

Gainesville Regional Utilities 2008 Series A Financing

November 26, 2007

Current Financing Needs

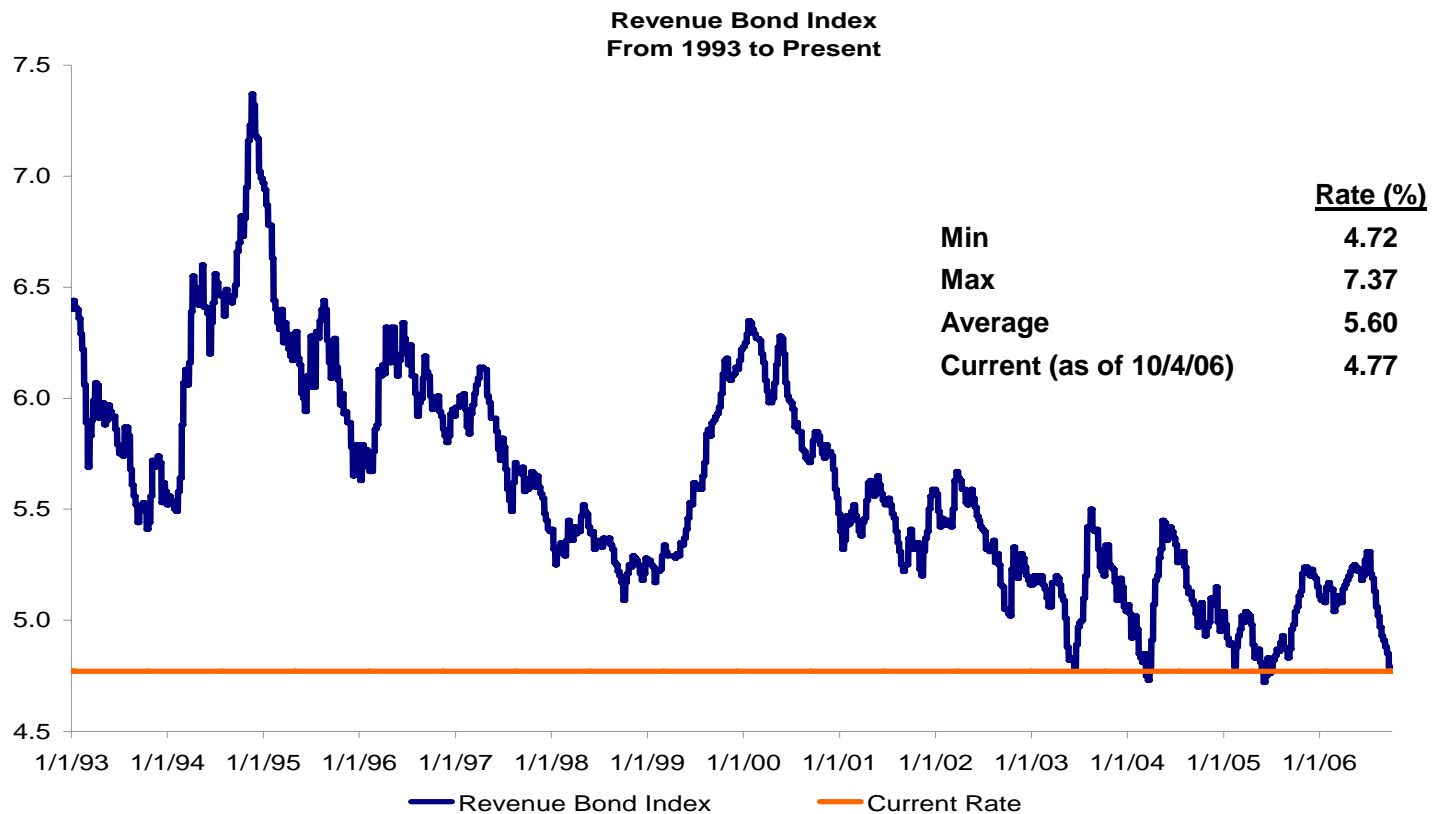
- Current need to fund current costs of construction for FY08 & FY09
- Contributing equity of \$44.8m
- Borrowings of approximately \$205m
 - \$105m of taxable debt
 - \$100m of tax-exempt debt
- Funds are needed on or about February 15, 2007

Securing Low Interest Rates

- In October 2006, Staff was authorized to, among other things:
 - Enter into one or more “floating-to fixed” interest rate swap transactions
 - Utilize a competitive process to select one or more counterparties
- On October 23, 2006, Staff competitively bid and entered into two interest rate swap transactions
 - JPMorgan Chase and Bear Stearns Financial Products Inc. were the counterparties
 - The winning bid was 4.222%

