This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT
DATED APRIL ____, 2005

Ratings:
Moody's: "Applied for"
S&P: "Applied for"
See ("OTHER INFORMATION - RATINGS" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

THE OBLIGATIONS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$8,035,000
CITY OF COLLEGE STATION, TEXAS
(a Home Rule City located in Brazos County, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2005

Dated Date: May 1, 2005 **Due: February 1, as shown on the inside cover**

PAYMENT TERMS . . . Interest on the $8,035,000 City of College Station, Texas Utility System Revenue Bonds, Series 2005 (the "Bonds") will accrue from May 1, 2005 (the "Dated Date") and will be payable on February 1, 2006, and on each August 1 and February 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is JPMorgan Chase Bank, National Association, Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, and an ordinance (the "Ordinance") passed by the City Council, and are special obligations of the City of College Station (the "City"), payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City's Utility System (the "System") **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) fund electric and water system improvements; and (ii) pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – USE OF BOND PROCEEDS").

SEE MATURITY SCHEDULE, INTEREST RATES, AND YIELDS ON INSIDE COVER

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2015, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

LEGALITY . . . The Bonds are offered for delivery, when issued, and received by the Initial Purchaser and subject to the opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the City (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION"). It is expected that the Bonds will be available for delivery through the services of DTC on or about May 26, 2005.

BIDS WILL BE ACCEPTED UNTIL AND OPENED
THURSDAY, APRIL 28, 2005 AT 10:00 A.M. CDST

MATURITY SCHEDULE, INTEREST RATES AND YIELDS

Due Feb 1	Principal	Interest Rate	Yield	CUSIP [1]	Due Feb 1	Principal	Interest Rate	Yield	CUSIP [1]
2006	$ 140,000	%	%		2016 [2]	$ 395,000	%	%	
2007	245,000				2017 [2]	420,000			
2008	255,000				2018 [2]	445,000			
2009	270,000				2019 [2]	470,000			
2010	285,000				2020 [2]	495,000			
2011	300,000				2021 [2]	525,000			
2012	320,000				2022 [2]	555,000			
2013	335,000				2023 [2]	585,000			
2014	355,000				2024 [2]	615,000			
2015 [2]	375,000				2025 [2]	650,000			

(Accrued Interest from May 1, 2005 to be added)

(1) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the City, the Financial Advisor nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(2) The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2015, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau for the convenience of the owners of the Bonds. Neither the City, the Financial Advisor nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

In connection with this offering, the Initial Purchasers may over-allot or effect transactions which stabilize the market price of the issue at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. ***Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.***

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY ..... The City of College Station is a political subdivision and municipal corporation of the State, located in Brazos County, Texas. The City encompasses approximately 47 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").

THE BONDS ..... The Bonds are issued as $8,035,000 Utility System Revenue Bonds, Series 2005. The Bonds are issued as serial bonds maturing February 1, 2006 through February 1, 2025 (see "THE BONDS - DESCRIPTION OF THE BONDS").

PAYMENT OF INTEREST ..... Interest on the Bonds accrues from May 1, 2005, and is payable on February 1, 2006, and each August 1 and February 1 thereafter until maturity or prior redemption (see "THE BONDS - DESCRIPTION OF THE BONDS" and "THE BONDS - OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE..... The Bonds are issued pursuant to the general laws of the State, particularly Chapter 1502, Texas Government Code, and an Ordinance passed by the City Council of the City (see "THE BONDS - AUTHORITY FOR ISSUANCE").

SECURITY FOR THE BONDS ..... The Bonds constitute special obligations of the City, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City's Utility System. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - SECURITY AND SOURCE OF PAYMENT").

DEBT SERVICE RESERVE FUND ... So long as the Bonds and the outstanding Parity Bonds are insured by a bond insurance company that is rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") or "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P"), the City is not required to establish a debt service reserve fund or purchase a surety bond as additional security for the Bonds (see "SELECTED PROVISIONS OF THE BOND ORDINANCE – ADDITIONAL BONDS").

REDEMPTION ..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2015, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

TAX EXEMPTION..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on corporations. **The Bonds will not be designated as qualified tax-exempt obligations.** See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

USE OF PROCEEDS ..... Proceeds from the sale of the Bonds will be used to (i) fund electric and water system improvements; and (ii) pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – USE OF BOND PROCEEDS").

RATINGS ..... All of the presently outstanding parity bonds of the System are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies (see "OTHER INFORMATION - RATINGS"). The underlying ratings for the outstanding parity bonds are "A1" by Moody's and "A+" S&P. The City will require that the Initial Purchasers of the Bonds purchase bond insurance for the Bonds in accordance with the NOTICE OF SALE AND BIDDING INSTRUCTIONS. The City has applied to Moody's and S&P for ratings on the Bonds.

BOOK-ENTRY-ONLY SYSTEM ..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD ..... The City has never defaulted in payment of its bonds.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Position	Length of Service	Term Expires	Occupation
Ron Silvia	Mayor	7 Years [1]	5/06	Retired
Dennis Maloney	Mayor Pro-Tem	6 Years	5/05	Painting Contractor
John Happ	Councilmember	3 Year	5/06	Airport Director
James Massey	Councilmember	6 Years	5/05	Director of Facility Coordination
Robert Wareing	Councilmember	2 Years	5/05	Vice President, Investments
Susan Lancaster	Councilmember	1 Year	5/06	Creative Director
Nancy Berry	Councilmember	1 Year	5/06	Community Volunteer

(1) Elected Mayor in May 2002.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Thomas E. Brymer	City Manager	17 Years [1]
Glenn Brown	Assistant City Manager	5 Years
Harvey Cargill, Jr.	City Attorney	8 Years
John C. Woody	Director of Public Utilities	18 Years
Jeff Kersten	Finance and Strategic Planning Director	13 Years [2]
Connie L. Hooks	City Secretary	19 Years
Mark Smith	Director of Public Works	25 Years

(1) City Manager since September 1999.
(2) Finance and Strategic Planning Director since August 2004.

CONSULTANTS AND ADVISORS

Auditors ..... Ingram, Wallis & Company
Bryan, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor ..... First Southwest Company
Houston, Texas

For additional information regarding the City, please contact:

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Finance and Strategic Planning Director
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(979) 764-3899 Fax

or

Drew Masterson
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(713) 651-9850 Phone
(713) 654-8658 Fax

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$8,035,000
CITY OF COLLEGE STATION, TEXAS
UTILITY SYSTEM REVENUE BONDS, SERIES 2005

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $8,035,000 City of College Station, Texas Utility System Revenue Bonds, Series 2005 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted by the City Council on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Houston, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in October 1938, and first adopted its Home Rule Charter in October 1938, which was last amended in November 2003. The City operates under a Council/City Manager form of government with a City Council comprised of the Mayor and six Councilmembers. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 1990 Census population for the City was 52,456 and the 2000 Census population was 67,890. The City covers approximately 47 square miles.

