GENERAL MANAGER ITEM #100471

Gainesville Regional Utilities

November 4, 2010

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Prior Action

- Received initial approval on October 5, 2010 to continue work on upcoming bond deal
- Commission authorized, among other things:
  - Issuance of up to $135m of fixed rate new money
  - Refunding of 2003 Series A, 2005 Series B and 2008 Series A through fixed rate bonds

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2010 Plan of Finance*

Description	Par Amount	Type	Maturities	Purpose	Benefit
Series A	$12.94m	Taxable Fixed Rate	2027-2030	Funds normal construction projects for GRUCom	Funding additional years of construction costs at approximately 100bps less than originally forecast
Series B	$132.40m	Taxable BABs	2034-2040	Funds normal construction projects for all other funds	Funding additional years of construction costs at approximately 80bps less than originally forecast
Series C	$17.10m	Tax Exempt	2015-2034	(1) Partially refunds 2003 Series A Bonds (2) Make Whole Restructuring of a portion 2008 Series A Bonds related to current taxable debt related to the Deerhaven retrofit, which may be refunded on a tax exempt based after the termination of the LILO agreement.	(1) Achieving net present value savings through 2019. (2) Results in debt service savings of $5.6m for each of the next three years

* Preliminary: Subject to Change

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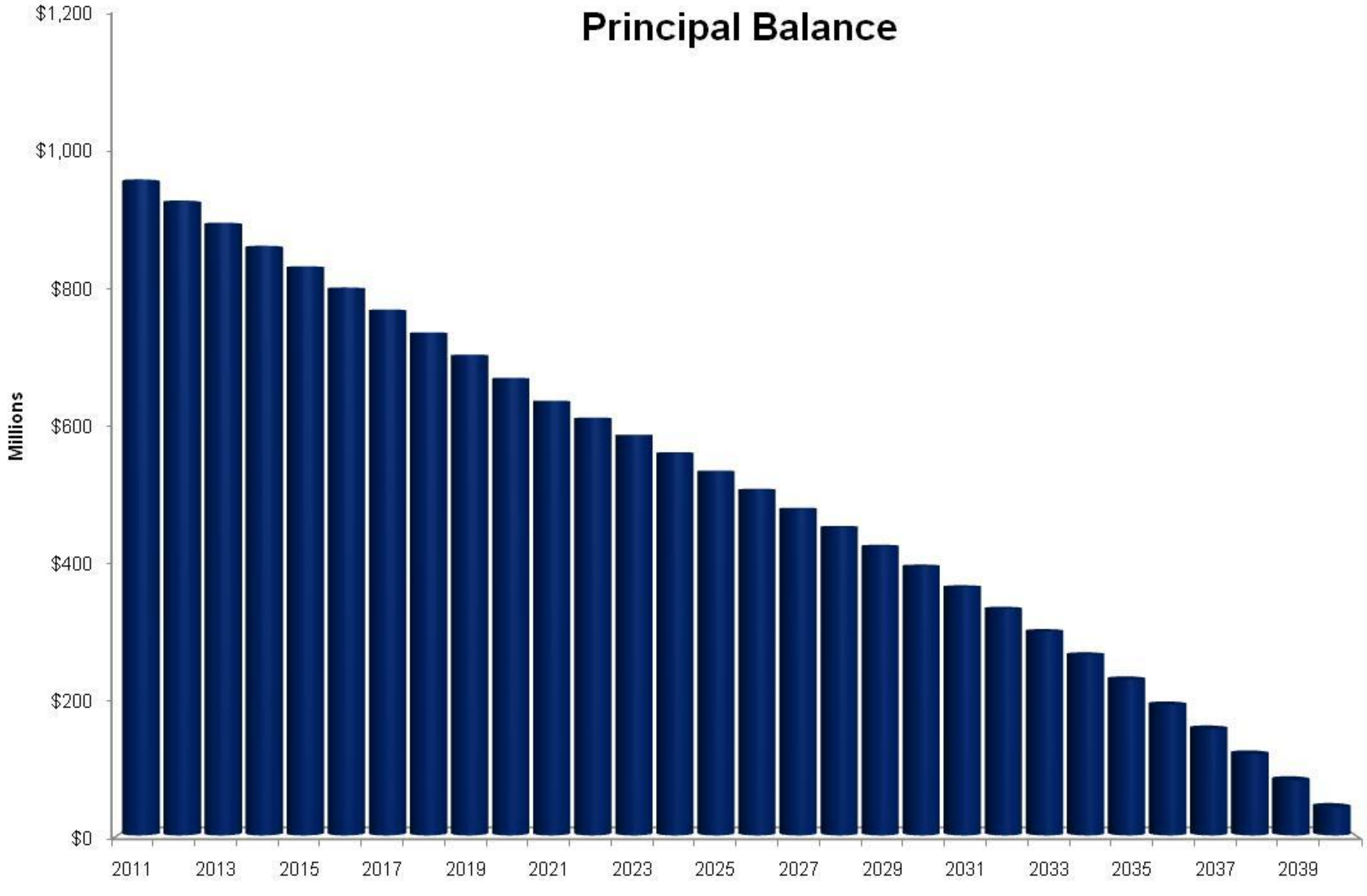
Principal Balance Declines Rapidly