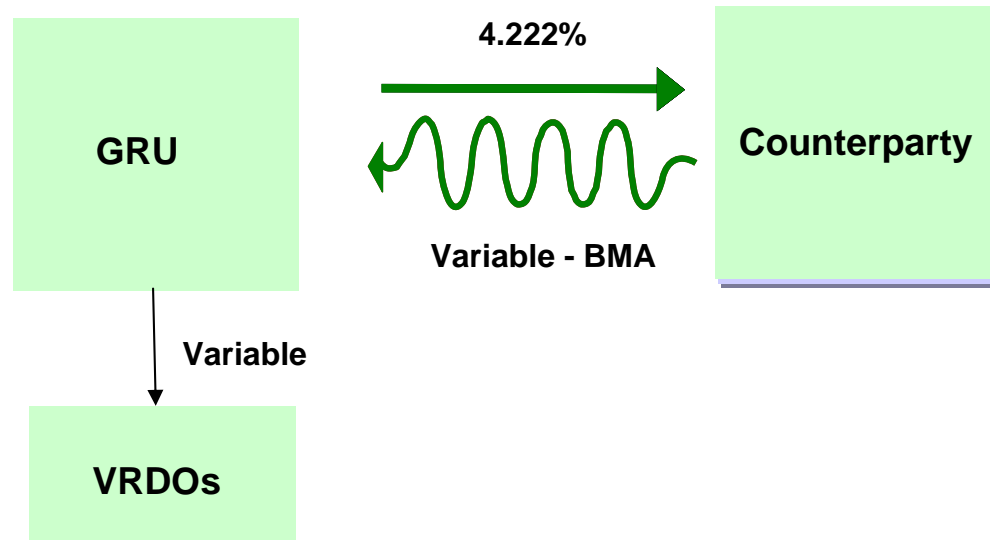
Market Overview

- Current market borrowing rates were at historically low levels when we entered into the swap transactions.



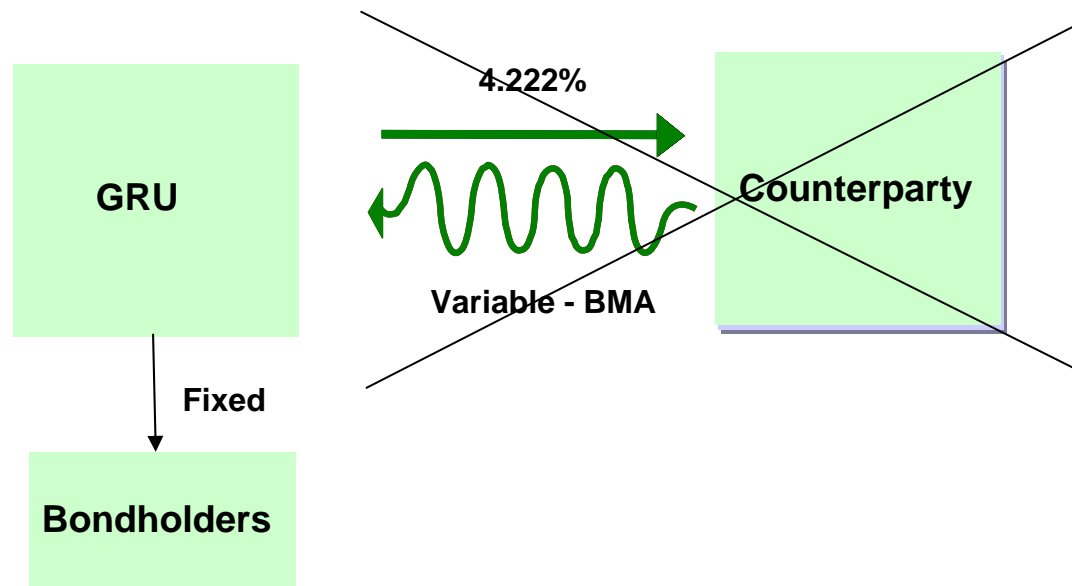
Floating-to-Fixed Swap

A floating-to-fixed swap is an agreement where GRU synthetically converts variable rate debt to fixed rate debt through an interest rate swap