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued to (i) fund electric and water system improvements; and (ii) pay the costs associated with the issuance of the Bonds.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 1, 2005, and mature on February 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing February 1, 2006, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the general laws of the State of Texas, Chapter 1502, Texas Government Code, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the City payable, both as to principal and interest, solely from and, together with certain outstanding revenue bonds of the City (the "Previously Issued Bonds") and any additional parity bonds which may be issued in the future, secured by a first lien on and pledge of the Net Revenues of the System after the payment of maintenance and operating expenses. Maintenance and operating expenses include contractual payments which under Texas laws and their provisions are established as operating expenses. The City has outstanding Previously Issued Bonds secured by and payable from Net Revenues on parity with the Bonds. The following table lists the original principal amount of the Outstanding Bonds and the currently outstanding principal amount of the Outstanding Bonds.

Series	Original Principal Amount	Principal Currently Outstanding
1995	6,000,000	3,300,000
1996 [(a)]	10,110,000	5,770,000
1998	2,700,000	2,035,000
2000	10,500,000	8,655,000
2001	23,500,000	20,660,000
2002	18,215,000	16,545,000
2003 [(a)]	11,160,000	9,615,000
2003A	4,850,000	4,665,000
	$ 87,035,000	$ 71,245,000

(a) Includes refunding bonds.

The Bonds are not a charge upon any other income or revenues of the City and **will never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

As additional security, unless the Bonds are insured, a Reserve Fund is required to be maintained in an amount at least equal to the average annual debt service requirements of the outstanding Previously Issued Bonds, the Bonds and any obligations issued on a parity with the Bonds ("Additional Bonds"). Any additional amount required to be accumulated in the fund by reason of the issuance of the Bonds will be funded over a 60 month period in accordance with the provisions of the Ordinance (see "SELECTED PROVISIONS OF THE BOND ORDINANCE"). It is anticipated that municipal bond insurance will be obtained and that a Reserve Fund will not be funded as a result thereof.

PLEDGED REVENUES . . . All of the Net Revenues of the System with the exception of those in excess of the amounts required to establish and maintain the Reserve Fund and Interest and Sinking Fund are irrevocably pledged for the payment of the Bonds and interest thereon. The Bonds, the Previously Issued Bonds, and any Additional Bonds are equally and ratably secured by a first lien upon the Net Revenues of the System.

PERFECTION OF SECURITY FOR THE BONDS . . . Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City agrees to take such measures as it determines is reasonable and necessary to enable a filing of a security interest in said pledge to occur.

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to pay all operating, maintenance, replacement and improvement expenses and any other costs deductible in determining Net Revenues. Additionally, the City has covenanted to generate in each year, Net Revenues equal to 1.25 times the maximum annual requirement for the payment of the principal and interest on the Parity Bonds at the time outstanding and payable from the revenues of the System, and maintain the funds provided for in the Ordinance. The City has further covenanted that, if the System should become legally liable for any other indebtedness, it will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness (See "SELECTED PROVISIONS OF THE BOND ORDINANCE – RATE COVENANT").

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2015, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC, while the Bonds are in Book-Entry-Only form) will determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption given, such Bond (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City must cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER

RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF WILL CEASE TO ACCRUE.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteeed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less that AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangement, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of the right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes

ADDITIONAL BONDS . . . The City may issue Additional Bonds which, together with the Previously Issued Bonds and the Bonds, will be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System, subject, however, to complying with certain conditions in the Ordinance. See "SELECTED PROVISIONS OF BOND ORDINANCE – ADDITIONAL PARITY BONDS" for terms and conditions to be satisfied for the issuance of Additional Bonds.

BOOK ENTRY ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, all of which are also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-

U.S. securities brokers and dealers, banks, trust companies, arid clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.**

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

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/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 nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bond purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry System 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 City or the Initial Purchasers.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is JPMorgan Chase Bank, National Association, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer will be in any integral multiple of $5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar are required to transfer or exchange any Bond called for redemption, in whole or in part, within 30 days of the date fixed for redemption; provided, however, such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which will be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . Except for the remedy of mandamus to enforce the City's covenants and obligations under the Ordinance, the Ordinance does not establish other remedies or specifically enumerate events of default with respect to the Bonds. The Ordinance does not provide for a trustee to enforce the covenants and obligations of the City. In no event will registered owners have the right to have the maturity of the Bonds accelerated as a remedy. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce any remedies under the Ordinance would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. In addition, while the City has covenanted to secure the Bonds by a first lien on the Net Revenues, Bond Counsel will opine only that a valid and enforceable lien has been granted on the Net Revenues. Bond Counsel has not been requested to, and has not, rendered any opinion as to the priority status of the pledge of the Net Revenues.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

Uses of Funds:

Deposit to Project Fund	$
Deposit to Interest and Sinking Fund	
Costs of Issuance	
Total Uses of Funds	$

THE SYSTEM

WATERWORKS SYSTEM

Since December 1981, the City has had the capability to produce and deliver 100% of its water needs through an aqueduct and well field system located north of the City. This system includes six wells a combined capacity of 26 million gallons per day "mgd". The water is delivered to the distribution system by 14 miles of 30-inch diameter pipeline and two pumping stations.

Each of the six wells mentioned above is completed into the Simsboro Sand of the Wilcox formation which forms a very prolific aquifer of high quality water. The City projects that the aquifer will provide an adequate water supply for College Station and surrounding communities through the year 2050.

The following water rates were established by ordinance passed and approved by the City Council and became effective on October 1, 1994.

Type of Customer	Usage Charge	Service Charge	Meter Size
Residential, Commercial and Industrial	$2.03 per 1,000 gallons plus	$ 8.30 per mo.	5/8"
		8.30 per mo.	3/4"
		10.45 per mo.	1"
		15.50 per mo.	1 1/2"
		24.50 per mo.	2"
		77.40 per mo.	3"
		115.00 per mo.	4"
		140.00 per mo.	6"

WASTEWATER SYSTEM

The City's waste water is treated by two City-owned wastewater treatment plants located within the City. The Carter Creek Treatment Plant was upgraded to meet current treatment standards with two $10 million projects completed in fiscal year 1997. The Lick Creek Treatment Plant, the newer of the two plants, came on-line during 2002 and has a 2,000,000 gallons per day treatment capacity. The two plants have a combined treatment capacity of 11.5 mgd as compared to average current daily demand of 6.7 mgd. The treatment plant's capacity is adequate to serve a population estimated at 122,000.

