

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2014****NEW ISSUE – BOOK ENTRY ONLY****SEE "RATINGS" herein.**

*In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein under existing law, interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax on individuals and corporations. Interest on the Series 2014 Bonds will, however, be taken into account in computing an adjustment made in determining a corporate Series 2014 Bondholder's alternative minimum tax based on such Series 2014 Bondholder's adjusted current earnings, and holders of Series 2014 Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. See "TAX MATTERS" herein.*

§ \_\_\_\_\_ \*

**CITY OF GAINESVILLE, FLORIDA**  
**Capital Improvement Revenue Bonds, Series 2014**

**Dated: Date of Delivery****Due: October 1 in each year  
as shown on the inside cover**

The City of Gainesville, Florida (the "City") is issuing its Capital Improvement Revenue Bonds, Series 2014 (the "Series 2014 Bonds") as fully registered bonds, which initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases will be made in book entry form only in denominations as described herein. Purchasers of the Series 2014 Bonds (the "Beneficial Owners") will not receive physical delivery of the Series 2014 Bonds. Transfer of ownership in the Series 2014 Bonds will be effected through DTC's book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which will in turn remit such payments to the Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Interest on the Series 2014 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2015. Principal of the Series 2014 Bonds is payable, when due, to the registered owners upon presentation and surrender at the designated corporate office of The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as Registrar and Paying Agent. All payments of principal of, redemption premium, if applicable, and interest on the Series 2014 Bonds shall be payable in lawful money of the United States of America.

Certain of the Series 2014 Bonds are subject to redemption prior to their stated dates of maturity as stated herein.

The Series 2014 Bonds are being issued pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including, particularly, Chapter 166, Florida Statutes, Article VIII, Section 2, Constitution of the State of Florida, the municipal charter of the City and other applicable provisions of law (the "Act") and pursuant to Resolution No. \_\_\_\_\_ adopted by the City Commission of the City (the "Commission") on \_\_\_\_\_, 2014, as amended and supplemented from time to time, and as particularly supplemented by Resolution No. \_\_\_\_\_ adopted by the Commission on \_\_\_\_\_, 2014 (collectively, the "Bond Resolution"). All terms used herein in capitalized form and not otherwise defined shall have the meanings ascribed thereto in the Bond Resolution.

Pursuant to the Bond Resolution, the City has covenanted and agreed, to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its Annual Budget for each Fiscal Year, by amendment, if necessary, and to deposit to the credit of the Debt Service Fund, Non-Ad Valorem Revenues of the City in an amount which is equal to the Bond Service Requirement with respect to all Series 2014 Bonds Outstanding under the Bond Resolution for the applicable Fiscal Year, plus an amount sufficient to satisfy all other payment obligations of the City under the Bond Resolution for the applicable Fiscal Year. "Pledged Revenues" consist of the Non-Ad Valorem Revenues budgeted and appropriated, and deposited into the Debt Service Fund, to pay the principal of, premium, if any, and interest on the Series 2014 Bonds, and income received from the investment of moneys deposited in the funds and accounts established under the Bond Resolution. The covenant and agreement on the part of the City to budget and appropriate sufficient amounts as described above is subject, however, in all respects to certain existing obligations and obligations to be made in the future, as more fully described herein and in the Bond Resolution. Notwithstanding the foregoing or anything in the Bond Resolution to the contrary, the City has not covenanted to maintain any service or program now provided or maintained by the City which generates Non-Ad Valorem Revenues. For more information, see "SECURITY FOR THE SERIES 2014 BONDS" herein.

The Series 2014 Bonds are being issued to provide funds to (i) construct Fire Station 1, construct and equip various capital projects at Depot Park, construct a roundabout at South Main and Depot Avenue, reconstruct NE 2<sup>nd</sup> Street, as well as certain other capital projects located within the City, and (ii) pay the costs associated with the issuance of the Series 2014 Bonds.

THE SERIES 2014 BONDS SHALL NOT BE DEEMED TO CONSTITUTE GENERAL OBLIGATIONS OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, LEGISLATIVE OR CHARTER PROVISION OR LIMITATION, BUT SHALL BE PAYABLE FROM AND SECURED SOLELY BY A LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. NO SERIES 2014 BONDHOLDER SHALL EVER HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF FLORIDA OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY FOR ANY PURPOSE, INCLUDING WITHOUT LIMITATION, FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON SUCH SERIES 2014 BONDS, OR TO MAINTAIN OR CONTINUE ANY ACTIVITIES OF THE CITY WHICH GENERATE USER SERVICE CHARGES, REGULATORY FEES OR OTHER NON-AD VALOREM REVENUES, NOR SHALL ANY SERIES 2014 BONDHOLDER BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, ALL IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. THE SERIES 2014 BONDS AND THE INDEBTEDNESS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY REAL OR PERSONAL PROPERTY OF THE CITY, OR ANY PART THEREOF, OR ANY OTHER TANGIBLE PERSONAL PROPERTY OF OR IN THE CITY, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES, ALL IN THE MANNER AND THE EXTENT PROVIDED IN THE BOND RESOLUTION.

This cover page contains certain information for quick reference only. It is not, and is not intended to be, a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Series 2014 Bonds are offered when, as, and if issued and received by the Underwriter, subject to the opinion on certain legal matters relating to their issuance by Holland & Knight LLP, Lakeland, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Nicole M. Shalley, Esq., Gainesville, Florida, City Attorney and Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel to the City. Public Financial Management, Inc., Orlando, Florida is Financial Advisor to the City in regard to the issuance of the Series 2014 Bonds. It is expected that the Series 2014 Bonds in definitive form will be available for delivery to the Underwriter in New York, New York at the facilities of DTC on or about \_\_\_\_\_, 2014.*

Electronic bids for the Series 2014 Bonds will be received through Parity Electronic Bid Submission System as described in the Official Notice of Sale.

Dated: \_\_\_\_\_, 2014

\_\_\_\_\_  
\*Preliminary, subject to change.

\$ \_\_\_\_\_ \*  
**CITY OF GAINESVILLE, FLORIDA**  
**CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2014**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES/YIELDS  
 AND INITIAL CUSIP NUMBERS**

\$ \_\_\_\_\_ \* **Serial Bonds**

<u>Maturity</u> _____1	<u>Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>Initial CUSIP Numbers**</u>
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\* Preliminary, subject to change.  
 \*\* The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.  
 \*\*\* Subject to Term Bond Option as described in the Official Notice of Sale.

**RED HERRING LANGUAGE:**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The City has deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c-2 promulgated by the Securities and Exchange Commission.

**CITY OF GAINESVILLE, FLORIDA**

200 East University Avenue  
Gainesville, Florida 32601

**MEMBERS OF THE CITY COMMISSION**

Edward B. Braddy, Mayor  
Lauren Poe, Commissioner (At-large)  
Helen K. Warren, Commissioner (At-large)  
Craig Carter, Commissioner  
Todd Chase, Commissioner  
Yvonne Hinson-Rawls, Commissioner  
Randy Wells, Commissioner

**CITY OFFICIALS**

Russ D. Blackburn, City Manager  
Brent L. Godshalk, City Auditor  
Mark S. Benton, Finance Director  
Nicolle M. Shalley, Esq., City Attorney  
Kurt M. Lannon, Clerk of the Commission  
Kathy E. Viehe, Interim General Manager of Utilities  
Cecil E. Howard, Equal Opportunity Director

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Orlando, Florida

**BOND COUNSEL**

Holland & Knight LLP  
Lakeland, Florida

**DISCLOSURE COUNSEL**

Bryant Miller Olive P.A.  
Tampa, Florida

**AUDITOR**

Carr, Riggs & Ingram, L.L.C.  
Gainesville, Florida

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations in connection with the Series 2014 Bonds, other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the City, The Depository Trust Company and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City with respect to any information provided by others. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2014 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SUCH SERIES 2014 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2014 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2014 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2014 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2014 BONDS.

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APPENDICES:

APPENDIX A: General Information Concerning the City of Gainesville

APPENDIX B: Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2013

APPENDIX C: Form of Bond Resolution

APPENDIX D: Form of Bond Counsel Opinion

APPENDIX E: Form of Continuing Disclosure Certificate

**OFFICIAL STATEMENT**  
relating to

\$\_\_\_\_\_\*

**CITY OF GAINESVILLE, FLORIDA**  
**Capital Improvement Revenue Bonds, Series 2014**

**INTRODUCTION**

**General**

This Official Statement, including the cover page and the appendices hereto, is furnished with respect to the sale of \$\_\_\_\_\_ \* aggregate principal amount of Capital Improvement Revenue Bonds, Series 2014 (the "Series 2014 Bonds") issued by the City of Gainesville, Florida (the "City").

This introduction is not, and is not intended to be, a summary of this Official Statement. It is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2014 Bonds is made only by means of this Official Statement and is subject in all respects to the information contained herein.

**The City**

The City is the most populous city in Alachua County serves as the county seat and also serves as the cultural, educational and commercial center for the north central Florida region. The City is located midway between the Gulf of Mexico and the Atlantic Ocean and halfway between Miami and Pensacola. There are approximately 63 square miles of land included within the corporate boundaries of the City. As of April 1, 2014, the official population estimate was 125,661, according to the Bureau of Economic and Business Research at the University of Florida. For additional information concerning the City, see "THE CITY" herein and "APPENDIX A – General Information Concerning the City of Gainesville" attached hereto.

The City was established in 1854, incorporated in 1869 and has operated under a Commission-Manager form of government since 1927. The City Commission of the City (the "Commission") consists of seven elected officials (a Mayor and six Commissioners) who are responsible for enacting the ordinances and adopting the resolutions which govern the City. All elected officials serve three-year terms. The Mayor presides over public meetings and ceremonial events. The Commission appoints the City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the Commission, and Equal Opportunity Director.

**Authority for and Purpose of Issuance**

The Series 2014 Bonds are being issued pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida (the "State"), including particularly Chapter 166, Florida

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\* Preliminary, subject to change.

Statutes, Article VIII, Section 2, Constitution of the State, the municipal charter of the City and other applicable provisions of law (the "Act") and pursuant to Resolution No. \_\_\_\_\_ adopted by the Commission on \_\_\_\_\_, 2014, as amended or supplemented from time to time, and as particularly supplemented by Resolution No. \_\_\_\_\_ adopted by the Commission on \_\_\_\_\_, 2014 (collectively, the "Bond Resolution"). All terms used herein in capitalized form and not otherwise defined have the meanings ascribed thereto in the Bond Resolution. For a complete description of the terms and conditions of the Series 2014 Bonds, reference is made to "APPENDIX C – Form of Bond Resolution" attached hereto.

The Series 2014 Bonds are being issued to provide funds to (i) construct Fire Station 1, construct and equip various capital projects at Depot Park, construct a roundabout at South Main and Depot Avenue, reconstruct NE 2<sup>nd</sup> Street, as well as certain other capital projects located within the City (collectively, the "2014 Project"); and (ii) pay the costs associated with the issuance of the Series 2014 Bonds.

### **Security for the Series 2014 Bonds**

Pursuant to the Bond Resolution, the City has covenanted and agreed, to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its Annual Budget for each Fiscal Year, by amendment, if necessary, and to deposit to the credit of the Debt Service Fund, Non-Ad Valorem Revenues of the City in an amount which is equal to the Bond Service Requirement with respect to all Series 2014 Bonds Outstanding under the Bond Resolution for the applicable Fiscal Year, plus an amount sufficient to satisfy all other payment obligations of the City under the Bond Resolution for the applicable Fiscal Year. "Pledged Revenues" consist of the Non-Ad Valorem Revenues budgeted and appropriated, and deposited into the Debt Service Fund, to pay the principal of, premium, if any, and interest on the Series 2014 Bonds, and income received from the investment of moneys deposited in the funds and accounts established under the Bond Resolution. The covenant and agreement of the City to budget and appropriate sufficient amounts as described above is subject, however, in all respects to certain existing obligations and obligations to be made in the future, as more fully described herein and in the Bond Resolution. Notwithstanding the foregoing or anything in the Bond Resolution to the contrary, the City has not covenanted to maintain any service or program now provided or maintained by the City which generates Non-Ad Valorem Revenues. For more information, see "SECURITY FOR THE SERIES 2014 BONDS" herein.

THE SERIES 2014 BONDS SHALL NOT BE DEEMED TO CONSTITUTE GENERAL OBLIGATIONS OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, LEGISLATIVE OR CHARTER PROVISION OR LIMITATION, BUT SHALL BE PAYABLE FROM AND SECURED SOLELY BY A LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. NO SERIES 2014 BONDHOLDER SHALL EVER HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY FOR ANY PURPOSE, INCLUDING WITHOUT LIMITATION, FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON SUCH SERIES 2014 BONDS, OR TO MAINTAIN OR CONTINUE ANY ACTIVITIES OF THE CITY WHICH GENERATE USER SERVICE CHARGES, REGULATORY FEES OR OTHER NON-AD VALOREM REVENUES, NOR SHALL ANY SERIES 2014 BONDHOLDER BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY

OTHER FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, ALL IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. THE SERIES 2014 BONDS AND THE INDEBTEDNESS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY REAL OR PERSONAL PROPERTY OF THE CITY, OR ANY PART THEREOF, OR ANY OTHER TANGIBLE PERSONAL PROPERTY OF OR IN THE CITY, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES, ALL IN THE MANNER AND THE EXTENT PROVIDED IN THE BOND RESOLUTION. See "SECURITY FOR THE SERIES 2014 BONDS" herein.

### **Description of the Series 2014 Bonds**

Denominations. The Series 2014 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. See "DESCRIPTION OF THE SERIES 2014 BONDS – General" herein.

Early Redemption. Certain of the Series 2014 Bonds are subject to redemption prior to their stated dates of maturity as stated herein. See "DESCRIPTION OF THE SERIES 2014 BONDS – Redemption Provisions" herein for a further description of early redemption.