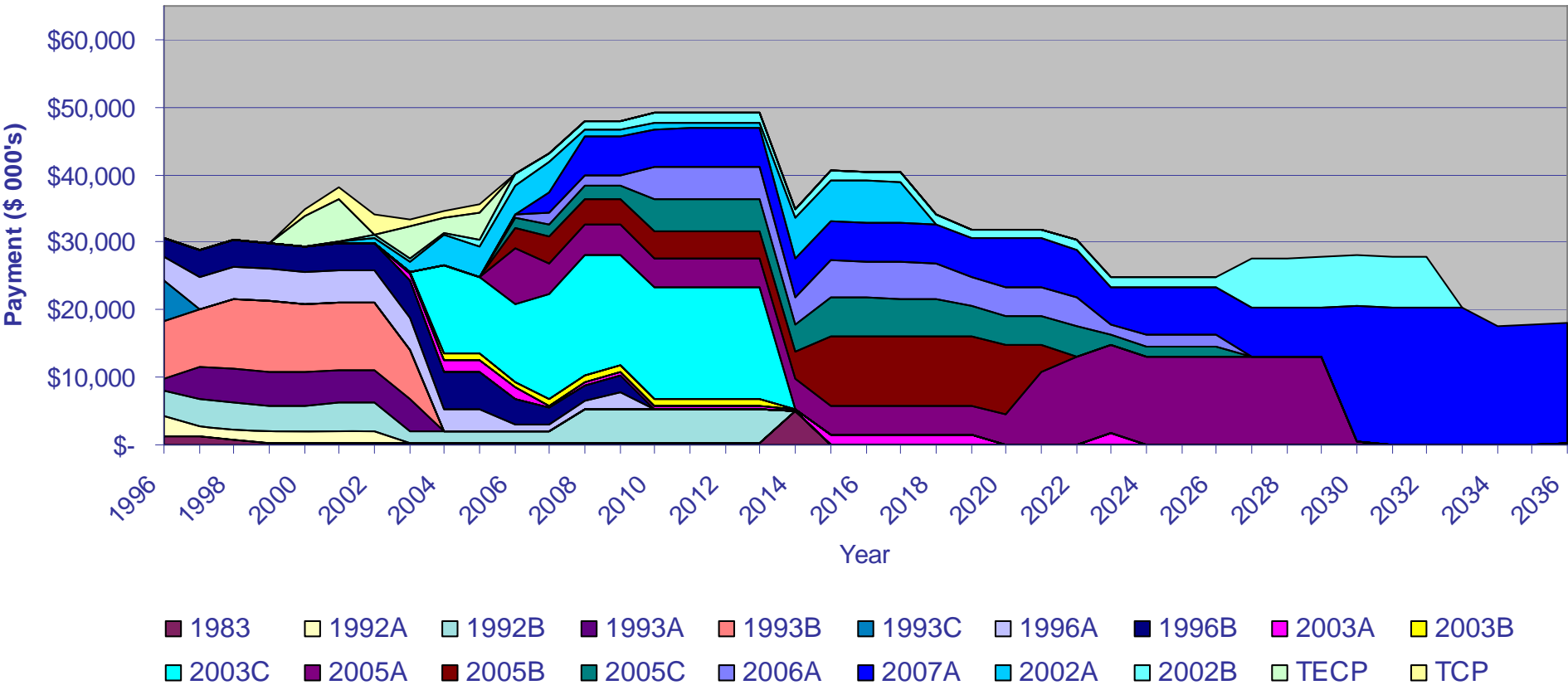


Floating-to-Fixed Swap Termination

We can terminate the swap, issue fixed-rate bonds, and effectively achieve the 4.222% cost of money



Debt Service - Long Term



Objectives

- The proposed financing can be accomplished while keeping with the goals and objectives discussed during the budget sessions
- Staying within the current and projected rate structure
- Maintaining or improving Debt Service Coverage at desired levels
- Maintaining or improving Debt vs Equity ratio
- Assuring adequate reserves

Staff Recommendation – In Summary

- Staff, in summary, is asking the City Commission to:
 - Authorize the financing of up to \$205 million of new money for the payment of Costs of Acquisition and Construction through the issuance of fixed-rate bonds;
 - Authorize the termination of the JPMorgan Chase, N.A., \$31.5m swap whose effective date is February 1, 2008;
 - Authorize the termination of the Bear Stearns Financial Products Inc., \$58.5m swap whose effective date if February 1, 2008;
 - Approve the selection of Goldman Sachs as Senior Manger for the bonds reverenced above and authorize the appointment of additional Co-Managers if, upon the advice of PFM, our Financial Advisor, doing so would enhance the distribution of the bonds;

Staff Recommendation – In Summary (continued)

- Authorize the Clerk of the Commission, the General Manager, and other Authorized Officers to execute such documents as may be necessary to proceed with the Attorney as to form and legality, and to take such other actions as may be necessary or advisable to proceed with these transaction in accordance with this City Commission authorization.

Conclusion

- This borrowing will enable to us proceed with normal utility construction projects or acquisitions through FY09
- The low interest rate will benefit our ratepayers
- We will be returning to the commission in the next two months to seek approval for the financing documents