The following sewer rates were established by ordinance passed and approved by the City Council and became effective on October 1, 2004.

Residential (metered water)	$15.75 including 4,000 gallons of metered water
Usage Charge	$3.15 per 1,000 gallons of additional metered water $34.65 maximum per month
Residential (without meter to each unit)	$20.04 per unit per month
Commercial and Industrial	$13.50 per month
Usage Charge	$3.75 per 1,000 gallons of metered water usage

ELECTRIC SUPPLY SOURCE

The City began purchasing power from AEP on February 1, 2003. The City's new contract fixes the cost of fuel for the five years of the contract and eliminates any additional energy charges for the period. The only variable component is a cost for "congestion charges" through the transmission grid. The City continues to pay transmission charges to a number of outside utility systems at current Public Utility Commission of Texas allowed rates.

The City is served through two 138 kVA transmission lines tied to a ring bus at the City switching station, three substations, and 256 miles of distribution lines.

The electric rates were established by ordinance passed and approved by the City Council and became effective on February 1, 2003. The following electric rates are subject to a transmission delivery adjustment charge which requires that the net energy charge per kilowatt hour must be increased or decreased by an amount per kilowatt hour equal to additional transmission charges above those accounted for in the wholesale rate.

Single Family Residential	Service Charge	$7.00 per month
	plus:	
	First 500 kwhrs	$0.0722 per kwhr
	Additional kwhr (May through October)	$0.0656 per kwhr
	Additional kwhr (November through April)	$0.0596 per kwhr
	Tax	1.50%
	Transmission Delivery Adjustment (TDA)	Calculated as needed
Master Metered Multiple Dwelling Units	Service Charge	$100.00 per month per master meter
	plus:	
	First 500 kwhrs	$0.0722 per kwhr
	Additional kwhr (May through October)	$0.0656 per kwhr
	Additional kwhr (November through April)	$0.0596 per kwhr
	Tax	1.50%
	TDA	Calculated as needed
Small Commercial (1-10 KW demand)	Service Charge	$9.00 per month
	plus:	
	First 1,000 kwhrs	$0.0801 per kwhr
	Over 1,000 kwhrs	$0.0612 per kwhr
	Tax	8.25%
	TDA	Calculated as needed
Medium Commercial (15-300 KW)	Service Charge	$25.00 per month
	plus:	
	Demand Charge (Per KW)	$8.44 per KW
	Energy Charge All kwhrs	$0.0397 per KW
	Minimum Monthly Charge	$151.67
	Tax	8.25%
	TDA	Calculated as needed
Large Commercial (300+ KW)	Service Charge	$75.00 per month
	plus:	
	Demand Charge (Per KW)	$8.44 per KW
	Energy Charge All kwhrs	$0.0397 per KW
	Minimum Monthly Charge	$2,608.47
	Tax	8.25%
	TDA	Calculated as needed
Industrial (1,500 KW and over)	Service Charge	$250.00 per month
	plus:	
	Demand Charge (Per KW)	$8.00
	Energy Charge (first 500,000 kwhrs)	$0.0381 per KW
	Minimum Monthly	$12,247.69
	Tax	8.25%
	TDA	Calculated as needed

TABLE 1 - HISTORICAL UTILITY CUSTOMER COUNT

	Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
Water	31,038	29,358	23,210	22,037	21,242
Wastewater	28,594	27,977	28,399	26,622	26,365
Electric	30,641	29,700	28,678	27,113	26,169

TABLE 2 - TEN LARGEST UTILITY CUSTOMERS

Type of Business	FY 2004 KWH Consumption	of KWH Consumed
Schools	17,146,469	2.57%
Municipality	16,169,225	2.42%
Retail Mall	13,703,672	2.05%
University	9,463,120	1.42%
Retail	7,869,120	1.18%
Retail Grocery	6,848,080	1.03%
Retail Grocery	6,383,282	0.96%
Hospital	5,967,400	0.89%
Government	5,285,440	0.79%
Retail Grocery	5,216,280	0.78%
	94,052,088	14.10%

DEBT INFORMATION

TABLE 3 - PRO-FORMA UTILITY SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Year End 9/30	Total Outstanding Debt			The Bonds [1]			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2005	$ 4,410,000	$ 3,543,278	$ 7,953,278				$ 7,953,278
2006	4,520,000	3,334,531	7,854,531	$ 140,000	$ 548,556	$ 688,556	8,543,088
2007	4,145,000	3,136,761	7,281,761	245,000	427,488	672,488	7,954,249
2008	4,275,000	2,953,135	7,228,135	255,000	413,738	668,738	7,896,873
2009	4,395,000	2,763,312	7,158,312	270,000	399,300	669,300	7,827,612
2010	4,540,000	2,549,286	7,089,286	285,000	384,038	669,038	7,758,324
2011	4,685,000	2,315,131	7,000,131	300,000	367,950	667,950	7,668,081
2012	4,845,000	2,077,623	6,922,623	320,000	350,900	670,900	7,593,523
2013	5,015,000	1,841,737	6,856,737	335,000	332,888	667,888	7,524,624
2014	4,945,000	1,604,566	6,549,566	355,000	313,913	668,913	7,218,478
2015	4,400,000	1,375,258	5,775,258	375,000	293,838	668,838	6,444,095
2016	4,620,000	1,149,036	5,769,036	395,000	272,663	667,663	6,436,699
2017	4,560,000	918,099	5,478,099	420,000	250,250	670,250	6,148,349
2018	3,960,000	704,988	4,664,988	445,000	226,463	671,463	5,336,450
2019	3,220,000	527,713	3,747,713	470,000	201,300	671,300	4,419,013
2020	3,395,000	364,794	3,759,794	495,000	174,763	669,763	4,429,556
2021	3,580,000	191,988	3,771,988	525,000	146,713	671,713	4,443,700
2022	1,780,000	59,400	1,839,400	555,000	117,013	672,013	2,511,413
2023	365,000	7,756	372,756	585,000	85,663	670,663	1,043,419
2024				615,000	52,663	667,663	667,663
2025				650,000	17,875	667,875	667,875
	$ 75,655,000	$ 31,418,390	$ 107,073,390	$ 8,035,000	$ 5,377,969	$ 13,412,969	$ 120,486,359

(1) The interest on the bonds is estimated at the rate of 5.50% per annum for purposes of illustration.

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The City does anticipate the issuance of additional revenue bonds within the next 12 months.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B - "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note #E).