Registration and Transfers. Transfer of ownership in the Series 2014 Bonds will be affected through The Depository Trust Company ("DTC") book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which in turn is to remit such payments to the Participants (as hereinafter defined) for subsequent disbursement to the Beneficial Owners (as hereinafter defined). See "DESCRIPTION OF THE SERIES 2014 BONDS – Book-Entry Only System" herein.

### **Tax Matters**

In the opinion of Holland & Knight LLP, Bond Counsel, and assuming compliance with certain arbitrage rebate and other tax requirements referred to herein under existing law, interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference for purposes of the alternative minimum tax on individuals and corporations. Interest on the Series 2014 Bonds will, however, be taken into account in computing an adjustment made in determining a corporate Series 2014 Bondholder's alternative minimum tax based on such Series 2014 Bondholder's adjusted current earnings, and holders of Series 2014 Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. See "TAX MATTERS" herein.

### **Continuing Disclosure**

The City has agreed and undertaken, for the benefit of Series 2014 Bondholders, to provide certain financial information and operating data relating to the City, the Pledged Revenues and the Series 2014 Bonds pursuant to Rule 15c2-12 of the Securities and Exchange Commission ("SEC"). See "CONTINUING DISCLOSURE" herein.

### **Other Obligations Payable from Non-Ad Valorem Revenues**

The City has other debt issues outstanding which are secured by and payable from specific non-ad valorem revenues, and debt obligations outstanding which are secured by a covenant to budget and appropriate legally available non-ad valorem revenues, which is the same source of security as for the

Series 2014 Bonds. See the table entitled "CITY OF GAINESVILLE, FLORIDA DEBT SERVICE SCHEDULE FOR NON-AD VALOREM REVENUE OBLIGATIONS" and see "GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES – General" herein.

### **Issuance of Bonds or Other Obligations Payable from Non-Ad Valorem Revenues**

The City may issue additional obligations in the future payable from the Non-Ad Valorem Revenues of the City subject to certain covenants restricting such ability set forth in the Bond Resolution. See "SECURITY FOR THE SERIES 2014 BONDS –Anti-Dilution Test" herein and "APPENDIX C – Form of Bond Resolution" attached hereto.

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of the Bond Resolution and other documents and information are available, upon request and upon payment to the City of a charge for copying, mailing and handling, from the Clerk of the Commission, Kurt M. Lannon, 200 East University Avenue, Room 107, Gainesville, Florida 32601-0490, telephone (352) 334-5015.

For a complete description of the terms and conditions of the Series 2014 Bonds, reference is made to the Bond Resolution, a form of which is included in "APPENDIX C – Form of Bond Resolution" attached hereto. The description of the Bond Resolution, the Series 2014 Bonds and information from reports contained herein do not purport to be comprehensive or definitive.

## **AUTHORITY FOR AND PURPOSE OF ISSUANCE**

The Series 2014 Bonds are being issued pursuant to the authority of and in full compliance with the Act, and pursuant to the Bond Resolution. The Series 2014 Bonds are being issued to provide funds to (i) finance costs of the 2014 Project, and (ii) pay the costs associated with the issuance of the Series 2014 Bonds.

## **DESCRIPTION OF THE SERIES 2014 BONDS**

### **General**

The Series 2014 Bonds shall be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof. The Series 2014 Bonds are dated the date of their delivery, will mature on the dates, and will bear interest at the rates per annum, all as set forth on the inside cover page.

Interest on the Series 2014 Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2015 (the "Interest Payment Dates"). Interest payable on the Series 2014 Bonds on any Interest Payment Date will be paid by check or draft of \_\_\_\_\_, \_\_\_\_\_ (the "Paying Agent"), as Paying Agent mailed to the Registered Holder thereof at the address appearing on the registration books of the City maintained by the Registrar at the close of business on the

15th day (whether or not a Business Day) of the month next preceding the Interest Payment Date (the "Record Date"), irrespective of any transfer or exchange of such Series 2014 Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the City is in default in payment of interest due on such interest payment date. Principal of the Series 2014 Bonds is payable, when due, to the registered holder upon presentation and surrender at the designated corporate office of the Paying Agent. All payments of principal of, redemption premium, if applicable, and interest on the Series 2014 Bonds are payable in lawful money of the United States of America.

The Series 2014 Bonds will be issued initially as book-entry obligations and held by DTC as securities depository. For more information regarding DTC and DTC's book-entry system, see "DESCRIPTION OF THE SERIES 2014 BONDS -- Book-Entry Only System" below.

### **Book-Entry Only System**

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2014 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE SERIES 2014 BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2014 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2014 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE SERIES 2014 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE SERIES 2014 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2014 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES 2014 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond certificate will be issued for each maturity of the Series 2014 Bonds as set forth in the inside cover of this Official Statement, each in the aggregate principal amount of 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 3.5 million issues of U.S. and non-U.S. equity, 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has a Standard & Poor's Ratings Services ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 Series 2014 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 the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 the Series 2014 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 Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 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 Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 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 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 Series 2014 Bonds within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 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 Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2014 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 on the payment 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 City, or the paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2014 Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and/or the paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the City or paying agent. Under such circumstances, in the event that a successor depository is not obtained, the Series 2014 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2014 Bond certificates will be printed and delivered to DTC.

### **Redemption Provisions**

Optional Redemption. The Series 2014 Bonds maturing on or before October 1, \_\_\_\_\_ are not subject to redemption prior to their stated dates of maturity. The Series 2014 Bonds maturing after October 1, \_\_\_\_\_ are subject to redemption prior to their stated dates of maturity, at the option of the City, on or after October 1, \_\_\_\_\_, in whole, or in part at any time, in such order of maturities as shall be determined by the City, and by lot within a maturity if less than a full maturity is redeemed, at a redemption price (equal to 100% of the principal amount thereof to the redeemed) together with accrued interest to the date fixed for redemption and without premium.

Mandatory Redemption. The Series 2014 Bonds maturing on October 1, \_\_\_\_\_, are subject to mandatory redemption, by lot on October 1, \_\_\_\_\_, and on each October 1 thereafter, at a redemption price equal to the principal amount of such Series 2014 Bonds to be redeemed, without premium, plus interest accrued thereon to the date of redemption from Amortization Installments, on October 1 in the following years and in the following amounts:



<u>Year</u>	<u>Principal Amount</u>
*	\$

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\*Maturity.

The Series 2014 Bonds maturing on October 1, \_\_\_\_\_, are subject to mandatory redemption, by lot on October 1, \_\_\_\_\_, and on each October 1 thereafter, at a redemption price equal to the principal amount of such Series 2014 Bonds to be redeemed, without premium, plus interest accrued thereon to the date of redemption from Amortization Installments, on \_\_\_\_\_ 1 in the following years and in the following amounts:

<u>Year</u>	<u>Principal Amount</u>
*	\$

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\*Maturity.

Notice of Redemption. Notice of redemption shall be given by the deposit in the U.S. Mail of a copy of the redemption notice, postage prepaid, at least twenty (20) and not more than sixty (60) days before the redemption date to the registered owner of each Series 2014 Bond or portion of Series 2014 Bonds to be redeemed at its address as it appears on the registration books to be maintained in accordance with provisions of the Bond Resolution. Failure to give such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2014 Bond or portion thereof with respect to which no failure or defect has occurred.

Each notice shall set forth the date fixed for redemption for each Series 2014 Bond being redeemed, the rate of interest borne by each Series 2014 Bond being redeemed, the redemption price to be paid, the name and address of the Registrar, and, if less than all of the Series 2014 Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP numbers, if any, of such Series 2014 Bonds to be redeemed and, in the case of Series 2014 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2014 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2014 Bond shall also state that on or after the redemption date, upon surrender of such Series 2014 Bond, a new Series 2014 Bond or Series 2014 Bonds in a principal amount equal to the unredeemed portion of such Series 2014 Bond will be issued.

Any notice mailed as provided in the Bond Resolution shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2014 Bond receives such notice.

Any notice of optional redemption may contain a statement that the redemption of Series 2014 Bonds on the date set for redemption is conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption, including, without limitation, the issuance of refunding obligations and may also be subject to rescission.

Purchase in Lieu of Redemption. The City shall have the option to cause the Series 2014 Bonds to be purchased in lieu of redemption on the applicable redemption date at a price equal to the then applicable redemption price, plus accrued interest thereon to, but not including, the date of such purchase. Such option may be exercised by delivery to the Paying Agent (if the Registrar is not the Paying Agent for such Series 2014 Bonds) on or prior to the business day preceding the redemption date of a written notice of the City specifying that the Series 2014 Bonds shall not be redeemed, but instead shall be subject to purchase pursuant to the Bond Resolution with the moneys provided or to be provided by the City or on behalf of the City. Upon delivery of such notice, the Series 2014 Bonds shall not be redeemed but shall instead be subject to mandatory tender at the redemption price on the date that would have been the redemption date.

Effect of Notice of Redemption. Notice having been given in the manner and under the conditions provided in the Bond Resolution, the Series 2014 Bonds or portions of Series 2014 Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2014 Bonds or portions of Series 2014 Bonds on such date. On the date so designated for redemption, notice having been published and/or mailed as required in the Bond Resolution and moneys for payment of the redemption price being held in separate accounts by the Paying Agent in trust for the Holders of the Series 2014 Bonds or portions thereof to be redeemed, all as provided in the Bond Resolution, interest on the Series 2014 Bonds or portions of Series 2014 Bonds so called for redemption shall cease to accrue, such Series 2014 Bonds and portions of Series 2014 Bonds shall cease to be entitled to any lien, benefit or security under the Bond Resolution, and the Holders of such Series 2014 Bonds or portions of Series 2014 Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in the Bond Resolution, to receive Series 2014 Bonds for any unredeemed portions of the Series 2014 Bonds.

Redemption of a Portion of Registered Series 2014 Bonds. In case part but not all of an Outstanding fully registered Series 2014 Bond shall be selected for redemption, the Holder thereof shall present and surrender such Series 2014 Bond to the City or its designated Paying Agent for payment of the principal amount thereof so called for redemption, and the City shall execute and deliver to or upon the order of such Holder, without charge therefor, for the unredeemed balance of the principal amount of the Series 2014 Bond so surrendered, a Series 2014 Bond or Series 2014 Bonds fully registered as to principal and interest.

Series 2014 Bonds Called for Redemption Not Deemed Outstanding. The Series 2014 Bonds or portions of the Series 2014 Bonds that have been duly called for redemption as provided in the Bond Resolution, and with respect to which amounts sufficient to pay the principal of, premium, if any, and interest to the date fixed for redemption shall be delivered to and held in separate accounts by any Authorized Depository or the Paying Agent in irrevocable trust for the Holders thereof, as provided in the Bond Resolution, shall not be deemed to be Outstanding under the provisions of the Bond Resolution, and shall cease to be entitled to any lien, benefit or security under the Bond Resolution, except to receive the payment of the redemption price on or after the designated date of redemption from moneys deposited with or held by the Authorized Depository or Paying Agent, as the case may be, for such redemption of the Series 2014 Bonds and, to the extent provided in the Bond Resolution, to receive the Series 2014 Bonds for any unredeemed portions of the Series 2014 Bonds.

## **Registration**

So long as the Series 2014 Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to registration, transfer and exchange of Series 2014 Bonds do not apply to the Series 2014 Bonds.

The registration of the Series 2014 Bonds may be transferred upon the registration books therefor upon delivery to the Registrar, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Registrar, duly executed by the registered holder of such Series 2014 Bonds or by his attorney-in-fact or legal representative, containing written instructions as to the details of transfer of such Series 2014 Bonds, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of the Series 2014 Bonds, the Registrar shall at the earliest practical time in accordance with the provisions of the Bond Resolution enter the transfer of ownership in the registration books for the Series 2014 Bonds and (unless uncertificated registration shall be requested and the City has a registration system that will accommodate uncertificated registration) shall deliver in the name of the new transferee or transferees a new fully registered Series 2014 Bond or Series 2014 Bonds of the same maturity and of authorized denomination or denominations for the same aggregate principal amount and payable from the same source of funds. Neither the City nor the Registrar shall be required to register the transfer of any Series 2014 Bond during the fifteen (15) days next preceding an interest payment date on the Series 2014 Bonds, or, in the case of any proposed redemption of Series 2014 Bonds, after such Series 2014 Bonds or any portion thereof have been selected for redemption. The Registrar or the City may charge the registered owners of such Series 2014 Bonds for the registration of every such transfer of such Series 2014 Bonds an amount sufficient to reimburse it for any tax, fee or any other governmental charge required to be paid, except for any such governmental charge imposed by the City, with respect to the registration of such transfer, and may require that such amounts be paid before any such new Series 2014 Bonds shall be delivered.

## **Series 2014 Bonds Mutilated, Destroyed, Stolen or Lost**

If any Series 2014 Bond is mutilated, destroyed, stolen or lost, the City or its agent may, in its discretion (i) deliver a duplicate replacement Series 2014 Bond, or (ii) pay a Series 2014 Bond that has matured or is about to mature. A mutilated Series 2014 Bond must be surrendered to and cancelled by the Registrar or its duly authorized agent. The Series 2014 Bondholder must furnish the City or its agent proof of ownership of any destroyed, stolen or lost Series 2014 Bond; post satisfactory indemnity; comply with any reasonable conditions the City or its agent may prescribe; and pay the City's or its agent's reasonable expenses.

Any such duplicate Series 2014 Bond will constitute an original contractual obligation on the part of the City whether or not the destroyed, stolen, or lost Series 2014 Bond be at any time found by anyone, and such duplicate Series 2014 Bond will be entitled to equal and proportionate benefits and rights as to lien on, and source of and security for payment from, the funds pledged to the payment of the Series 2014 Bond so mutilated, destroyed, stolen or lost.

