3,600
UPS	Package Delivery & Transportation Logistics	3,500
Farmers Insurance	Insurance	3,200
Home Depot	Home Improvement Retailer	3,153

(1) The number of local employees for the State/County/City Government is made up of eight (8) employers.

(2) The number of local employees for the public school systems is made up of eleven (11) public school systems and school districts.

(3) DST Systems Inc. did not participate in the survey. Employment count is from August 2011 Kansas City Business Journal reports.

(4) The information presented in this table speaks only as of the date indicated in the source.

Source: Top Public-Sector Employers, Kansas City Business Journal, April 6, 2012 and Top 100 Area Private Sector Employers, Kansas City Business Journal, April 13, 2012.

EMPLOYMENT INFORMATION

The following table shows the annual average non-agricultural employment for the metropolitan area for 2007 to 2011.

ANNUAL AVERAGE NON-AGRICULTURAL EMPLOYMENT METROPOLITAN AREA[1]

	2007	2008	2009	2010	2011
Manufacturing	82,400	80,900	73,700	73,100	73,900
Trade, Transport & Utilities	207,900	205,900	196,700	194,700	196,600
Information	42,500	41,600	37,400	31,300	28,400
Finance	74,200	72,900	71,000	71,400	71,500
Professional & Business Services	147,900	149,200	141,500	144,600	150,800
Educational & Health Services	118,600	123,900	127,100	129,700	132,700
Leisure & Hospitality	95,300	96,500	93,400	92,800	95,200
Government	150,500	152,800	154,100	152,200	150,700
Mining, Logging & Construction [2]	53,000	50,300	43,200	38,700	37,200
Other Services	41,100	44,800	44,400	44,000	44,300
Total Non-farm	***1,013,400***	***1,018,800***	***982,500***	***972,500***	***981,300***

(1) Historical data have been revised.

(2) The name was changed from Natural Resources and Construction to Mining, Logging and Construction by the Federal Bureau of Labor and Statistics.

Sources: Missouri Department of Economic Development, Missouri Economic Research & Information Center in Cooperation with U.S. Department of Labor, Bureau of Labor Statistics. These figures were based upon the North American Industry Classification System (NAICS).

The following table depicts average annual unemployment rates for the last ten calendar years.

AVERAGE ANNUAL UNEMPLOYMENT RATES

Year	Kansas City	MSA	United States
2003	7.2	6.0	6.0
2004	7.7	6.1	5.5
2005	7.1	5.7	5.1
2006	6.4	5.0	4.6
2007	6.4[1]	5.0[1]	4.6
2008	7.4[1]	5.7[1]	5.8
2009	10.0[1]	8.9[1]	9.3
2010	10.3[2]	8.9[2]	9.6
2011	9.2[2]	8.1[2]	8.9
2012	7.6[3]	6.8[3]	8.1

(1) Reflects controlling to new statewide totals.
(2) Reflects revised inputs, re-estimation, and controlling to new statewide totals.
(3) Preliminary Numbers. Average from January to December 2012.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table shows the valuation of building construction for the last ten fiscal years:

Property Valuation
BUILDING CONSTRUCTION VALUATION
(Amounts Expressed in Thousands)

Fiscal Year	Commercial Valuation	Residential Valuation	Total
2003	426,447	397,062	823,509
2004	372,238	394,758	766,996
2005	600,068	471,313	1,071,381
2006	1,095,063	417,816	1,512,879
2007	749,898	345,252	1,095,150
2008	900,097	354,808	1,254,905
2009	710,284	240,803	951,087
2010	398,961	158,783	557,744
2011	467,065	125,639	592,704
2012	582,122	160,203	742,325

Sources: Business Services Division, City Planning and Development Department, City of Kansas City, Missouri.

The following table shows the locally assessed value of both real and personal taxable property for the last ten fiscal years:

ASSESSED VALUE OF TAXABLE PROPERTY
(Amounts Expressed in Thousands)

Fiscal Year	Real Property[1]	Personal Property	Total Taxable Assessed Value
2003	$3,787,607	$ 1,526,968	$ 5,314,576
2004	4,106,429	1,425,531	5,531,961
2005	4,383,862	1,428,914	5,812,777
2006	4,903,714	1,432,570	6,336,284
2007	5,051,611	1,438,517	6,490,128
2008	5,535,951	1,555,199	7,091,150
2009	5,600,250	1,578,677	7,178,927
2010	5,372,466	1,507,749	6,880,215
2011	5,412,663	1,464,297	6,876,960
2012	5,326,143	1,488,480	6,814,623

(1) The prior year aggregated real property assessed valuations have been restated to reduce the values by the incremental increase over initial value of property for tax increment financing (TIF) arrangements.

Sources: Original data obtained from aggregate assessed valuation reports provided by each county clerk and on file with the State of Missouri and the Statistical Data Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2012.

EMPLOYEE RETIREMENT AND PENSION PLANS

Employee Retirement and Pension Plans and the Police & Civilian Employees' Retirement System

The City has two contributory defined benefit pension plans, the Employees' Retirement System and the Firefighters' Pension System (the " City Pension Plans"), covering substantially all employees. Contributions to the City Pension Plans are made by the City and covered employees. The contributions are calculated to fund normal cost and amortization of unfunded prior service costs. The City receives annual actuarial reports on the present value of accumulated plan benefits and net assets available for benefits.

Two contributory defined benefit pension plans (" Police Pension Plans") have been established by the Missouri General Assembly for the employees of the Kansas City, Missouri Police Department: the Police Retirement System of Kansas City, Missouri and the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. The participating employees and the City of Kansas City, Missouri make contributions to the Police Pension Plans. The Board of Trustees contract for annual actuarial valuations to determine the present value of accumulated plan benefits and net assets available for benefits. The contribution rates are calculated to fund normal costs and to amortize the unfunded actuarial accrued liability.

The following are ten-year historical tables which provide information regarding the above-referenced pension plans:

Historical Funding Progress - Actuarial Value

Pension Systems						
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
		(in thousands)				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police Retirement System						
4/30/2003	$ 611,247	682,691	71,444	89.53 %	62,425	114.45 %
4/30/2004	603,419	712,274	108,855	84.72 %	66,231	164.36 %
4/30/2005	604,561	741,001	136,440	81.59 %	67,576	201.91 %
4/30/2006	635,622	775,272	139,650	81.99 %	71,835	194.40 %
4/30/2007	698,079	807,902	109,823	86.41 %	80,112	137.09 %
4/30/2008	742,060	850,764	108,704	87.23 %	86,701	125.38 %
4/30/2009	641,177	893,559	252,382	71.76 %	89,884	280.79 %
4/30/2010	722,464	915,463	192,999	78.92 %	90,475	213.32 %
4/30/2011	715,764	940,609	224,845	76.10 %	88,445	254.22 %
4/30/2012	734,376	972,128	237,752	75.54 %	87,881	270.54 %
Civilian Employees' Retirement System						
4/30/2003	$ 68,183	83,045	14,862	82.10 %	21,944	67.73 %
4/30/2004	69,868	89,141	19,273	78.38 %	22,058	87.37 %
4/30/2005	72,383	97,104	24,721	74.54 %	22,239	111.16 %
4/30/2006	78,847	105,928	27,081	74.43 %	23,876	113.42 %
4/30/2007	89,111	110,394	21,283	80.72 %	25,472	83.55 %
4/30/2008	97,990	117,627	19,637	83.31 %	27,046	72.61 %
4/30/2009	86,333	124,990	38,658	69.07 %	27,581	140.16 %
4/30/2010	100,516	131,223	30,707	76.60 %	26,136	117.49 %
4/30/2011	102,523	137,040	34,518	74.81 %	25,239	136.76 %
4/30/2012	108,018	142,908	34,889	75.59 %	25,255	138.15 %
Employees' Retirement System						
5/1/2003	$ 624,898	707,513	82,616	88.32 %	130,028	63.54 %
5/1/2004	627,078	740,186	113,108	84.72 %	137,208	82.44 %
5/1/2005	645,610	781,900	136,290	82.57 %	141,606	96.25 %
5/1/2006	745,721	800,840	55,119	93.12 %	146,365	37.66 %
5/1/2007	823,014	847,393	24,379	97.12 %	158,780	15.35 %
5/1/2008	873,680	934,334	60,654	93.51 %	169,867	35.71 %
5/1/2009	704,069	966,779	262,710	72.83 %	160,201	163.99 %
5/1/2010	749,552	994,768	245,216	75.35 %	153,948	159.28 %
5/1/2011	806,793	1,010,996	204,203	79.80 %	163,114	125.19 %
5/1/2012	847,090	1,070,752	223,663	79.11 %	161,134	138.81 %
Firefighters' Pension System						
5/1/2003	$ 306,204	371,994	65,790	82.31 %	42,315	155.48 %
5/1/2004	318,842	384,248	65,406	82.98 %	43,920	148.92 %
5/1/2005	332,416	392,856	60,441	84.62 %	45,701	132.25 %
5/1/2006	381,404	434,033	52,629	87.87 %	47,022	111.92 %
5/1/2007	412,408	447,939	35,531	92.07 %	49,421	71.89 %
5/1/2008	447,209	478,734	31,525	93.42 %	51,169	61.61 %
5/1/2009	348,489	500,194	151,704	69.67 %	53,613	282.96 %
5/1/2010	435,428	516,600	81,172	84.29 %	51,934	156.30 %
5/1/2011	432,541	528,481	95,940	81.85 %	51,983	184.56 %
5/1/2012	420,337	535,215	114,878	78.54 %	60,063	191.26 %

Sources:

(1) City of Kansas City, Missouri Employees' Retirement System Actuarial Valuation Report as of May 1, 2012 prepared by Cheiron
(2) City of Kansas City, Missouri Firefighters' Pension System Actuarial Valuation Report as of May 1, 2012 prepared by Cheiron
(3) Police Retirement System of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2012 prepared by Cavanaugh Macdonald Consulting, LLC
(4) Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2012 prepared by Cavanaugh Macdonald Consulting, LLC
(5) Fiscal Years 2006-2012 City of Kansas City, Missouri Comprehensive Annual Financial Reports

Historical Funding Progress - Market Value

Pension Systems

Actuarial Valuation Date		(a) Market Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded Market Value	(a/b) Market Value Funded Ratio		(c) Covered Payroll	[(b-a)/c] AAL - Market Value as a Percentage of Covered Payroll
			(in thousands)					
			Police Retirement System					
4/30/2003	$	502,972	682,691	179,719	73.67%	$	62,425	287.90%
4/30/2004		577,093	712,274	135,181	81.02%		66,231	204.11%
4/30/2005		604,108	741,001	136,893	81.53%		67,576	202.58%
4/30/2006		692,540	775,272	82,732	89.33%		71,835	115.17%
4/30/2007		755,107	807,902	52,795	93.47%		80,112	65.90%
4/30/2008		734,380	850,764	116,384	86.32%		86,701	134.24%
4/30/2009		534,314	893,559	359,245	59.80%		89,884	399.68%
4/30/2010		655,571	915,463	259,892	71.61%		90,475	287.25%
4/30/2011		715,764	940,609	224,845	76.10%		88,445	254.22%
4/30/2012		687,871	972,128	284,257	70.76%		87,881	323.46%
			Civilian Employees' Retirement System					
4/30/2003	$	57,063	83,045	25,982	68.71%	$	21,944	118.40%
4/30/2004		67,252	89,141	21,889	75.44%		22,058	99.23%
4/30/2005		72,321	97,104	24,783	74.48%		22,239	111.44%
4/30/2006		85,256	105,928	20,672	80.48%		23,876	86.58%
4/30/2007		95,807	110,394	14,587	86.79%		25,472	57.27%
4/30/2008		96,639	117,627	20,988	82.16%		27,046	77.60%
4/30/2009		71,944	124,990	53,046	57.56%		27,581	192.33%
4/30/2010		91,224	131,223	39,999	69.52%		26,136	153.04%
4/30/2011		102,523	137,040	34,517	74.81%		25,239	136.76%
4/30/2012		101,193	142,908	41,715	70.81%		25,255	165.18%
			Employees' Retirement System					
5/1/2003	$	585,919	707,513	121,594	82.81%	$	130,028	93.51%
5/1/2004		674,112	740,186	66,074	91.07%		137,208	48.16%
5/1/2005		717,344	781,900	64,556	91.74%		141,606	45.59%
5/1/2006		828,579	800,840	(27,739)	103.46%		146,365	(18.95%)
5/1/2007		914,460	847,393	(67,067)	107.91%		158,780	(42.24%)
5/1/2008		883,100	934,334	51,234	94.52%		169,867	30.16%
5/1/2009		640,063	966,779	326,716	66.21%		160,201	203.94%
5/1/2010		795,328	994,768	199,440	79.95%		153,948	129.55%
5/1/2011		886,328	1,010,996	124,668	87.67%		163,114	76.43%
5/1/2012		864,606	1,070,752	206,146	80.75%		161,134	127.93%
			Firefighters' Pension System					
5/1/2003	$	299,603	371,994	72,391	80.54%	$	42,315	171.08%
5/1/2004		354,268	384,248	29,980	92.20%		43,920	68.26%
5/1/2005		369,351	392,856	23,505	94.02%		45,701	51.43%
5/1/2006		423,782	434,033	10,251	97.64%		47,022	21.80%
5/1/2007		458,231	447,939	(10,292)	102.30%		49,421	(20.83%)
5/1/2008		427,637	478,734	51,097	89.33%		51,169	99.86%
5/1/2009		290,408	500,194	209,786	58.06%		53,613	391.30%
5/1/2010		374,722	516,600	141,878	72.54%		51,934	273.19%
5/1/2011		412,543	528,481	115,938	78.06%		51,983	223.03%
5/1/2012		402,456	535,215	132,759	75.20%		60,063	221.03%

Sources:

(1) City of Kansas City, Missouri Employees' Retirement System Actuarial Valuation Report as of May 1, 2012 prepared by Cheiron
(2) City of Kansas City, Missouri Firefighters' Pension System Actuarial Valuation Report as of May 1, 2006 prepared by Segal
(3) City of Kansas City, Missouri Firefighters' Pension System Actuarial Valuation Report as of May 1, 2008, 2010 and 2012 prepared by Cheiron
(4) Police Retirement System of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2012 prepared by Cavanaugh Macdonald Consulting, LLC
(5) Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2012 prepared by Cavanaugh Macdonald Consulting, LLC
(6) Fiscal Years 2003-2012 City of Kansas City, Missouri Comprehensive Annual Financial Reports
(7) Retirement Division, Human Resources Department, Kansas City, Missouri

Comparative Ratios

Pension Systems

Actuarial Valuation Date		(a) Actuarial Value of Assets	(b) Market Value of Assets	(a/b) % of AVA to Market Value	Funded Ratio (Acturial Value)	Funded Ratio (Market Value)
		(in thousands)				
Police Retirement System						
4/30/2003	$	611,247	502,972	121.53%	89.53 %	73.67%
4/30/2004		603,419	577,093	104.56%	84.72 %	81.02%
4/30/2005		604,561	604,108	100.07%	81.59 %	81.53%
4/30/2006		635,622	692,540	91.78%	81.99 %	89.33%
4/30/2007		698,079	755,107	92.45%	86.41 %	93.47%
4/30/2008		742,060	734,380	101.05%	87.23 %	86.32%
4/30/2009		641,177	534,314	120.00%	71.76 %	59.80%
4/30/2010		722,464	655,571	110.20%	78.92 %	71.61%
4/30/2011		715,764	715,764	100.00%	76.10 %	76.10%
4/30/2012		734,376	687,871	106.76%	75.54 %	70.76%
Civilian Employees' Retirement System						
4/30/2003	$	68,183	57,063	119.49%	82.10 %	68.71%
4/30/2004		69,868	67,252	103.89%	78.38 %	75.44%
4/30/2005		72,383	72,321	100.09%	74.54 %	74.48%
4/30/2006		78,847	85,256	92.48%	74.43 %	80.48%
4/30/2007		89,111	95,807	93.01%	80.72 %	86.79%
4/30/2008		97,990	96,639	101.40%	83.31 %	82.16%
4/30/2009		86,333	71,944	120.00%	69.07 %	57.56%
4/30/2010		100,516	91,224	110.19%	76.60 %	69.52%
4/30/2011		102,523	102,523	100.00%	74.81 %	74.81%
4/30/2012		108,018	101,193	106.74%	75.59 %	70.81%
Employees' Retirement System						
5/1/2003	$	624,898	585,919	106.65%	88.32 %	82.81%
5/1/2004		627,078	674,112	93.02%	84.72 %	91.07%
5/1/2005		645,610	717,344	90.00%	82.57 %	91.74%
5/1/2006		745,721	828,579	90.00%	93.12 %	103.46%
5/1/2007		823,014	914,460	90.00%	97.12 %	107.91%
5/1/2008		873,680	883,100	98.93%	93.51 %	94.52%
5/1/2009		704,069	640,063	110.00%	72.83 %	66.21%
5/1/2010		749,552	795,328	94.24%	75.35 %	79.95%
5/1/2011		806,793	886,328	91.03%	79.80 %	87.67%
5/1/2012		847,090	864,606	97.97%	79.11 %	80.75%
Firefighters' Pension System						
5/1/2003	$	306,204	299,603	102.20%	82.31 %	80.54%
5/1/2004		318,842	354,268	90.00%	82.98 %	92.20%
5/1/2005		332,416	369,351	90.00%	84.62 %	94.02%
5/1/2006		381,404	423,782	90.00%	87.87 %	97.64%
5/1/2007		412,408	458,231	90.00%	92.07 %	102.30%
5/1/2008		447,209	427,637	104.58%	93.42 %	89.33%
5/1/2009		348,489	290,408	120.00%	69.67 %	58.06%
5/1/2010		435,428	374,722	116.20%	84.29 %	72.54%
5/1/2011		432,541	412,543	104.85%	81.85 %	78.06%
5/1/2012		420,337	402,456	104.44%	78.54 %	75.20%

Notes:

1. Employer contributions are sourced from any legally available revenues of the City.
2. The City acquired a private ambulance service in 2010. Upon joining the City, employees of the private ambulance service were allowed to choose between two retirement benefit options: participate in the Employees' Retirement System with formulaic credit for age and years of service with the private ambulance service or participate in a defined contribution plan. The May 1, 2012 valuation includes benefit assumptions for employees who have chosen the defined benefit plan resulting in an increased Actuarial Accrued Liability. Plan design changes require either an ordinance of the City Council (in the case of the Employees' and Firefighters' Retirement Systems) or statutory approval (in the case of Police and Civilian Employees' Retirement Systems). No other changes were made to City pension plans in the last five years.
3. Actuarial valuations are undertaken annually for all four pension plans. Those valuations occasionally contain changes in assumptions or methods. Information for each plan can be obtained from the Plan Sponsor.