FINANCIAL INFORMATION

TABLE 4 - CONDENSED STATEMENT OF OPERATIONS

	For Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
Revenues:					
Electric	$ 46,389,147	$ 45,480,173	$ 44,238,340	$ 42,290,635	$ 35,295,718
Water and Wastewater	16,536,666	16,552,584	16,024,595	15,118,463	15,696,095
Interest	627,060	1,076,079	1,858,545	2,787,779	2,467,905
Other	1,859,309	2,013,489	1,974,507	1,734,798	1,940,771
Total Revenues	$ 65,412,182	$ 65,122,325	$ 64,095,987	$ 61,931,675	$ 55,400,489
Expenses:					
Total Expenses	$ 44,719,241	$ 47,785,550	$ 46,274,555	$ 45,465,778	$ 37,149,229
Net Available for Debt Service	$ 20,692,941	$ 17,336,775	$ 17,821,432	$ 16,465,897	$ 18,251,260

TABLE 5 - COVERAGE AND FUND BALANCES

Maximum Principal and Interest Requirements (2006)	$ 8,543,088	
Coverage of Maximum Requirements by 9/30/2004 Net Income	2.42	Times
Average Annual Principal and Interest Requirements (2005-2025)	$ 5,737,446	
Coverage of Average Requirements by 9/30/2004 Net Income	3.61	Times

TABLE 6 - VALUE OF THE SYSTEM

	Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
Utility Systems	$ 222,394,131	$ 201,578,213	$ 177,194,095	$ 156,383,310	$ 134,899,268
Construction in Progress	29,106,881	31,120,744	27,917,993	22,953,489	20,002,622
	$ 251,501,012	$ 232,698,957	$ 205,112,088	$ 179,336,799	$ 154,901,890
Less: Accumulated Depreciation	75,518,040	69,677,733	50,697,928	45,742,750	42,158,199
Net System Value	$ 175,982,972	$ 163,021,224	$ 154,414,160	$ 133,594,049	$ 112,743,691

TABLE 7 - CITY'S EQUITY IN SYSTEM

	Fiscal Year Ended September 30				
Resources	2004	2003	2002	2001	2000
Net System Value	$ 175,982,972	$ 163,021,224	$ 154,414,160	$ 133,594,049	$ 112,743,691
Current Assets	32,841,782	29,261,583	35,404,701	33,120,006	39,030,059
Restricted Assets	19,599,585	23,440,862	21,929,685	23,726,170	15,927,833
Other Resources	200,000	200,000	200,000	200,000	0
Deferred Charges	776,780	809,961	762,602	705,759	641,763
Total	$ 229,401,119	$ 216,733,630	$ 212,711,148	$ 191,345,984	$ 168,343,346
Obligations					
Current Liabilities	$ 7,551,259	$ 8,676,967	$ 6,263,972	$ 5,728,574	$ 4,964,116
Current Liabilities Payable from Restricted Assets	6,272,235	5,945,573	11,671,253	10,979,279	6,731,311
Revenue Bond Debt	71,245,000	75,655,000	74,420,000	60,020,000	39,685,000
Other Debt	(128,424)	(204,969)	120,874	69,371	35,176
Total Liabilities	$ 84,940,070	$ 90,072,571	$ 92,476,099	$ 76,797,224	$ 51,415,603
City's Equity in System	$ 144,461,049	$ 126,661,059	$ 120,235,049	$ 114,548,760	$ 116,927,743
Percentage of Equity in System	62.97%	58.44%	56.53%	59.86%	69.46%

CAPITAL IMPROVEMENT PROGRAM

The electric utility projects planned for the next few years include continued underground conversion of electric service along major thoroughfares, line extensions, new customer connections, new substation facilities and other system improvements. Beginning in fiscal year 1996 the City's Electric Utility established the practice of using revenues and current unobligated resources to pay for certain capital projects. The City anticipates this practice will help to reduce future debt requirements and provide a more stable basis for future rate payers.

Current resources and revenues of the water system are used for certain types of capital projects similar to the electric system. Capital projects for the water system include additional wells, additional transmission facilities, line extensions and line replacements. Wastewater projects include outfall lines, service connections and line replacements.

In furthering the City Council's focus on utilization of current assets to meet capital requirements, the City created a Drainage Utility in 1997. The revenues from the Drainage Utility are planned for use in construction of drainage capital projects and support increased operating costs anticipated with the implementation of Federal clean water laws and regulations.

FINANCIAL POLICIES

GASB 34 . . .The City is a Phase II City which required GASB 34 implementation for the fiscal year ending September 30, 2003.

Basis of Accounting . . .The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. Government funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund . . .The General Fund is the City's primary operating fund. It is used to account for all activities typically considered governmental functions of the City. These include Public Safety, Public Works, Parks and Recreation, Economic and Development Services, the support functions for these areas, and the administrative functions for the City.

The General Fund for the 2004-2005 fiscal year is influenced by current policies and any approved policy changes. The policies include inter-fund equity; maintaining a balance between revenues and expenditures; and maintaining the level of service currently provided as the City experiences residential and commercial growth.

The City's financial policies are for a General Fund balance of 15% of budgeted appropriations at year end. To the extent that the General Fund balance exceeds this amount, this surplus is to be expended in future years for one time expenditures such as capital items and short term projects.

Debt Service Fund . . .The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds. It is the City's policy to maintain at least 8 1/3% of annual appropriated expenditures for debt service and any associated fees as the Debt Service Fund balance at fiscal year end. The fund is in compliance with that policy.

Budgetary Procedures . . .Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. All budget requests are compiled by the office of Management and Budget and presented with comparative and supporting data to the Mayor and City Council for review. Public hearings are properly advertised and conducted at City Hall for taxpayer comments. Prior to September 27, the budget is legally enacted through passage of an ordinance. The City Council must approve all transfers of budgeted amounts between departments within any fund and any revision that alters the total expenditure of any fund. An amount is also budgeted each year for contingencies which may arise.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit and share certificates issued by state and national banks, savings banks and state or federal credit unions domiciled in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or (b) are secured as to principal by obligations described in the clauses (1) through (5) and clause (12) , which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for City deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (11) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (12) bonds, notes or other obligations, issued by the State of Israel. In addition, the City may invest bond proceeds in accordance with the terms of a guaranteed investment contract, consistent with the provisions of Chapter 2256, Texas Government Code (the "PFIA").

Effective September 1, 2003, a political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (12) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) above, clauses (9) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Under Texas law, the City may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance or resolution. The City has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

CITY'S INVESTMENT POLICY. . .The Finance and Strategic Planning Director shall promptly invest all City funds with the Bank Depository in accordance with the provisions of the current Bank Depository Agreement or in any negotiable instrument that the Council has authorized under the provisions of the PFIA, as amended, and in accordance with the City Council approved Investment Policies.

At the end of each fiscal year, a report on investment performance will be provided to the City Council. In conjunction with the quarterly financial report, the Finance and Strategic Planning Director shall prepare and provide a written recapitulation of the City's investment portfolio to the Council, detailing each City investment instrument with its rate of return and maturity date.