## SECURITY FOR THE SERIES 2014 BONDS

### General

The City covenanted and agreed in the Bond Resolution, to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its Annual Budget for each Fiscal Year, by amendment if necessary, and to deposit to the credit of the Debt Service Fund, Non-Ad Valorem Revenues of the City in an amount equal to the Bond Service Requirement with respect to all Series 2014 Bonds Outstanding under the Bond Resolution for the applicable Fiscal Year, plus an amount sufficient to satisfy all other payment obligations of the City under the Bond Resolution for the applicable Fiscal Year. "Non-Ad Valorem Revenues" is defined in the Bond Resolution as all legally available revenues of the City derived from any source whatsoever, other than ad valorem taxation on real and personal property, which are legally available for the payment by the City of debt service on the Non-Ad Valorem Revenue Obligations, including, without limitation, investment income and legally available non-ad valorem revenues derived from sources subject to a prior pledge thereof for the payment of other obligations of the City and available after payment of principal and interest on such other obligations; provided, however, that special assessment revenues and revenues of the City accounted for in an enterprise fund under governmental accounting principles, including without limitation, the City's electric system, natural gas system, water system, wastewater system, telecommunications system and stormwater management utility systems, shall not be included as "Non-Ad Valorem Revenues" except to the extent that revenues derived from such sources are deposited into the City's General Fund. "Non-Ad Valorem Revenue Obligations" is defined in the Bond Resolution as obligations evidencing indebtedness for borrowed money, including the Series 2014 Bonds, (i) the primary security for which is provided by a covenant of the City to budget and appropriate Non-Ad Valorem Revenues of the City for the payment of debt service on such obligations, or (ii) primarily secured or payable from another source of funds, but with respect to which the City has also covenanted to budget and appropriate Non-Ad Valorem Revenues of the City for the payment of debt service on such obligations, provided that obligations described in this clause (ii) shall only be considered Non-Ad Valorem Revenue Obligations to the extent the City has included in its budget (by amendment or otherwise) the payment of such Non-Ad Valorem Revenues pursuant to such covenant to pay debt service on such obligations.

Such covenant and agreement on the part of the City to budget and appropriate sufficient amounts of Non-Ad Valorem Revenues is cumulative, and continues until such Non-Ad Valorem Revenues in amounts sufficient to make all required payments under the Bond Resolution as and when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the appropriate funds and accounts under the Bond Resolution; provided, however, that such covenant does not constitute a lien, either legal or equitable, on any of the City's Non-Ad Valorem Revenues or other revenues, nor does it preclude the City from pledging in the future any of its Non-Ad Valorem Revenues or other revenues to other obligations, nor does it give the Series 2014 Bondholders a prior claim on the Non-Ad Valorem Revenues. Anything in the Bond Resolution to the contrary notwithstanding, all obligations of the City under the Bond Resolution are secured only by the Non-Ad Valorem Revenues actually budgeted and appropriated and deposited into the funds and accounts created under the Bond Resolution, as provided for in the Bond Resolution. The City is prohibited by law from expending moneys not appropriated or in excess of its current budgeted revenues and surpluses. The obligation of the City to budget, appropriate and make payments under the Bond Resolution from its Non-Ad Valorem Revenues is subject to the availability of Non-Ad Valorem Revenues after satisfying funding requirements for obligations having an express lien on or pledge of such revenues and after

satisfying funding requirements for essential governmental services of the City. Notwithstanding the foregoing or anything in the Bond Resolution to the contrary, the City has not covenanted to maintain any service or program now provided or maintained by the City which generates Non-Ad Valorem Revenues.

THE SERIES 2014 BONDS SHALL NOT BE DEEMED TO CONSTITUTE GENERAL OBLIGATIONS OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, LEGISLATIVE OR CHARTER PROVISION OR LIMITATION, BUT SHALL BE PAYABLE FROM AND SECURED SOLELY BY A LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. NO SERIES 2014 BONDHOLDER SHALL EVER HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY FOR ANY PURPOSE, INCLUDING, WITHOUT LIMITATION, FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON SUCH SERIES 2014 BONDS, OR TO MAINTAIN OR CONTINUE ANY ACTIVITIES OF THE CITY WHICH GENERATE USER SERVICE CHARGES, REGULATORY FEES OR OTHER NON-AD VALOREM REVENUES, NOR SHALL ANY SERIES 2014 BONDHOLDER BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, ALL IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. THE SERIES 2014 BONDS AND THE INDEBTEDNESS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY REAL OR PERSONAL PROPERTY OF THE CITY, OR ANY PART THEREOF, OR ANY OTHER TANGIBLE PERSONAL PROPERTY OF OR IN THE CITY, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES, ALL IN THE MANNER AND THE EXTENT PROVIDED IN THE BOND RESOLUTION.

### **Funds and Accounts**

Pursuant to the Bond Resolution, the City created and established the "Debt Service Fund" and the "Project Fund."

The Debt Service Fund and the Project Fund constitute trust funds for the purposes provided therein and in any subsequent resolution provided. The City may at any time and from time to time deposit moneys from any one or more of the funds and accounts established under the Bond Resolution with a depository permitted under applicable law. Any such depository or depositories shall perform at the direction of the City the duties of the City in depositing, transferring and disbursing moneys to and from each of such funds and accounts as set forth in the Bond Resolution, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the City and its agents and employees.

### **No Reserve for the Series 2014 Bonds**

Pursuant to the Bond Resolution, the City has determined not to fund a debt service reserve fund or account to further secure the Series 2014 Bonds.

## **Project Fund**

Moneys in the Project Fund shall be kept separate and apart from all other funds and accounts of the City and shall be used to pay Costs of the 2014 Project, including without limitation, costs of issuance of the Series 2014 Bonds

Any amounts remaining in the Project Fund after funds on deposit therein are no longer needed to be expended for the 2014 Project and which have not been reserved by the City for the payment of the Cost of a Project, shall be transferred at the option of the City to the Debt Service Fund and used to redeem the Series 2014 Bonds in the manner described in the Bond Resolution, or (i) shall be deposited into the Debt Service Fund and used to pay principal and interest next coming due on the Series 2014 Bonds to which such account secures, or, (ii) shall be paid to the City to be used for any lawful purpose, provided however that such moneys shall be used for any purpose or purposes allowed pursuant to clause (i) or (ii) above, only if the City shall first receive a Favorable Opinion of Bond Counsel. A "Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel to the effect that a contemplated action will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 2014 Bonds to which such action relates.

## **Disposition of Covenant Revenues**

Commencing immediately following the issuance of the Series 2014 Bonds, and continuing thereafter so long as any Series 2014 Bonds shall be Outstanding under the Bond Resolution, the City shall deposit to the credit of the Funds and Accounts listed below on or before the twenty-fifth (25<sup>th</sup>) day of each month, from Non-Ad Valorem Revenues budgeted and appropriated for such purposes, amounts which, together with funds on deposit therein, will be sufficient to satisfy the cumulative deposit requirements described below.

(a) Covenant Revenues received by the City shall be deposited into the Debt Service Fund in an amount which, together with any other amounts required to be deposited therein pursuant to the Bond Resolution, will equal one-sixth (1/6<sup>th</sup>) of the interest maturing on the Series 2014 Bonds on the next semiannual interest payment date, with respect to the Series 2014 Bonds that bear interest payable semiannually, one-twelfth (1/12<sup>th</sup>) of all principal maturing or becoming due during the current Bond Year on the Series 2014 Bonds that are Serial Obligations that mature annually and one-twelfth (1/12<sup>th</sup>) of the Amortization Installments and unamortized principal balances of the Series 2014 Bonds that are Term Obligations coming due during the current Bond Year with respect to the Series 2014 Bonds, until there are sufficient funds then on deposit equal to the sum of the interest, principal and redemption payments due on the Series 2014 Bonds on the next interest, principal and redemption dates in such Bond Year.

Deposits shall be increased or decreased to the extent required to pay principal, interest and redemption premium, if any, next coming due, after making allowance for any accrued and capitalized interest and taking into account deficiencies in prior months' deposits. On or before each interest payment date, the City shall make up any deficiencies in such interest deposit, based on the actual interest accruing through such date.

(b) Thereafter any remaining Covenant Revenue shall be available to the City to be used for any lawful purpose.

The City shall not be required to make any further payments into the Debt Service Fund when the aggregate amount of funds in the Debt Service Fund are at least equal to the aggregate principal amount of the Series 2014 Bonds issued pursuant to the Bond Resolution and then Outstanding, plus the amount of interest then due or thereafter to become due on said Series 2014 Bonds then Outstanding, or if all the Series 2014 Bonds then Outstanding have otherwise been defeased pursuant to the Bond Resolution.

### **Use of Moneys in the Debt Service Fund**

(1) Moneys on deposit in the Debt Service Fund shall be used solely for the payment of the principal of, interest on and any redemption premiums required with respect to the Series 2014 Bonds.

(2) At the maturity date of each Series 2014 Bond and at the due date of each Amortization Installment and installment of interest on the Series 2014 Bonds, the City shall transfer from the Debt Service Fund to the Paying Agent for the Series 2014 Bonds, sufficient moneys to pay all principal of, premium, if any, and interest then due and payable with respect to the Series 2014 Bonds. Interest accruing with respect to any fully registered Series 2014 Bond shall be paid by check or draft of the Paying Agent to the registered owner thereof.

(3) Moneys on deposit in the Debt Service Fund for the redemption of the Series 2014 Bonds shall be applied to the retirement of the Series 2014 Bonds issued under the provisions of the Bond Resolution and then Outstanding in the following order:

(a) The City shall first endeavor to purchase Outstanding Term Obligations redeemable from Amortization Installments during such Bond Year, and pro rata (based on the principal amount of the Amortization Installments due in such Bond Year for each Term Obligation), among all such Series 2014 Bonds if more than one Term Obligation is Outstanding, or if no such Term Obligations are then Outstanding, the City shall endeavor to purchase the Series 2014 Bonds that are Serial Obligations whether or not such Series 2014 Bonds shall then be subject to redemption, but only to the extent moneys are available therefor, at the most advantageous price obtainable, such price not to exceed the principal of such Series 2014 Bonds plus accrued interest but no such purchase shall be made by the City within a period of thirty (30) days next preceding any interest payment date on which such Series 2014 Bonds are subject to call for redemption under the provisions of the Bond Resolution;

(b) Then, to the extent moneys remain on deposit in the Debt Service Fund that are held for the redemption of the Series 2014 Bonds, the City shall call for redemption on each interest payment date on which the Series 2014 Bonds are subject to redemption from such moneys, such amount of Term Obligations subject to the Amortization Installments for such Bond Year that have not been purchased pursuant to clause (a) above;

(c) Then, to the extent moneys remain on deposit in the Debt Service Fund that were deposited therein pursuant to the Bond Resolution for the purpose of redeeming the Series 2014 Bonds, the City shall first call any remaining Series 2014 Bonds then subject to redemption, in such order and by such selection method as the City, in its discretion, may determine, from such funds as will exhaust the money then held for the redemption of such Series 2014 Bonds as nearly as may be possible; and

(d) Then, to the extent moneys remain on deposit in the Debt Service Fund that were deposited therein pursuant to the Bond Resolution for the purpose of redeeming the Series 2014 Bonds, the City may, in its discretion from time to time (i) use such moneys to defease the Series 2014 Bonds, pay the principal of or interest on the Series 2014 Bonds, or any other lawful purpose, or (ii) keep such moneys on deposit in the Debt Service Fund for future use pursuant to the Bond Resolution; provided, however such moneys shall be used for any purpose or purposes allowed pursuant to clause (i) above only if the City shall obtain a Favorable Opinion of Bond Counsel.

If Term Obligations are purchased or redeemed pursuant to this section in excess of the Amortization Installments for such Bond Year, such excess amount of such Term Obligations so purchased or redeemed shall be credited against subsequent Amortization Installments for such Term Obligations in such Bond Year or Bond Years as the City may determine and as may be reflected in the City's accounting records.

Notwithstanding the foregoing, to the extent that moneys are deposited into the Debt Service Fund in a given Bond Year in an amount equal to the Amortization Installment for such Bond Year and are applied to purchase or redeem the Series 2014 Bonds that are Term Obligations to which such Amortization Installment applies, then all moneys thereafter deposited to the Debt Service Fund for redemption of the Series 2014 Bonds in such Bond Year may be applied as provided in clause (c) above and to the extent no fully utilized in connection therewith, as provided in clause (d) above.

### **Deposits Constitute Trust Funds**

All funds or other property which at any time may be owned or held in the possession of or deposited with the City for application in accordance with the terms and provisions of the Bond Resolution shall be held in trust and applied only in accordance with the provisions of the Bond Resolution, and shall not be subject to lien or attachment by any creditor of the City.

All funds or other property which at any time may be owned or held in the possession of or deposited with the City pursuant to the Bond Resolution, and any investment income thereon, shall be continuously secured for the benefit of the City and the Series 2014 Bondholders in the order and manner and for the purposes provided in the Bond Resolution either (a) by depositing with an Authorized Depository, as custodian, collateral security consisting of obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) in such other manner as permitted under the Bond Resolution and as may then be required or permitted by applicable state and federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, including without limitation, the provisions of Chapter 280, Florida Statutes, as from time to time amended.

All moneys deposited with each Authorized Depository shall be credited to the particular fund or account to which such moneys belong.

### **Investment of Moneys**

Moneys held for the credit of the Debt Service Fund and the Project Fund shall be invested and reinvested by the City in Investment Obligations. See "APPENDIX C – Form of Bond Resolution"



attached hereto for the definition of "Investment Obligations." Such investments or reinvestments shall mature or become available not later than the respective dates, as estimated by the City, that the moneys held for the credit of said funds and accounts will be needed for the purposes of such funds or accounts.

Obligations so purchased as an investment of moneys in any such fund created under the Bond Resolution shall be deemed at all times to be a part of such fund or account, and shall at all times, for the purposes of the Bond Resolution, be valued annually on September 30 at the market value thereof, exclusive of accrued interest. Except as otherwise provided in the Bond Resolution, deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date.