4. The City is currently undertaking a review of its pension plans and is in the process of formulating a funding policy. This process includes the review of options available to reduce or eliminate the UAAL for each plan.

Sources:

(1) City of Kansas City, Missouri Employees' Retirement System Actuarial Valuation Report as of May 1, 2012 prepared by Cheiron

(2) City of Kansas City, Missouri Firefighters' Pension System Actuarial Valuation Report as of May 1, 2006 prepared by Segal

(3) City of Kansas City, Missouri Firefighters' Pension System Actuarial Valuation Report as of May 1, 2008, 2010 and 2012 prepared by Cheiron

(4) Police Retirement System of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2012 prepared by Cavanaugh Macdonald Consulting, LLC

(5) Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2012 prepared by Cavanaugh Macdonald Consulting, LLC

(6) Fiscal Years 2003-2012 City of Kansas City, Missouri Comprehensive Annual Financial Report

(7) Retirement Division, Human Resources Department, City of Kansas City, Missouri

Annual Employer Contribution Status

Pension Systems

Fiscal Year Ended	(a) ARC/Contractually Required Contribution	(b) Actual Employer Contribution	(b-a) Amount Unfunded / (Overfunded)	Amount Unfunded as % of Total Primary Govt. Expenses	Amount Unfunded as % of Total General Fund Expenditures
	(in thousands)				
Police Retirement System					
4/30/2003	$ 11,579	12,018	(439)	-0.05%	-0.12%
4/30/2004	15,095	12,817	2,278	0.24%	0.65%
4/30/2005	15,775	13,298	2,477	0.24%	0.71%
4/30/2006	18,993	13,729	5,264	0.46%	1.44%
4/30/2007	21,445	14,527	6,918	0.58%	1.73%
4/30/2008	22,749	15,747	7,002	0.55%	1.65%
4/30/2009	24,311	16,701	7,610	0.59%	1.66%
4/30/2010	23,642	16,645	6,997	0.55%	1.57%
4/30/2011	34,363	16,532	17,831	1.41%	4.09%
4/30/2012	31,757	16,477	15,280	1.18%	3.61%
4/30/2013	33,800	Not Available	Not Available	Not Available	Not Available
Civilian Employees' Retirement System					
4/30/2003	$ 1,761	1,568	193	0.02%	0.05%
4/30/2004	2,944	1,601	1,343	0.14%	0.38%
4/30/2005	3,077	1,612	1,465	0.14%	0.42%
4/30/2006	3,481	2,175	1,306	0.11%	0.36%
4/30/2007	3,854	2,682	1,172	0.10%	0.29%
4/30/2008	4,203	3,372	831	0.07%	0.20%
4/30/2009	4,322	3,471	851	0.07%	0.19%
4/30/2010	4,014	3,330	684	0.05%	0.15%
4/30/2011	5,413	3,185	2,228	0.18%	0.51%
4/30/2012	4,944	3,146	1,798	0.14%	0.42%
4/30/2013	5,200	Not Available	Not Available	Not Available	Not Available
Employees' Retirement System					
4/30/2003	$ 13,996	9,285	4,711	0.52%	1.30%
4/30/2004	20,019	12,100	7,919	0.84%	2.26%
4/30/2005	23,407	14,826	8,581	0.83%	2.45%
4/30/2006	25,771	17,558	8,213	0.71%	2.24%
4/30/2007	17,653	18,496	(843)	-0.07%	-0.21%
4/30/2008	15,624	20,011	(4,387)	-0.35%	-1.04%
4/30/2009	19,365	20,330	(965)	-0.07%	-0.21%
4/30/2010	29,589	19,186	10,403	0.82%	2.33%
4/30/2011	27,772	18,589	9,183	0.73%	2.10%
4/30/2012	26,327	18,422	7,905	0.61%	1.87%
4/30/2013	27,700	Not Available	Not Available	Not Available	Not Available
Firefighters' Pension System					
4/30/2003	$ 8,215	8,215	-	0.00%	0.00%
4/30/2004	9,633	8,456	1,177	0.12%	0.34%
4/30/2005	9,809	8,743	1,066	0.10%	0.30%
4/30/2006	9,808	9,088	720	0.06%	0.20%
4/30/2007	9,419	9,462	(43)	0.00%	-0.01%
4/30/2008	8,735	9,857	(1,122)	-0.09%	-0.27%
4/30/2009	9,476	10,315	(839)	-0.06%	-0.18%
4/30/2010	17,124	10,441	6,683	0.53%	1.50%
4/30/2011	12,828	10,235	2,593	0.21%	0.59%
4/30/2012	14,046	10,529	3,517	0.27%	0.83%
4/30/2013	15,400	Not Available	Not Available	Not Available	Not Available

Notes:

(i) The City does not have any deferred or contingent contributions

(ii) Budgetary concerns have prevented the full funding of ARC. Additionally, the City has preferred a smoothed approach where it contributes an even percentage of payroll from year to year.

(iii) The tables indicate that the City deviated from ARC for all years presented. City contributions to the pension systems are subject to annual appropriation.

(iv) Years 2003 through 2007 as restated.

Sources:

(1) City of Kansas City, Missouri Firefighters' Pension System Actuarial Valuation Report as of May1, 2007 prepared by Segal
(2) Fiscal Years 2003-2012 City of Kansas City, Missouri Comprehensive Annual Financial Reports
(3) City of Kansas City, Missouri Kansas City Police Employees' Retirement Systems Office
(4) City of Kansas City, Missouri Retirement Division

In June 2004, the Governmental Accounting Standards Board ("**GASB**") issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Specifically, the City is required to measure and disclose an amount for annual OPEB cost on the accrual basis for health benefits that will be provided to retired employees in future years. The disclosure requirement for the City began with the fiscal year ending April 30, 2008.

The following table displays specific information from the City's three most recent OPEB actuarial reports:

OTHER POST EMPLOYMENT BENEFITS (OPEB)
(Amount Expressed in Thousands)

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL) entry age	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded ratio	(c) Covered payroll	[(b)-(a)]/(c) UAAL as a percentage of covered payroll
City of Kansas City - Employee/Firefighter Other Post Employment Benefits						
4/30/2006	$ -	150,376	150,376	- %	$ 193,387	77.76 %
4/30/2008	-	208,612	208,612	-	221,036	94.38 %
4/30/2010 (1)	-	76,574	76,574	-	205,882	37.19%
City of Kansas City – Police/Civilian Other Post Employment Benefits						
4/30/2010	-	54,184	54,184	-	116,611	46.47%

(1) The May 1, 2010 actuarial valuation included the following changes in assumptions:

1. Medicare eligibility: In the prior valuations, it was assumed that 25% of firefighter retirees hired before 1987 would not be eligible for Medicare. It was determined that this assumption was not holding true for the current retirees (all were Medicare eligible). For the 2010 valuation, all retirees are assumed to be eligible for Medicare at attainment of age 65.

2. Participation and election assumptions: In the prior valuations, it was assumed that 90% of eligible retirees would elect coverage at retirement and that 100% of those electing would elect 2-person coverage. This was determined to be overly conservative for an access only plan (a plan where the retiree pays the full blended premium), and was not being observed in the actual retiree elections. For the 2010 valuation, 50% participation was assumed with 85% of males participating electing 2-person coverage and 55% of females participating electing 2-person coverage.

The Employee/Firefighter annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years indicated were as follows:

Schedule of Employer Contributions
(In thousands)

Fiscal year ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (obligation)
4/30/2008	$ 16,017	13%	$ (13,916)
4/30/2009	21,988	15 %	(32,504)
4/30/2010	21,336	16%	(50,440)
4/30/2011	7,381	29%	(55,669)
4/30/2012	7,544	32%	(60,820)

The Police/Civilian OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for 2011 and 2012 were as follows:

Police/Civilian Annual OPEB Cost and Net OPEB Obligation
(In thousands)

Fiscal year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (Obligation)
4/30/2011	$ 6,422	8%	$ (5,901)
4/30/2012	6,590	24%	(10,926)

Note: Under Governmental Accounting Standards Board Statement (GASB) No. 45, the difference between the premium rate charged to retirees and the estimated rate that would be applicable to those retirees if acquired of them as a separate group is an implicit rate subsidy, which is considered an other postemployment benefit (OPEB) under the standard. Prior to May 1, 2011, the Board required the retirees to pay 30% more than premiums charged for active employees. The Kansas City Board of Police Commission committed to eliminating the 30% surcharge effective May 1, 2011.

For additional information regarding the Kansas City, Missouri OPEB, please refer to the City's 2012 Comprehensive Annual Financial Report.

Source: Note Disclosures and Required Supplementary Information Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report for Fiscal Year ended April 30, 2012.

APPENDIX D

DEFINITIONS AND SUMMARY OF BOND ORDINANCE AND SERIES ORDINANCE

(THIS PAGE LEFT BLANK INTENTIONALLY)

BOND ORDINANCE DEFINITIONS

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Bond Ordinance with respect to the Bonds and this Official Statement. Reference is hereby made to the Bond Ordinance as applicable, for complete definitions of all terms.

"Accreted Value" means, with respect to each Capital Appreciation Bond, (i) the initial principal amount of such Capital Appreciation Bond plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Capital Appreciation Bond, and (ii) with respect to any calculation on a date other than a compounding date, the amount determined pursuant to clause (i) above as of the immediately preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Capital Appreciation Bond.

"Accumulation Payments" shall have the meaning ascribed therefor in the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account.

"Additional Interest" means, for any period during which any Pledged Bonds are owned by a Credit Facility Provider pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal Principal amount of Bonds at the Bond Rate.

"Administrative Service Fees" means fees paid to the general fund of the City for office space and certain administrative, information technology, accounting and other support services provided to the System of the City, but which may be used to pay Principal of and Interest on Senior and Subordinate Bonds if needed.

"Annual Budget" means the annual budget of the City relating to the System (which shall include all costs, obligations and expenses properly allocable to the System), as amended or supplemented in accordance with established procedures of the City, adopted or in effect for a particular Fiscal Year.

"Auction Rate Bonds" means any Bonds which bear interest at the auction rate determined pursuant to the auction bond provisions set forth in the Series Ordinance of the City authorizing such Auction Rate Bonds.

"Balloon Bonds" means any series of Bonds 25% or more of the Principal of which (i) is due in any 12-month period or (ii) may, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid in any 12-month period; provided that, in calculating the Principal of such Bonds due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such Principal shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

"Balloon Date" means any Principal Maturity Date or Put Date on which more than 25% of the Principal of related Balloon Bonds mature or are subject to mandatory redemption or could, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid.

"Bond Counsel" means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, appointed by the City.

"Bond Rate" means the rate of interest per annum payable on specified Bonds other than Pledged Bonds.

"Bond Register" means the books for the registration, transfer and exchange of Bonds maintained by the Bond Registrar.

"Bondholder" means the registered owner of one or more Bonds.

"Bonds" means any revenue bonds authorized by and authenticated and delivered pursuant to the Bond Ordinance, including any Senior Bonds and any Subordinate Bonds.

"Business Day" means a day other than a Saturday, Sunday or holiday on which the Paying Agent, Bond Registrar or applicable Credit Facility Provider is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

"Capital Appreciation Bonds" means Bonds which bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

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

"Commitment" when used with respect to Balloon Bonds, means a binding written commitment from a financial institution, surety or insurance company to refinance such Bonds on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Bonds.

"Consulting Engineer" means each independent engineer or engineering firm with experience in designing and constructing waterworks facilities and retained by the City.

"Continuing Disclosure Agreement" means the continuing disclosure agreement relating to a series of Bonds, as amended from time to time in accordance with its terms.

"Costs" with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, renovate, repair, replace, equip, install, or otherwise develop such Project and shall include, but shall not be limited to, the following costs and expenses relating to such Project and the reimbursement to the City for any such items previously paid by the City:

(i) the cost of all lands, real or personal properties, rights, easements, and franchises acquired;

(ii) the cost of all machinery and equipment, financing charges, and interest prior to and during construction and for six months after completion of construction;

(iii) the cost of the acquisition, construction, reconstruction or installation of such Project;

(iv) the cost of engineering, architectural, development and supervisory services, fiscal agents' and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of any Projects, administrative expenses, and such other expenses as may be necessary or incident to any financing by Bonds;

(v) the cost of placing such Project in operation;

(vi) the cost of condemnation of property necessary for such construction and operation;

(vii) costs of removal associated with retiring an asset;

(viii) any other costs which may be incident to such Project; and

(iv) Costs of Issuance.

"Costs of Issuance" means issuance costs with respect to the Bonds, including but not limited to the following: underwriters' spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public), issuer's fee on SRF Bonds, management fee and expenses; Credit Facility fees and Reserve Account Credit Facility fees; counsel fees (including bond counsel, underwriter's counsel, City's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the City incurred in connection with the issuance of the Bonds; initial remarketing agent fees or auction agent fees; rating agency fees; escrow agent, verification agent and paying agent fees; accountant fees and other expenses related to issuance of the Bonds; printing costs (for the Bonds and of the preliminary and final official statement relating to the Bonds); and fees and expenses of the City incurred in connection with the issuance of the Bonds.

"Council" means the City Council of the City.

"Credit Facility" means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution which is used by the City to perform one or more of the following tasks: (i) enhancing the City's credit by assuring owners of any of the Bonds that Principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the owners of Bonds through undertaking to cause Bonds to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Series Ordinance; or (iii) remarketing any Bonds so submitted to the Credit Facility Provider (whether or not the same Credit Facility Provider is remarketing the Bonds). The term Credit Facility shall not include a Reserve Account Credit Facility.

"Credit Facility Agreement" means an agreement between the City and a Credit Facility Provider pursuant to which the Credit Facility Provider issues a Credit Facility and may include the promissory note or other instrument evidencing the City's obligations to a Credit Facility Provider pursuant to a Credit Facility Agreement. The term Credit Facility Agreement shall not include a Reserve Account Credit Facility Agreement.

"Credit Facility Provider" means any issuer of a Credit Facility then in effect for all or part of the Bonds. The term Credit Facility Provider shall not include any Reserve Account Credit Facility Provider. Whenever in the Bond Ordinance the consent of the Credit Facility Provider is required, such consent shall only be required from the Credit Facility Provider whose Credit Facility is issued with respect to the series of Bonds for which the consent is required.