TABLE 8 - CURRENT INVESTMENTS

As of December 31, 2004, the City's investable funds were invested in the following categories:

Investment Type	Book Value	Market Value
Demand Bank Accounts	$ 1,724,959	$ 1,724,959
Pooled Cash (Texpool)	29,657,927	29,657,927
Money Market Mutual Fund (Fidelity)	1,733,944	1,733,944
Subtotal	$ 33,116,830	$ 33,116,830
Agencies:		
Federal National Mortgage Association (FNMA)	$ 37,017,154	$ 36,778,125
Federal Farm Credit Bank (FFCB)	17,997,280	17,874,688
Federal Home Loan Bank (FHLB)	45,055,400	44,631,563
Subtotal	$ 100,069,834	$ 99,284,376
Total	$ 133,186,664	$ 132,401,206

SELECTED PROVISIONS OF THE BOND ORDINANCE

The Ordinance authorizing the Bonds is in substantially the same form as the ordinances authorizing the outstanding bonds, selected provisions of which are shown below:

The Ordinance authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the City. Set forth below is a summary of certain provisions of the Ordinance. Paragraph headings are supplied for ease of reference and are not contained in the Ordinance. Such summary is not a complete description of the entire Ordinance and is qualified by reference to the Ordinance.

DEFINITIONS

The following terms have the respective meanings specified:

(a) "Additional Bonds" means the additional parity bonds which the City reserves the right to issue.

(b) "Bond Fund" means the fund provided for in the Ordinances authorizing issuance of the Previously Issued Parity Bonds.

(c) "Bonds" means the Bonds to be issued by the Ordinance.

(d) "City" refers to the City of College Station, Texas, or where appropriate to the City Council thereof.

(e) "City Council" means the City Council of the City.

(f) "Net Revenues" means the gross revenues of the Systems less the reasonable expenses of operation and maintenance, including all salaries, labor, materials, repairs, and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council reasonably and fairly exercised, are necessary to keep the plant or utility in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Parity Bonds shall be deducted in determining "Net Revenues."

(g) "Parity Bonds" means collectively the Previously Issued Parity Bonds, the Bonds, and any Additional Bonds.

(h) "Paying Agent/Registrar" means, initially, JPMorgan Chase Bank, National Association, Dallas, Texas, or any successor appointed in its capacity as such.

(i) "Systems" as used in the Ordinance means the City's combined waterworks system, wastewater system and electric light and power system, including all present and future extensions, additions, replacements, and improvements thereto.

(j) "Systems Fund" means the fund provided for in the Ordinance.

RATE COVENANT

The City covenants and agrees with the holders of the Parity Bonds, if and when issued, that it will:

1. Fix and maintain rates and collect charges for the facilities and services afforded by the Systems which will provide revenues sufficient at all times:
    a) To pay all operation, maintenance, depreciation, replacement, and betterment charges of the Systems;
    b) To establish and maintain the Bond Fund;
    c) To generate in each year Net Revenues equal to 1.25 times the maximum annual requirement for the payment of the principal of and interest on the Parity Bonds at the time outstanding and payable from the revenues of the Systems (although amounts shall be paid into the Bond Fund only in accordance with the Ordinance); and
    d) To pay all indebtedness other than bonds outstanding against the Systems as and when the same become due; and
2. Deposit as collected all revenues derived from the operation of the Systems into the Systems Fund which shall be kept separate and apart from all other funds of the City.

FLOW OF FUNDS

There has been created and established on the books of the City, and accounted for separate and apart from all other funds of the City, a special Systems Fund. All gross revenues received from operation of the Systems are deposited into and credited to the Systems Fund immediately upon receipt. The necessary and reasonable expenses of operation and maintenance of the Systems are paid first from the Systems Fund. The City then makes substantially equal monthly payments into the Bond Fund (commencing with respect to the Parity Bonds on the date of delivery to the initial purchaser thereof) during each year in which any of the Parity Bonds are outstanding in an aggregate amount equal to 100% of the amounts required to meet the interest and principal payments falling due on or before the next maturity date of the Parity Bonds. The City must, at least five days prior to February 1, 2006, and each August 1 and February 1 thereafter, deposit into the Bond Fund any additional Net Revenues available in the Systems Fund which may be necessary to pay in full the interest on and principal, if any, coming due on the Parity Bonds on such August 1 or February 1. In no event will an amount in excess of the amounts stated above be placed in the Bond Fund for the payment of the interest on or principal of the Parity Bonds, and any amount so placed may be withdrawn by the City and replaced in the Systems Fund. Any funds remaining in the Systems Fund, after provision for the reasonable cost of operating and maintaining the Systems, and after paying the amounts required to be paid into the Bond Fund, may be used for any lawful purpose.

ADDITIONAL PARITY BONDS

In addition to the inferior lien bonds authorized by law, the City expressly reserves the right hereafter to issue additional parity bonds and other evidences of indebtedness now or hereafter authorized by the Legislature of Texas (collectively, the "Additional Bonds"), and the Additional Bonds, when issued, may be secured by and payable from a first lien on and pledge of the Net Revenues of the System in the same manner and to the same extent as are the Outstanding Parity Bonds but subject to the provisions that follow, and the Previously Issued Parity Bonds, the Bonds, and the Additional Bonds may in all respects be of equal dignity. It is provided, however, that no Additional Bonds may be issued unless:

1. As long as the Previously Issued Parity Bonds are outstanding and unpaid, all material conditions set forth in the Parity Bonds Ordinances are satisfied;
2. As long as any of the Previously Issued Parity Bonds are outstanding, the "net earnings" of the System for the fiscal year next preceding the month in which the ordinance authorizing such Additional Bonds is adopted were equal to each of the provisions in items (a) and (b) below, determined independently and certified by an independent firm of certified public accountants, based upon an annual audit of the books of the System;
3. An independent firm of certified public accountants, based upon an annual audit of the books of the Systems, certifies that the net earnings of the System for the previous fiscal year or for any 12 consecutive month period ending not more than 90 days prior to the date of the adoption of the ordinance authorizing such Additional Bonds or other evidence of indebtedness were equal to each of the following determined independently:
    (a) at least 1.40 times the average annual requirements for the payment of principal and interest on the then outstanding Parity Bonds and other evidences of indebtedness payable from the revenues of the Systems and on said Additional Bonds or other evidences of indebtedness, when issued, sold and delivered; and
    (b) at least 1.25 times the maximum annual requirement for the payment of principal and interest on the Parity Bonds then outstanding and on such Additional Bonds, when issued, sold and delivered;

provided, however, should the certificate of the accountant certify that the net earnings of the Systems for the fiscal year covered thereby were, in either case, less than required above, and a change in the rates and charges for services afforded by the Systems became effective at least sixty (60) days prior to the scheduled date of adoption of the ordinance authorizing such Additional Bonds, then such Additional Bonds may nevertheless be issued if an independent engineer or engineering firm have a favorable reputation with respect to such matters certifies that, had such change in rates and charges been effective for the fiscal year covered by the accountant's certificate, the net earnings for the Systems for the fiscal year covered by the accountant's certificate would have met the tests specified in (a) and (b) above.