Except as otherwise expressly provided in the Bond Resolution, all income and profits derived from the investment of moneys in the funds and accounts created by the Bond Resolution shall be retained in such respective funds and accounts and used for the purposes specified for such respective funds and accounts. Notwithstanding the foregoing, income and profits derived from the investment of moneys in the funds and accounts created under the Bond Resolution may, at the option of the City, be transferred to the City in order to pay the Rebate Amount.

Notwithstanding anything in the Bond Resolution to the contrary, for purposes of investing or reinvesting, the City may commingle moneys in the fund, accounts and subaccounts created under the Bond Resolution in order to achieve greater investment income, provided that the City shall separately account for the amounts so commingled.

### **Annual Audit**

The City covenanted in the Bond Resolution that it shall require that an annual audit of its accounts and records with respect to its General Fund and the Pledged Revenues and the funds and accounts under the Bond Resolution be completed as soon as reasonably practicable after the end of each Fiscal Year by an independent certified public accountant of recognized standing. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governmental units and may be done as part of an audit of all of the City's funds and accounts.

### **Anti-Dilution Test**

The City covenanted in the Bond Resolution that it may incur additional Non-Ad Valorem Revenue Obligations only if, as set forth in a certificate of an Authorized Issuer Officer executed prior to issuance thereof,

(i) after the issuance thereof, the Covenant Obligation Maximum Debt Service Requirement in any Bond Year (net of any subsidies or reimbursement related to interest thereon) resulting from the total outstanding Non-Ad Valorem Revenue Obligations of the City, including such additional Non-Ad Valorem Revenue Obligations proposed to be issued, does not exceed 50% of the Non-Ad Valorem Revenues received by the City in the preceding Fiscal Year; and

(ii) the Non-Ad Valorem Revenues of the City for the preceding Fiscal Year were at least 2.00 times the average annual Bond Service Requirement for all future Fiscal Years on the Series 2014 Bonds together with the average Covenant Obligation Debt Service Requirement (net of any subsidies or

reimbursement related to interest) for all future Fiscal Years on the total outstanding Non-Ad Valorem Revenue Obligations and Non-Ad Valorem Revenue Obligations proposed to be issued.

If any of the Non-Ad Valorem Revenue Obligations described above are "build America bonds" as defined in Section 54AA of the Code or any other similar bonds or obligations, for which the City receives direct subsidy payments in an amount equal to a portion of the interest paid on such bond, the Covenant Obligation Maximum Debt Service Requirement on such indebtedness shall not be deemed, for purposes of the anti-dilution test, to include interest to the extent that it is to be paid from a direct subsidy payment expected to be received from the United States Treasury (or such other similar entity of the Federal government) relating to such build America bonds, or any other subsidy or similar payments made by the Federal government and the City has budgeted to deposit such amounts to the payment of debt service thereon; provided however that to avoid double counting, the amount of such subsidy payments shall then not be included in the determination of the City's Non-Ad Valorem Revenues for purposes of the Bond Resolution.

Notwithstanding anything in the Bond Resolution to the contrary, the City may incur additional Non-Ad Valorem Revenue Obligations to refund or defease all outstanding bonds without complying with the above provisions. See "APPENDIX C – Form of Bond Resolution" attached hereto.

## THE CITY

### Background

The City is the most populous city in Alachua County, serves as the county seat, and also serves as the cultural, educational and commercial center for the north central Florida region. The City is located midway between the Gulf of Mexico and the Atlantic Ocean and halfway between Miami and Pensacola. There are approximately 63 square miles of land included within the corporate boundaries of the City. As of April 1, 2014, the official population estimate was 125,661, according to the Bureau of Economic and Business Research at the University of Florida. For additional information concerning the City, see "APPENDIX A – General Information Concerning the City of Gainesville" attached hereto.

### City Government

The City was established in 1854, incorporated in 1869 and has operated under a Commission-Manager form of government since 1927. The Commission consists of seven elected officials (a Mayor and six Commissioners) who are responsible for enacting the ordinances and adopting the resolutions which govern the City. All elected officials serve three-year terms. The Mayor presides over public meetings and ceremonial events. The current members of the Commission and expiration of their current terms of office are:

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<u>Commission Members</u>	<u>Date Term Expires</u>
Edward B. Braddy, Mayor	May 2016
Lauren Poe, Commissioner (At-large)	May 2016
Helen K. Warren, Commissioner (At-large)	May 2017
Craig Carter, Commissioner	May 2017
Todd Chase, Commissioner	May 2017
Yvonne Hinson-Rawls, Commissioner	May 2015
Randy Wells, Commissioner	May 2015

The Commission appoints the Charter officers including: City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the Commission and Equal Opportunity Director. As chief executive officers, the City Manager and General Manager for Utilities are charged with the enforcement of all ordinances and resolutions passed by the Commission. They accomplish this task through the selection and supervision of two Assistant City Managers, an Administrative Services Director, Assistant General Managers for Utilities, and numerous department heads.

The City Manager, Russ D. Blackburn, is a full-time employee and the chief administrative officer of the City. The City Manager is responsible for directing the administrative and operational aspects of the City in compliance with the policies established by the Commission. Mr. Blackburn was appointed City Manager on September 6, 2005. Prior to his current position, he served as County Administrator for Martin County, Florida, Deputy County Administrator for Loudoun County, Virginia, and Assistant County Administrator for Lee County, Florida and Greenville County, South Carolina. He holds a Bachelors Degree in Political Science from Valdosta State University and a Masters Degree in Public Administration from Georgia Southern University.

The City's Finance Director is Mark S. Benton. Mr. Benton reports to the Administrative Services Director. The Finance Department is responsible for budget, investment management, accounting, pension administration, purchasing, accounts payable, treasury management, and preparation of the City's annual financial statements. Mr. Benton joined the City in 1982 and was appointed Finance Director in 1998. He holds a Bachelors Degree in Business Administration from the University of Florida and is a member of the Government Finance Officers Association of the United States and Canada.

The City provides its constituents with a wide variety of public services: building inspections, code enforcement, community development, cultural affairs, economic development, electrical power, golf course, mass transit, natural gas distribution, parks and recreation, police and fire protection, refuse collection, small business development, stormwater management, street maintenance, traffic engineering and parking, water and wastewater and telecommunications and data transfer.

Internal support services include the following: accounting and reporting, accounts payable and payroll, billing and collections, budgeting and monitoring, City-wide management, computer systems support, debt management, equal opportunity, fleet maintenance, facilities maintenance, human resources, information systems, investment management, labor relations, mail services, property control, purchasing, risk management and strategic planning. The Gainesville Community Redevelopment Agency is a separate public body corporate and politic to which the Mayor and Commissioners serve ex officio as members of the governing board, and the City Manager is appointed as the Executive Director.

## GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES

### General

The City generally receives two primary sources of revenue: ad valorem taxes and non-ad valorem revenues. Ad valorem taxes may not be pledged for the payment of debt obligations of the City maturing more than twelve months from the date of issuance thereof without approval of the electorate of the City. The ad valorem tax revenues of the City are not pledged as security for the payment of the Series 2014 Bonds and the City is not obligated to budget and appropriate ad valorem tax revenues for the payment of the Series 2014 Bonds.

Non-ad valorem revenues of the City may be pledged, subject to certain limitations disclosed herein, for the payment of debt obligations of the City. Such non-ad valorem revenues include a broad category of revenues, including, but not limited to, revenues received from the State, investment income and income produced from certain services and facilities of the City, as described below.

As more fully described herein under "SECURITY FOR THE SERIES 2014 BONDS," the City has covenanted and agreed in the Bond Resolution, subject to certain restrictions and limitations, to appropriate sufficient Non-Ad Valorem Revenues in each year to pay debt service on the Series 2014 Bonds. The holders of the Series 2014 Bonds do not have a lien on any specific Non-Ad Valorem Revenues of the City and the City has certain other debt obligations payable in the same manner as the Series 2014 Bonds and also has outstanding certain other debt obligations payable from a prior lien upon and pledge of certain of the Non-Ad Valorem Revenues of the City.

A large percentage of the revenues of the City, including ad valorem taxes and non-ad valorem revenues, are deposited in the General Fund. See "CERTAIN FINANCIAL MATTERS - General Fund" herein. Furthermore, as described herein under "SECURITY FOR THE SERIES 2014 BONDS," the obligation of the City to budget and appropriate Non-Ad Valorem Revenues is subject to a variety of factors, including the payment of essential governmental services of the City and the obligation of the City to have a balanced budget.

The City is permitted by the Florida Constitution to levy ad valorem taxes at a rate of up to \$10 per \$1,000 of assessed valuation for general governmental expenditures. The General Fund ad valorem tax millage rate for the fiscal year ending September 30, 2015 is \$4.5079 per \$1,000. The City is also permitted by the Florida Constitution to levy ad valorem taxes, above the \$10 per \$1,000 cap to pay debt service on general obligation long-term debt if approved by a voter referendum but does not currently do so. The City's ad valorem tax millage rate is comparable to that of other municipalities in Florida with a population greater than 100,000. On the other hand, on a percentage basis, the City has one of the highest ratios of exempt property to taxable property in the State, largely due to the presence of the University of Florida, the largest public university in the State.

The term "Non-Ad Valorem Revenues" does not include all non-ad valorem revenues of the City, but instead includes only those which are legally available to pay debt service on the Series 2014 Bonds. See "SECURITY FOR THE SERIES 2014 BONDS – General" herein and "APPENDIX C – Form of Bond Resolution" attached hereto for the full definition of "Non-Ad Valorem Revenues".

The Florida Department of Financial Services has developed, as part of the Uniform Accounting System Manual's Chart of Accounts, six major categories of local government revenues: taxes,

intergovernmental revenues, permits, fees and special assessments, charges for services, fines and forfeitures, and miscellaneous revenues. Using that organization, the following describes the sources of the City's Non-Ad Valorem Revenues:

## **Taxes**

### Public Service Tax

The "Public Service Tax" (also, commonly referred to as the "Utilities Services Tax" or "Public Services Tax") is imposed by the City pursuant to the Constitution of the State and Section 166.231, Florida Statutes and other applicable provisions of law. Florida law authorizes any municipality in the State to levy a public service tax on the purchase within such municipality of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service. Services competitive with those enumerated in the previous sentence, as defined by ordinance, shall be taxed on a comparable base at the same rates. However, fuel oil shall be taxed at a rate not to exceed 4 cents per gallon.

Pursuant to Ordinance No. 970352 enacted by the Commission on October 27, 1997, as amended by Ordinance No. 001358 enacted by the Commission on June 25, 2001 (the "Public Service Tax Ordinance") the City levied (i) a public service tax on the purchase of electricity, metered or bottled gas (natural, liquefied petroleum gas, or manufactured), and water service at a rate of ten percent (10%) of the charge made by the seller of such service or commodity, and (ii) a public service tax on the purchase of fuel oil within the City at a rate of \$0.04 cents per gallon. These taxes shall in each case be paid by the purchaser thereof for the use of the City to the seller of such electricity, metered or bottled gas (natural, liquefied petroleum gas, or manufactured), water service, and fuel oil at the time of paying the charge therefor, but not less than monthly.

Florida law provides that a municipality may exempt from the public service tax the first 500 kilowatts of electricity per month purchased for residential use, metered on bottled gas or fuel oil for agricultural purposes, purchases of electricity, natural gas, liquefied petroleum gas or manufactured gas by industrial customers for use in industrial manufacturing or processing facilities in the City and electrical energy used in a facility located in a designated enterprise zone. The City has not adopted any such exemptions but it does exempt purchases by the United States Government, the State, Alachua County, the City, their agencies, boards, commissions and authorities and school districts, from the levy of such tax, as well as purchases by all other governmental entities and all religious entities. In addition, purchases of natural gas or fuel oil by a utility either for resale or for use as fuel in the generation of electricity are exempt, as is the purchase of fuel oil or kerosene for use as an aircraft engine fuel or propellant or for use in internal combustion engines. The foregoing exemptions are required by Florida Statutes.

Any business located within an enterprise zone established pursuant to Resolution No. R-95-6 is eligible to receive an exemption equal to fifty percent (50%) of the Public Service Tax imposed by the City on the purchase of electrical energy if such business is a "qualified business" under the provisions of Section 212.08, Florida Statutes, and is determined to be eligible for the exemption by the Florida Department of Revenue (the "FDOR"). A qualified business may receive the exemption for five (5) years from the billing period beginning no more than thirty (30) days following notification to Gainesville Regional Utilities by the FDOR that the exemption has been authorized. The benefits described above shall expire on December 31, 2015. However, any qualified business which has been granted an

exemption under Section 212.08(15), Florida Statutes, shall be entitled to the full benefit of that exemption as if expiration had not occurred on that date. Notwithstanding the expiration referenced above, if a subsequent audit conducted by the FDOR determines that the business did not meet the criteria mandated in Section 212.08(15), Florida Statutes, the amount of taxes exempted are immediately due and payable to the City by the business, together with the appropriate interest and penalty, computed from the due date of each bill for the electrical energy purchased.

The Public Service Tax shall not be applied against any fuel adjustment charge. The term "fuel adjustment charge" means all increases in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973.

Prior to October 1, 2001, a municipality also had the option to levy a tax on the purchase of telecommunications services of either (a) not to exceed 10% of the monthly recurring customer service charges upon the purchases within such municipality of local telephone service or (b) not to exceed 7% of the monthly recurring customer service charges upon purchases within the municipality of telecommunications service which originates and terminates in the State based on the total amount charged for any telecommunications provided cannot be determined, the total amount billed for such telecommunications service to a telephone or telephone number, a telecommunications number of device, a service address or a customer's billing address located within the municipality, excluding variable usage charges on telecommunication service. The tax on telecommunication services was eliminated and replaced effective October 1, 2001. See the subheading "Local Communications Services Taxes" below for a discussion of the taxation of telecommunication services under the Communications Services Tax Simplification Act after October 1, 2001.