"Debt Service Requirement" means the total Principal and interest coming due on Senior Bonds, or all Bonds, as applicable, whether at maturity or upon mandatory redemption, in any specified period; provided, however, that Debt Service Requirement with respect to SRF Bonds shall mean the net amount of Principal and interest coming due on such SRF Bonds after taking into account any "SRF Subsidy" (i.e., the amount of anticipated investment earnings which will accrue on any reserve account relating to the SRF Bonds and which will reduce the debt service payments of the City with respect to such SRF Bonds). For the purpose of calculating the Debt Service Requirement on any Bonds Outstanding or proposed to be issued that bear interest at a Variable Rate, the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled the average of the SIFMA Municipal Bond Index (formerly BMA Municipal Bond Index) for the prior 5 calendar years, or any successor index as certified to the City by a Financial Advisor. If making an historical calculation with respect to Variable Rate Bonds, actual interest rates may be used. For the purpose of calculating the Debt Service Requirement on any Auction Rate Bonds that are Outstanding or proposed to be issued, the interest coming due in any specified future period shall be determined by the Series Ordinance of the City authorizing such Auction Rate Bonds. For the purpose of calculating the Debt Service Requirement on any Capital Appreciation Bonds that are Outstanding or proposed to be issued, the total Principal and interest coming due in any specified period shall be determined, with respect to such Capital Appreciation Bonds, by the Series Ordinance of the City authorizing such Capital Appreciation Bonds. With respect to any Bonds secured by a Credit Facility, Debt Service Requirement shall also include (i) any upfront or periodic commission or commitment fee obligations with respect to such Credit Facility, (ii) the outstanding amount of any Reimbursement Obligation owed to the applicable Credit Facility Provider and interest thereon, (iii) any Additional Interest owed on Pledged Bonds to a Credit Facility Provider, and (iv) any remarketing agent or surveillance fees. With respect to any Hedged Bonds, the interest on such Hedged Bonds during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the City on such Hedged Bonds pursuant to their terms and (y) the amount of Hedge Payments payable by the City under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the City on the related Hedged Bonds shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts payable or receivable for any future period which are not fixed throughout the Hedge Period (i.e., which are variable), such Hedge Payments or Hedge Receipts for any period of calculation (the **"Determination Period"**) shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period). For the purpose of calculating the Debt Service Requirement on Balloon Bonds (1) which are subject to a Commitment or (2) which do not have a Balloon Date within 12 months from the date of calculation, such Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Advisor to be the interest rate at which the City could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Bonds and with a 20-year term); provided, however, that if the maturity of such Bonds (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Bonds to maturity (including the Commitment) and at the interest rate applicable to such Bonds. For the purpose of calculating the Debt Service Requirement on Balloon Bonds (1) which are not subject to a Commitment and (2) which have a Balloon Date within 12 months from the date of calculation, the Principal payable on such Bonds on the Balloon Date shall be calculated as if paid on the Balloon Date. The Principal of and interest on Bonds and Hedge Payments shall be excluded from the determination of Debt Service Requirement to the extent that (1) the same were or are expected to be paid with amounts on deposit on the date of calculation (or Bond proceeds to be deposited on the date of issuance of proposed Bonds) in the Project Fund, the Sinking Fund Account or a similar fund for Subordinate Bonds or (2) cash or non-callable Government Securities are on deposit in an irrevocable escrow or trust account in accordance with the "Defeasance" section of the Bond Ordinance (or a similar escrow or trust account for Subordinate Bonds) and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay Principal or interest and are sufficient to pay such Principal or interest. Notwithstanding anything to contrary stated above, other than with respect to Capital Appreciation Bonds and SRF Bonds, if making an historical calculation, actual debt service may be used.

"Debt Service Reserve Requirement" means an amount determined from time to time by the City as a reasonable reserve for the payment of Principal of and interest on Senior Bonds which are not Senior SRF Bonds. Initially, this amount shall be no greater than the least of (a) 10% of the stated Principal amount of the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), (b) the maximum annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), or (c) 125% of the average annual Principal and interest requirements on the

Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds). The City may in its sole discretion reduce this amount from time to time by Supplemental Ordinance, but in no event may the City reduce this amount unless each Rating Agency 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 Senior Bonds. The City may increase this amount from time to time by Supplemental Ordinance, subject to an opinion of Bond Counsel. If the aggregate initial offering price of a series of Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in lieu of the stated Principal amount. Notwithstanding the foregoing, the Debt Service Reserve Requirement, if any, in connection with any Senior SRF Bonds or any Subordinate Bonds, including Subordinate SRF Bonds, shall be as provided in the Series Ordinance authorizing the issuance of such Senior SRF Bonds or such Subordinate Bonds.

"Debt Service Reserve Subaccount" means the subaccount by that name within the Sinking Fund Account established in the Bond Ordinance.

"Director" means, in reference to the Department of Water Services of the City, the Director of the Department of Water Services of the City or his or her designee, and in reference to the Department of Finance of the City, the Director of the Department of Finance of the City or his or her designee, in each case, such designee shall be designated in accordance with the City's Charter.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, or its successors and assigns, or any other depository performing similar functions under the Bond Ordinance.

"Escrow Agent" means, in each case, the escrow agent for each related series of Refunded Bonds.

"Escrow Agreement" means, in each case, the Escrow Deposit Agreement between the City and the Escrow Agent for each related series of Refunded Bonds.

"Event of Default" means any of the events defined as such in the "Events of Default and Remedies" article in the Bond Ordinance.

"Financial Advisor" means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is appointed by the City for the purpose of advising the City on questions relating to the availability and terms of specified types of Bonds and is actively engaged in and, in the good faith opinion of the City, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

"Fiscal Year" means the 12-month period used by the City for its general accounting purposes, as it may be changed from time to time.

"Fitch" means Fitch, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City. At the time the Bond Ordinance was adopted, the notice address of Fitch is One State Street Plaza, New York, New York 10004.

"Forecast Period" means a period of two consecutive Fiscal Years commencing with the Fiscal Year in which any proposed Senior Bonds are to be issued.

"Government Loans" means loans to the City by the government of the United States or the State, or by any department, authority or agency of either, for the purpose of acquiring, constructing, reconstructing, improving, bettering or extending any part of the System.

"Government Obligations" means (a) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged or (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and the interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, (i) are not subject to redemption or prepayment prior to maturity except at the option of the holder of such obligations and (ii) may include U.S. Treasury Trust Receipts.

"Hedge Agreement" means, without limitation, (i) any contract provided by a Qualified Hedge Provider known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract provided by a Qualified Hedge Provider providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract provided by a Qualified Hedge Provider to exchange cash flows or payments or series of payments; (iv) any type of contract provided by a Qualified Hedge Provider called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement provided by a Qualified Hedge Provider that the City determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty. Notwithstanding the foregoing, any Hedge Agreement must comply with the debt policy of the City.

"Hedge Contingency Payments" means amounts payable by the City out of the Revenue Fund pursuant to any Hedge Agreement as termination payments, fees, expenses and indemnity payments.

"Hedge Payments" means amounts payable by the City pursuant to any Hedge Agreement, other than Hedge Contingency Payments.

"Hedge Period" means the period during which a Hedge Agreement is in effect.

"Hedge Receipts" means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

"Hedged Bonds" means any Bonds for which the City shall have entered into a Hedge Agreement.

"Independent Certified Public Accountant" means a certified public accountant, or a firm of certified public accountants, who or which is "independent" as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to the City (but who or which may be regularly retained by the City).

"Interest Payment Date" means each date on which interest is to become due on any Bonds, as established in the Series Ordinance for such Bonds.

"Investment Earnings" means all interest received on and profits derived from investments of moneys in all funds and accounts of the City described in the "Funds and Accounts" section of the Bond Ordinance *other than* all funds and accounts established in connection with SRF Bonds under the bond ordinance authorizing such SRF Bonds.

"Maximum Annual Debt Service" means the maximum amount of Debt Service Requirements as computed for the then current or any future Fiscal Year.

"Moody's" means Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City. At the time the Bond Ordinance was adopted, the notice address of Moody's is 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

"OPEB Obligations" means the amount to which the City's actual other post-employment benefits (OPEB) contributions are less than its OPEB cost, or expense for any Fiscal Year.

"Other System Obligations" means obligations of any kind, including but not limited to, Government Loans, general obligation bonds, capital leases, installment purchase agreements, or notes (but excluding Bonds and related obligations to Credit Facility Providers, Reserve Account Credit Facility Providers and Qualified Hedge Providers), incurred or issued by the City to finance or refinance the cost of acquiring, constructing, reconstructing, improving, equipping, bettering, or extending any part of the System.

"Outstanding" means, when used in reference to Bonds, all Bonds which have been duly authenticated and delivered under the Bond Ordinance, with the exception of (a) Bonds in lieu of which other Bonds have been issued under agreement to replace lost, mutilated, stolen, or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under the Bond Ordinance, and (c) Bonds for the payment of which provision has been made in accordance with the Bond Ordinance. In determining the amount of Capital Appreciation Bonds Outstanding under the Bond Ordinance, the Accreted Value of such Capital Appreciation Bonds at the time of determination shall be used.

"Paying Agent" means the paying agent selected from time to time by the Director of Finance.

"Payments Subaccount" means the subaccount by that name within the Sinking Fund Account established in the Bond Ordinance.

"Permitted Investments" means any of the following securities, if and to the extent the same are at the time legal for investment of the City's moneys held in the funds and accounts referred to in the "Pledged Revenues and Flow of Funds" article of the Bond Ordinance:

(a) United States Treasury Securities (Bills, Notes, Bonds and Strips). Obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(b) United States Agency Securities. Obligations issued or guaranteed by any agency, including government sponsored enterprises of the United States Government, which at the time of purchase have a liquid market and a readily determinable market value that are described as follows:

(i) U.S. Government Agency Coupon and Zero Coupon Securities.

(ii) U.S. Government Agency Discount Notes.

(iii) U.S. Government Agency Callable Securities. Restricted to securities callable at par only.

(iv) U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.

(v) U.S. Government Agency Floating Rate Securities. The coupon rate floats off of only one index. Restricted to coupons with no interim caps that reset at least quarterly.

(vi) U.S. Government Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than four (4) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.

(c) Repurchase Agreements. Contractual agreements between the City and commercial banks or primary government securities dealers, organized under the laws of the United States or any state, which contractual agreements are continuously and fully secured by any one or more of the securities described in paragraphs (a) and (b) above and which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreements. Securities acquired pursuant to repurchase agreements shall be valued at the lower of the current market value or the repurchase price thereof set forth in the repurchase agreement. The Securities Industry and Financial Markets Association's (or any successor association) guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreements shall result in transfer of legal title to identified securities that are segregated in a custodial or trust account for the benefit of the Paying Agent or delivered to the Paying Agent. Repurchase agreement transactions will be either physical delivery or tri-party.

(d) Bankers' Acceptances. Bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's or Standard & Poor's.

(e) Commercial Paper. Commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's or Standard & Poor's. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars ($500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase.

(f) Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard & Poor's or Moody's.

(g) Any full faith and credit obligations of any county in which the City is located rated AA or Aa2 by Standard & Poor's or Moody's.

(h) Any full faith and credit obligations of any school district in Kansas City, Missouri rated AA or Aa2 by Standard & Poor's or Moody's.

(i) Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated AA or Aa2 by Standard & Poor's or Moody's.

(j) Any municipal obligation as defined in (f), (g), (h) or (i) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury Securities as to both principal and interest.

(k) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated in either of the two highest categories by Moody's and Standard & Poor's (in either case without regard to any modifier).

(l) Such other investments not described above that are allowed pursuant to Missouri law and approved in the Charter.

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investment.

"Person" or **"person"** means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, body, authority, government, or agency or political subdivision thereof.

"Pledged Bond" means any Bond purchased and held by a Credit Facility Provider pursuant to a Credit Facility Agreement. A Bond shall be deemed a Pledged Bond only for the actual period during which such Bond is owned by a Credit Facility Provider pursuant to a Credit Facility Agreement.

"Pledged Bond Rate" means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

"Principal" means (i) with respect to a Current Interest Bond, the principal amount of such Bond, and (ii) with respect to a Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond.

"Principal Maturity Date" means each date on which Principal is to become due on any Bonds, by maturity or mandatory sinking fund redemption, as established in the Series Ordinance for such Bonds.

"Project Fund" means the fund by that name established in the Bond Ordinance.

"Put Date" means any date on which a Bondholder may elect to have Balloon Bonds redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid.

"Qualified Hedge Provider" means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, meet the requirements of the City's debt policy which has been adopted pursuant to the City's Charter and State law. An entity's status as a **"Qualified Hedge Provider"** is determined only at the time the City enters into a Hedge Agreement with such entity and shall not be redetermined with respect to that Hedge Agreement.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or **"Rating Agency"** means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Bonds at the request of the City. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Bonds, then a reference to Rating Agency or Rating Agencies shall not include such Rating Agency.

"Rebate Account" means the account by that name established in the Bond Ordinance.

"Record Date" means, with respect to any semiannual Interest Payment Date, the 15th day of the calendar month immediately preceding such Interest Payment Date, and any record dates designated by the City in a Series Ordinance.

"Reimbursement Obligation" means the obligation of the City to directly reimburse any Credit Facility Provider for amounts paid by such Credit Facility Provider under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

"Renewal and Replacement Account" means the account by that name established in the Bond Ordinance.

"Replenishment Payments" shall have the meaning ascribed therefor in the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account.

"Reserve Account Credit Facility" means any letter of credit, insurance policy, line of credit, or surety bond, together with any substitute or replacement therefor, if any, complying with the provisions of the Bond Ordinance, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

"Reserve Account Credit Facility Agreement" means any agreement between the City and a Reserve Account Credit Facility Provider relating to the issuance of a Reserve Account Credit Facility, as such agreement may be amended from time to time.

"Reserve Account Credit Facility Provider" means any provider of a Reserve Account Credit Facility.

"Revenue Fund" means the fund by that name established in the Bond Ordinance.

"Senior Bonds" means any Bonds, including Senior SRF Bonds, issued with a right to payment and secured by a lien on a parity with other Senior Bonds (except with respect to any Credit Facility which may be available only to one or more series of Senior Bonds and except that Senior SRF Bonds shall not be secured by the Debt Service Reserve Subaccount) pursuant to the Bond Ordinance.

"Senior Hedge Agreements" means Hedge Agreements relating to Hedged Bonds which are Senior Bonds.

"Senior SRF Bonds" means SRF Bonds which are Senior Bonds.

"Series 2008A Bonds" means the Subordinate Water Revenue Bonds, Series 2008A issued in the original principal amount of $35,000,000 pursuant to Amended and Restated Committee Substitute for Ordinance No. 080279.

"Series 2008A Ordinance" means Amended and Restated Committee Substitute for Ordinance No. 080279, as amended from time to time, which authorized the Series 2008A Bonds.

"Series Ordinance" means a bond ordinance or bond ordinances of the City (which may be supplemented by one or more bond ordinances) to be adopted prior to and authorizing the issuance and delivery of any series of Bonds, including the Series 2008A Ordinance. Such a bond ordinance as supplemented shall establish the date or dates of the pertinent series of Bonds, the schedule of maturities of such Bonds, whether any such Bonds will be Capital Appreciation Bonds, the name of the purchaser(s) of such series of Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby, whether fixed or variable, the interest payment dates for such Bonds, the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Bonds, and such other details as the City may determine.

"Sinking Fund Account" means the account by that name established in the Bond Ordinance.

"SRF Bonds" means such Bonds or other obligations issued in connection with the City's participation in the Missouri State Revolving Fund Program of the Missouri Department of Natural Resources and the State Environmental Improvement and Energy Resources Authority, which SRF Bonds may be Senior SRF Bonds or Subordinate SRF Bonds.

“Standard & Poor’s” or **“S&P”** means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City. At the time the Bond Ordinance was adopted, the notice address of Standard & Poor’s is 25 Broadway, New York, New York 10004.

“State” means the State of Missouri.

“Subordinate Bonds” means Bonds, including Subordinate SRF Bonds and the Series 2008A Bonds, issued with a right to payment from the Pledged Revenues and secured by a lien on the Pledged Revenues expressly junior and subordinate to the Senior Bonds.

“Subordinate Hedge Agreements” means Hedge Agreements relating to Hedged Bonds which are Subordinate Bonds.

“Subordinate SRF Bonds” means SRF Bonds which are Subordinate Bonds.

“Supplemental Ordinance” means (a) any Series Ordinance and (b) any modification, amendment, or supplement to the Bond Ordinance other than a Series Ordinance.

“Surplus Account” means the account by that name established in the Bond Ordinance.

“System” means the entire waterworks plant and system owned and operated by the City for the production, storage, treatment and distribution of water, to serve the needs of the City and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the City. At the discretion of the City there may be excluded from the System facilities which are hereafter constructed or acquired, connected or separate from the System, which are not financed with the proceeds of revenue bonds payable from the revenues of the System, and for which the City maintains separate and distinct operations, facilities and records, and which if connected to the System are billed for System use as a customer of the System in accordance with the ordinances and regulations of the City.

“Tax-Exempt Bonds” means any Bonds the interest on which has been determined, in an opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.

“Term Bonds” means Bonds which mature on one Principal Maturity Date yet a portion of which are required to be redeemed, prior to maturity, under a schedule of mandatory redemptions established by the Bond Ordinance.

“Underwriter” means the underwriter(s) specified in the Series Ordinance authorizing a series of Bonds.

“U.S. Treasury Trust Receipts” means receipts or certificates which evidence an undivided ownership interest in the right to the payment of portions of the principal of or interest on obligations described in clauses (a) or (b) of the term Government Obligations, provided that such obligations are held by a bank or trust company organized under the laws of the United States acting as custodian of such obligations, in a special account separate from the general assets of such custodian.

“Variable Rate” means a rate of interest applicable to Bonds, other than a fixed rate of interest which applies to a particular maturity of Bonds, so long as that maturity of Bonds remains Outstanding.

SUMMARY OF BOND ORDINANCE

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

Authorization and Form of Bonds Generally

The Bonds authorized under the Bond Ordinance may be issued and sold from time to time in one or more series, shall be designated "City of Kansas City, Missouri Water Revenue Bonds," and shall be in substantially the form set forth in the related Series Ordinance, but such variations, omissions, substitutions, and insertions may be made therein, and such particular series designation, legends, or text may be endorsed thereon, as may be necessary or appropriate to conform to and as required or permitted by the Bond Ordinance and any Series Ordinance or as may be necessary or appropriate to comply with applicable requirements of the Code. The Bonds also may bear such legend or contain such further provisions as may be necessary to comply with or conform to the rules and requirements of any brokerage board, securities exchange, or municipal securities rulemaking board.