The term "net earnings" means all of the Net Revenues of the Systems, exclusive of income received specifically for capital terms, after deduction of the reasonable expenses of operation and maintenance of the Systems excluding expenditures which under standard accounting practice should be charged to capital expenditures or depreciation.

4. Said Additional Bonds are made to mature on February 1 in each of the years in which they are scheduled to mature; and

5. The entire issue of such Additional Bonds is insured in a manner similar to the Previously Issued Parity Bonds by an insurance company or association of companies whose insured obligations are rated by either Moody's Investors Service, Inc. or Standard & Poor's Public Finance Ratings in the same or a higher rating category than the insured obligations of the City (at the time such Additional Bonds are to be issued) or the City shall establish a Reserve Fund for such Additional Bonds by any method or combination of methods that the City deems reasonable and appropriate provided that (i) the amount of such Reserve Fund (or coverage of any surety bond in lieu thereof) must at least equal the maximum annual debt service requirements of such Additional Bonds, not to exceed the maximum then permitted by applicable regulations, procedures, or published rulings of the Internal Revenue Service (the "Reserve Minimum"); (ii) if any cash reserve fund is funded by making transfers of Net Revenues in the Systems Fund, such transfers must be made each month in an amount reasonably sufficient to reach the reserve minimum within a period of not more than five years after such Additional Bonds are sold and delivered; and (iii) such Reserve Fund will be for the equal benefit of the owners of (x) such Additional Bonds, (y) Parity Bonds theretofore issued which are not insured in a manner similar to the Previously Issued Parity Bonds, and (z) any Additional Bonds thereafter issued which are not so insured.

MAINTENANCE AND OPERATION; INSURANCE

The City must maintain the Systems in good condition and operate the same in an efficient manner and at a reasonable cost. So long as any of the Bonds are outstanding, the City agrees to maintain insurance on the Systems, for the benefit of the registered owner or owners of the Bonds, of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business in the same area. The Ordinance is not being construed as requiring the City to expend any funds which are derived from sources other than the operation of the Systems, but nothing herein will be construed as preventing the City from doing so.

RECORDS AND ACCOUNTS

The City must keep proper books, records, and accounts, separate from all other books, records, and accounts, in which complete and correct entries must be made of all transactions relating to the Systems. Upon written request made not more than 60 days following the close of the fiscal year, the City must furnish to any registered owner of any Parity Bonds, complete financial statements of the Systems in reasonable detail covering such fiscal year, certified by the City's Auditor. Any registered owner or owners of 25% of the Parity Bonds at the time outstanding have the right at all reasonable times to inspect the Systems and all records, accounts, and data of the City relating thereto.

ADDITIONAL COVENANTS

The City further covenants that:

1. It has the lawful power to pledge the revenues supporting the Parity Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, that the Parity Bonds are ratably secured by said pledge of income, in such manner that one Parity Bond has no preference over any other Bond.

2. Other than for the payment of the Parity Bonds, the rents, revenues, and income of the Systems have not in any manner been pledged to the payment of any debtor obligations of the City or of the Systems.

3. So long as any of the Parity Bonds remain unpaid, the City will not sell or encumber the Systems or any substantial part thereof, and that it will not encumber the revenues thereof unless such encumbrance is made pursuant to this Ordinance or is junior and subordinate to all of the provisions of the Ordinance.

4. No free service of the Systems is allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof must be made by the City out of funds from sources other than the revenues and income of the Systems.

5. To the extent that it legally may, so long as any of the Bonds or any interest thereon is outstanding, no franchise will be granted for the installation or operation of any competing systems and that the City will prohibit the operation of any such systems other than those owned by the City and the operation of any such systems by anyone other than the City is hereby prohibited.

TAX MATTERS

OPINION

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C – FORM OF OPINION OF BOND COUNSEL."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, and (b) covenants of the City contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the City, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is rendered in reliance upon the compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of Existing Law and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and no assurance can be given that the Service would agree with the opinion of Bond Counsel, if the tax-exempt status of the interest on the Bonds were the subject of an audit. If an audit is commenced, under current procedures the Service is likely to treat the City as the "taxpayer", and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive interest income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding $175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

OTHER INFORMATION

RATINGS

All of the presently outstanding parity bonds of the System are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies (see "OTHER INFORMATION - RATINGS"). The underlying ratings for the outstanding parity bonds are "A1" by Moody's and "A+" S&P. The City will require that the Initial Purchasers of the Bonds purchase bond insurance for the Bonds in accordance with the NOTICE OF SALE AND BIDDING INSTRUCTIONS. The City has applied to Moody's and S&P for ratings on the Bonds.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

Prior to January 1, 1996, the City purchased electric power and energy from four cities (Bryan, Denton, Garland and Greenville) of the Texas Municipal Power Agency (TMPA) which was delivered through the TMPA and Bryan transmission facilities. On January 1, 1996, the City of College Station began purchasing its power through Texas Utilities (TU) Corporation (now known as TXU). Bryan and TMPA alleged that College Station and TU were not authorized to use their respective facilities to deliver power to the City of College Station system and were thus trespassing on those facilities. Bryan and TMPA were seeking unspecified money damages for the alleged trespass.

In 2003 all of the electric litigation with the City of Bryan and TMPA was settled. A settlement with TMPA was reached in the amount of $6.5 million to settle all of the electric disputes or litigation between the City of College Station and TMPA for the year 1997, 1998 and 1999. Also, a settlement with the City of Bryan was reached in the amount of $2.2 million to settle all of the electric disputes or litigation between the City of College Station and Bryan for 1997, 1998 and 1999. These two settlements totaling $8.7 million were paid from the reserves in the Electric Fund in Fiscal Year 2003. There is no longer any outstanding litigation or disputes regarding this matter.

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 9 of the Bond Procedures Act provides that the Bonds "will constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas". The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

LEGAL OPINIONS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. Bond Counsel has reviewed the information relating to the Bonds and the Ordinance to determine that such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. With respect to the transaction described in the Official Statement, Bond Counsel represents only the City.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgement, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 8 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and the SID of the change.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

MATERIAL EVENT NOTICES . . . The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Ordinance make any provision for liquidity enhancement.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "ANNUAL REPORTS." The City will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB"). The foregoing notwithstanding, notices may be made solely by transmitting such filing to the MAC as provided at http://www.disclosureusa.org , unless the SEC has withdrawn the interpretive advice stated in its letter to the MAC dated September 7, 2004.

AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID . . . The City has agreed to provide the foregoing information only to NRMSIRs and the SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City became obligated in 1996 to make annual disclosure of certain financial information with the SID and each NRMSIR. All annual reports were timely filed, except that the 1998 audit was inadvertently filed late with the SID and NRMSIRs. The audit has since been filed, as well as a notice of late filing. In addition, the City and its financial advisor have implemented procedures to ensure timely filing of all future information. The City's annual report and audit were timely filed for fiscal year ended 2002.

The City did not receive an invoice for debt service requirements due to the bondholders on August 15, 2003 for the Certificates of Obligation, Series 2002, and thus did not make its payment timely. Upon notification of the error, the City wired the required funds to the paying agent on August 22, 2003. A notice of material event was filed. The City has taken remedial steps to ensure that the reasons for the delay would not occur in the future.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside front cover of this Official Statement at a purchase price of _____% of the principal amount thereof plus a cash premium of $_____. The initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of, the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its 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 Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance 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. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and 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 and many of which are beyond the control of the City. Any such assumptions could be inaccurate and therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinances authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchasers.

_____
Mayor
City of College Station, Texas

ATTEST:

_____
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City, located in Brazos County, is situated in the middle of a triangle bounded by Dallas/Ft. Worth, Houston, and San Antonio/Austin. Approximately 80% of the Texas population is located within a 200 mile radius of the City. The City is principally a residential community for faculty, students and other personnel of Texas A&M University. The City periodically accesses technical information and assistance made available by Texas A&M University.

The City was incorporated in 1938 and has a Council-City Manager form of government with City employees totaling 843 currently.

The City adopted and enforces comprehensive zoning and building restrictions aimed at assuring orderly growth and development. The City's ordinances require all subdividers, at their own expense and without provision for refund, to install streets and water and wastewater lines in any planned subdivision. These facilities are constructed under the City's specifications and inspection and when completed are deeded to the City free and clear. All areas within the City are now adequately served with water, wastewater and electric service.

CITY OWNED FACILITIES

The City has constructed a major part of its present facilities out of current revenues. Approximately 733 lane miles of streets (99.4%) within the City are hard surface. The City has a complete water distribution, wastewater collection and treatment system with 573 miles of wastewater and water lines. The City owns the electrical distribution system with 414 miles of distribution lines, and purchases its electricity from Texas Utilities.

The City has a fully equipped police department with 102 full time police officers and 47 support personnel. The department has 24 police patrol cars and one holding facility with a capacity of 20. The fire department consists of 111 full time units and 4 part time units. There are five stations and a total of 6 engines, 1 quint, 5 ambulances, 1 command vehicle, and 1 rescue truck.

EDUCATIONAL FACILITIES

The College Station Independent School District is a fully accredited system offering 11 educational campuses for pre-kindergarten through high school. The School District has a student enrollment in excess of 8,240 and employs over 1,000 people. The School District's facilities are also used by Blinn College, offering two years of college level courses.

Texas A&M University provides higher educational facilities, offering both four year college programs and graduate degree programs.

HEALTH CARE

The College Station Medical Center is located on 25 acres within the City. The 187,000 square foot facility is a full care hospital containing 140 beds and employing 425 people. Other area health care providers include: St. Joseph Regional Health Care Center, Scott & White Clinic, and The Physicians Centre.

TRANSPORTATION

U.S. Highway 190/State Highway 21 links the City to Interstate 45 which is located approximately 35 miles to the east. State Highway 21 via U.S. Highway 290 also links the City to Austin, located approximately 110 miles to the west. State Highway 6 links the City to Waco (100 miles) and Interstate 35 to the north, and Houston (90 miles) to the south. Also, State Highway 30 links the City to Huntsville (45 miles) and Interstate 45 to the east.

Airlines	Commercial, corporate and private airport facilities are provided by Easterwood Airport, which is located on the City's west side and is owned and operated by Texas A&M University. American Eagle Airlines provides daily flights to and from Dallas-Fort Worth Airport out of Easterwood. Continental Express provides daily flights to and from Houston Bush Intercontinental Airport out of Esterwood. Coulter Field is located north of the City of Bryan and provides a recently completed 4,000 foot lighted runway. Coulter Field offers all types of services for the private aircraft.
Bus Lines	Two bus lines serve the City with daily service connecting the City with Houston and Dallas.
Railroads	Rail freight service is provided by the Union Pacific Railroad. Union Pacific Railroad operates a main freight line from Houston through Bryan-College Station to Dallas-Fort Worth and beyond.

RECREATION

The College Station park system presently includes 42 parks encompassing 1,185 acres, including a 515 acre wilderness park. Collectively, these parks contain 38 playgrounds, 28 soccer fields, 23 basketball courts, 26 softball/baseball diamonds, 3 swimming pools, a gymnasium, and a number of picnic shelters. The Parks Department sponsors a variety of organized athletic and aquatic programs as well as many special events throughout the year.

POPULATION

	Official U.S. Census						
	1940	1950	1960	1970	1980	1990	2000
City of College Station	2,184	7,925	11,396	17,676	37,272	52,456	67,890
Brazos County	26,977	38,390	44,895	57,978	93,588	121,862	152,415

ECONOMIC BACKGROUND

Texas A&M University and System

Of major importance to the City is Texas A&M University which has a 5,200 acre campus located within the City. The City is principally a residential community for faculty, students and other personnel of the University. Texas A&M University and its System are the largest employer in Brazos County and a major contributor to the local economy. Texas A&M has a significant economic impact on the City, contributing an estimated $784 million annually to the local economy. Texas A&M has consistently ranked in the top ten nationally among public institutions of higher education in both enrollment and research grants. Research dollars totaled approximately $402 million for 2001. The University has approximately 25,700 permanent and part-time employees with a payroll of approximately $679 million and has a physical plant valued in excess of $1.5 billion.

Texas A&M had an enrollment of 44,571 students, the 3rd largest in the nation, during the fall semester of 2004. There are currently over 700 National Merit Scholars enrolled at Texas A&M University, ranking in the nation's top 10 universities for National Merit Scholar enrollment.