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Message to Rating Agencies: GRU is a Stable AA/Aa2 Credit

Proposed Bond Issue	• Prefunding through 2014 in low interest rate environment • Taking advantage of BABs lowers projected debt service from forecast • **$26m of NPV Savings to GRU Customers**
Rates	• Competitive across our basket of services • Financing reduces overall revenue requirements from forecast
Capital Improvement Program	• Yearly program decreases and levelizes over time • Program moves towards nearly half equity funding
Energy Supply	• Fuel mix is varied, and not unlike other AA utilities • Progressive plans to move to greater percentage of renewables
Regulatory Requirements	• Staff actively monitors and plans despite uncertainty at national/state level
Metrics	• Debt Service Coverage improves to around 2 times coverage • Strong Liquidity Position

Moody's Investors Service: Aa2

Strengths

• Financial liquidity is strengthened by the utility's focused risk management program

• Positive financial operations and ample debt service coverage margins

• No collateral posting on natural gas or interest rate exchange agreements

• TEA provides valuable fuel and power risk management

• Stable economic base

• Competitive pricing for all services

• Strong renewable energy program

• Favorable debt repayment structure with declining debt service schedule

• Good relationship with City Commission

Challenges

• Exposure to expected more restrictive environmental regulations

• Lack of fuel diversity with coal-fired generation

• Management of water and wastewater regulatory and environmental risks

• Biomass project that will provide fuel diversity has numerous pending regulatory hurdles

• Un-hedged variable rate debt with a liquidity facility that expires early 2011

• No debt service reserve

• Remediation cost of the MGP

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Standard & Poor's: AA

Strengths

• Solid operational profile with low production costs

•Solid financial position, moderate debt-to-customer level, and adequate liquidity

•Commission support for rate increases to maintain current financial profile

•Experienced and pro-active management team

•Stable economy

Credit Concerns

• Dependence on one generating unit to provide about 65% of the system's electricity

•Additional debt burden associated with CIP, although rate increases and post-2013 debt reduction mitigate this

Fitch Ratings: AA

Strengths

• Experienced management team and good working relationship with the Commission

• Strong financial metrics comparable to other Fitch rated AA utilities

• Stable customer base

• Long on power and no additional generation through 2023

• Actively pursuing renewable opportunities in anticipation of future regulator/legislative requirements

• Track record of implementing rate increases when needed

• 6 year CIP will be funded by internally generated monies; additional debt issuance limited

Challenges

• Sizeable general fund transfer

• Rates are above average

• Variable rate debt outstanding – although the majority of it is synthetically fixed by interest rate swaps with highly ratedd counterparties

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Recommendation Parameters

GM or Designee Determines:	Series A	Series B	Series C
Principal (not to exceed)	$20m	$135m	$25m
Final Maturity (no later than)	10/01/32	10/01/40	10/01/40
Maximum Interest Rate (not to exceed)	6.95%	7.50%	5.50%
Optional Redemption Provisions	Spread over Treasury shall not exceed 1.00%		
True Interest Costs	7.50%	5.00%	5.25%
Other		Make irrevocable election to have IRS Section 54(A)(A)(g) apply to receive 35% subsidy	

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Recommendation

- Adopt the authorizing resolution which authorizes:
  - 23rd Supplemental Bond Resolution
  - Issuance, Sale, Execution and Delivery of Bonds
  - Contract of Purchase
  - Continuing Disclosure Certificate
  - Preliminary Official Statement
  - Escrow Deposit Agreement
  - Other documents in relation to Series A/B/C Bonds
  - Clerk, General Manager, and other Authorized Officers to execute documents needed to proceed with issuance

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