The Public Service Tax must be collected by the seller from purchasers at the time of sale and remitted to the City on a monthly basis. Taxes on most utility services are separately itemized on the bill rendered to customers, but separate disclosure is not required. A failure by a consumer to pay that portion of the bill attributable to the Public Service Tax may result in a suspension of the service involved in the same fashion as the failure to pay that portion of the bill attributable to the particular utility service.

The amount of Public Service Tax collected by the City may fluctuate as the price of fuel, gas, electricity and the other services subject to the Public Service Tax fluctuates and a sustained increase in the price thereof may have an adverse effect on the amount of Public Service Tax collected.

#### Local Communications Services Tax

The Communications Services Tax Simplification Act, enacted by Chapter 2000-260, Laws of Florida, as amended by Chapter 2001-140, Laws of Florida, and now codified as Chapter 202, Florida Statutes, became effective October 1, 2001 (the "CSTA"). Section 202.19, Florida Statutes, authorizes counties and municipalities to levy a local tax on communications services (the "Local Communications Services Tax") as defined in Section 202.11, Florida Statutes, and as of the same date, repealed Section 166.231(9), Florida Statutes, which previously granted municipalities the authority to levy a Public Service Tax on the purchase of telecommunication services. See "GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES -- General -- *Public Service Tax*" above. Although the Local Communications Services Tax is levied locally, the FDOR collects the tax on behalf of the local governments. The proceeds of said Local Communication Services Tax less FDOR's cost of administration is deposited in the Local Communication Services Tax Clearing Trust Fund (the "CST Trust Fund") and distributed monthly to the appropriate jurisdiction.

One effect of the CSTA was to replace the former Public Service Tax on telecommunication services, including pre-paid calling arrangements, as well as any revenues from franchise fees on cable and telecommunication service providers and permit fees relating to placing or maintaining facilities in rights-of-way collected from providers of certain telecommunications services, with the Local Communications Services Tax. This change in law was intended to be revenue neutral to the counties and municipalities. The Local Communications Services Tax is applied to a broader base of communications services than the former Public Service Tax on telecommunications.

Prior to the effective date of the CSTA, the City levied a Public Service Tax on telecommunications authorized under Section 166.231, Florida Statutes; a cable franchise fee authorized by Title 47, United States Code and associated Federal Communications Commission regulations; and franchise fees on local exchange telecommunications providers and long distance providers whose lines occupied the City's rights-of-way authorized by Section 377.401, Florida Statutes. The cable franchise fee was levied at 5% of the cable operator's revenues related to operations inside the City limits. The franchise fee on local exchange providers was 1% of recurring local revenues. The franchise fee on long distance providers with wirelines in the City's rights-of-way was \$500 per linear mile or portion thereof per year. The Public Service Tax on telecommunications was levied at 7%, applied to intrastate services and with certain additional limitations primarily affecting cellular providers.

The enactment of the Local Communications Services Tax was intended to replace revenues from the taxes and fees described in the immediately preceding paragraph that were received by local governments in the period October 1, 2000 through September 30, 2001. Pursuant to this legislative intent, Chapter 202, Florida Statutes includes two provisions to guarantee a local government's ability to maintain revenue neutrality. The first provision is an emergency rate-setting procedure that both reduces the time period required to implement an emergency ordinance once it is adopted by the local government and permits the local government to exceed the statutory maximum rate of 5.1% if necessary to maintain revenue neutrality. Pursuant to Ordinance No. 020154 enacted by the Commission on August 26, 2002, as amended by Ordinance No. 070023 enacted by the Commission on June 25, 2007, effective September 1, 2008, the Local Communications Services Tax rate is 5.57%.

"Communication services" under the CSTA are defined as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term does not include:

- (a) Information services.
- (b) Installation or maintenance of wiring or equipment on a customer's premises.
- (c) The sale or rental of tangible personal property.
- (d) The sale of advertising, including, but not limited to, directory advertising.
- (e) Bad check charges.
- (f) Late payment charges.
- (g) Billing and collection services.
- (h) Internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer services.

However, such services have historically been taxed if the charges for such services are not stated separately from the charges for communications services, on a customer's bill.

The City does not charge any additional amounts to communications services providers, except that wireline users of the rights-of-way which do not pay a Local Communications Services Tax to the City continue to be charged the \$500 per linear mile per year wireline fee, as authorized by Section 337.401, Florida Statutes.

The sale of communications services to (i) the federal government, or any instrumentality or agency thereof, or any entity that is exempt from state taxes under federal law, (ii) the State or any county, municipality or political subdivision of the State when payment is made directly to the dealer by the governmental entity, and (iii) any home for the aged, educational institution (which includes state tax-supported and nonprofit private schools, colleges and universities and nonprofit libraries, art galleries and museums, among others) or religious institutions (which includes, but is not limited to, organizations having an established physical place for worship at which nonprofit religious services and activities are regularly conducted) that is exempt from federal income tax under Section 501(c)(3) of the Code, are exempt from the Communications Services Tax. In addition, the Communications Services Tax does not apply to any direct home satellite service.

The CSTA provides that, to the extent that a provider of communications services is required to pay to a local taxing jurisdiction a tax, charge, or other fee under any franchise agreement or ordinance with respect to the services or revenues that are also subject to the Communications Services Tax, such provider is entitled to a credit against the amount of such Local Communications Services Tax payable to the State in the amount of such tax, charge, or fee with respect to such service or revenues. The amount of such credit is deducted from the amount that such local taxing jurisdiction is entitled to receive under Section 202(18)(3), Florida Statutes.

Under the CSTA, local governments must work with the FDOR to properly identify service addresses to each municipality and county. If a jurisdiction fails to provide the FDOR with accurate service address information, the local government risks losing tax proceeds that it should properly receive. The City believes it has provided the FDOR with all information that the FDOR has requested as of the date hereof and that such information is accurate.

Providers of communications services collect the Local Communications Services Tax and may deduct 0.75% as a collection fee (or 0.25% in the case of providers who do not employ an enhanced zip code database or a database that is either supplied or certified by the FDOR). The communications services providers remit the remaining proceeds to the FDOR for deposit into the CST Trust Fund. The FDOR then makes monthly contributions from the CST Trust Fund to local governments after deducting up to 1% of the total revenues generated as an administrative fee.

The federal Internet Tax Freedom Act ("ITFA") imposes a moratorium on taxation of Internet access by states and political subdivisions. As amended by the Internet Tax Nondiscrimination Act ("ITNA"), the ITFA may have a material adverse effect upon future collections of the Communications Services Tax Revenues. Signed by President George W. Bush on December 3, 2004, the ITNA extended the ITFA until November 1, 2007. Federal legislation was enacted on October 31, 2007, to extend the moratorium, which was set to expire on November 1, 2007, on certain state and local government taxation on Internet access to November 1, 2014. This legislation prohibits a state from reimposing a tax on Internet access which the state repealed more than twenty-four (24) months prior to this legislation's



enactment. Additionally, a specific exemption was created for certain state business taxes enacted between June 20, 2005 and before November 1, 2007 which do not discriminate against providers of communication services, Internet access or telecommunications. Effective November 1, 2003, "internet access" was amended to include telecommunications services purchased, used or sold by a provider of internet access to provide Internet access. "Internet access" now also includes related communication services, such as email and instant messaging. The definition of "Internet access" was revised, in part, to eliminate existing language which could be read to allow providers of communication services to exclude from taxation charges for Internet access services which are bundled for a single price with taxable communication services. "Telecommunications," as amended, includes un-regulated non-utility telecommunications, such as cable services. Application of the amended definition of "Internet access" was delayed until June 30, 2008 for state or local tax on Internet access that was: (1) generally imposed and actually enforced on telecommunication services, or (2) the subject of litigation instituted in a state court prior to July 1, 2007. Prior to December 3, 2004, under the CSTA, according to FDOR, when charges for internet access services were not separately stated on a customer's bill, the entire charge was taxed, regardless of whether the charge includes internet access or telecommunications services used to provide internet access. In September, 2014, President Barack Obama executed House Joint Resolution No. 124 which extended the ITFA until December 11, 2014. The negative impact on future collections of Local Communications Services Tax revenues because of the ITFA or the ITNA cannot be determined at this time.

The amount of Local Communications Services Tax revenues received by the City is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within the City, (ii) legislative changes, and/or (iii) technological advances which could affect consumer preferences, such as Voice over Internet Protocol ("VoIP"). VoIP is a less expensive technology that allows telephone calls to be made in digital form using a broadband internet connection, rather than an analog phone line, and has the potential to supplant traditional telephone service. It is possible that VoIP could either reduce the dollar volume of taxable sales within the City or will be a non-taxable service altogether.

In 2012, pursuant to Chapter 2012-70, Laws of Florida ("Chapter 2012-70"), a number of provisions regarding the Communications Services Tax were modified, including, but not limited to, provisions regarding the manner in which the Communications Services Tax is levied, definitional changes, including the addition of a definition of "internet access service" and the amendment of the definition of "sales price" to expand the existing provisions relating to what charges a Communications Services Tax dealer may exclude from the taxable sales price of communications services (certain charges may now be excluded if they are separately itemized on a customer's bill, or can be reasonably identified in the seller's books and records), and revision of statutory provisions that govern the liability of a Communications Services Tax dealer regarding underpayment resulting from the dealers assignment of customers to local taxing jurisdictions for the purpose of imposing the Communications Services Tax. The extent of the impact of the amendments contained in Chapter 2012-70 on the collection of Communication Services Tax revenues cannot be determined. However, the City does not anticipate that the amendments will have a material adverse impact on the City's collection of Communication Services Tax revenues in fiscal year ended September 30, 2014 and thereafter. There can be no assurance that similar or additional legislation or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the collection of the Communications Services Tax revenues.

## Intergovernmental Revenues

All revenues received by a local unit from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes would be included in the intergovernmental revenues category. The category is further classified into eight subcategories: federal grants, federal payments in lieu of taxes (PILOT), state grants, state shared revenues, state PILOT, local grants, local shared revenues, and local PILOT. If a particular grant is funded from separate intergovernmental sources, then the revenue is recorded proportionately. The largest component is the Local Government Half-Cent Sales Tax.

### Local Government Half-Cent Sales Tax

Chapter 218, Part VI, Florida Statutes (the "Sales Tax Act"), authorizes the levy and collection by the State of a sales tax upon, among other things, the sales price of each item or article of tangible personal property sold at retail in the State, subject to certain exceptions and dealer allowances. In 1982, the Florida legislature created the Local Government Half-Cent Sales Tax Program (the "Half-Cent Sales Tax Program") which distributes a portion of the sales tax revenue and money from the State's General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the Half-Cent Sales Tax Program, thus giving rise to the name "Half-Cent Sales Tax." Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is no longer one-half of the fifth cent of every dollar of the sales price of an item subject to sales tax, the name "Half-Cent Sales Tax" has continued to be utilized.

The sales tax is collected on behalf of the State by businesses at the time of sale at retail, use, consumption, or storage for use or consumption, of taxable property and remitted to the State on a monthly basis. The Sales Tax Act provides for penalties and fines, including criminal prosecution, for non-compliance with the provisions thereof.

Section 212.20, Florida Statutes, provides for the distribution of sales tax revenues collected by the State and further provides for the distribution of a portion of sales tax revenues to the Half-Cent Sales Tax Clearing Trust Fund (the "Half-Cent Sales Tax Trust Fund"), after providing for transfers to the State's General Fund and the Ecosystem Management and Restoration Trust Fund. From 1993 until July 1, 2003, the proportion of sales tax revenues deposited in the Half-Cent Sales Tax Trust Fund (the "Half-Cent Sales Tax Revenues") had been constant at 9.653% of all state sales tax remitted to the State by a sales tax dealer located within a particular county. (Effective July 1, 2003, such proportion was reduced to 9.643%, and effective July 1, 2004, such proportion was further reduced to 8.814%, which remains in effect.) Such amount deposited in the Half-Cent Sales Tax Trust Fund is earmarked for distribution to the governing body of such county and each participating municipality within that county pursuant to a distribution formula. The legislative intent of the proportion reductions described above was to freeze for one fiscal year the total amount of Half-Cent Sales Tax Revenues distributed to the counties and municipalities throughout the State. The negative impact on municipalities from changes to the half-cent sales tax distribution was offset by the increased distribution to the Revenue Sharing Trust Fund for municipalities. Likewise, the negative impact of the change in half-cent sales tax distribution on smaller counties with a limited tax base was offset by the increased share of state taxes going for the emergency distribution. The net impact was to reduce the amount of funds distributed to county governments equal to projected growth in income from the half-cent sales tax distribution. The general rate of sales tax in the State is currently 6%. After taking into account the distributions to the State's General Fund (historically

5% of taxes collected) and the Ecosystem Management and Restoration Trust Fund (historically 0.2% of taxes collected), and after taking into account the cumulative effect of the proportion reductions described above, for every dollar of taxable sales price of an item, approximately 0.501 cents is deposited into the Half-Cent Sales Tax Trust Fund.

As of October 1, 2001, the Half-Cent Sales Tax Trust Fund began receiving a portion of certain taxes imposed by the State on communications services pursuant to Chapter 202, Florida Statutes. Accordingly, moneys distributed from the Half-Cent Sales Tax Trust Fund now consist of funds derived from both general sales tax proceeds and certain taxes imposed on the sales of communications services required to be deposited into the Half-Cent Sales Tax Trust Fund.

The Half-Cent Sales Tax Revenues are distributed from the Half-Cent Sales Tax Trust Fund on a monthly basis to participating units of local government in accordance with the Sales Tax Act. The Sales Tax Act permits the City to pledge its share of the Half-Cent Sales Tax for the payment of principal of and interest on any capital project.