Senior Bonds may be issued from time to time as provided in, and subject to the limitations set forth in, the Bond Ordinance. Subordinate Bonds may be issued from time to time as provided in, and subject to the limitations set forth in, the Bond Ordinance section describing Subordinate Bonds.

Unless otherwise provided in a Series Ordinance, each Bond authenticated prior to the first Interest Payment Date thereon shall bear interest from its dated date. Each Bond authenticated on or after the first Interest Payment Date thereon shall bear interest from the Interest Payment Date thereon next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on such Bond has been paid in full or duly provided for, in which case from such date of authentication; provided that if, as shown by the records of the Paying Agent, interest on such Bond shall be in default, such Bond shall bear interest from the date to which interest has been paid in full on such Bond or, if no interest has been paid on such Bond, its dated date. Each Bond shall bear interest on overdue Principal at the rate borne by such Bond until the Principal balance thereof is paid in full.

Unless otherwise provided in a Series Ordinance, the Bonds shall be issued in fully registered form in the denomination of $5,000 each or integral multiples thereof and shall be dated as provided in the pertinent Series Ordinance, except that any Auction Rate Bonds shall be issued in the denomination of $5,000 and integral multiples thereof, Capital Appreciation Bond shall be issued in the denomination of $5,000 maturity amount or integral multiples thereof and any Bonds bearing interest at a Variable Rate may be issued in the denomination of $100,000 each or integral multiples of $5,000 in excess thereof.

The Principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

The Bonds and the Bond Registrar's Certificate of Authentication shall be in substantially the form set forth in the Series Ordinance pursuant to which such series of Bonds are issued.

Nonpresentment of Bonds

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

Redemption Among Series

Subject to the redemption provisions of any Series Ordinance, the City in its discretion may redeem the Bonds of any series, or a portion of the Bonds of any such series, before it redeems the Bonds of any other series. Within any particular series, any redemption of Bonds shall be effected in the manner provided in the Bond Ordinance and in any Series Ordinance.

Selection of Bonds to be Redeemed

If less than all of the Bonds of like maturity of any series shall be called for redemption, the particular Bonds, or portions of Bonds, to be redeemed shall be selected by the City. The portion of any Bond of a denomination of more than $5,000 to be redeemed shall be in the Principal amount of $5,000 or an integral multiple of $5,000 in excess thereof, and, in selecting portions of such Bonds for redemption, the City shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by $5,000; provided, however, that with respect to Variable Rate Bonds, the portion of any such Bond of a denomination of more than $100,000 to be redeemed shall be in the Principal amount of $100,000 or an integral multiple of $5,000 in excess thereof, and, in selecting portions of such Bonds for redemption, the City shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by $100,000 or $5,000 or an integral multiple of $5,000 in excess thereof, and with respect to Auction Rate Bonds the portion of any such Bond of a denomination of more than $5,000 to be redeemed shall be in the Principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Bonds for redemption, the City shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by $5,000 or an integral multiple thereof.

Purchase in Open Market

Nothing herein contained shall be construed to limit the right of the City to purchase with any excess moneys in the Payments Subaccount (i.e., moneys not needed in the then current Fiscal Year to pay Principal of and interest on any Senior Bonds) and for Sinking Fund Account purposes, any Senior Bonds in the open market at a price not exceeding the callable price. Any such Senior Bonds so purchased shall not be reissued and shall be cancelled.

Pledge of Revenues; Limited Obligations

Subject only to the rights of the City to apply amounts as provided in the "Pledged Revenues and Flow of Funds" article of the Bond Ordinance and to applicable provisions of law, all Pledged Revenues shall be and are pledged to the prompt payment of the Principal of, premium, if any, and interest on the Bonds. Such moneys and securities shall immediately be subject to the lien of this pledge for the benefit of the Bondholders without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding against the City and against all other persons having claims against the City, whether such claims shall have arisen in tort, contract, or otherwise, and regardless of whether such persons have notice of the lien of this pledge. This pledge shall rank superior to all other pledges which may hereafter be made of any of the Pledged Revenues, except for pledges of the Pledged Revenues hereafter made by the City in the Hedge Agreements to secure Hedge Payments, which may rank on a parity with this pledge as to the related Hedged Bonds. The lien of the pledge does not secure any obligation of the City other than the Bonds.

The Bonds shall be limited obligations of the City as provided therein payable solely from the Pledged Revenues. The Bonds and the interest thereon shall not constitute a general or moral obligation of the City nor a debt, indebtedness, or obligation of, or a pledge of the faith and credit of, the City or the State or any political subdivision thereof, within the meaning of any constitutional, statutory or charter provision whatsoever. Neither the full faith and credit nor the taxing power of the City, the State, or any political subdivision thereof is pledged to the payment of the Principal of, premium, if any, or interest on the Bonds or other costs incident thereto. The City has no authority to levy any taxes to pay the Bonds. Neither the members of the Council nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

Funds and Accounts

The City establishes or ratifies the establishment of the following funds and accounts, and the moneys deposited in such funds and accounts shall be held in trust for the purposes set forth in the Bond Ordinance:

City of Kansas City, Missouri Waterworks Revenue Fund (the **"Revenue Fund"**).

City of Kansas City, Missouri Waterworks Sinking Fund Account in the Revenue Fund (the **"Sinking Fund Account"**), and within said Sinking Fund Account, a Payments Subaccount and a Debt Service Reserve Subaccount.

City of Kansas City, Missouri Waterworks Renewal and Replacement Account in the Revenue Fund (the **"Renewal and Replacement Account"**).

City of Kansas City, Missouri Waterworks Rebate Account in the Revenue Fund (the **"Rebate Account")**.

City of Kansas City, Missouri Waterworks Project Fund (the **"Project Fund"**).

City of Kansas City, Missouri Waterworks Surplus Account in the Revenue Fund (the **"Surplus Account"**).

Each account listed above shall be held within the fund under which it is created. The City reserves the right, in its sole discretion, to create additional subaccounts or to abolish any subaccounts within any account from time to time.

Revenue Fund

The City shall deposit and continue to deposit into the Revenue Fund all Operating Revenues and any extraordinary revenues from the sale of assets not in the ordinary course of business, from time to time as and when received. Moneys in the Revenue Fund shall be applied by the City from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the following order of priority:

(1) to pay Expenses of Operation and Maintenance;

(2) to deposit into the Sinking Fund Account the amounts required by the Bond Ordinance;

(3) to deposit into the Rebate Account the amounts required by the Bond Ordinance;

(4) to make Replenishment Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account, and to pay to any Credit Facility Provider any amounts due under a Credit Facility Agreement, including Additional Interest;

(5) to pay any amounts due any Reserve Account Credit Facility Provider pursuant to the Reserve Account Credit Facility Agreement;

(6) to make Accumulation Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account**;**

(7) to deposit the amounts required to be deposited into the funds and accounts created by any Series Ordinance authorizing the issuance of Subordinate Bonds, for the purpose of paying Principal of (whether at maturity, upon mandatory redemption or as otherwise required by a Series Ordinance relating to Subordinate SRF Bonds) and interest on Subordinate Bonds, making Hedge Contingency Payments under Senior Hedge Agreements, making Hedge Payments and making Hedge Contingency Payments under Subordinate Hedge Agreements, and accumulating reserves for such payments;

(8) to pay any amounts required to be paid with respect to any Other System Obligations, subject to annual appropriation;

(9) to pay Administrative Service Fees;

(10) to deposit to the Renewal and Replacement Account an amount determined by the Operating and Capital Reserves Policy established and approved by the Water Services Department and the City Council, as may be amended from time to time, to be applied in accordance with the Bond Ordinance Section describing the Renewal and Replacement Account; and

(11) to deposit any remaining amount in the Surplus Account.

Any money withdrawn from the funds and accounts described in clause (7) above for use in making payments described in said clause (7) shall be released from the lien of the Bond Ordinance. If at any time the amounts in any account of the Sinking Fund Account are less than the amounts required by the Bond Ordinance, and there are not on deposit in the Renewal and Replacement Account or the Surplus Account available moneys sufficient to cure any such deficiency, then the City shall withdraw from the funds and accounts of the City relating to Subordinate Bonds which are not Subordinate SRF Bonds and deposit in such account of the Sinking Fund Account, as the case may be, the amount necessary (or all the moneys in such funds and accounts, if less than the amount required) to make up such deficiency.

Sinking Fund Account

Payments Subaccount-General. Sufficient moneys shall be paid in periodic installments from the Revenue Fund into the Payments Subaccount for the purpose of paying the Principal of and interest (excluding Additional Interest) on the Senior Bonds as they become due and payable and for the purpose of making Hedge Payments under Senior Hedge Agreements. Amounts held in the Payments Subaccount shall be used solely to pay interest (excluding Additional Interest) and Principal of the Senior Bonds as the same become due and payable (whether at maturity or upon redemption) and to pay Hedge Payments under Senior Hedge Agreements when due. Amounts held in the Payments Subaccount shall not be used to pay Additional Interest.

Interest. Except as otherwise provided in any Series Ordinance authorizing Senior SRF Bonds, on or before the first day of each month, commencing 6 months prior to each Interest Payment Date for Senior Bonds, the City shall deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment and, in the case of Senior SRF Bonds, anticipated investment earnings on reserve funds held by a bond trustee relating to such Senior SRF Bonds, is not less than 1/6th of the amount of interest (excluding Additional Interest) coming due on such Senior Bonds on the next succeeding Interest Payment Date. In the case of Senior Bonds that are Auction Rate Bonds or are bearing interest at a Variable Rate, the City shall on or before the Business Day preceding each Interest Payment Date deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the amount of interest due on such Interest Payment Date. The City shall also deposit and continue to deposit all Hedge Receipts under Senior Hedge Agreements in the Payments Subaccount from time to time as and when received.

Principal. Except as otherwise provided in any Series Ordinance authorizing Senior SRF Bonds, on or before the first day of each month, commencing 12 months prior to each Principal Maturity Date for Senior Bonds, the City shall deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than 1/12th of the Principal coming due on such Senior Bonds on the next succeeding Principal Maturity Date.

Hedge Payments. On or before the 30th day preceding each payment date for Hedge Payments under Senior Hedge Agreements, the City shall deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than such Hedge Payments coming due on such payment date.

Application of Moneys in Payments Subaccount. No further payments need be made into the Payments Subaccount whenever the amount available in the Payments Subaccount, if added to the amount then in the Debt Service Reserve Subaccount (without taking into account any amount available to be drawn on any Reserve Account Credit Facility), is sufficient to retire all Senior Bonds then Outstanding and to pay all unpaid interest accrued and to accrue prior to such retirement. No moneys in the Payments Subaccount shall be used or applied to the optional purchase or redemption of Senior Bonds prior to maturity unless: (i) provision shall have been made for the payment of all of the Senior Bonds; or (ii) such moneys are applied to the purchase and cancellation of Senior Bonds which are subject to mandatory redemption on the next mandatory redemption date, which falls due within 12 months, such Senior Bonds are purchased at a price not more than would be required for mandatory redemption, and such Senior Bonds are cancelled upon purchase; or (iii) such moneys are applied to the purchase and cancellation of Senior Bonds at a price less than the amount of Principal which would be payable on such Senior Bonds, together with interest accrued through the date of purchase, and such Senior Bonds are cancelled upon purchase; or (iv) such moneys are in excess of the then required balance of the Payments Subaccount and are applied to redeem a part of the Senior Bonds Outstanding on the next succeeding redemption date for which the required notice of redemption may be given.

Debt Service Reserve Subaccount. There shall be deposited into the Debt Service Reserve Subaccount the amounts specified in Series Ordinances with respect to Senior Bonds. Notwithstanding the foregoing, there shall be no deposit into the Debt Service Reserve Subaccount with respect to any SRF Bonds nor shall the Debt Service Reserve Subaccount secure any SRF Bonds. After the issuance of any Senior Bonds, the increase in the amount of the Debt Service Reserve Requirement resulting from the issuance of such Senior Bonds shall be accumulated, to the extent not covered by deposits from Bond proceeds or funds on hand, over a period not exceeding 61 months from the date of delivery of such Senior Bonds in monthly deposits ("Accumulation Payments"), none of which is less than 1/60 of the amount to be accumulated. The balance of the Debt Service Reserve Subaccount shall be maintained at an amount equal to the Debt Service Reserve Requirement (or such lesser amount that is required to be accumulated in the Debt Service Reserve Subaccount in connection with the periodic accumulation to the Debt Service Reserve Requirement after the issuance of Senior Bonds or upon the failure of the City to provide a substitute Reserve Account Credit Facility in certain events). There shall be transferred from the Revenue Fund on a pro rata basis (1) to the

Debt Service Reserve Subaccount the amount necessary to restore, as further described below, the amount of cash and securities in the Debt Service Reserve Subaccount to an amount equal to the difference between (a) the Debt Service Reserve Requirement (or such lesser monthly amount that is required to be deposited into the Debt Service Reserve Subaccount after the issuance of Senior Bonds or upon the failure of the City to provide a substitute Reserve Account Credit Facility in certain events) and (b) the portion of the required balance of the Debt Service Reserve Subaccount satisfied by means of a Reserve Account Credit Facility, and (2) to any Reserve Account Credit Facility Provider the amount necessary to reinstate any Reserve Account Credit Facility which has been drawn down.

Whenever for any reason the amount in the Payments Subaccount is insufficient to pay all interest or Principal becoming due on the Senior Bonds and all Hedge Payments coming due pursuant to Senior Hedge Agreements within the next seven days (or, in the case of Senior Bonds that are Auction Rate Bonds or are bearing interest at a Variable Rate, on the next Business Day), the City shall make up any deficiency by transfers *first* from the Surplus Account, *second* from the Renewal and Replacement Account and *third* from the funds and accounts of the City relating to Subordinate Bonds which are not Subordinate SRF Bonds. Whenever, on the date that such interest, Principal or Hedge Payments on Senior Hedge Agreements is due, there are insufficient moneys in the Payments Subaccount available to make such payment, the City shall, without further instructions, apply so much as may be needed of the moneys in the Debt Service Reserve Subaccount to prevent default in the payment of such interest, Principal or Hedge Payments on Senior Hedge Agreements, with priority to interest payments. Whenever by reason of any such application or otherwise (other than required Accumulation Payments), the amount remaining to the credit of the Debt Service Reserve Subaccount is less than the amount then required to be in the Debt Service Reserve Subaccount, such deficiency shall be remedied in not more than twenty-four (24) equal monthly deposits (**"Replenishment Payments"**) from the Revenue Fund, commencing not later than the first day of the month immediately succeeding the date when the amount then required to be in the Debt Service Reserve Subaccount dropped below the Debt Service Reserve Requirement.

The City may elect to satisfy in whole or in part the Debt Service Reserve Requirement by means of a Reserve Account Credit Facility, subject to the following requirements: (A) the Reserve Account Credit Facility Provider must, at the time of issuance, have a Rating of one of the three highest rating categories by a Rating Agency; (B) the City shall not secure any obligation to the Reserve Account Credit Facility Provider by a lien equal to or superior to the lien granted to the related series of Senior Bonds; (C) each Reserve Account Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the related series of Senior Bonds) and shall entitle the City to draw upon or demand payment and receive the amount so requested in immediately available funds on the date of such draw or demand; (D) the Reserve Account Credit Facility shall permit a drawing by the City for the full stated amount in the event (i) the Reserve Account Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Senior Bonds, and (ii) the City fails to satisfy the Debt Service Reserve Requirement by the deposit to the Debt Service Reserve Subaccount of cash, obligations, a substitute Reserve Account Credit Facility, or any combination thereof, on or before the date of such expiration or termination; (E) if all of the Ratings issued by any Rating Agency to the Reserve Account Credit Facility Provider are withdrawn or reduced below the third highest rating category of any Rating Agency, the City shall provide a substitute Reserve Account Credit Facility rated in one of the three highest rating categories by any Rating Agency, within sixty (60) days after such rating change, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than thirty-six (36) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; (F) if the Reserve Account Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the City shall provide a substitute Reserve Account Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than thirty-six (36) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; and (G) the prior written consent of the Credit Facility Provider, as to the provider and the structure of the Reserve Account Credit Facility, shall be obtained by the City. If the events described in either clauses (E) or (F) above occur, the City shall not relinquish the Reserve Account Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Account Credit Facility or any combination thereof. Any amount received from a draw on the Reserve Account Credit Facility shall be deposited directly into the Payments Subaccount, and such deposit shall constitute the application of amounts in the Debt Service Reserve Subaccount. Repayment of any draw-down on the Reserve Account Credit Facility (other than repayments which reinstate the Reserve Account Credit Facility) and any interest or fees due the Reserve Account Credit Facility Provider under such Reserve Account Credit Facility shall be secured by a lien on the Pledged Revenues subordinate to payments into the Sinking Fund Account and the Rebate Account and payments to any Credit Facility Provider securing Senior Bonds.

Any such Reserve Account Credit Facility shall be pledged to the benefit of the owners of all of the Senior Bonds and all Qualified Hedge Providers of Senior Hedge Agreements. The City reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the Bond Ordinance without the consent of any of the owners of the Bonds in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment shall not, in the written opinion of Bond Counsel filed with the City, impair or reduce the security granted to the owners of Senior Bonds or any of them.

Renewal and Replacement Account

Except as otherwise provided in this section, all sums accumulated and retained in the Renewal and Replacement Account shall be used to meet the costs of capital improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System, and such sums may be encumbered by an estimation and appropriation ordinance of the City Council to accomplish the same. All unencumbered sums accumulated and retained in the Renewal and Replacement Account, if any, shall be used first to prevent a default in the payment of interest on or Principal of the Senior Bonds when due and then shall be applied by the City from time to time, as and when the City shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the City in its sole discretion: (a) to maintain and improve the System as described above and (b) to pay Principal of and Interest on Bonds and Other System Obligations. No moneys credited to the Renewal and Replacement Account shall ever be directed or applied to the general governmental or municipal functions of the City so long as any of the Bonds remain Outstanding. The total amount of money credited to the Renewal and Replacement Account shall not exceed the maximum amount established by the Operating and Capital Reserves Policy approved by the Water Services Department and the City Council, as may be amended from time to time.

Surplus Account

In addition to the deposits to be made to the Surplus Account pursuant to the Bond Ordinance section describing the Revenue Fund, the City shall deposit in the Surplus Account all termination payments received under any Hedge Agreements. All sums accumulated and retained in the Surplus Account shall be used first to prevent a default in the payment of interest on or Principal of the Senior Bonds when due and then shall be applied by the City from time to time, as and when the City shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the City in its sole discretion: (a) for the purposes for which moneys held in the Revenue Fund may be applied under the Bond Ordinance section describing the Revenue Fund, (b) to pay any amounts which may then be due and owing under any Hedge Agreement (including termination payments, fees, expenses, and indemnity payments), (c) to pay any governmental charges and assessments against the System or any part thereof which may then be due and owing, (d) to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the System deemed necessary by the City (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), (e) to acquire Senior Bonds by redemption or by purchase in the open market at a price not exceeding the callable price as provided and in accordance with the terms and conditions of the Bond Ordinance, which Senior Bonds may be any of the Senior Bonds, prior to their respective maturities, and when so used for such purposes the moneys shall be withdrawn from the Surplus Account and deposited into the Payments Subaccount for the Senior Bonds to be so redeemed or purchased and (f) for any other purpose of the City. Payments for the purposes set forth in clause (e) of the preceding sentence are not "required payments" described in the Rate Covenant section of the Bond Ordinance. No moneys credited to the Surplus Account shall ever be directed or applied to the general governmental or municipal functions of the City so long as any of the Bonds remain Outstanding.

Deposits and Security of Funds and Accounts

All moneys in the funds and accounts established under the Bond Ordinance, except those funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, shall be held by the City in one or more Depositories qualified for use by the City. Uninvested moneys shall, at least to the extent not guaranteed by the Federal Deposit Insurance Corporation, be secured to the fullest extent required by the laws of the State for the security of public funds.

Investment of Moneys

Moneys in the funds and accounts established under the Bond Ordinance, except those funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, shall be invested and reinvested in Permitted Investments bearing interest at the highest rates reasonably available (except to the extent that a restricted yield is required or advisable under Section 148 of the Code) and containing such maturities as are deemed suitable by the City; provided, however, that without the prior written consent of the Credit Facility Provider, investments of moneys in the Debt Service Reserve Subaccount shall not have maturities extending beyond five years. Investment of moneys in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds shall be as set forth in such Series Ordinance.

Unless otherwise specified in a Series Ordinance authorizing the issuance of a series of Bonds, Investment Earnings in each fund and account (except the Debt Service Reserve Subaccount) shall be retained therein. Investment Earnings from the investment of moneys in the Debt Service Reserve Subaccount shall be retained in the Debt Service Reserve Subaccount at all times the balance is less than the Debt Service Reserve Requirement; thereafter and at all times the balance of the Debt Service Reserve Subaccount is equal to or greater than the Debt Service Reserve Requirement, such Investment Earnings shall be deposited in the Payments Subaccount.

The Series Ordinance authorizing the issuance of any Subordinate Bonds shall specify any maturity limitations and allocations of Investment Earnings on investments of moneys in the funds and accounts relating to such Subordinate Bonds.

Moneys in each of such funds shall be accounted for as a separate and special fund apart from all other City funds, provided that investments of moneys therein may be made in a pool of investments together with other moneys of the City so long as sufficient Permitted Investments in such pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions.

Valuation of Investments

All investments made under the Bond Ordinance shall, for purposes of the Bond Ordinance, be valued at fair market value on the 45th day (or the next succeeding Business Day if such 45th day is not a Business Day) prior to each Interest Payment Date. The valuation of the investment of moneys in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds shall be as set forth in such Series Ordinance.

Disposition of Moneys After Payment of Bonds

Any amounts remaining in any fund or account established under the Bond Ordinance after payment in full of the Principal of, redemption premium, if any, and interest on the Bonds (or after provision for payment thereof has been made), the fees, charges, and expenses of the Paying Agent and Bond Registrar, all amounts owing to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider, and all other amounts required to be paid under the Bond Ordinance (including amounts required to be paid into the Rebate Account), shall be promptly paid to the City. All amounts remaining in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, after the payment in full thereof as provided in such Series Ordinance, shall be paid as set forth in such Series Ordinance.

No Prior Lien Bonds nor Senior Bonds Except as Permitted in the Bond Ordinance

All Senior Bonds shall have complete parity of lien on the Pledged Revenues despite the fact that any of the Senior Bonds may be delivered at an earlier date than any other of the Senior Bonds. The City may issue Senior Bonds in accordance with the Bond Ordinance, but the City shall issue no other obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues or any part thereof having priority over or, except as permitted in the Bond Ordinance, on a parity with the Senior Bonds.

Refunding Bonds

Any or all of the Senior Bonds may be refunded prior to maturity, upon redemption in accordance with their terms, or with the consent of the owners of such Senior Bonds, and the refunding Bonds so issued shall constitute Senior Bonds, if:

The City shall have obtained a report from an Independent Certified Public Accountant or a Financial Advisor demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Bonds on a present value basis.

As an alternative to, and in lieu of, satisfying the report requirements above, all Outstanding Senior Bonds are being refunded under arrangements which immediately result in making provision for the payment of the refunded Bonds.

The requirements of a certificate from the Director of Finance or the Director of Water Services and an opinion of Bond Counsel as described in the Bond Ordinance are met with respect to such refunding Bonds.

Subordinate Bonds

Bonds may also be issued on a subordinate basis to the Senior Bonds pursuant to a Series Ordinance, and the Bonds so issued shall constitute Subordinate Bonds, if all of the following conditions are satisfied:

(a) There shall have been filed with the City either:

(1) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the historical Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, for the most recent available annual audit for the Fiscal Year prior to the issuance of the proposed Subordinate Bonds were equal to at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds, or

(2) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the forecasted Net Operating Revenues for each Fiscal Year in the Forecast Period are expected to equal at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds.

The report that is required by (a)(1) may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System, adopted prior to the date of delivery of the proposed Subordinate Bonds and not fully reflected in the historical Net Operating Revenues actually received during the most recent Fiscal Year for which an annual audit is available. Such pro forma adjustments shall be based upon a report of a Consulting Engineer as to the amount of Operating Revenues which would have been received during such period had the new rate schedule been in effect throughout such period.

The report that is required by (a)(2) may **not** take into consideration any rate schedule to be imposed in the future, unless such rate schedule has been adopted by ordinance of the Council. Such rate schedule adopted by ordinance may contain, however, future effective dates.

For any Fiscal Year of less than 12 months the preceding calculations may be adjusted to reflect a Maximum Annual Debt Service Requirement that is prorated over the actual number of months in such Fiscal Year.

The Series Ordinance authorizing the Subordinate Bonds shall provide that such Subordinate Bonds shall be junior and subordinate in lien and right of payment to all Senior Bonds Outstanding at any time.

The Series Ordinance authorizing the Subordinate Bonds shall establish funds and accounts for the moneys to be used to pay debt service on the Subordinate Bonds, to pay Hedge Payments under Subordinate Hedge Agreements, and to provide reserves therefor.

The requirements of the Bond Ordinance regarding use of proceeds for capital improvements of the system, certificate of either the Director of Finance or the Director of Water Services and an opinion of Bond Counsel are met with respect to such Subordinate Bonds (as if such Bonds constituted Senior Bonds).

In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, or other similar proceedings in connection therewith, relative to the City or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the City, whether or not involving insolvency or bankruptcy, the owners of all Senior Bonds then Outstanding and related Qualified Hedge Providers shall be entitled to receive payment in full of all Principal and interest due on all such Senior Bonds in accordance with the provisions of the Bond Ordinance and related Hedge Payments in accordance with the provisions of the Senior Hedge Agreements before the owners of the Subordinate Bonds or related Qualified Hedge Providers are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance on account of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements.

In the event that any of the Subordinate Bonds are declared due and payable before their expressed maturities because of the occurrence of an Event of Default (under circumstances when the provisions of the previous paragraph are not be applicable), no owners of Subordinate Bonds or related Qualified Hedge Providers may receive any accelerated payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance of Principal of, premium, if any, or interest on the Subordinate

Bonds or Hedge Payments under Subordinate Hedge Agreements, until the owners of all Senior Bonds Outstanding and related Qualified Hedge Providers have received timely payments when due of all Principal of and interest on all such Senior Bonds and all Hedge Payments under related Senior Hedge Agreements.

If any Event of Default shall have occurred and be continuing (under circumstances when the provisions of the paragraph above, regarding insolvency or bankruptcy proceedings, are not applicable), the owners of all Senior Bonds then Outstanding and related Qualified Hedge Providers shall be entitled to receive payment in full of all Principal and interest then due on all such Senior Bonds and all Hedge Payments under related Senior Hedge Agreements before the owners of the Subordinate Bonds or related Qualified Hedge Providers are entitled to receive any Payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements.

No owner of Senior Bonds or any related Qualified Hedge Provider shall be prejudiced in its right to enforce subordination of the Subordinate Bonds and Subordinate Hedge Agreements by any act or failure to act on the part of the City.

The obligations of the City to pay to the owners of the Subordinate Bonds the Principal of, premium, if any, and interest thereon in accordance with their terms and to pay Hedge Payments to related Qualified Hedge Providers in accordance with the terms of the Subordinate Hedge Agreements shall be unconditional and absolute. Nothing in the Bond Ordinance shall prevent the owners of the Subordinate Bonds or related Qualified Hedge Providers from exercising all remedies otherwise permitted by applicable law or under the Bond Ordinance or the Subordinate Hedge Agreements upon default thereunder, subject to the rights contained in the Bond Ordinance of the owners of Senior Bonds and related Qualified Hedge Providers to receive cash, property, or securities otherwise payable or deliverable to the owners of the Subordinate Bonds and related Qualified Hedge Providers, and any Series Ordinance authorizing Subordinate Bonds may provide that, insofar as a trustee or paying agent for the Subordinate Bonds is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the Principal of, premium, if any, and interest on such Subordinate Bonds and Hedge Payments under Subordinate Hedge Agreements if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any series of Subordinate Bonds and related Subordinate Hedge Agreements may have such rank or priority with respect to any other series of Subordinate Bonds and related Subordinate Hedge Agreements as may be provided in the Series Ordinance authorizing such series of Subordinate Bonds and may contain such other provisions as are not in conflict with the provisions of the Bond Ordinance.

Accession of Subordinate Bonds and Related Subordinate Hedge Agreements to Senior Status

By proceedings authorizing all or any Subordinate Bonds, the City may provide for the accession of such Subordinate Bonds and related Subordinate Hedge Agreements to the status of parity with the Senior Bonds and related Senior Hedge Agreements if, as of the date of accession, the conditions of various sections of the Bond Ordinance requiring a report, certificate and opinion of Bond Counsel are satisfied, on a basis which includes all Outstanding Senior Bonds and such Subordinate Bonds, and if on the date of accession:

The Debt Service Reserve Subaccount contains an amount equal to the Debt Service Reserve Requirement computed on a basis which includes all Outstanding Senior Bonds and such Subordinate Bonds (but which excludes, in the case of both Outstanding Senior Bonds and such Subordinate Bonds, any SRF Bonds); and

The Payments Subaccount contains the amount which would have been required to be accumulated therein on the date of accession if the Subordinate Bonds had originally been issued as Senior Bonds.

Proceedings Authorizing Additional Bonds

No Series Ordinance authorizing the issuance of additional Bonds shall conflict with the terms and conditions of the Bond Ordinance, except to the extent that the Series Ordinance is adopted for one of the purposes set forth in the Bond Ordinance section regarding Supplemental Ordinances not requiring consent of Bondholders and complies with the provisions of such section for the adoption of Supplemental Ordinances without the consent of Bondholders.

Credit Facilities and Hedge Agreements

In connection with the issuance of any Bonds under the Bond Ordinance, the City may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal of, premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Facility Provider, or providing funds for the purchase of such Bonds by the City. In connection therewith the City shall enter into Credit Facility Agreements with such Credit Facility Providers providing for, among other things, (i) the payment of fees and expenses to such Credit Facility Providers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities. The City may secure any Credit Facility by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the City in the applicable Series Ordinance. The City may in a Credit Facility Agreement agree to directly reimburse such Credit Facility Provider for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation shall be created for purposes of the Bond Ordinance until amounts are paid under such Credit Facility. Any such Reimbursement Obligation shall be deemed to be a part of the Bonds to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to Principal and interest payments with respect to such Bonds shall include Principal and interest (except for Additional Interest and Principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Bonds with the Credit Facility. All other amounts payable under the Credit Facility Agreement (including any Additional Interest and Principal amortization requirements with respect to the Reimbursement obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) shall be fully subordinate to the payment of debt service on the related class of Bonds. Any such Credit Facility shall be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Series Ordinance.

In connection with the issuance of any Bonds or at any time thereafter so long as such Bonds remain Outstanding, the City may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Bonds. The City shall authorize the execution, delivery, and performance of each Hedge Agreement in a Supplemental Ordinance, in which it shall designate the related Hedged Bonds. The City's obligation to pay Hedge Payments may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created to secure the related Hedged Bonds, or may be subordinated in lien and right of payment to the payment of the Bonds, as determined by the City.

Other Obligations

The City expressly reserves the right, at any time, to adopt one or more other bond ordinances and reserves the right, at any time, to issue any other obligations not secured by the amounts pledged under the Bond Ordinance.

Maintenance of the System in Good Condition

The City covenants that it will enforce reasonable rules and regulations governing the System and the operation thereof, that it will operate the System in an efficient and economical manner and will at all times maintain the System in good repair and in sound operating condition, that it will make all necessary repairs, renewals, and replacements to the System, and that it will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the System and the City's operation thereof.

Insurance

With respect to the System, the City will carry adequate public liability, fidelity and property insurance, such as is maintained by similar utilities as the System.

The City shall indemnify itself against the usual hazards incident to the construction of any Project, and without in any way limiting the generality of the above, shall: (a) require each construction contractor and each subcontractor to furnish a bond, or bonds, of such type and in amounts adequate to assure the faithful performance of their contracts and the payment of all bills and claims for labor and material arising by virtue of such contracts; and (b) require each construction contractor or the subcontractor to maintain at all times until the completion and acceptance of the Project adequate compensation insurance for all of their employees and adequate public liability and property damage insurance for the full and complete protection of the City from any and all claims of every kind and character which may arise by virtue of the operations under their contracts, whether such operations be by themselves or by anyone directly or indirectly for them, or under their control.

All such policies shall be for the benefit of and made payable to the City and shall be on deposit with the City; provided, however, the City may elect to be a self-insurer with respect to any risks for which insurance is required under this section. The cost of such insurance may be paid as an Expense of Operation and Maintenance.

All moneys received for losses under any such insurance policies, except public liability policies, are hereby pledged by the City as security for the Bonds until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by repairing the property damaged or replacing the property destroyed or by depositing the same in the Renewal and Replacement Account. Adequate provision for making good such loss and damage shall be made within 120 days from the date of the loss. Insurance proceeds not used in making such provision shall be deposited in the Surplus Account on the expiration of such 120-day period. Such insurance proceeds shall be payable to the City by appropriate clause to be attached to or inserted in the policies.

No Sale, Lease or Encumbrance; Exceptions

Except as expressly permitted in the Bond Ordinance, the City irrevocably covenants, binds, and obligates itself not to sell, lease, encumber, or in any manner dispose of the System as a whole or in part until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the article of the Bond Ordinance describing defeasance.

The City shall have and hereby reserves the right to sell, lease, or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (i) such property is not necessary for the operation of the System; (ii) such property is not useful in the operation of the System; (iii) such property is not profitable in the operation of the System; or (iv) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Bondholders. Other than as set forth in the Bond Ordinance section regarding the Revenue Fund, all proceeds of any such sale, lease or other disposition shall be deposited in the Surplus Account.

Prior to any such sale, lease or other disposition, there shall be filed with the City: (i) an opinion of Bond Counsel to the effect that such sale, lease or other disposition will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes (provided that such opinion shall not be required if the Director of Water Services determines that such portion of the System was not financed with the proceeds of any Tax-Exempt Bonds); and (ii) an opinion of a Consulting Engineer or an Independent Certified Public Accountant expressing the view that such sale, lease or other disposition will not result in any diminution of Net Operating Revenues to the extent that in any future Fiscal Year the Net Operating Revenues will be less than (A) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds to be Outstanding after such sale, lease or other disposition or (B) 115% of the Maximum Annual Debt Service Requirement on all Bonds and Other System Obligations to be Outstanding after such sale, lease or other disposition. In reaching this conclusion, the Consulting Engineer or the Independent Certified Public Accountant, as applicable, shall take into consideration such factors as he or she may deem significant, including (i) anticipated diminution of Operating Revenues, (ii) anticipated increase or decrease in Expenses of Operation and Maintenance attributable to the sale, lease or other disposition, and (iii) reduction in the annual Debt Service Requirement attributable to the application of the proceeds of such sale, lease or other disposition to the provision for payment of Bonds theretofore Outstanding. Such sale, lease or other disposition may include a partial interest in a waterworks facility owned or to be owned in whole or in part by the City.

The City reserves the right to transfer the System as a whole to any political subdivision or authority or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System, or any portion thereof, on behalf of the public, and which undertakes in writing, filed with the City, the City's obligations under the Bond Ordinance, provided that there shall be first filed with the City: (i) an opinion of Bond Counsel to the effect that such sale will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes; and (ii) an opinion of a Consulting Engineer or an Independent Certified Public Accountant expressing the view that such transfer will not result in any diminution of Net Operating Revenues to the extent that in any future Fiscal Year the Net Operating Revenues will be less than (A) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds to be Outstanding after such transfer or (B) 115% of the Maximum Annual Debt Service Requirement on all Bonds and Other System Obligations to be Outstanding after such transfer. In reaching this conclusion, the Consulting Engineer or Independent Certified Public Accountant, as applicable, shall take into consideration such factors as he or she may deem significant, including any rate schedule adopted by the transferee political subdivision, authority, or agency.

Upon receipt of an opinion of Bond Counsel to the effect that such action will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, the City may enter into such management contracts and sale/leaseback agreements as the City may deem appropriate, and such management contracts and sale/leaseback agreements shall not constitute a sale, lease or other disposition within the meaning of this Section.

No Impairment of Rights

The City shall not enter into any contract or contracts, nor take any action, the results of which might materially impair the rights of the Bondholders.

Satisfaction of Liens

The City will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments, and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon the Pledged Revenues, as well as any lawful claims for labor, materials, or supplies which if unpaid might by law become a lien or charge upon the System or the Pledged Revenues or any part thereof or which might impair the security of the Bonds, except when the City in good faith contests its liability to pay the same.

Enforcement of Charges and Connections

Except as otherwise determined in accordance with City policy and provided that such action or inaction will not materially impair the rights of the Bondholders, the City shall compel the prompt payment of rates, fees, and charges imposed for service rendered on every lot or parcel connected with the System, and to that end will vigorously enforce all of the provisions of any resolution or ordinance of the City having to do with waterworks connections and with waterworks charges, and all of the rights and remedies permitted the City under law. The City by this Section expressly covenants and agrees that such charges will be enforced and promptly collected to the full extent permitted by law, including the requirement for the making of reasonable deposits by customers of the System to the extent required by the City and the discontinuation of services to any premises delinquent in the payment of such charges.

None of the facilities or services afforded by the System will be furnished to any user without a reasonable charge being made therefore, except as otherwise provided for the Parks and Recreation Department in the Code of Ordinances.

Payments

All payments becoming due on the Bonds for Principal and interest shall be made by the City from the Pledged Revenues or, at the City's option, other legally available funds to the owners thereof when due in full, and all reasonable and authorized charges made by the Bond Registrar and any Paying Agent shall be paid by the City when due.

No Loss of Lien on Revenues

The City shall not do, or omit to do, or permit to be done or to be omitted any matter or thing whatsoever whereby the lien of the Bond Ordinance on the Pledged Revenues or any part thereof might or could be lost or impaired.

Annual Budget and Annual Financial Report

The City agrees to adopt an Annual Budget for the System for each Fiscal Year in compliance with the Charter and the rate covenants as stated in the Bond Ordinance. The annual financial report relating to the City's finances, required by Section 96, Article IV, of the Charter, shall contain complete statements covering the results of the year's operations and the financial condition of the System. Said statements shall bear the certificate of the firm of certified public accountants making the annual audit. A copy of each such annual report will be filed with the City Clerk and will be open for public inspection, and a copy will be forwarded promptly without cost to the manager of the underwriting group purchasing the Bonds.

Tax Provisions; Rebate Account

The City recognizes that the purchasers and owners of Tax-Exempt Bonds will have accepted the Tax-Exempt Bonds on, and paid for the Tax-Exempt Bonds a price which reflects, the understanding that interest on such Tax-Exempt Bonds is not included in the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes under laws in force at the time the Tax-Exempt Bonds shall have been delivered.

The City shall take any and all action which may be required from time to time in order to assure that interest on the Tax-Exempt Bonds shall remain excludable from the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes and shall refrain from taking any action which would adversely affect such status.

The City covenants and agrees that it will not use or permit any use of the proceeds of the sale of any Tax-Exempt Bonds, or any other moneys arising out of the ownership or operation of the System or otherwise, or use or permit the use of any of the facilities being financed or refinanced thereby or any other portion of the System, which would cause any Tax-Exempt Bonds or any portion thereof to be "private activity bonds" within the meaning of Section 141 of the Code.

Designation of Paying Agent and Bond Registrar

The Director of Finance shall designate the Paying Agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds (in such capacity, the "Bond Registrar"); provided, however, that in connection with the issuance of any SRF Bonds, the City shall appoint such Paying Agent designated by the issuer of the SRF Bonds.

The City will at all times maintain a Paying Agent meeting the qualifications herein described for the performance of the duties under the Bond Ordinance. The City reserves the right to appoint a successor Paying Agent by (1) filing with the bank or trust company then performing such function a certified copy of the proceedings giving notice of the termination of such bank or trust company and appointing a successor, and (2) causing notice to be given by first class mail to each Bondowner. No resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of the Paying Agent.

Every Paying Agent appointed hereunder shall at all times be (1) a commercial banking association or corporation or trust company located in the State of Missouri organized and in good standing and doing business under the laws of the United States of America or of the State of Missouri and subject to supervision or examination by federal or state regulatory authority and (2) shall have a reported capital (exclusive of borrowed capital) plus surplus of not less than $100,000,000 or consideration may be given by the City to a bank not meeting this amount if the bank submits an acceptable form of guarantee for its financial obligations to the City. If such institution publishes reports of conditions at least annually pursuant to law or regulation, then for the purposes of this Section the capital and surplus of such institution shall be deemed to be its capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent shall be paid in accordance with its proposal for fees and expenses submitted to the Director of Finance as an operating expense of the System.

Events of Default

An **"Event of Default"** shall mean the occurrence of any one or more of the following:

(a) failure to pay the Principal or redemption price of any Bond when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) failure to pay any installment of interest on any Bond when and as such installment of interest shall become due and payable; or

(c) default shall be made by the City in the performance of any obligation in respect to the Debt Service Reserve Subaccount and such default shall continue for 30 days thereafter; or

(d) the City shall (1) admit in writing its inability to pay its debts generally as they become due, (2) file a petition in bankruptcy or take advantage of any insolvency act, (3) make an assignment for the benefit of its creditors, (4) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (5) be adjudicated a bankrupt; or

(e) a court of competent jurisdiction shall enter an order, judgment, or decree appointing a receiver of the System or any of the funds or accounts established in the Bond Ordinance, or of the whole or any substantial part of the City's property, or approving a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable law or statute of the United States of America or the State, and such order, judgment, or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of any of the funds or accounts established in the Bond Ordinance, or of the whole or any substantial part of the City's property, and such custody or control shall not be terminated or stayed within 60 days from the date of assumption of such custody or control; or

(g) the City shall fail to perform any of the other covenants, conditions, agreements, and provisions contained in the Bonds or in the Bond Ordinance (other than the Continuing Disclosure covenant in the Bond Ordinance) on the part of the City to be performed, and such failure shall continue for 90 days after written notice specifying such failure and requiring it to be remedied shall have been given to the City by the owners of not less than, or a Credit Facility Provider securing not less than, 25% in aggregate Principal of the Bonds then Outstanding; provided, however, if the failure stated in such notice can be corrected, but not within such 90-day period, the City shall have 180 days after such written notice to cure such default if corrective action is instituted by the City within such 90-day period and diligently pursued until the failure is corrected; or

(h)(i) an Event of Default relating to the non-payment of the Principal or redemption price or installment of interest shall occur under any Series Ordinance; or

(h)(ii) an Event of Default, other than as described in (h)(i), shall occur under any Series Ordinance; or

(i) failure by any Credit Facility Provider to pay the purchase price of Bonds under any Credit Facility then in effect; or

(j) delivery to the City by a Credit Facility Provider of written notice stating that an "Event of Default" has occurred under any Credit Facility Agreement; or

(k) delivery to the City by a Qualified Hedge Provider of written notice stating that an "Event of Default" has occurred under any Senior Hedge Agreement.

Remedies

Upon the happening and continuance of any Event of Default specified in certain sections of the Bond Ordinance regarding payment defaults as to any Senior Bond, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of all Senior Bonds then Outstanding (other than Senior Bonds secured by a Credit Facility), the Principal of all Senior Bonds then Outstanding (other than Senior Bonds secured by a Credit Facility) shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on such Senior Bonds shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds to the contrary notwithstanding. With respect to any Senior Bonds secured by a Credit Facility, only the applicable Credit Facility Provider may give written demand to declare the Principal of and accrued interest on such Senior Bonds to be immediately due and payable.

Upon the happening and continuance of any Event of Default based upon failure by a Credit Facility Provider to pay the purchase price of Bonds under any Credit Facility, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of the Senior Bonds of the affected series then Outstanding, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding.

Upon the happening and continuance of any Event of Default based upon delivery to the City by a Credit Facility Provider of written notice stating that an Event of Default has occurred under any Credit Facility Agreement**,** then and in every such case, upon the written demand of the applicable Credit Facility Provider, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding.

Upon the happening and continuance of any Event of Default based upon the delivery to the City by a Qualified Hedge Provider of written notice stating that an Event of Default has occurred under any Senior Hedge Agreement, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of the Senior Bonds of the affected series then Outstanding, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding. Notwithstanding the foregoing, with respect to any Senior Bonds secured by a Credit Facility, only the applicable Credit Facility Provider may give written demand to declare the Principal of and accrued interest on such Senior Bonds to be immediately due and payable.

Upon any declaration of acceleration under the Bond Ordinance, the City shall immediately draw under the applicable Credit Facility to the extent permitted by the terms thereof that amount which, together with other amounts on deposit under the Bond Ordinance, shall be sufficient to pay the Principal of and accrued interest on the related Senior Bonds so accelerated.

The above provisions, however, are subject to the condition that if, after the Principal of the Senior Bonds shall have been so accelerated, all arrears of interest upon such Bonds, and interest on overdue installments of interest at the rate on such Bonds, shall have been paid by the City, the Principal of such Bonds which has matured (except the Principal of any Bonds not then due by their terms except as provided above) have been paid, and the City shall also have performed all other things in respect to which it may have been in default under the Bond Ordinance, and, if applicable, each Credit Facility Provider shall have reinstated the Credit Facility in the full amount available to be drawn thereunder by written notice to the City, then, in every such case, the owners of more than 50% in aggregate Principal of all Senior Bonds then Outstanding by written notice to the City, may waive such default and its consequences and such waiver shall be binding upon the City and upon all owners of the Bonds; but no such waiver shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. Notwithstanding the foregoing, as long as the applicable Credit Facility Provider shall not then continue to dishonor draws under the Credit Facility, no Event of Default with respect to the related Senior Bonds may be waived without the express written consent of such Credit Facility Provider.

Upon the happening and continuance of any Event of Default, any owner of Bonds then Outstanding affected by the Event of Default or a duly authorized agent for such owner may proceed to protect and enforce its rights and the rights of the owners of Bonds by such of the following remedies as it shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action, or proceeding at law or in equity, enforce all rights of the owners of Bonds, including the right to require the appointment of a receiver for the System or to exercise any other right or remedy provided by the Constitution and laws of the State and the Charter and to require the City to perform any other covenant or agreement contained in the Bond Ordinance;

(2) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of the Bonds;

(3) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; or

(4) by pursuing any other available remedy at law or in equity or by statute.

In the enforcement of any remedy under the Bond Ordinance, owners of Senior Bonds shall be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City for Principal, redemption premium, interest, or otherwise, under any provision of the Bond Ordinance or of the Senior Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Senior Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Ordinance and under such Senior Bonds, without prejudice to any other right or remedy of the owners of Senior Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

If no Senior Bonds are then Outstanding or if no Event of Default with respect to any Senior Bonds has then occurred and is continuing, in the enforcement of any remedy under the Bond Ordinance, owners of Subordinate Bonds shall be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City for Principal, redemption premium, interest, or otherwise, under any provision of the Bond Ordinance or of the Subordinate Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Subordinate Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Ordinance and under such Subordinate Bonds, without prejudice to any other right or remedy of the owners of Subordinate Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. Nothing in this paragraph is intended to diminish the rights of the owners of Subordinate Bonds described in clauses (1) through (4) of this Section.

Remedies Cumulative

No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity or by statute.

Waiver of Default

No delay or omission of any Bondholder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein, and every power and remedy given by the Bond Ordinance to the Bondholders may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys After Default

If an Event of Default occurs and shall not have been remedied, the City or a receiver appointed for the purpose shall apply all Pledged Revenues as follows and in the following order of priority:

Expenses of Receiver and Paying Agent and Bond Registrar - to the payment of the reasonable and proper charges, expenses, and liabilities of any receiver and the Paying Agent and Bond Registrar under the Bond Ordinance;

Expenses of Operation and Maintenance and Renewals and Replacements - to the payment of all reasonable and necessary Expenses of Operation and Maintenance and necessary renewals and replacements to the System;

Principal or Redemption Price, Interest, and Hedge Payments Relating to Senior Bonds - to the payment of the interest and Principal or redemption price then due on the Senior Bonds and Hedge Payments then due under Senior Hedge Agreements, as follows:

(a) Unless the Principal of all the Senior Bonds shall have become due and payable, all such moneys shall be applied as follows:

first: To the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference. If some of the Senior Bonds bear interest payable at different intervals, and if at any time moneys from the Debt Service Reserve Subaccount must be used to pay any such interest, the moneys in the Debt Service Reserve Subaccount shall be applied (to the extent necessary) to the payment of all interest becoming due on the dates upon which such interest is payable to and including the next Interest Payment Date. After such date, moneys in the Debt Service Reserve Subaccount plus any other moneys available in the Payments Subaccount shall be set aside for the payment of interest on Senior Bonds of each class (a class consisting of all Senior Bonds payable as to interest on the same dates) pro rata among Senior Bonds of the various classes on a daily basis so that there shall accrue to each owner of a Senior Bond throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Senior Bond as shall so accrue to every other owner of a Senior Bond during such Fiscal Year. As to any Capital Appreciation Bond which is a Senior Bond, such interest shall accrue on the Accreted Value of such Bond and be set aside on a daily basis until the next compounding date for such Bonds, whereupon it shall be paid to the owner of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as Principal of such Bond.

second: To the payment of the Hedge Payments due under any Senior Hedge Agreements pursuant to their terms.

third: To the payment to the persons entitled thereto of the unpaid Principal of any of the Senior Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of **Article IX**), in the order of their due dates, with interest upon such Senior Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Senior Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such Principal, ratably according to the amount of such Principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Senior Bonds mature (including mandatory redemption prior to maturity as a maturity) upon different dates, and if at any time moneys from the Debt Service Reserve Subaccount must be used to pay any such Principal becoming due, the moneys in the Debt Service Reserve Subaccount not required to pay interest under paragraph first above shall be applied (to the extent necessary) to the payment of all Principal becoming due on the dates upon which such Principal is payable to and including the final annual Principal Maturity Date. After such date, moneys in the Debt Service Reserve Subaccount not required to pay interest plus any other moneys available in the Payments Subaccount shall be set aside for the payment of Principal of Senior Bonds of each class (a class consisting of all Senior Bonds payable as to Principal on the same date) pro rata among Senior Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total Principal payable on each such Senior Bond as shall be equal among all classes of Senior Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Capital Appreciation Bond which is a Senior Bond (except for interest which shall have been paid under paragraph first above) shall be treated as Principal for purposes of this paragraph third.

fourth: To the payment of the redemption premium on and the Principal of any Senior Bonds called for optional redemption pursuant to their terms.

(b) If the Principal of all the Senior Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Senior Bonds, with interest thereon as aforesaid, and due and unpaid Hedge Payments under Senior Hedge Agreements, without preference or priority of Principal over interest or Hedge Payments or of interest over Principal or Hedge Payments, or of Hedge Payments over Principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bonds, or of any such Hedge Payment over any other such Hedge Payment, ratably, according to the amounts due respectively for Principal, interest, and Hedge Payments, to the persons entitled thereto without any discrimination or preference.

