PFM®
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November 2, 2010

Ms. Jennifer Hunt
Chief Financial Officer
Gainesville Regional Utilities
Utilities Administration Building
Post Office Box 147117
Gainesville, Florida 32614-7117

Dear Ms. Hunt,

On behalf of Public Financial Management, Inc. ("PFM"), I am pleased to submit this letter as required by section 3(I) of Resolution No. 100466 in connection with the proposed City of Gainesville (the "City") Utilities System Revenue Bonds, 2010 Series A, B and C (the "Bonds"). The City anticipates issuing the Bonds in the following three taxable and tax-exempt series:

(1) Taxable 2010 Series A Bonds to: (a) pay a portion of the cost of improvements to its combined utilities system, (b) pay for capitalized interest on the 2010 Series A bonds and (c) pay costs of issuance;

(2) Taxable Issuer Subsidy Build America 2010 Series B Bonds to: (a) pay a portion of the cost of improvements to its combined utilities system, (b) pay for capitalized interest on the 2010 Series B bonds and (c) pay costs of issuance;

(3) Tax-Exempt 2010 Series C Bonds to: (a) refund certain of the City's outstanding Utilities System Revenue Bonds (2003 Series A and 2008 Series A) and (b) pay costs of issuance.

PFM is of the opinion that certain features of the proposed transaction, in combination with current market conditions, make it necessary, and in the best interests of the City, that the Bonds be sold on a negotiated rather than competitive basis.

A negotiated sale allows for more issuer to investor communications. A significant portion of the taxable bonds will be sold as Build America Bonds. The American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009, created Build America Bonds ("BABs"). These bonds can be issued by municipal borrowers such as the City, as an alternative to traditional tax-exempt bonds. The interest on BABs is subject to Federal income taxation, causing BABs to have higher rates than those of traditional tax-exempt bonds. However, governmental issuers of BABs are eligible to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the BABs. Since BABs are taxable investments, they attract investors that have not previously purchased bonds issued by municipal governments. The sale of BABs, therefore, requires the issuer to educate and market to a new class of investors. The negotiated sale format is the only means by which investors are able to have meaningful communication, contact and dialogue with the issuer prior to making their investment decision.

A negotiated sale allows for more underwriter involvement and due diligence in the issuance process. Underwriters must communicate more with potential investors about the new BABs issue. This dialogue necessitates more diligence on behalf of the underwriters to actively promote a transaction. PFM estimates that roughly 90% of taxable bonds issued in 2010 have been sold via negotiated sale. To our knowledge, every taxable utility revenue bond issue in excess of $100 million done in 2010 has been sold via negotiated sale.

The negotiated sale process also provides borrowers the ability and flexibility to react to market conditions and change structure up to the date of sale. The competitive sale process, on the other hand, requires the City to select a final debt structure several days in advance of a sale, with limited means of responding to investor inquiries or demand.

The 2010 transaction also includes a series of tax-exempt refunding bonds. The refunding savings will be a function of the rates of the new refunding bonds. The negotiated sale process provides the flexibility to react to market developments and revise the size and structure of the transaction if rates are lower or higher than expected. The necessary flexibility is part of the reason that roughly 80% of refunding transactions are executed via negotiated sale. The negotiated sale provides the time necessary to integrate the various portions of the 2010 transactions and react to potential market changes.

While it would be possible to conduct the sale on a competitive basis, PFM believes that the negotiated process will generate superior results in this case. Therefore, we recommend that the City utilize the negotiated sale process. Interest rates and other terms of the Bonds will be established via a negotiated process and PFM will provide an opinion that states, among other things, that the terms of the Bonds are fair and reasonable and reflect fair-market values. PFM will base this opinion on new issue pricing levels for both competitive and negotiated offerings, and secondary market pricing levels for comparable utility bonds. PFM's post-marketing report will provide justification for our recommended method of sale.

We hope this information is helpful in your decision-making process. If you require further information, please contact me at (704) 541-8339, or via e-mail at macem@pfm.com.

Sincerely,
Public Financial Management

Michael Mace
Managing Director