The Half-Cent Sales Tax Revenues collected within a county and distributed to local government units is distributed among the county and the municipalities therein in accordance with the following formula:

$$\begin{array}{l} \text{County Share} \\ \text{(percentage of total Half-Cent} \\ \text{Sales Tax receipts)} \end{array} = \frac{\text{unincorporated} \\ \text{area population}}{\text{total county population}} + \frac{2/3 \text{ incorporated} \\ \text{area population}}{2/3 \text{ incorporated} \\ \text{area population}}$$

$$\begin{array}{l} \text{Municipality Share} \\ \text{(percentage of total Half-Cent} \\ \text{Sales Tax receipts)} \end{array} = \frac{\text{municipality population}}{\text{total county population}} + \frac{2/3 \text{ incorporated} \\ \text{area population}}$$

For purposes of the foregoing formula, "population" is based upon the latest official State estimate of population certified prior to the beginning of the local government fiscal year. Should any unincorporated area of Alachua County become incorporated as a municipality, the share of the Half-Cent Sales Tax Revenues received by Alachua County and the City would be reduced. Should the City annex any area or should any area of the City de-annex from the City, the share of the Half-Cent Sales Tax Revenues received by the City would be respectively increased or decreased according to the foregoing formula.

To be eligible to participate in the Half-Cent Sales Tax Program, each municipality and county is required to have:

- (i) reported its finances for its most recently completed fiscal year to the FDFS as required by Florida law;
- (ii) made provisions for annual post audits of financial accounts in accordance with provisions of law;

- (iii) levied, as shown on its most recent financial report, ad valorem taxes, exclusive of taxes levied for debt service or other special millages authorized by the voters, to produce the revenue equivalent to a millage rate of three (3) mills on the dollar based upon 1973 taxable values or, in order to produce revenue equivalent to that which would otherwise be produced by such three (3) mill ad valorem tax, to have received a remittance from the county pursuant to a municipal services benefit unit, collected business tax, utility tax, or ad valorem tax, or have received revenue from any combination of those four sources;
- (iv) certified that persons in its employ as law enforcement officers meet certain qualifications for employment, and receive certain compensation;
- (v) certified that persons in its employ as firefighters meet certain employment qualifications and are eligible for certain compensation;
- (vi) certified that each dependent special district that is budgeted separately from the general budget of such county or municipality has met the provisions for annual post audit of its financial accounts in accordance with law; and
- (vii) certified to the FDOR that it has complied with certain procedures regarding the establishment of the ad valorem tax millage of the county or municipality as required by law.

Although the Sales Tax Act does not impose any limitation on the number of years during which the City can receive distribution of the Half-Cent Sales Tax Revenues from the Half-Cent Sales Tax Trust Fund, there may be amendments to the Sales Tax Act in subsequent years imposing additional requirements of eligibility for counties and municipalities participating in the Half-Cent Sales Tax Revenues, or the distribution formulas in Sections 212.20(6)(d) or 218.62, Florida Statutes, may be revised. To be eligible to participate in the Half-Cent Sales Tax Trust Fund in future years, the City must comply with the financial reporting and other requirements of the Sales Tax Act. Otherwise, the City would lose its Half-Cent Sales Tax Trust Fund distributions for twelve (12) months following a "determination of noncompliance" by FDOR. The City has continuously maintained eligibility to receive the Local Government Half-Cent Sales Tax since the enactment of the Half-Cent Sales Tax Act in 1982.

In the 2013 legislative session the Florida Legislature passed HB 7007 (HB 7007) which creates an exemption from the Half-Cent Sales Tax for machinery and equipment used within Florida to manufacture, process, compound or produce tangible goods for sale. The exemption applies only to industrial machinery and equipment used at fixed locations within Florida. Further, this exemption does not restrict eligibility to new manufacturers or certain expanding manufacturers that increase productive output by at least five percent. HB 7007 will also allow a manufacturer to receive a tax exemption for equipment upgrades at an existing facility. The sales tax exemption is available for three (3) years from April 30, 2014 until April 30, 2017. The City cannot determine at this time what the fiscal impact will be to the City's Half-Cent Sales Tax collections.

The amount of Half-Cent Sales Tax Revenues received by the City is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within the County, (ii) legislative changes relating to the overall sales tax, which may include changes in the scope of taxable sales, changes in the tax rate and changes in the amount of sales tax revenue deposited into the Trust

Fund, (iii) changes in the relative population of the City, which affect the percentage of Local Government Half-Cent Sales Tax received by the City, and (iv) other factors which may be beyond the control of the City, including but not limited to the potential for increased use of electronic commerce and other internet-related sales activity that could have a material adverse impact upon the amount of sales tax collected by the State and then distributed to the City.

State Revenue Sharing

A portion of the taxes levied and collected by the State is shared with local governments under provisions of Chapter 218.215, Florida Statutes. The amount deposited by the FDOR into the State Revenue Sharing Trust Fund for Municipalities is 1.3409% of available sales and use tax collections after certain required distributions, 12.5% of the Florida alternative fuel user decal fee collections, and the net collections from the one-cent municipal fuel tax.

To be eligible for State Revenue Sharing funds, a local government must have:

- (i) reported its finances for its most recently completed fiscal year to the FDFS as required by Florida law;
- (ii) made provisions for annual post audits of financial accounts in accordance with provisions of law;
- (iii) levied, as shown on its most recent financial report, ad valorem taxes, exclusive of taxes levied for debt service or other special millages authorized by the voters, to produce the revenue equivalent to a millage rate of three (3) mills on the dollar based upon 1973 taxable values or, in order to produce revenue equivalent to that which would otherwise be produced by such three (3) mill ad valorem tax, to have received a remittance from the county pursuant to a municipal services benefit unit, collected an occupational license tax, utility tax, or ad valorem tax, or have received revenue from any combination of those four sources;
- (iv) certified that persons in its employ as law enforcement officers meet certain qualifications for employment, and receive certain compensation;
- (v) certified that persons in its employ as firefighters meet certain employment qualifications and are eligible for certain compensation;
- (vi) certified that each dependent special district that is budgeted separately from the general budget of such county or municipality has met the provisions for annual post audit of its financial accounts in accordance with law; and
- (vii) certified to the FDOR that it has complied with certain procedures regarding the establishment of the ad valorem tax millage of the county or municipality as required by law.

Eligibility is retained if the local government has met eligibility requirements for the previous three years, even if the local government reduces its millage or utility taxes because of the receipt of State Revenue Sharing funds.

The amount of the State Revenue Sharing Trust Fund for Municipalities distributed to any one municipality is the average of three factors: an adjusted population factor; a sales tax collection factor, which is the proportion of the local City's ordinary sales tax distribution the municipality would receive if the distribution were strictly population-based; and a relative revenue-raising ability factor, which measures the municipality's ability to raise revenue relative to other qualifying municipalities in the State.

To be eligible to participate in State Revenue Sharing in future years, the City must comply with certain eligibility and reporting requirements. If the City fails to comply with such requirements, the FDOR may utilize the best information available to it, if such information is available, or take any necessary action including disqualification, either partial or entire, and the City shall further waive any right to challenge the determination of the FDOR as to its distribution, if any.

The following are sources of revenues that are deposited into the State Revenue Sharing Trust Fund for Municipalities.

*Sales Tax Revenues.* Prior to July 1, 2000, a state tax was levied on cigarette packages at varying rates, depending upon the length and number of cigarettes in a package and, pursuant to Section 210.20(2)(a), Florida Statutes, certain amounts derived from such cigarette taxes were deposited to the Revenue Sharing Trust Fund for Municipalities after deducting therefrom certain charges for administration and collection. Effective July 1, 2000, the cigarette tax revenues were eliminated from distribution to the Revenue Sharing Trust Fund for Municipalities and replaced with sales and use tax proceeds. Currently, 1.3409% of the available proceeds of the sales and use tax imposed pursuant to Chapter 212, Florida Statutes, is transferred monthly to the Revenue Sharing Trust Fund for Municipalities after certain other transfers have been made and certain charges for administration and collection have been deducted therefrom.

*Municipal Fuel Tax.* The proceeds of the municipal fuel tax imposed pursuant to Section 206.41(1)(c), Florida Statutes, after deducting certain service charges and administrative costs is transferred into the Revenue Sharing Trust Fund for Municipalities. Funds derived from the municipal fuel tax on motor fuel may only be used to pay debt service allocable to transportation facilities.

*Alternative Fuel Fees.* The revenues from the state alternative fuel user fees imposed by Section 206.997, Florida Statutes, are deposited into the State Alternative Fuel User Fee Clearing Trust Fund. After deduction of certain service charges, 12.5% of such alternative fuel user fees are transferred to the Revenue Sharing Trust Fund for Municipalities.

See "—Half Cent Sales Tax Revenues" above for a description of HB 7007.

The sales and use tax provides the majority of the receipts for the guaranteed entitlement from the Revenue Sharing Trust Fund for Municipalities. For the State's [2014] fiscal year, approximately [71%] of the deposits of the Revenue Sharing Trust Fund for Municipalities were from sales and use tax, approximately [29%] were from the municipal fuel tax and less than [0.01%] were from the alternative fuel fees.

## Permits, Fees and Special Assessments

These are revenues derived from the issuance of landlord licenses plus other miscellaneous licenses and permit fees. Such fees currently are a minor portion of the City's Non-Ad Valorem Revenues, with the exception of the Fire Services Special Assessment (defined below).

### Fire Services Special Assessment

On June 9, 2008, the City Commission enacted Ordinance 070623 which established the authority to implement a Fire Services Special Assessment (the "Fire Services Special Assessment"). Each year, the City Commission adopts a preliminary rate resolution to establish the preliminary rate per net factored fire protection unit and sets a public hearing on a final rate resolution. The City Commission has adopted resolutions each year setting the rate per net factored fire protection unit at \$78 beginning in fiscal year 2011 and continuing through fiscal year 2015. This level of assessment is set to recover approximately 43% of the assessable costs to provide fire services.

The Fire Services Special Assessment must meet the Florida case law requirements for a valid special assessment including that the service provided must confer a special benefit to the property being assessed; and the costs assessed must be fairly and reasonably apportioned among the properties that receive the special benefit. The City has contracted with Government Services Group to develop a fire assessment study using their enhanced methodology to ensure that the City is in compliance with those requirements.

## Charges for Services

All revenues resulting from a local unit's charges for services are reflected in this category and include those charges received from private individuals or other governmental units. The following functional areas include such charges:

- General government – document reproduction fees, sales of maps & publications
- Public safety – fees for police and fire protection services
- Physical environment – charges including cemetery fees
- Planning and zoning – fees for zoning changes and planning reviews
- Indirect services – fees associated with services provided to City Proprietary Funds
- Transportation and parking – including parking fees and decals
- Recreation and culture – fees for special events, and parks and recreation activities such as athletics programs and swimming pool usage
- Other – fees for services not specifically mentioned above

## Fines and Forfeitures

Fines and forfeitures reflect those penalties and fines imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for neglect of official duty. Forfeitures include revenues resulting from parking and court fines as well as proceeds from the sale of contraband property seized by law enforcement agencies.

## Miscellaneous Revenues

This category includes a variety of revenues and transfers from other funds, including:

- Interest earnings
- Gains (or losses) on sale of investments
- Rents and royalties
- Disposition of fixed assets
- Sales of surplus materials and scrap
- Contributions from private sources

## Interfund Transfers

### Transfers from the Utilities System to the General Fund

The City owns and operates an electric, natural gas, water, wastewater and telecommunications system (the "Utility System"). The Utility System is treated as an enterprise fund of the City, and does business under the name "Gainesville Regional Utilities."

From fiscal years 2000 to 2010, pursuant to an agreement between General Government and Gainesville Regional Utilities, executed by the City Manager and General Manager, and approved by the City Commission the transfer from the electric system to the General Fund of the City was based on a formula comprised of three components – a base component, an adjustment to the base and an annually-calculated incentive component. The base component represented a rough equivalent to what the General Fund would receive if the Utility System were an investor-owned utility system. The growth component adjusted the base in an amount that depended upon the increase/decrease in the amount of kilowatts per hour ("kWh") delivered. The incentive component was an amount calculated after the end of the year and represented 3% of the net revenues from interchange/economy sales and sales for resale as well as a portion of the increase in the amount of retail kWh delivered greater than 3%.

Under that agreement, the transfers from the gas, water and wastewater systems to the General Fund equaled the sum of the following:

- (1) The amount of water and wastewater surcharges collected in the current fiscal year; and
- (2) 14.65% of gas, water and wastewater gross revenues for the second preceding fiscal year after deducting the following for the same second preceding fiscal year:
  - (a) surcharges,
  - (b) fuel expenses, and
  - (c) revenues from water sales to the University of Florida.

Under that agreement, the Utility System's telecommunications system transfer was a negotiated dollar amount.

From fiscal years 2011 to 2014, the transfer from the Utility System to the General Fund for all systems was a negotiated fixed amount with an annual true-up based on the 2000-2010 formula. Under the formula for the true-up, if the calculated amount under the 2000-2010 formula was within \$500,000 over or under the negotiated fixed amount, then no true-up was required. If the calculated amount under



the 2000-2010 formula was more than \$500,000 over or under the negotiated fixed amount, then the Utility System and the General Fund would equally share the amount over or under \$500,000. Pursuant to an agreement between General Government and Gainesville Regional Utilities, executed by the City Manager and General Manager, and approved by the City Commission, the Utility paid from any system which was in its best financial interest.

Beginning in fiscal year 2015, a new transfer agreement was approved by the City pursuant to Resolution No. 130852 adopted on April 17, 2014, setting the 2014 base amount as the amount that would have been generated by the 2000-2010 formula, less the amount of ad valorem tax received by the City from the **[GREC Biomass Facility]**. This amount is required to increase by 1.5% annually and the Utility System may pay any amounts due to the General Fund from any system which is in its best financial interest. This formula will be reviewed no less frequently than every other year.

The transfer to the City from the Utility System may be made only to the extent such monies are not necessary to pay debt service on the Utility System's outstanding bonds and subordinated debt or to make other necessary transfers under the bond resolution of the Utility System, including but not limited to the cost of operation and maintenance of the Utility System. The Commission can modify the transfer formulas from time to time.

*Transfers from Other Funds*

Less than 25% of interfund transfers which are legally available to pay debt service are generated from transfers from the funds of the City other than from the Utility System.

The following table represents the City's determination of Non-Ad Valorem Revenues for the City's fiscal years ending September 30, 2009 through September 30, 2013 (audited) and September 30, 2014 (unaudited) (excludes non-ad valorem revenues of the City which are not legally available to pay debt service on the Series 2014 Bonds):

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**CITY OF GAINESVILLE, FLORIDA**  
**LEGALLY AVAILABLE NON-AD VALOREM REVENUES**

	Audited					Unaudited <u>2014</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Revenues:						
Taxes:						
Public Service Tax	\$ 9,421,316	\$ 10,739,825	\$ 11,155,355	\$ 10,768,410	\$ 10,780,430	
Local Communications Services Taxes <sup>(1)</sup>	5,357,125	5,415,879	5,216,204	4,987,133	4,676,956	
Business Tax	942,062	970,852	938,717	837,096	881,127	
Other <sup>(2)</sup>	197,388	981,318	951,367	1,111,083	1,757,449	
	<u>15,917,891</u>	<u>18,107,874</u>	<u>18,261,643</u>	<u>17,703,722</u>	<u>18,095,962</u>	
Permits, Fees and Assessments						
Fire Assessment	0	0	4,958,601	5,007,331	5,022,902	
Other <sup>(3)</sup>	41,870	14,528	14,957	17,909	18,314	
	<u>41,870</u>	<u>14,528</u>	<u>4,973,558</u>	<u>5,025,240</u>	<u>5,041,216</u>	
Intergovernmental:						
Half Cent Sales Tax	6,014,999	5,461,335	6,275,308	6,196,854	6,532,142	
State Revenue Sharing <sup>(4)</sup>	2,482,491	2,446,627	2,612,454	2,672,342	2,682,857	
Other <sup>(5)</sup>	2,057,304	4,684,177	1,066,854	1,043,651	2,061,581	
	<u>10,554,794</u>	<u>12,592,139</u>	<u>9,954,616</u>	<u>9,912,847</u>	<u>11,276,580</u>	
Charges for Services:						
Indirect Services	4,525,955	4,225,404	4,408,108	4,639,983	4,969,760	
Public Safety <sup>(6)</sup>	2,352,099	1,810,302	1,871,557	1,929,934	1,875,874	
Transportation and Parking	893,171	834,663	676,379	842,250	804,211	
Recreation and Culture	1,063,269	858,370	811,045	920,008	858,644	
Other <sup>(7)</sup>	813,326	1,284,218	456,044	359,767	561,282	
	<u>9,647,820</u>	<u>9,012,957</u>	<u>8,223,133</u>	<u>8,691,942</u>	<u>9,069,771</u>	
Fines and Forfeitures	<u>2,401,545</u>	<u>1,525,490</u>	<u>1,321,335</u>	<u>1,355,749</u>	<u>1,227,510</u>	
Interest Income	<u>1,257,540</u>	<u>635,747</u>	<u>569,211</u>	<u>876,322</u>	<u>(494,745)</u>	
Other <sup>(8)</sup>	<u>922,598</u>	<u>1,382,391</u>	<u>821,128</u>	<u>3,529,761</u>	<u>1,534,917</u>	
Transfers from the Utility System <sup>(9)</sup>	34,151,652	34,348,831	35,288,991	36,004,958	36,656,458	
Other Transfers <sup>(10)</sup>	4,521,195	2,083,462	3,868,736	9,114,431	3,775,345	
Total Sources of Legally Available Non-Ad Valorem Revenues	<u>\$ 79,416,905</u>	<u>\$ 79,703,419</u>	<u>\$ 83,282,351</u>	<u>\$ 92,214,972</u>	<u>\$ 86,183,014</u>	

[Footnotes continued on next page]

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- (1) The steady decline is due to market changes and tax exemptions on specific devices and service plans.
  - (2) Hazardous Materials Tax paid by a single business in the City.
  - (3) Miscellaneous permits.
  - (4) These figures are net of the funds deducted to pay the debt service on the City's outstanding Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 and Guaranteed Entitlement Refunding Bonds, Series 2004 which are secured by a first lien upon and pledge of the guaranteed entitlement portion of the State Revenue Sharing funds.
  - (5) Mobile home licenses, beverage licenses, firefighters supplemental compensation, and airport flight service station rental.
  - (6) Increase in fiscal year 2011 was due to the implementation of the Fire Services Assessment Fee which has been approved in each year subsequent to that date.
  - (7) Zoning fees, document reproduction fees, cemetery fees, etc.
  - (8) Property rental, loan repayments and the Utility System's share of environmental clean up costs.
  - (9) The transfers from the Utility System are expected to decrease in fiscal year 2015 due to the revised transfer formula effective for fiscal year 2015 as described in "GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES – Interfund Transfers" herein. Pursuant to such formula, transfer amounts are expected to increase in fiscal years after fiscal year 2015 by 1.5% annually, subject to review by the City no less frequently than every other year.
  - (10) The increase in Other Transfers in fiscal year 2012 is the result of a transfer from General Fund reserves to cash fund a portion of the capital cost of renovating the City's Police Department Headquarters as well as the renovation of a City-owned building in downtown Gainesville.

Source: Finance Department, City of Gainesville, Florida

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The following table represents current debt service on Non-Ad Valorem Revenue Obligations of the City:

**CITY OF GAINESVILLE, FLORIDA  
DEBT SERVICE SCHEDULE  
FOR NON-AD VALOREM REVENUE OBLIGATIONS<sup>(1)</sup>**

Bond Year Ending October 1	\$40,042,953	\$49,851,806	\$5,640,000		\$1,540,000						
	Taxable Pension Obligation Bonds	Taxable Pension Obligation Bonds	First Florida Governmental Financing Loan	\$22,695,000 Capital Improvement Revenue Bonds	First Florida Governmental Financing Loan	\$13,000,000 Capital Improvement Revenue Note	\$4,350,000 Capital Improvement Revenue Bonds	\$6,230,000 Refunding Revenue Note	\$3,730,000 Capital Improvement Revenue Note	\$14,715,000 Refunding Revenue Note	Total Principal and Interest
	Series 2003A	Series 2003B	Series 2005	Series 2005	Series 2007	Series 2009	Series 2010	Series 2011	Series 2011A	Series 2014	
2015	\$2,675,775	\$4,008,921	\$411,534	\$1,125,900	\$116,600	\$1,077,767	\$318,389	\$692,528	\$433,089	\$515,160	\$11,375,663
2016	2,885,775	4,213,921	411,746		113,975	1,075,600	314,609	688,958	429,617	1,641,200	11,775,401
2017	3,110,775	4,428,921	406,946		116,350	1,072,146	314,929	690,152	431,029	1,635,120	12,206,368
2018	3,345,775	4,649,352	411,259		113,350	1,072,276	314,379	685,992	427,211	1,638,440	12,658,034
2019	3,590,775	3,102,525	409,259		115,350	1,070,861	318,441	691,596	433,282	1,640,920	11,373,009
2020	3,845,775	3,269,963	406,859		112,150	1,072,772	316,441	691,728	429,007	1,637,560	11,782,255
2021	4,115,775	3,445,896	409,059		113,950	1,072,881	314,266	691,506	429,618	1,643,480	12,236,431
2022	4,400,775	3,629,276	410,659		115,444	1,071,188	316,654	690,930		1,638,440	12,273,366
2023	4,700,775	3,819,059	411,659		116,731	1,067,691	318,294			1,642,680	12,076,889
2024	5,015,775	4,014,197	407,059		112,694	1,067,264	314,094			1,635,960	12,567,043
2025	5,340,775	4,224,266	411,590		113,656	1,064,776	314,694			1,643,520	13,113,277
2026	5,690,775	4,436,178			114,406	1,065,100	314,649				11,621,108
2027	6,050,775	4,658,849			114,812	1,063,106	314,194				12,201,736
2028	6,430,775	4,890,653				1,063,666	317,931				12,703,025
2029	4,370,775	5,129,964				1,061,652	316,031				10,878,422
2030	4,662,999	5,380,156					318,344				10,361,499
2031	6,879,749	3,424,332									10,304,081
2032	7,300,335	3,605,648									10,905,983
2033		1,133,265									1,133,265
<b>TOTAL</b>	<b>\$84,414,708</b>	<b>\$75,465,342</b>	<b>\$ 4,507,629</b>	<b>\$1,125,900</b>	<b>\$1,489,468</b>	<b>\$16,038,746</b>	<b>\$5,056,339</b>	<b>\$5,523,390</b>	<b>\$3,012,853</b>	<b>\$16,912,480</b>	<b>\$213,546,855</b>

[Footnote on next page.]

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<sup>(1)</sup> This table does not include the debt service on the City's outstanding Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 and Guaranteed Entitlement Revenue Refunding Bonds, Series 2004 (together, the "Guaranteed Entitlement Bonds"). These bonds are secured by a first lien upon and pledge of the guaranteed entitlement portion of the state revenue sharing funds. Maximum annual debt service on these bonds is \$1,095,000; the final maturity of the Guaranteed Entitlement Bonds is 2024 and 2017, respectively. See "GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES – State Revenue Sharing" herein. Column totals may not balance due to rounding.

Source: Finance Department, City of Gainesville, Florida

The following table sets forth the City's historical Non-Ad Valorem Revenues for the fiscal years ending September 30, 2009 through September 30, 2013 (audited) and September 30, 2014 (unaudited), as well as historical debt service in order to show the City's historical compliance with the Anti-Dilution Test:

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**CITY OF GAINESVILLE, FLORIDA  
HISTORICAL ANTI-DILUTION TEST CALCULATION**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	PreAudit <u>2014</u>
Non-Ad Valorem Revenues						
Available to Pay Debt Service	\$79,416,905	\$79,703,419	\$ 83,282,351	\$ 92,214,972	\$ 86,183,014	
50% of Non-ad valorem revenues (1)	39,708,453	39,851,710	41,641,176	46,107,486	43,091,507	
Debt Service (2) (3)	18,169,331	18,486,220	18,486,220	18,828,558	18,828,558	
2.00 Times Maximum Annual Debt Service	36,338,662	36,972,440	36,972,440	37,657,116	37,657,116	
Actual Coverage Ratio (4)	4.37x	4.31x	4.51x	4.90x	4.58x	

(1) The City has covenanted in the Bond Resolution that it may incur additional Non-Ad Valorem Revenue Obligations only if, as set forth in a certificate of an Authorized Issuer Officer executed prior to the issuance thereof, (i) after the issuance thereof, the Covenant Obligation Maximum Debt Service Requirement in any Bond Year (net of any subsidies or reimbursement related to interest thereon) resulting from the total outstanding Non-Ad Valorem Revenue Obligations of the City, including such additional Non-Ad Valorem Revenue Obligations proposed to be issued, does not exceed 50% of the Non-Ad Valorem Revenues received by the City in the preceding Fiscal Year; and (ii) the Non-Ad Valorem Revenues of the City for the preceding Fiscal Year were at least 2.00 times the average annual Bond Service Requirement for all future fiscal years on the Series 2014 Bonds together with the average Covenant Obligation Debt Service Requirement (net of any subsidies or reimbursement related to interest) for all future Fiscal Years on the total outstanding Non-Ad Valorem Revenue Obligations and Non-Ad Valorem Revenue Obligations proposed to be issued. Notwithstanding anything in the Bond Resolution to the contrary, the City may incur additional Non-Ad Valorem Revenue Obligations to refund or defease all outstanding Series 2014 Bonds without complying with the above provisions. The data in the row labeled "50% of Non-Ad Valorem Revenues" can be used to evaluate part (i) of the Anti-Dilution Test. The data in the row labeled "2.00 Times Maximum Annual Debt Service" reflects a conservative presentation and can be used to evaluate part (ii) of the Anti-Dilution Test, based on the historical maximum annual debt service (when part (ii) actually calls for the calculation to be based on average annual debt service). See "SECURITY FOR THE SERIES 2014 BONDS – Anti-Dilution Test" herein.

(2) Historical Covenant Obligation Maximum Debt Service Requirement on Non-Ad Valorem Revenue Obligations prior to issuance of the Series 2014 Bonds. Covenant Obligation Maximum Debt Service Requirement following the issuance of the Series 2014 Bonds is estimated to equal \$\_\_\_\_\_ (estimated debt service on the Series 2014 Bonds is based on current market conditions) and 2.00 times such maximum annual debt service requirement following the issuance of the Series 2014 Bonds equals \$\_\_\_\_\_.

(3) Includes debt service on the Guaranteed Entitlement Bonds.

(4) Based on Non-Ad Valorem Revenues available to pay debt service divided by debt service. The debt service coverage ratio is calculated based upon the Covenant Obligation Maximum Debt Service Requirement following the issuance of the Series 2014 Bonds (estimated debt service on the Series 2014 Bonds is based on current market conditions) and the 2014 Non-Ad Valorem Revenues for the fiscal year ended September 30, 2014 (unaudited) equals \_\_\_\_\_ times. The Bond Resolution does not contain any requirement regarding a debt service coverage ratio (rather, it contains the two-part Anti-Dilution Test described in Note 1 above). Such debt service coverage figures are provided only as additional information.

Source: Finance Department, City of Gainesville, Florida.

## CERTAIN FINANCIAL MATTERS

### Investment Policy

The City has adopted a detailed written investment policy which meets Florida statutory requirements. This policy covers all cash and investments held by the City with the exception of the City's defined benefit pension plans, deferred compensation plan, and 401(a) defined contribution plan. The objectives of the investment policy are (1) preservation of capital, (2) maintenance of appropriate liquidity, and (3) maximizing yield within defined risk parameters. To accomplish these objectives, the investment portfolio is sufficiently diversified to provide protection during performance downturns while ensuring that investment goals are met over the long term.