Principal or Redemption Price, Interest, and Hedge Payments Relating to Subordinate Bonds and Hedge Contingency Payments - to the payment of the interest and Principal or redemption price then due on the Subordinate Bonds, Hedge Contingency Payments and Hedge Payments then due under Subordinate Hedge Agreements, as follows:

(a) Unless the Principal of all the Subordinate Bonds shall have become due and payable, all such moneys shall be applied as follows:

first: To the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Subordinate Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference. If some of the Subordinate Bonds bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Subaccount must be used to pay any such interest, the moneys in the Debt Service Reserve Subaccount shall be applied (to the extent necessary) to the payment of all interest becoming due on the dates upon which such interest is payable to and including the next succeeding semiannual Interest Payment Date. After such date, moneys in the Debt Service Reserve Subaccount plus any other moneys available in the Payments Subaccount shall be set aside for the payment of interest on Subordinate Bonds of each class (a class consisting of all Subordinate Bonds payable as to interest on the same dates) pro rata among Subordinate Bonds of the various classes on a daily basis so that there shall accrue to each owner of a Subordinate Bond throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Subordinate Bond as shall so accrue to every other owner of a Subordinate Bond during such Fiscal Year. As to any Capital Appreciation Bond which is a Subordinate Bond, such interest shall accrue on the Accreted Value of such Bond and be set aside on a daily basis until the next compounding date for such Bonds, whereupon it shall be paid to the owner of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as Principal of such Bond.

second: To the payment of the Hedge Payments due under any Subordinate Hedge Agreements pursuant to their terms.

third: To the payment of Hedge Contingency Payments, if any, due under any Senior Hedge Agreements pursuant to their terms and to the persons entitled thereto of the unpaid Principal of any of the Subordinate Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Subordinate Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of **Article IX**), in the order of their due dates, with interest upon such Subordinate Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full such Hedge Contingency Payments and Subordinate Bonds due on any particular date, together with such interest, then to the payment first of such Hedge Contingency Payments and interest, ratably according to the amount of such interest and Hedge Contingency Payments due on such date, and then to the payment of such Principal, ratably according to the amount of such Principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Subordinate Bonds mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates and if at any time moneys from the Debt Service Reserve Subaccount must be used to pay any such Principal becoming due, the moneys in the Debt Service Reserve Subaccount not required to pay interest under paragraph first above shall be applied (to the extent necessary) to the payment of all Principal becoming due on the dates upon which such Principal is payable to and including the final annual Principal Maturity Date. After such date, moneys in the Debt Service Reserve Subaccount not required to pay interest plus any other moneys available in the Payments Subaccount shall be set aside for the payment of Principal of Subordinate Bonds of each class (a class consisting of all Subordinate Bonds payable as to Principal on the same date) pro rata among Subordinate Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total Principal payable on each such Subordinate Bond as shall be equal among all classes of Subordinate Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Capital Appreciation Bond which is a Subordinate Bond (except for interest which shall have been paid under paragraph first above) shall be treated as Principal for purposes of this paragraph third.

fourth: To the payment of Hedge Contingency Payments, if any, due under any Subordinate Hedge Agreements pursuant to their terms.

fifth: To the payment of the redemption premium on and the Principal of any Subordinate Bonds called for optional redemption pursuant to their terms.

(b) If the Principal of all the Subordinate Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Subordinate Bonds, with interest thereon as aforesaid, and due and unpaid Hedge Contingency Payments and Hedge Payments under Subordinate Hedge Agreements, without preference or priority of Principal over interest, Hedge Contingency Payments or Hedge Payments or of interest over Principal, Hedge Contingency Payments or Hedge Payments, or of Hedge Contingency Payments over Principal, Hedge Payments or interest, or of Hedge Payments over Principal, interest or Hedge Contingency Payments, or of any installment of interest over any other installment of interest, or of any Subordinate Bond over any other Subordinate Bonds, or of any such Hedge Contingency Payment or any other such Hedge Contingency Payment or of any such Hedge Payment over any other such Hedge Payment, ratably, according to the amounts due respectively for Principal, interest, Hedge Contingency Payments and Hedge Payments, to the persons entitled thereto without any discrimination or preference.

Rights of Credit Facility Provider

Notwithstanding any other provision of the Bond Ordinance, in the event that the City shall draw under a Credit Facility any amount for the payment of Principal of or interest on any Bonds, then upon such payment the related Credit Facility Provider shall succeed to and become subrogated to the rights of the recipients of such payments and such Principal or interest shall be deemed to continue to be unpaid and Outstanding for all purposes and shall continue to be fully secured by the Bond Ordinance until the Credit Facility Provider, as successor and subrogee, has been paid all amounts owing in respect of such subrogated payments of Principal and interest. Such rights shall be limited and evidenced by having the City note the Credit Facility Provider's rights as successor and subrogee on its records, and the City shall, upon request, deliver to the Credit Facility Provider (i) in the case of interest on the Bonds, an acknowledgment of the Credit Facility Provider's ownership of interest to be paid on the Bonds specifying the amount of interest owed, the period represented by such interest, and the CUSIP numbers of the Bonds on which such interest is owed and (ii) in the case of Principal of the Bonds, either the Bonds themselves duly assigned to the Credit Facility Provider or new Bonds registered in the name of the Credit Facility Provider or in such other name as the Credit Facility Provider shall specify. Whenever moneys become available for the payment of any interest then overdue, the Credit Facility Provider shall be treated as to interest owed to it as and as if it had been the Bondholder of the Bonds upon which such interest is payable on any special record date therefor.

No Obligation to Levy Taxes

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

Call of Meetings of Bondholders

The City or the owners of not less than 25% in aggregate Principal of the Bonds Outstanding of either the Senior Bonds or the Subordinate Bonds may at any time call a meeting of the Bondholders.

Defeasance

Except as otherwise provided in any Series Ordinance with respect to Bonds secured by a Credit Facility, Bonds for the payment or redemption of which sufficient moneys or sufficient Government Obligations shall have been deposited with the Paying Agent (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid and no longer Outstanding under the Bond Ordinance; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or firm and irrevocable arrangements shall have been made for the giving of such notice; and, provided, further, that Bonds that are Auction Rate Bonds or are bearing interest at a Variable Rate shall not be deemed to have been paid and discharged within the meaning of this Section unless the interest rate payable on such Bonds is calculated at the maximum interest rate specified for such Bonds to the earlier of the first tender or redemption date. Government Obligations shall be considered sufficient for purposes of this article only: (i) if such Government Obligations are not callable by the issuer of the Government Obligations prior to their stated maturity, and (ii) if such Government Obligations fall due and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay Principal and redemption premiums, if any, when due on the Bonds without rendering the interest on any Tax-Exempt Bonds includable in gross income of any owner thereof for federal income tax purposes.

The City may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered under the Bond Ordinance which the City may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Supplemental Ordinances Not Requiring Consent of Bondholders

The City, from time to time and at any time, subject to the conditions and restrictions in the Bond Ordinance, may adopt one or more Supplemental Ordinances which thereafter shall form a part of the Bond Ordinance, for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the City in the Bond Ordinance other covenants and agreements thereafter to be observed or to surrender, restrict, or limit any right or power reserved in the Bond Ordinance to or conferred upon the City (including but not limited to the right to issue Senior Bonds);

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in the Bond Ordinance, or in regard to matters or questions arising under the Bond Ordinance, as the City may deem necessary or desirable and not inconsistent with the Bond Ordinance;

(c) To subject to the lien and pledge of the Bond Ordinance additional revenues, receipts, properties, or other collateral;

(d) To evidence the appointment of a successor to any Paying Agent;

(e) To modify, amend, or supplement the Bond Ordinance in such manner as to permit the qualification of the Bond Ordinance under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Bond Ordinance such other terms, conditions, and provisions as may be permitted or required by such Trust Indenture Act of 1939 or any similar federal statute;

(f) To make any modification or amendment of the Bond Ordinance required in order to make any Bonds eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Bonds or interests therein in book-entry form;

(g) To modify any of the provisions of the Bond Ordinance in any respect if such modification shall not become effective until after the Bonds Outstanding immediately prior to the effective date of such Supplemental Ordinance shall cease to be Outstanding and if any Bonds issued contemporaneously with or after the effective date of such Supplemental Ordinance shall contain a specific reference to the modifications contained in such subsequent proceedings;

(h) Subject to the provisions of Bond Ordinance related to the Project Fund, to modify the provisions of the Bond Ordinance with respect to the disposition of any moneys remaining in the Project Fund upon the completion of any Project;

(i) To increase the size or scope of the System, to add other utilities to the System, to create additional subaccounts or to abolish any subaccounts within any account, or to change the amount of the Debt Service Reserve Requirement, but not below the amount specified in such definition;

(j) To modify the Bond Ordinance to permit the qualification of any Bonds for offer or sale under the securities laws of any state in the United States of America;

(k) To modify the Bond Ordinance to provide for the issuance of Senior Bonds or Subordinate Bonds, and such modification may deal with any subjects and make any provisions which the City deems necessary or desirable for that purpose;

(l) To make such modifications in the provisions of the Bond Ordinance as may be deemed necessary by the City to accommodate the issuance of Bonds which (i) are Auction Rate Bonds, (ii) are Capital Appreciation Bonds (including, but not limited to, provisions for determining the Debt Service Requirement for such Capital Appreciation Bonds and for treatment of Accreted Value in making such determination) or (iii) bear interest at a Variable Rate; and

(m) To modify any of the provisions of the Bond Ordinance in any respect (other than a modification of the type described in the Bond Ordinance section regarding Supplemental Ordinances requiring consent of Bondholders requiring the unanimous written consent of the Bondholders); provided that for (i) any Outstanding Bonds which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of Principal and interest to be paid thereon, each Rating Agency shall have given written notification to the City that such modification will not cause the then applicable Rating on any Bonds to be reduced or withdrawn, and (ii) any Outstanding Bonds which are secured by Credit Facilities providing for the payment of the full amount of the Principal and interest to be paid thereon, each Credit Facility Provider shall have consented in writing to such modification.

Any Supplemental Ordinance authorized by the provisions of this Section may be adopted by the City without the consent of or notice to the owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Bond Ordinance section regarding Supplemental Ordinances requiring consent of Bondholders.

Any Supplemental Ordinance of the City may modify the provisions of the Bond Ordinance in such a manner, and to such extent and containing such provisions, as the City may deem necessary or desirable to effect any of the purposes stated above.

Supplemental Ordinances Requiring Consent of Bondholders

With the consent of the owners of not less than a majority in aggregate Principal of the Outstanding Bonds of each class (senior and subordinate), voting separately by class, the City may from time to time and at any time adopt a Supplemental Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Ordinance or of any Supplemental Ordinance; provided, however, that no such Supplemental Ordinance shall: (1) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Bond Outstanding under the Bond Ordinance; (2) reduce or extend the time for payment of Principal of, redemption premium, or interest on any Bond Outstanding under the Bond Ordinance; (3) reduce any premium payable upon the redemption of any Bond under the Bond Ordinance or advance the date upon which any Bond may first be called for redemption prior to its stated maturity date; (4) give to any Senior Bond or Senior Bonds (or related Hedge Payments) a preference over any other Senior Bond or Senior Bonds (or related Hedge Payments); (5) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the Bond Ordinance for the Senior Bonds; (6) reduce the percentage of owners of senior or subordinate classes of Bonds required to approve any such Supplemental Ordinance; or (7) deprive the owners of the Bonds of the right to payment of the Bonds or from the Pledged Revenues, without, in each case, the consent of the owners of all the affected Bonds then Outstanding. No amendment may be made under this Section which affects the rights or duties of any Credit Facility Provider securing any of the Bonds or any Qualified Hedge Provider under any Hedge Agreement without its written consent.

If the City intends to enter into or adopt any Supplemental Ordinance as described in this Section, the City shall mail, by registered or certified mail, to the registered owners of the Bonds at their addresses as shown on the Bond Register, a notice of such intention along with a description of such Supplemental Ordinance not less than 30 days prior to the proposed effective date of such Supplemental Ordinance. The consents of the registered owners of the Bonds need not approve the particular form of wording of the proposed Supplemental Ordinance, but it shall be sufficient if such consents approve the substance thereof. Failure of the owner of any Bond to receive the notice required in the Bond Ordinance shall not affect the validity of any Supplemental Ordinance if the required number of owners of the Bonds of each class shall provide their written consent to such Supplemental Ordinance.

Notwithstanding any provision of the Bond Ordinance to the contrary, upon the issuance of a Credit Facility to secure any Bonds and for the period in which such Credit Facility is outstanding, the Credit Facility Provider may have the consent rights of the owners of the Bonds which are secured by such Credit Facility pertaining to some or all of the amendments or modifications of the Bond Ordinance, to the extent provided in the applicable Series Ordinance. Notwithstanding the foregoing, if a Credit Facility Provider is granted the consent rights of the owners of any Bonds in a Series Ordinance and refuses to exercise such consent rights, either affirmatively or negatively, then the registered owners of the Bonds secured by the related Credit Facility may exercise such consent rights.

Notice of Supplemental Ordinances

The City shall cause the Bond Registrar to mail a notice by registered or certified mail to the registered owners of all Bonds Outstanding, at their addresses shown on the Bond Register or at such other address as has been furnished in writing by such registered owner to the Bond Registrar, setting forth in general terms the substance of any Supplemental Ordinance which has been: (i) adopted by the City or (ii) approved by Bondholders or any Credit Facility Provider and adopted by the City.

Project Fund

Moneys in the Project Account for each Project shall be used solely for the purpose of paying part of the cost of that Project as hereinbefore provided, in accordance with the plans therefor and heretofore approved by the Council of the City and on file in the office of the Director of the Department of Water Services, including any alterations in or amendments to said plans deemed advisable by the Director of the Department of Water Services and approved by the Council of the City.

Moneys in the Costs of Issuance Account shall be used solely for the purpose of paying the costs and expenses incident to the issuance of the Bonds upon certification thereof by the Director of Finance. Unless a later date is specified in the Series Ordinance authorizing a series of Bonds, on the latest to occur of (i) the payment in full of such amounts (as certified by the Director of Finance) or (ii) the date which is six months following the date on which the Bonds are issued and authenticated, any moneys remaining in the Costs of Issuance Account shall be transferred to the Project Account and applied in accordance with the provisions of this Section.

Purposes of Payments

Moneys in each separate account in the Project Fund shall be used for the payment or reimbursement of the Costs of the Project for which such account was established.

Documentation of Payments

Withdrawals from the Project Fund shall be made only when authorized by the Council and only on duly authorized and executed warrants or vouchers therefor prepared in accordance with procedures issued by the Director of the Department of Water Services that such payment is being made for a purpose within the scope of this Bond Ordinance and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof.

Funds Remaining on Completion of Projects

Upon completion of a Project, any surplus moneys remaining in the respective Project Account and not required for the payment of unpaid costs thereof shall be deposited in the Payments Subaccount. Any surplus credited to the Payments Subaccount shall be applied by the Paying Agent as directed by the City solely to the payment of principal of, redemption premium, if any, and interest on the related series of Bonds through the payment or redemption thereof at the earliest date permissible under the terms of the Bond Ordinance. The balance transferred to the Payments Subaccount may first be used to pay any principal payment on the related series of Bonds coming due in that current bond year. If the balance transferred is greater than the current bond year principal payment, the excess shall be used to optionally call Bonds for redemption. Any Bonds purchased by the Paying Agent pursuant to this provision with moneys from the Payments Subaccount will be deemed cancelled.

Applicable Provisions of Law

The Bond Ordinance shall be governed by and construed and enforced in accordance with the laws of the State and the Charter.

SERIES ORDINANCE DEFINITIONS

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Series Ordinance for the Series 2013A Bonds with respect to the Bonds and this Official Statement. Reference is hereby made to the Bond Ordinance and Series Ordinance for the Series 2013A Bonds for complete definitions of all terms.

"Bond Registrar" means any bank or trust company designated as such by the City in the Bond Ordinance with respect to any of the Bonds. Such Bond Registrar shall perform the duties required of the Bond Registrar in the Bond Ordinance. BOKF, N.A. d/b/a Bank of Kansas City is hereby designated as Bond Registrar for the Bonds; provided, however, that in connection with the issuance of any SRF Bonds, the City shall appoint such separate Bond Registrar designated by the issuer of the SRF Bonds.

"Certificate of Final Terms" means the Certificate of Final Terms, executed and delivered by the Mayor.

"Debt Service Reserve Requirement Funding Commencement Date" means the first day of the month after a Valuation Date in which the Net Operating Revenues are less than the Debt Service Reserve Debt Service Coverage Requirement for the preceding Fiscal Year.

"Debt Service Reserve Debt Service Coverage Requirement" means with respect to the Series 2013A Bonds, 130% of the average annual Debt Service Requirements on all Outstanding Senior Bonds, which are not Senior SRF Bonds.

"Master Bond Ordinance" means Second Committee Substitute for Ordinance No. 080197 adopted by the City on August 14, 2008, as amended from time to time.

"Ordinance" means Ordinance No. 130049 adopted by the City on January 31, 2013, as from time to time amended.

"Original Principal Amount" means the principal amount of Series 2013A Bonds originally issued and delivered pursuant to the Master Bond Ordinance and the Ordinance, in the amount specified in the Certificate of Final Terms, subject to the terms in the Ordinance.