Student Rec Center

The Student Rec Center is a 286,000 square foot building located on the Texas A&M University campus. The Center includes multi-purpose gyms with badminton, basketball and volleyball courts, indoor soccer courts with dasher boards, 14 racquetball/handball courts, and two squash courts with glass backwalls. The Center is home to a 14,000-square foot area with machine weights, free weights, cardio-vascular equipment, and a cardio-theater; five activity rooms for aerobics, dance and martial arts; and a quarter-mile four-lane walking/jogging track. It features a 42-foot indoor rock climbing facility with interchangeable hand and footholds, an outdoor activity area with a six-lane lap, and a free-form pool with a cool water spa. The building also houses a natatorium that seats 2,500 with a 50-meter, eight-lane Olympic-size pool, a five-lane instructional pool, a diving well with one and three meter springboards and competitive platforms, and hot tubs.

George Bush Presidential Library and Museum

The City is the site of the George Bush Presidential Library and Museum, located on the campus of Texas A&M University. Texas A&M provides programs and facilities such as research and instructional programs related to the library and museum, a conference center, communications center, educational museum/library center, and family-oriented facilities such as a park surrounding the presidential library and museum.

During 2000, the presidential library and related facilities attracted more than 150,000 visitors to the community. As a result, the room occupancy rate for 2002 was in excess of 62%. The increase in tourism has spurred the construction of several new hotels. In addition, the City is currently under contract for a public/private venture to construct a 300-room full service hotel to be associated with a City owned 45,000 square foot conference center. This project is scheduled to be completed in the 2nd quarter of 2005.

Reed Arena

Reed Arena is a special events center located on the Texas A&M University campus. The Arena seats up to 12,500 people and is the largest such facility in the Brazos Valley area. The center attracts athletic events, concerts and exhibits.

MAJOR AREA EMPLOYERS

Firm Name	Product	Number of Employees
Texas A&M University and System	Education/Research	20,904
Bryan ISD	Education	2,061
St. Joseph's Regional Hospital	Hospital	1,560
Sanderson Farms, Inc.	Poultry Processing	1,500
College Station ISD	Education	1,046
City of College Station	Municipal	840
City of Bryan	Municipal	771
Universal Computer Systems	Computer Hardware and Software	740
Brazos County	Government	700
Blinn College	College	609
Alenco	Windows	600
Scott & White Clinic	Clinic	513
First American Bank SSB	Bank	500
College Station Medical Center	Medical	425
Kent Moore Cabinets	Cabinet Manufacturer	400
Texcon	Construction	325
Young Contractors, Inc.	Construction	300
Britt Rice Electric	Electrical Contractor	270
SourceNet Solutions	Accounting Services	225

Source: Bryan-College Station Economic Development Corporation.

In addition to the University, employment is provided by more than 85 manufacturing industries located in, or adjacent to, the City which produce such products as aluminum windows, furniture, chemicals, dairy products, feeds and fertilizers, modular homes, bronze castings, and geophysical survey sensors. A growing research park is located within the Texas A&M campus. Major tenants include the Offshore Technology Research Center and the Food Safety Inspection School National Training Center. Automated Management systems provides a major automated accounting service for independent property and casualty insurance agents. The City has also developed the College Station Business Center, a 200-acre business park. Tenants within the park include United Computer Systems ("UCS"), which employs approximately 800 people; Cabletime, a graphics advertising business; Prodigene, a biotechnology research business; and Stata Corporation, a software research business. Businesses either under construction or in place account for approximately 300,000 square feet of buildings and employ approximately 1,000 people.

INCOME AND AGE STATISTICS

College Station

Calendar Year	Estimated Population	Total Retail Sales	Median Household Effective Buying Income	Total Household Effective Buying Income
1999	65,400	$ 626,034,000	$ 21,456	$ 873,068,000
2000	67,200	987,041,000	23,260	976,163,000
2001	70,400	974,869,000	25,661	1,007,953,000
2002	72,700	1,016,089,000	21,918	1,010,820,000
2003	74,300	1,078,046,000	21,238	1,016,503,000

Brazos County

Calendar Year	Estimated Population	Total Retail Sales	Median Household Effective Buying Income	Total Household Effective Buying Income
1999	145,000	$ 2,066,179,000	$ 27,925	$ 2,230,843,000
2000	154,700	2,307,670,000	29,418	2,441,456,000
2001	158,600	2,225,738,000	30,992	2,534,254,000
2002	161,900	2,327,506,000	28,472	2,377,460,000
2003	160,900	2,454,692,000	27,970	2,354,875,000

Source: Sales & Marketing Management.

BUILDING PERMITS

College Station has grown rapidly over the past 30 years as evidenced by an increase in population from 17,676 in 1970 to 67,890 in 2000. The following table sets forth the number and value of construction permits issued by the City over the past several years.

	Residential Construction		Commercial Construction		Total	
Year	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
2000	759	$ 86,902,569	362	$ 52,811,249	1,121	$139,713,818
2001	998	101,814,774	291	44,482,367	1,289	146,297,141
2002	1,207	107,907,265	307	38,926,808	1,514	146,834,073
2003	1,127	138,484,780	315	49,408,634	1,442	187,893,414
2004	985	100,504,006	366	114,543,138	1,351	215,047,144

Source: The City.

COUNTY CHARACTERISTICS

Brazos County was created in 1841 from Robertson and Washington Counties. The economy is diversified primarily by agribusiness, computer manufacturing, research and development, and education. The Texas Almanac designates cattle, hogs, sorghums, corn, cotton, wheat, oats and pecans as the principal sources of agricultural income.

The County had a 2000 population of 152,415, an increase of 25.07% since 1990. Minerals produced in the County include sand and gravel, lignite, gas and oil.

LABOR STATISTICS

COLLEGE STATION

Year [1]	Labor Force	Total Employment	Unemployment	Rate
2000	30,538	30,051	487	1.6%
2001	30,881	30,349	532	1.7%
2002	31,667	31,088	579	1.8%
2003	33,005	32,210	795	2.4%
2004 [2]	33,372	32,669	703	2.1%
2005 [3]	38,379	36,771	1,608	4.2%

BRAZOS COUNTY

Year [1]	Labor Force	Total Employment	Unemployment	Rate
1999	75,486	74,166	1,320	1.7%
2000	76,699	75,537	1,162	1.5%
2001	77,554	76,285	1,269	1.6%
2002	79,524	78,143	1,381	1.7%
2003	82,861	80,965	1,896	2.3%
2004	86,095	82,433	3,662	4.3%
2005 [3]	84,472	80,635	3,837	4.5%

Source: Texas Workforce Commission.

(1) Because of methodology changes in geographical areas below the state level, data from 2005 and 2004 or earlier is not considered comparable.

(2) Average through August. Because of substantial methodology changes between 2004 and 2005, Texas city data is no longer available prior to 2005.

(3) Average through January.

APPENDIX B

EXCERPTS FROM THE

CITY OF COLLEGE STATION, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2004

The information contained in this Appendix consists of excerpts from the City of College Station, Texas Annual Financial Report for the Year Ended September 30, 2004, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION