

U.S. Bank National Association, currently is Trustee, Paying Agent and Bond Registrar under the Resolution.

The 2019 Bonds will constitute "Bonds" within the meaning of the Resolution. The 2019 Bonds, the Bonds Outstanding on the date of this Official Statement and any additional Bonds (excluding Subordinated Indebtedness) which may be issued in the future under the Resolution are referred to herein collectively as the "Bonds." See "APPENDIX C – Copy of the Resolution." As of the date of this Official Statement, there were \$1,506,455,000 aggregate principal amount of Bonds Outstanding (as defined herein) under the Resolution, which does not include of the 2019 Bonds.

In addition to its Outstanding Bonds, as of the date of this Official Statement, the City also had outstanding \$85,000,000 in aggregate principal amount of its Utilities System Commercial Paper Notes, Series C (the "Series C CP Notes"). The Series C CP Notes are authorized to be issued in an aggregate principal amount outstanding at any time not to exceed \$125,000,000. However, as described above, it is anticipated that all or a portion of the Series C CP Notes will be refunded with proceeds of the 2019A Bonds. See "PLAN OF REFUNDING" below. The City also has authorized the issuance of its Utilities System Commercial Paper Notes, Series D (the "Series D Taxable CP Notes" and, together with the Series C CP Notes, the "CP Notes"), which are authorized to be issued in an aggregate principal amount outstanding at any time not to exceed \$25,000,000. As of the date of this Official Statement, the City had outstanding \$8,000,000 in aggregate principal amount of its Series D Taxable CP Notes. However, as described above, it is anticipated that all or a portion of the Series D CP Notes will be refunded with proceeds of the 2019B Bonds. See "PLAN OF REFUNDING" below. The CP Notes constitute Subordinated Indebtedness under (and as defined in) the Resolution, and are issued pursuant to Resolution No. 171090 incorporating by reference the Second Amended and Restated Subordinated Utilities System Revenue Bond Resolution adopted by the City on May 17, 2018, as heretofore amended, supplemented and restated. Subordinated Indebtedness is subordinate in all respects to Bonds issued under the Resolution. Additionally, the City entered into a direct placement revolving line of credit transaction in a not to exceed amount of \$25 million with SunTrust (the "SunTrust Loan"). As of the date hereof, the City does not have any amount outstanding under the SunTrust Loan.

For a more detailed discussion of the City's outstanding debt, see "OUTSTANDING DEBT" herein. APPENDIX D hereto shows total debt service requirements on all Bonds Outstanding as of the date of this Official Statement and does not include debt service on the CP Notes (which are anticipated to be refunded with proceeds of the 2019 Bonds) or the SunTrust Loan. The Resolution provides for the issuance of additional Bonds in accordance with the terms of the Resolution. For a discussion of additional Bonds which may be issued in the future, see "APPENDIX C – Copy of the Resolution – Additional Bonds" and "THE SYSTEM - Additional Financing Requirements" herein.

The City and the System

For general information with respect to the City see "APPENDIX A – General Information Regarding the City" attached hereto. For information with respect to the electric system, natural gas system, water system, wastewater system and telecommunications system owned by the City and operated as a single combined public utility (the "System"), including the service areas, history, organization, operations and management, regulatory matters, capital improvement program, additional financing requirements and historical financial information, see "THE SYSTEM" herein.

Other

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein. See "APPENDIX C – Copy of the Resolution – Definitions" attached hereto.

There follows in this Official Statement brief descriptions of the security for the Bonds, the 2019 Bonds, the System, the City, Alachua County, Florida (the "County"), the Resolution and certain financial statements. 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, as described under the paragraph "-- General" above.

PLAN OF FINANCE

In addition to financing the costs of the Projects (as more particularly described below), the 2019 Bonds are being issued to replenish the Utility Plant Improvement Fund, refinance short-term variable rate taxable and tax-exempt CP Notes on a long-term, fixed rate basis to move towards more of a fixed interest rate portfolio of indebtedness and restructure principal related to debt outstanding more consistent with the useful life of the assets financed thereby to create rate relief for rate payers in the near term.

On or about _____, 2019, the City anticipates separately issuing approximately \$_____* aggregate principal amount of its Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019C Bonds") to (i) further restructure some of its currently outstanding variable rate debt with both hedged and unhedged variable rate debt for the same purposes described in the immediately preceding paragraph and (ii) acquire, construct and equip certain capital improvements to the Murphree Water Treatment Plant, including but not limited to wellfield, pumping equipment and electrical projects.

The issuance of the 2019 Bonds and the 2019C Bonds is part of GRU's debt restructuring plan, the overall result of which is expected to create rate relief for rate payers and provide stability to the debt service coverage ratio and fixed charge coverage ratio after the acquisition of the Deerhaven Renewable (the "DHR Biomass Plant"), due to the debt necessary to finance the costs of such acquisition (which such debt was previously paid pursuant to a Power Purchase Agreement with the prior owners of the DHR Biomass Plant). GRU expects it will be in compliance with the covenants under the Resolution, including those related to debt service coverage, on the issuance of the 2019 Bonds, and expects to remain in compliance with such covenants in the event that the 2019C Bonds are not issued.

The "Projects" collectively consist of the 2019A Project and the 2019B Project.

THE PROJECTS

The "2019A Project" includes, but is not limited to, the acquisition, construction and equipping of certain capital improvements to the Kelly Steam turbine, Kelly Gas turbine, Deerhaven 2 boiler, Deerhaven 2 pollution control equipment, Deerhaven renewables boiler, transmission substation, electric transmission, LED lighting, AMI, water distribution mains, Main Street Water Reclamation Facility, Kanapaha Water Reclamation Facility, wastewater collection gravity systems, gas metering and regulating and gas transmission and distribution.

The 2019B Project includes, but is not limited to, the acquisition, construction and equipping of certain capital improvements to the South Energy Center, GRUCom network operations, GRUCom voice switch and GRUCom central office electric upgrade.

PLAN OF REFUNDING

The Refunded CP Notes were originally issued to finance improvements to the System. Provision for payment will be accomplished through the issuance of the 2019 Bonds and the use of a portion of the proceeds thereof, together with other legally available funds, to refund the Refunded CP Notes. The amount necessary to pay the principal amount of Refunded Series C Notes and the Refunded Series D Notes, respectively, together with accrued interest to their respective maturity dates shall be transferred to the respective paying agents for the payment of such Refunded Series C Notes and Refunded Series D Notes on their scheduled maturity dates.

A portion of the proceeds of the 2019B Bonds, together with other legally available funds of the City, if any, will be used to refund the Refunded Bonds. The Refunded Bonds maturing on October 1, 2021 will be redeemed prior to maturity on the date of closing of the 2019 Bonds at the redemption prices equal to _____%.

As more fully described in "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions", the City previously entered into a swap transaction relating to the Refunded Bonds (the "2005 Series B Swap Transaction"). The 2005 Series B Swap Transaction will remain in place as a partial hedge against interest rates to be borne by such other taxable Bonds which remain outstanding. See "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions" herein for more information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Official Statement contains forward-looking statements. Forward-looking statements include, among other things, statements concerning sales, customer growth, economic recovery, current and proposed environmental regulations and related estimated expenditures, access to sources of capital, financing activities, start and completion of construction projects, plans for new generation resources, estimated sales and purchases of power and energy, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "estimated," "scheduled," "potential," or "continue" or the negative of these terms or other similar terminology. These forward-looking statements are based largely on the City's current expectations and are subject to a number of risks and uncertainties, some of which are beyond the City's control. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Accordingly, there can be no assurance that such indicated results will be realized. These factors include, but are not limited to:

- the impact of recent and future federal and state regulatory changes or judicial opinions, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the 2005 Energy Policy Act (hereinafter

defined), the Clean Power Plan (as hereinafter defined), environmental laws and regulations affecting water quality, coal combustion byproducts, and emissions of sulfur dioxide, nitrogen oxides, greenhouse gases ("GHG"), particulate matter and hazardous air pollutants including mercury, financial reform legislation, and also changes in tax and other laws and regulations to which the System is subject, as well as changes in application of existing laws and regulations;

- current and future litigation, regulatory investigations, proceedings, or inquiries;
- the effects, extent, and timing of the entry of additional competition in the markets in which the System operates;
- variations in demand for products and services of the System, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), and the effects of energy and resource conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities, including those relating to unanticipated conditions encountered during construction, risks of non-performance or delay by contractors and subcontractors and potential contract disputes;
- investment performance of the System's invested funds;
- advances in technology;
- the ability of counterparties of the City to make payments as and when due and to perform as required;
- the direct or indirect effect on the System's business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including the System's credit ratings;
- the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general;
- the ability of the System to obtain additional capacity at competitive prices;
- the ability of the System to dispose of surplus capacity at competitive prices;
- the ability of the System to mitigate the cost impacts associated with integrating additional generating capacity into the System's energy supply portfolio;
- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;

- the direct or indirect effects on the System's business resulting from incidents affecting the U.S. electric grid or operation of generating resources; and
- the effect of accounting pronouncements issued periodically by standard-setting bodies.

The City expressly disclaims any obligation to update any forward-looking statements. Prospective purchasers of the 2019 Bonds should make a decision to purchase the 2019 Bonds only after reviewing this entire Official Statement (including the Appendices attached hereto) and making an independent evaluation of the information contained herein, including the possible effects of the factors described above.

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OUTSTANDING DEBT

The following table sets forth the outstanding debt of the City issued for the System as of October 1, 2018.

Outstanding Debt of the City Issued for the System

Description	As of October 1, 2018		
	Interest Rates	(Unaudited) Due Dates (October 1)	Principal Outstanding ⁽¹⁾
Utilities System Revenue Bonds:			
2005 Series A	4.75%	2029 – 2036	\$405,000
2005 Series B (Federally Taxable) ⁽⁹⁾	5.31% ⁽²⁾⁽³⁾	2019 – 2021	10,115,000
2005 Series C ⁽¹⁰⁾	Variable ⁽²⁾⁽³⁾	2026	21,605,000
2006 Series A ⁽¹⁰⁾	Variable ⁽²⁾⁽³⁾	2026	16,890,000
2007 Series A ⁽¹⁰⁾	Variable ⁽²⁾⁽³⁾	2036	136,180,000
2008 Series A (Federally Taxable)	5.27% ⁽²⁾⁽³⁾	2019 – 2020	11,615,000
2008 Series B ⁽¹⁰⁾	Variable ⁽²⁾⁽³⁾	2038	90,000,000
2009 Series B (Federally Taxable) ⁽⁷⁾	4.697 – 5.655%	2019 – 2039	143,280,000
2010 Series A (Federally Taxable) ⁽⁷⁾	5.874%	2027 – 2030	12,930,000
2010 Series B (Federally Taxable) ⁽⁷⁾	6.024%	2034 – 2040	132,445,000
2010 Series C	5.00 – 5.25%	2019 – 2034	11,795,000
2012 Series A	2.50 – 5.00%	2021 – 2028	81,860,000
2012 Series B ⁽¹⁰⁾	Variable ⁽⁴⁾	2042	100,470,000
2014 Series A	2.50 – 5.00%	2021 – 2044	37,835,000
2014 Series B	3.125 – 5.00%	2019 – 2036	21,110,000
2017 Series A	4.00 – 5.00%	2019 – 2040	412,920,000
2017 Series B	Variable ⁽²⁾	2044	150,000,000
2017 Series C	Variable ⁽²⁾	2047	115,000,000
Total Utilities System Revenue Bonds			\$1,506,455,000
Subordinate Utilities System Revenue Bonds:			
2018 Series A	Variable ⁽⁸⁾	2021	\$0
Total Subordinated Utilities System Revenue Bonds			\$0
Utilities System Commercial Paper Notes⁽⁹⁾:			
Series C	Variable ⁽¹⁾⁽²⁾	⁽⁵⁾	\$85,000,000
Series D	Variable ⁽²⁾	⁽⁶⁾	8,000,000
Total Subordinated Bonds			\$93,000,000

[Footnotes appear on following page]

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- (1) Does not include the 2019 Bonds.
- (2) See Note 9 to the audited financial statements of the System for the fiscal year ending September 30, 2017 included as APPENDIX B to this Official Statement for a discussion of the various risks borne by the City relating to interest rate swap transactions.
- (3) See "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions" herein for a discussion of the related interest rate swap.
- (4) The interest rates on the 2012 Series B Bonds are hedged, in part, by the 2005 Series C Swap Transaction and the 2006 Series A Swap Transaction. See "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions" herein.
- (5) The Series C CP Notes will mature no more than 270 days from their date of issuance, but in no event later than October 5, 2048, unless such outside maturity date is amended.
- (6) The Series D CP Notes will mature no more than 270 days from their date of issuance, but in no event later than June 14, 2030, unless such outside maturity date is amended.
- (7) These bonds were issued as "Build America Bonds." The City received subsidy payments equal to a percentage of interest payments from the United States Treasury. No assurance can be provided that the City will continue to receive such subsidy payments or that future legislation, clarification or amendments to the Code will not reduce or eliminate such subsidy payments expected to be received by the City.
- (8) As part of the Contract of Purchase executed on August 3, 2018, the City agreed to sell to STI Institutional & Government, Inc. (the "Purchaser") all, but not less than all, of the SunTrust Loan, in the principal amount outstanding not in excess of \$25,000,000 and maturing on August 3, 2021, however subject to optional redemption at any time and mandatory tender on February 3, 2020, unless modified as described in Resolution No. 171089 of the City adopted on May 17, 2018, authorizing the issuance of the SunTrust Loan. The City previously drew \$50,000 on the loan, however such amount was paid by the City and there is currently no amount outstanding.
- (9) It is expected that a portion of the 2005 Bonds and all or a portion of these notes will be refunded with proceeds of the 2019 Bonds. See "PLAN OF REFUNDING" above.
- (9) It is expected that all or a portion of these bonds will be refunded with proceeds of the 2019C Bonds, which are expected to be issued on or about _____, 2019.

APPENDIX D attached hereto shows total debt service requirements on all Bonds Outstanding as of October 1, 2018 and does not include debt service on the CP Notes or the SunTrust Loan.

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the 2019 Bonds, together with other legally available funds, are estimated to be as follows:

	<u>2019A</u> <u>Bonds</u>	<u>2019B</u> <u>Bonds</u>	<u>Total</u>
SOURCES OF FUNDS			
Principal Amount	\$	\$	\$
Plus Net Original Issue Premium			
Plus Other Legally Available Funds			
TOTAL SOURCES	\$	\$	\$
USES OF FUNDS			
Deposit to 2019 Project Account	\$	\$	\$
Prepay Refunded CP Notes			
Costs of Issuance ⁽¹⁾			
TOTAL USES	\$	\$	\$

⁽¹⁾ Includes legal and financial advisory fees, underwriters' discount, printing costs, rating agency fees and other costs of issuance of the 2019 Bonds.

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The following table shows debt service on the 2019 Bonds issued pursuant to the Resolution:

DEBT SERVICE SCHEDULE FOR 2019 BONDS

Bond Year Ended October 1	2019A Bonds <u>Principal</u>	2019A Bonds <u>Interest</u>	2019A Bonds Total Debt <u>Service</u>	2019B Bonds <u>Principal</u>	2019B Bonds <u>Interest</u>	2019B Bonds Total Debt <u>Service</u>	Total Debt <u>Service</u> ⁽¹⁾
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Total

⁽¹⁾ See "THE SYSTEM – Summary of Combined Net Revenues" herein for more information about debt service coverage.

See APPENDIX D attached hereto for more information regarding debt service on all Bonds Outstanding following the issuance of the 2019 Bonds.

SECURITY FOR THE BONDS

Pledge Under the Resolution

All Bonds issued under the Resolution, including the 2019 Bonds, are direct and special obligations of the City payable solely from and secured as to the payment of the principal and premium, if any, and interest thereon, in accordance with their terms and the provisions of the Resolution by (i) proceeds of the sale of the Bonds, (ii) Revenues and (iii) all Funds established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund which secures only certain designated Series of Bonds and any fund which may be established pursuant to the Resolution for decommissioning and certain other specified purposes), including the investments and income, if any, thereof (collectively, the "Trust Estate"), and the Trust Estate is pledged and assigned to the Trustee for the benefit of the holders of the Bonds, in each case subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

THE BONDS DO NOT CONSTITUTE A GENERAL INDEBTEDNESS OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION OF INDEBTEDNESS. NO HOLDER OF THE BONDS WILL HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS OR THE MAKING OF ANY PAYMENTS UNDER THE RESOLUTION. THE BONDS AND THE OBLIGATIONS EVIDENCED THEREBY DO NOT CONSTITUTE A LIEN ON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE TRUST ESTATE. THE CITY MAY ISSUE, PURSUANT TO THE RESOLUTION, ADDITIONAL BONDS AND PARITY HEDGING CONTRACT OBLIGATIONS ON A PARITY BASIS WITH THE BONDS. See "THE SYSTEM – Funding the Capital Improvement Program - Additional Financing Requirements" herein for a discussion of the City's present intentions with respect to the issuance of additional Bonds and Subordinated Indebtedness.

Rates, Fees and Charges

The City shall at all times establish and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which, together with other available Revenues, are reasonably expected to yield Net Revenues which shall be equal to at least 1.25 times the Aggregate Debt Service for the forthcoming 12-month period and, in any event, as shall be required, together with other available funds, to pay or discharge all other indebtedness, charges and liens whatsoever payable out of Revenues under the Resolution; provided, however, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that the City intends to pay such Principal Installment from sources other than Revenues. Promptly upon any material change in the circumstances which were contemplated at the time such rates, fees and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the City shall review the rates, fees and charges so established and shall promptly revise such rates, fees and charges as necessary to comply with the foregoing requirements, provided that such rates, fees and charges shall in any event produce moneys sufficient to enable the City to comply with all its covenants under the Resolution.

No free service or service otherwise than in accordance with the established rates, fees and charges shall be furnished by the System or as otherwise required by law, which rates, fees and charges shall not permit the granting of preferential rates, fees or charges among the users of the same class of customers

provided, however, the City may dispose without charge reclaimed water for irrigation or any other purpose if it is deemed by the City to be an efficient use of such reclaimed water. If and to whatever extent the City receives the services and facilities of the System, it shall pay for such services and facilities according to the City's established rate schedule, and the amounts so paid shall be included in the amount of Revenues.

In estimating Aggregate Debt Service on any Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes for purposes of the first paragraph above, the City shall be entitled to assume that such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes will bear such interest rate or rates as the City shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes, as the case may be, at the time of determination of Aggregate Debt Service. See "APPENDIX C—Copy of the Resolution" attached hereto.

Additional Bonds; Conditions to Issuance

The City may issue additional Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the System or for the purpose of refunding Outstanding Bonds. All Series of such Bonds will be payable from the same sources and secured on a parity with all other Series of Bonds. Set forth below are certain conditions applicable to the issuance of additional Bonds.

Debt Service Coverage. There shall have been obtained and filed with the Trustee a certificate signed by an Authorized Officer of the City, pursuant to which he or she shall state and certify the following:

(a) The amount of Revenues, as determined under standard auditing procedures but adjusted as hereinafter provided (the "Adjusted Gross Revenues"), for, at the option of the City, any twelve (12) consecutive months out of the twenty-four (24) consecutive months immediately preceding the date of issue of the proposed additional Bonds or the most recently completed audited Fiscal Year (the "Audit Period") and amount of the Operation and Maintenance Expenses for the Audit Period, as determined under standard auditing procedures but adjusted as hereinafter provided (the "Adjusted Operation and Maintenance Expenses").

(b) In determining the amount of Adjusted Gross Revenues for the Audit Period, such Authorized Officer of the City may take into account the amount by which Revenues would have increased if or as a result of: (i) the number of customers served by the System during the Audit Period had included the number of new customers of the System attributable to a privately-owned or publicly-owned existing electric system, water system, wastewater system, natural gas system, telecommunications system or other utility system to be acquired with the proceeds of such additional Bonds, had the acquisition occurred at the beginning of the Audit Period, (ii) the number of customers served by the System during the Audit Period had included the average number of new customers of the System that by ordinance, agreement, law or regulation will be required to connect to the System during the first full Fiscal Year following the Fiscal Year in which such proposed additional Bonds are issued, which amount may be based on projections of an Independent Consultant (the "Applicable Bond Year"), or the first full Fiscal Year after completion of such project if the such project will not be completed prior to the commencement of the applicable Fiscal Year, (iii) any changes in the rate schedules for customers and users of the System which the City shall then have in effect, or has enacted by ordinance or resolution on or before the