"Paying Agent" means any bank or trust company, including any successors and assigns thereof, authorized by the City to pay the Principal of, premium, if any, or interest on any Bonds on behalf of the City. Such Paying Agent shall perform the duties required of the Paying Agent in the Master Bond Ordinance and the Ordinance. BOKF, N.A. d/b/a Bank of Kansas City is hereby designated as Paying Agent for the Bonds; provided, however, that in connection with the issuance of any SRF Bonds, the City shall appoint such Paying Agent designated by the issuer of the SRF Bonds.

"Senior Bonds" means the Series 2009A Bonds, the Series 2012A Bonds, the Series 2013A Bonds and any Bonds, including Senior SRF Bonds, issued with a right to payment and secured by a lien on a parity with the Series 2009A Bonds, the Series 2012A Bonds and the Series 2013A Bonds (except with respect to any Credit Facility which may be available only to one or more series of Senior Bonds and except that Senior SRF Bonds shall not be secured by the Debt Service Reserve Account) pursuant to the Master Bond Ordinance.

"Series 2013A Bonds" means the City's Water Revenue Bonds, Series 2013A, in the original aggregate principal amount of $54,000,000.

"Series 2013A Costs of Issuance Account" means the account by that name within the Project Fund established in the Ordinance.

"Series 2013A Debt Service Reserve Requirement" means an amount equal to the average annual debt service with respect to the Outstanding Series 2013A Bonds as calculated after any principal payment on the Series 2013A Bonds (whether at maturity or by redemption).

"Series 2013A Official Statement" means the final Official Statement respecting the Series 2013A Bonds.

"Series 2013A Project" means the extensions and improvements of the City's waterworks system, as approved by the voters of the City at the 2005 Election.

"Series 2013A Project Account" means the account by that name within the Project Fund established in the Ordinance.

"Series 2013A Rebate Subaccount" means the subaccount by that name within the Rebate Account established in the Ordinance.

"Underwriter" means Barclays Capital Inc., as senior manager and representative of the original purchasers of the Series 2013A Bonds.

SUMMARY OF SERIES ORDINANCE

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

Establishment of Funds and Accounts

In addition to the Funds and Accounts established in the Master Bond Ordinance, the City establishes the following accounts, and the moneys deposited in such accounts shall be held in trust for the purposes set forth in the Master Bond Ordinance and the Ordinance:

> Within the City of Kansas City, Missouri Waterworks Rebate Account in the Revenue Fund (the **"Rebate Account")**, a Series 2013A Rebate Subaccount.
>
> Within the City of Kansas City, Missouri Waterworks Project Fund (the **"Project Fund"**), a Series 2013A Project Account and a Series 2013A Costs of Issuance Account.

Each account listed above shall be held within the account under which it is created. All accounts listed above are further described in the Master Bond Ordinance, except for (i) the Rebate Subaccount as further described in the Master Bond Ordinance, and (ii) the Project Fund as further described in the Master Bond Ordinance.

Investment Earnings

All investment earnings from the Series 2013A Project Account and the Series 2013A Costs of Issuance Account shall be retained or transferred to the Payments Subaccount of the Sinking Fund Account. All investment earnings on the Debt Service Reserve Subaccount shall be retained in such subaccount at all times unless the balance of the Debt Service Reserve Subaccount is equal to or greater than the Debt Service Reserve Requirement, then such Investment Earnings shall be deposited into the Payments Subaccount.

Applicability of Master Bond Ordinance

Except as otherwise provided in the Ordinance, the provisions of the Master Bond Ordinance are ratified, approved and confirmed and incorporated into the Ordinance and shall be applicable to the authorization, execution, authentication, issuance, redemption, payment, sale and delivery of the Series 2013A Bonds, the custody and the distribution of the proceeds and the security, payment, redemption and enforcement of payment thereof. The requirements of the Master Bond Ordinance regarding the issuance of additional Bonds have been satisfied.

General Authorization for Series 2013A Bonds

From and after the date of adoption of the Ordinance, the officials, employees, and agents of the City are authorized to do all such acts and things and to execute and deliver any and all other documents, agreements, certificates and instruments as may be necessary or desirable in connection with the execution, delivery and sale of the Series 2013A Bonds, the investment of the proceeds of the Series 2013A Bonds and the transactions contemplated on the part of the City by the Ordinance. The Director of Finance and City Clerk are thereby authorized and directed to prepare and furnish to the Underwriter, when the Series 2013A Bonds are issued, certified copies of all proceedings and records of the City relating to the Series 2013A Bonds or to the Master Bond Ordinance and the Ordinance, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2013A Bonds as such facts appear from the books and records in such officers' custody and control or as otherwise known to them. All such certified copies, certificates and affidavits, including any theretofore furnished, shall constitute representations of the City as to the truth of all statements contained therein.

Debt Service Reserve Subaccount

The City elects pursuant to the definition of Debt Service Reserve Requirement under the Master Bond Ordinance to reduce the Debt Service Reserve Requirement for Senior Bonds to the amount currently on deposit, so that no deposits to the Debt Service Reserve Subaccount of the Sinking Fund Account shall be required in connection with the issuance of the Series 2013A Bonds since the City obtained the necessary confirmation from each Rating Agency that its current rating on the Senior Bonds would not be reduced or withdrawn based upon definitions or provisions pertaining to the Debt Service Reserve Requirement.

Upon the occurrence of a Debt Service Reserve Requirement Funding Commencement Date, the City shall, pursuant to the Master Bond Ordinance, make monthly deposits to the Debt Service Reserve Subaccount equal to $1/24^{th}$ of the Series 2013A Debt Service Reserve Requirement for 24 months until the Series 2013A Debt Service Reserve Requirement is satisfied.

Sale and Terms of Series 2013A Bonds; Authorization and Execution of Purchase Contract and Certificate of Final Terms

The Series 2013A Bonds will be sold to the Underwriter under the terms of the Purchase Contract. The Mayor is authorized and directed to approve the purchase price for the Bonds, the principal amounts by maturity, the interest rates and the other final terms of the Bonds, including applicable redemption provisions, subject to the limitations set forth in this Section, and in that connection, to execute and deliver the Certificate of Final Terms for and on behalf of and as the act and deed of the City, which approval will be conclusively evidenced by the Mayor's execution of the Certificate of Final Terms. Upon execution, the Certificate of Final Terms will be attached to the Ordinance, and the City Clerk is thereby authorized to file the Certificate of Final Terms with the Ordinance. The City is authorized to enter into the Purchase Contract in accordance with the Certificate of Final Terms. The Director of Finance is authorized to execute the Purchase Contract for and on behalf of and as the act and deed of the City.

Application of Series 2013A Bond Proceeds

Upon the written request of the City, the Bond Registrar shall authenticate and deliver to DTC or hold the Series 2013A Bonds as "Fast Agent" for the benefit of the Beneficial Owners and shall receive a receipt for the Series 2013A Bonds. The net proceeds received from the sale of the Series 2013A Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

(a) Proceeds of the Series 2013A Bonds shall be deposited in the Series 2013A Rebate Subaccount of the Rebate Account in an amount as set forth in the Certificate of Final Terms.

(b) Proceeds of the Series 2013A Bonds shall be deposited in the Series 2013A Costs of Issuance Account to pay the costs of issuing the Series 2013A Bonds as authorized by the Director of Finance, in an amount as set forth in the Certificate of Final Terms.

(c) The remaining proceeds of the Series 2013A Bonds, including any premium received from the sale of the Bonds, shall be deposited in the Series 2013A Project Account as set forth in the Certificate of Final Terms.

Moneys in the Series 2013A Costs of Issuance Account

Moneys in the Costs of Issuance Account shall be applied as provided in the Master Bond Ordinance.

Official Statement

The use and distribution of the Series 2013A Bonds' Official Statement is authorized and approved by supplementing, amending and completing the Preliminary Official Statement in the form on file in the office of the Director of Finance, and the execution and delivery of the Series 2013A Official Statement in final form shall be and is authorized, ratified, confirmed, and approved. The Director of Finance is authorized and directed to ratify, confirm, approve, execute, and deliver the Series 2013A Official Statement on behalf of the City, and the execution of the Series 2013A Official Statement by the Director of Finance shall constitute conclusive evidence of each such officer's ratification, confirmation, approval, and delivery thereof on behalf of the City.

Approval of Contracts

The City approves the selection (1) of Gilmore & Bell, P.C. and Martinez Madrigal & Machicao, LLC as co-bond counsel for the Bonds, (2) of First Southwest Company and Moody Reid Financial Advisors as the City's co-financial advisors, (3) of King Hershey, PC, Clayborn & Associates, LLC and Jane Hart Law Offices, LLC as co-disclosure counsel and (4) of Barclays Capital Inc. as the Underwriter, and approves and ratifies all contracts in connection with such selections.

Severability

In case any one or more of the provisions of the Ordinance or of the Series 2013A Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Ordinance or of the Series 2013A Bonds, but the Ordinance and the Series 2013A Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Series 2013A Bonds or in the Ordinance shall for any reason be held to be unenforceable or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the City to the full extent that the power to incur such obligation or to make such covenant, stipulation or agreement shall have been conferred on the City by law.

Applicable Provisions of Law

The Ordinance shall be governed by and construed and enforced in accordance with the laws of the State and the Charter.

Effective Date

The Ordinance will take effect and be in full force and effect ten days after its passage.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX E

PROPOSED FORM OF CO-BOND COUNSEL OPINION

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX E

PROPOSED FORM OF CO-BOND COUNSEL OPINION

[Closing Date]

City of Kansas City, Missouri
Kansas City, Missouri

Barclays Capital Inc.
Chicago, Illinois

Re: $54,000,000 City of Kansas City, Missouri, Water Revenue Bonds, Series 2013A

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Kansas City, Missouri (the "City"), of the above-captioned bonds (the "Bonds"), pursuant to Second Committee Substitute for Ordinance No. 080197 and Ordinance No. 130049 (collectively, the "Bond Ordinance"), adopted by the governing body of the City. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Ordinance.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the City and are valid and legally binding special obligations of the City enforceable in accordance with their terms, payable solely from the Pledged Revenues (as defined in the Bond Ordinance), and are subordinate to bonds previously issued or to be issued as provided in the Bond Ordinance. The Bonds do not constitute general obligations of the City nor do they constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds.

2. The Bond Ordinance has been duly adopted by the City and constitutes the valid and legally binding obligation of the City enforceable against the City in accordance with its terms.

3. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be

satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(THIS PAGE LEFT BLANK INTENTIONALLY)

CONTINUING DISCLOSURE UNDERTAKING

relating to
$54,000,000
CITY OF KANSAS CITY, MISSOURI
WATER REVENUE BONDS
SERIES 2013A

THIS CONTINUING DISCLOSURE UNDERTAKING (this "**Undertaking**") is executed and delivered by the City of Kansas City, Missouri (the "**City**") as the **"Obligated Person"** in connection with the issuance of the above-captioned bonds (the "**Bonds**"). The Bonds are being issued pursuant to Second Committee Substitute for Ordinance No. 080197 passed on August 14, 2008, as supplemented by Ordinance No. 130049 passed on January 31, 2013 (collectively, the "**Ordinance**").

In order to permit the Purchaser to comply with the provisions of Rule 15c2-12 of the Securities Exchange Commission, as amended, in connection with the public offering of the Bonds, the City hereby covenants and agrees, for the sole and exclusive benefit of holders and Beneficial Owners of the Bonds, as follows:

Section 1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Ordinance.

"**Annual Information**" means the financial information and operating data described in **Section 3** hereof.

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

"**Bonds**" means the City of Kansas City, Missouri, Water Revenue Bonds, Series 2013A.

"**City**" means the City of Kansas City, Missouri, a constitutional charter city duly organized under the laws of the State of Missouri, and any successor thereto.

"**EMMA**" means the Electronic Municipal Market Access system for municipal securities disclosures established by the MSRB, which can be accessed at www.emma.msrb.org. All information to be provided to the MSRB pursuant to this Undertaking shall be submitted through EMMA in an electronic format and accompanied by identifying information, both as prescribed by the MSRB.

"**Fiscal Year**" means the City's fiscal year, which is currently May 1 to April 30, or as it may be hereinafter defined by the City.

"**GAAP**" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

"**GAAS**" means generally accepted auditing standards as in effect from time to time in the United States.

"**MSRB**" means the Municipal Securities Rulemaking Board, established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"**Obligated Person**" means the person (including an issuer of separate securities) that is committed by contract or other arrangements structured to support payment of all or part of the obligations under the Bonds.

"Official Statement" means the Official Statement relating to the Bonds dated February 27, 2013.

"**Ordinance**" means the ordinance of the City described above authorizing the Bonds, as originally executed or as it may be supplemented or amended from time to time.

"Purchaser" means Barclays Capital, Inc., as representative of the underwriters of the Bonds.

"**Rule 15c2-12**" means Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended and as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

Section 2. Obligations to Providing Continuing Disclosure.

(a) Obligations of the City.

(i) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide to the MSRB, no later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ending April 30, 2013, the Annual Information relating to such Fiscal Year.

(ii) If audited financial statements are to be provided as part of the Annual Information but are not available to be submitted with the rest of the Annual Information on or before the date provided in the immediately preceding subsection, unaudited financial statements shall be submitted and the audited financial statements shall be submitted to the MSRB, if and when they become available.

(iii) The Paying Agent, if other than an officer of the City, shall notify the City of the occurrence of any of the Material Events with respect to the Bonds listed in **Section 2(a)(iv)** hereof, promptly upon becoming aware of the occurrence of any such event.

(iv) In a timely manner not in excess of 10 business days after the occurrence of any of the following events, the City shall give, or cause to be given, to the MSRB, notice of the occurrence of any of the following events with respect to the Bonds (collectively, the **"Material Events"**):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;

(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(G) modifications to the rights of holders of the Bonds, if material;

(H) Bond calls, if material, and tender offers;

(I) defeasances;

(J) release, substitution or sale of property securing repayment of the Bonds, if material;

(K) rating changes;

(L) bankruptcy, insolvency, receivership or similar event of the City;

(M) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

(v) The City shall also provide to the MSRB, as promptly as practicable, notice of any failure of the City to provide the Annual Information on or before the date specified in **Section 2(a)(i)**.

(b) Termination or Modification of Disclosure Obligation. The obligations of the City hereunder may be terminated if the City is no longer an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12. Upon any such termination, the City shall provide written notice thereof to the MSRB.

(c) Other Information. Nothing herein shall be deemed to prevent the City from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the City voluntarily disseminates any such additional information, the City shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

Section 3. Annual Information.

(a) Specified Information. The Annual Information shall consist of (i) financial data of the type included in Appendix B to the Official Statement under the heading "Accountant's Report and Audited Financial Statements" and (ii) operating data of the type included in the Official Statement under the headings "THE WATER SYSTEM – Primary System,- Atherton System, - Additional Information, - Largest Users of the System, and - Rate Structure" and the Table entitled "Historical Debt Service Coverage Calculation" under the heading "WATER SYSTEM FINANCIAL INFORMATION AND COVERAGE STATEMENT."

(b) Incorporation by Reference. All or any portion of the Annual Information of the City may be provided by specific incorporation by reference to any other documents which have been filed with the MSRB and/or the Securities Exchange Commission.

(c) Information Categories. The requirements contained in this Undertaking under **Section 3(a)** are intended to set forth a general description of the type of financial information and operating data to be provided by the City and such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of **Section 3(a)** call for information that no longer can be generated or relates to operations that have been materially changed or discontinued, a statement to that effect shall be provided.

Section 4. Preparation of Financial Statements. The annual financial statements included in the financial data described in **Section 3(a)(i)** shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such Fiscal Year).

Section 5. Remedies. If the City should fail to comply with a provision of this Undertaking, then any holder or Beneficial Owner of the Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of such party hereunder, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances and, provided further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with **Sections 2** and **3** hereunder are conditions upon the provisions of the Ordinance with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default thereunder as though such provisions applied hereunder. Failure of the City to perform its obligations hereunder shall not constitute an Event of Default under the Ordinance.

Section 6. Parties in Interest. The provisions of this Undertaking shall inure solely to the benefit of holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 7. Amendments.

(a) Without the consent of the holders or Beneficial Owners of the Bonds, the City, at any time and from time to time, may enter into amendments or changes to this Undertaking for any purposes, if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or any type of business or affairs it conducts;

(ii) the undertakings set forth herein, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

(b) Annual Information for any Fiscal Year containing any amended operating data or financial information for such Fiscal Year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Information being provided for such Fiscal Year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible, such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent in a timely manner by the City to the MSRB.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premium, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased pursuant to the Ordinance; provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the City shall provide notice of such defeasance to MSRB, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 9. Notices. Any notices or communications to the City regarding this Undertaking may be given as follows:

City of Kansas City, Missouri
414 East 12th Street, 1st Floor
Kansas City, Missouri 64106
Attention: City Treasurer
Telephone: (816) 513-1019
Facsimile: (816) 513-1020

Section 10. Governing Law. **THIS UNDERTAKING SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MISSOURI DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW; PROVIDED, HOWEVER, THAT TO THE EXTENT THIS UNDERTAKING ADDRESSES MATTERS OF FEDERAL SECURITIES LAWS, INCLUDING RULE 15c2-12, THIS UNDERTAKING SHALL BE GOVERNED BY SUCH FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.**

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of the date written below.

DATED: _______________, 2013.

CITY OF KANSAS CITY, MISSOURI, as the Obligated Person

By:____
Name: Randall J. Landes
Title: Director of Finance