City investment policies, state statutes, and the Utility System's bond resolution authorize the City to invest in the following instruments:

- Any bonds or obligations which, as to principal and interest, constitute direct obligations of or are unconditionally guaranteed by the United States of America;
- Certain bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any state;
- Bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation which is created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America;
- Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase under the applicable bond resolution such obligations are rated by a nationally recognized bond rating agency in either of its two highest rating categories;
- Certain certificates of deposit, provided that the aggregate of principal amount of all certificates of deposit issued by any institution do not at any time exceed 10% of the total of the capital, surplus and undivided earnings of such institution unless such certificates of deposit are fully insured (for classification purposes, only non-negotiable certificates of deposit are considered deposits, with negotiable certificates considered as investments);
- Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by a nationally recognized rating agency in its highest rating category and by at least one other nationally recognized rating agency in either of its two highest rating categories, for comparable types of debt obligations;
- Any fully collateralized repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured; and
- Domestic equity mutual funds rated four (4) stars or higher by Morningstar, Inc. and investment trusts AAA.

Assets of the Retiree Health Insurance Trust Fund and the City of Gainesville Employees Disability Plan Trust Fund may be invested in investments of all kinds except as specifically otherwise provided by statutes.

As of September 30, 2013, the City's operating portfolio assets were invested as follows<sup>(1)</sup>:

Agencies	98.49%
Mutual funds	1.51

<sup>(1)</sup> Figures may not add correctly due to rounding.

The Commission can modify the investment policy of the City from time to time.

### **Financial and Operating Plan (Budget) and Capital Improvement Planning Policy**

The City adopted a biennial budget process in 1999 and has consistently received the Government Finance Officers Association of the United States and Canada ("GFOA") Certificate of Achievement for its budget presentations. The two-year budgetary cycle allows more time in the second year for in-depth discussion of broader policy issues. The City primarily uses incremental budgeting with input from all City departments. The budget process begins in January of each year and the final budget for the upcoming fiscal year beginning October 1 is usually approved by the Commission in September of each year.

The City prepares a five year financial forecast on a biennial basis which serves to identify the long term impact of revenue and expenditure trends and financial decisions. This five year forecast is used as the starting point for the two-year budgetary process.

The Commission has adopted a capital improvement planning policy, which requires periodic asset reviews to include maintenance and replacement costs. The 5-year capital plans which are part of the policy coordinate capital needs and the impact of those capital needs on operating budgets.

### **Financial Reporting**

The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gainesville for its comprehensive annual financial report ("CAFR") in each year since the program's inception in 1951.

The City has received GFOA's Award for Distinguished Budget presentation for its budget document each year since October 1, 1984.

In 1990, the City was one of the first cities to receive recognition by the GFOA for its Popular Report. The City has received the Award for Outstanding Achievement in Popular Annual Reporting from the GFOA since 1992.

### **General Fund**

The General Fund is the general operating fund of the City. It accounts for all financial resources except for those required to be accounted for in another fund. The largest source of revenue in this fund, other than transfers from the Utility System, is ad valorem taxation (ad valorem taxes are not legally available to pay debt service on the Series 2014 Bonds). Revenues deposited in the General Fund do not directly correspond to the Non-Ad Valorem Revenues from which debt service on the Series 2014 Bonds



is payable as some General Fund revenues are not legally available to pay debt service on the Series 2014 Bonds and some Non-Ad Valorem Revenues are not deposited into the General Fund. Operations are removed from the General Fund only when they are deemed to be true enterprise operations.

Although the Series 2014 Bonds are not payable from ad valorem taxation, approximately 22% of General Fund revenues which are collected by the City come from ad valorem taxes. To the extent that the future collection of ad valorem tax revenues or non-ad valorem revenues is adversely affected, a larger portion of non-ad valorem revenues would be required to balance the budget and provide for the payment of services and programs which are for essential public purposes affecting the health, safety and welfare of the inhabitants of the City or which are mandated by applicable law.

The following chart shows information regarding the General Fund for the City's fiscal years ending September 30, 2009 through September 30, 2013 (unaudited) and September 30, 2014 (unaudited):

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**CITY OF GAINESVILLE, FLORIDA**  
**GENERAL FUND REVENUES AND EXPENSES**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	Unaudited <u>2014</u>
<b>REVENUES</b>						
Taxes	\$39,908,703	\$43,066,261	\$41,328,516	\$39,824,185	\$39,622,592	
Licenses and Permits	770,664	745,274	832,814	866,236	899,441	
Intergovernmental	10,554,794	9,918,184	10,947,687	10,932,673	11,186,436	
Charges for Services	7,462,073	7,307,357	12,265,520	12,771,921	13,048,662	
Fines and Forfeitures	1,493,288	1,473,559	1,264,961	1,297,877	1,172,915	
Miscellaneous	1,027,962	1,209,234	1,202,558	1,402,320	52,928	
<b>TOTAL REVENUES</b>	<b>\$61,217,484</b>	<b>\$63,719,869</b>	<b>\$67,842,056</b>	<b>\$67,095,212</b>	<b>\$65,982,974</b>	
<b>EXPENDITURES</b>						
Current:						
General Government	16,274,860	15,763,889	14,392,665	14,648,665	14,531,919	
Public Safety	48,223,199	49,597,290	50,594,944	51,564,982	54,099,796	
Physical Environment	252,120	217,115	171,302	186,323	189,699	
Transportation	10,249,928	9,790,258	10,386,864	10,707,514	10,792,136	
Economic Environment	275,340	264,208	209,759	348,052	331,851	
Human Services	18,952	5,719	96,176	96,404	111,428	
Culture and Recreation	7,310,209	6,942,891	6,488,087	6,717,019	6,949,034	
<b>TOTAL EXPENDITURES</b>	<b>\$82,604,608</b>	<b>\$82,581,370</b>	<b>\$82,339,797</b>	<b>\$84,268,959</b>	<b>\$87,005,863</b>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(21,387,124)</b>	<b>(18,861,501)</b>	<b>(14,497,741)</b>	<b>(17,173,747)</b>	<b>(21,022,889)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers from Gainesville Regional Utilities <sup>(1)</sup>	34,151,652	34,348,831	35,288,991	36,004,958	36,656,458	
Operating transfers in <sup>(2)</sup>	739,547	425,191	445,842	631,885	869,697	
Operating transfers out <sup>(3)</sup>	(13,525,084)	(15,023,670)	(15,584,866)	(22,744,259)	(17,050,528)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$21,366,115</b>	<b>\$19,750,352</b>	<b>\$20,149,967</b>	<b>\$13,892,584</b>	<b>\$20,475,627</b>	
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(21,009)</b>	<b>888,851</b>	<b>5,652,226</b>	<b>(3,281,163)</b>	<b>(547,262)</b>	
<b>BEGINNING FUND BALANCE</b>	<b>14,448,820</b>	<b>14,427,811</b>	<b>15,316,662</b>	<b>20,968,888</b>	<b>17,687,725</b>	
<b>ENDING FUND BALANCE</b>	<b>\$14,427,811</b>	<b>\$15,316,662</b>	<b>\$20,968,888</b>	<b>\$17,687,725</b>	<b>\$17,140,463</b>	
Nonspendable Portion	4,768,553	4,051,937	4,534,950	3,363,691	2,959,587	
Assigned Portion	225,427	788,570	-	2,236,549	772,730	
Unassigned Portion	9,433,831	10,476,155	16,433,938	12,087,485	13,408,146	

[Footnotes continued on next page]

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- (1) The transfers from the Utility System are expected to decrease in fiscal year 2015 due to the revised transfer formula effective for fiscal year 2015 as described in "GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES – INTERFUND TRANSFERS" herein. Pursuant to such formula, transfer amounts are expected to increase in fiscal years after fiscal year 2015 by 1.5% annually.
  - (2) Transfers from funds of the City other than the Utility System.
  - (3) Transfers to other funds of the City.

Source: Finance Department, City of Gainesville, Florida

While the table above is not intended to represent revenues of the City which would necessarily be available to pay debt service on the Series 2014 Bonds, they are an indication of the relative amounts of legally available non-ad valorem revenues of the City which may be available for the payment of principal of and interest on the Series 2014 Bonds taking into account general governmental expenditures. The ability of the City to appropriate Non-Ad Valorem Revenues in sufficient amounts to pay the principal of and the interest on the Series 2014 Bonds is subject to a variety of factors, including the City's satisfaction of funding requirements for obligations having an express lien on or pledge of such revenues and after satisfaction of funding requirements for essential governmental services of the City. No representation is being made by the City that any particular non-ad valorem revenue source will be available in future years, or if available, will be budgeted to pay debt service on the Series 2014 Bonds.

Continued consistent receipt of non-ad valorem revenues is dependent upon a variety of factors, including aggressive annexation policies by the City or greater growth in the incorporated areas of the City as compared to unincorporated areas could have an adverse effect on non-ad valorem revenues. The amounts and availability of any of the non-ad valorem revenues to the City are also subject to change, including reduction or elimination by change of State law or changes in the facts or circumstances according to which certain of the non-ad valorem revenues are allocated. In addition, the amount of certain of the non-ad valorem revenues collected by the City is directly related to the general economy of the City. Accordingly, adverse economic conditions could have a material adverse effect on the amount of non-ad valorem revenues collected by the City. The City may also specifically pledge certain of the non-ad valorem revenues or covenant to budget and appropriate legally available non-ad valorem revenues of the City to future obligations that it issues. In the case of a specific pledge, such non-ad valorem revenues would be required to be applied to such obligations prior to paying the principal of and interest on the Series 2014 Bonds.

### **Classification of Local Government Expenditures**

The City of Gainesville classifies its expenditures in accordance with the Uniform Accounting System devised by the Florida Department of Financial Services.

*General government* expenditures arise from operations of legislative and administrative activities of the local government. These costs are related to operations of the Commission, the City Manager's office, pension benefits, comprehensive planning, financial operations, legal expenses and other general government services.

*Public safety* expenditures reflect all costs associated with the City's police and fire department operations, as well as emergency disaster relief services and protective inspections.

*Physical environment* expenditures relate to the City's utilities and garbage/solid waste operations.

*Transportation* expenditures generally reflect the costs of roads and streets, parking facilities, and the City's Regional Transit System.

*Economic environment* expenditures include the costs of providing economic development activities, housing opportunities and related programs, and other activities intended to raise the economic status of the citizenry.

*Human services* expenditures reflect the City's activities related to public assistance and handicapped and similar services.

*Culture and recreation* expenditures include the City's costs of operating parks and recreation facilities and of offering special events, cultural services and programs and similar services.

*Debt service* expenditures reflect outlays for local government debt.

## LIABILITIES OF THE CITY

### Insurance Considerations Affecting the City

#### General

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City accounts for its uninsured risk of loss depending on the source of the estimated loss. For estimated losses attributable to activities of the Utility System, the estimates are accounted for in the Utility System enterprise funds. For estimated losses attributable to all operations of general government, the City maintains a General Insurance Fund (an internal service fund) to account for some of its uninsured risk of loss.

#### Workers' Compensation, Auto, and General Liability Insurance

Section 768.28, Florida Statutes, provides limits on the liability of the State and its subdivisions of \$100,000 to any one person, or \$200,000 for any single incident or occurrence. See "LIABILITIES OF THE CITY – Ability to be Sued, Judgments Enforceable" below. Under the protection of this limit and Chapter 440, Florida Statutes, covering Workmen's Compensation, the City currently is self-insured for workers' compensation, auto, and general liability. Third-party coverage is currently maintained for workers' compensation claims in excess of \$350,000. Settlements have not exceeded insurance coverage for each of the last three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs), and are shown at current dollar value.

All funds other than the Utility Fund participate in the general insurance program. Risk management/insurance related activities of the Utility Fund are accounted for within the Utility Fund. An actuarially computed liability of \$3,337,000 is recorded in the Utility Fund as a deferred credit. The

present value calculation assumes a rate of return of 4.5% with a confidence level of 75%. Changes in the Utility Fund's claims liability for the last two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2012-2013	\$3,337,000	\$1,487,246	\$1,487,246	\$3,337,000
2011-2012	3,337,000	1,175,634	1,175,634	3,337,000

There is a claims liability of \$6,854,000 included in the General Insurance Fund as the result of actuarial estimates. Changes in the General Insurance Fund's claims liability were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2012-2013	\$6,854,000	\$2,758,488	\$2,758,488	\$6,854,000
2011-2012	6,854,000	2,854,514	2,854,514	6,854,000

#### Health Insurance

The City also currently is self-insured for its Employee Health and Accident Benefit Plan (the "Plan"). The Plan is accounted for in an internal service fund and is externally administered, for an annually contracted amount which is based upon the volume of claims processed. Contributions for City employees and their dependents are shared by the City and the employee. Administrative fees are paid primarily out of this fund. Stop-loss insurance is maintained for this program at \$225,000 per individual. No claims have exceeded insurance coverage in the last three years. Changes in claims liability for the last two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2012-2013	\$1,304,271	\$20,657,770	\$20,598,683	\$1,363,358
2011-2012	1,048,386	19,219,917	18,964,032	1,304,271

#### **Other Post-Employment Benefit Plan**

##### Plan Description.

By ordinance enacted by the Commission, the City has established the Retiree Health Care Plan ("RHCP"), providing for the payment of a portion of the health care insurance premiums for eligible retired employees. The RHCP is a single-employer defined benefit healthcare plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries. The RHCP has 1,034 retirees, spouses and dependents receiving benefits and has a total of 1,723 active participants. Of that total, 1,342 are not yet eligible to receive benefits. Ordinance No. 991457 of the City assigned the authority to establish and amend benefit provisions to the Commission.

##### Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended September 30, 2013, the City's annual Other Post-Employment Benefit ("OPEB") cost for the RHCP was \$3,318,685. Fiscal year ended September 30, 2005 was the year of implementation of GASB 43 and 45 and the City elected to implement prospectively. The City's

contributions include \$2,490,213, \$2,396,511 and \$1,557,264 in payments made by the City for the implicit rate subsidy included in the blended rate premiums for active employees which fund the implicit rate subsidy discount provided to the retirees for fiscal years ended September 30 2013, 2012, and 2011, respectively.

### Funding Policy

In 1995, the City instituted a cost sharing agreement with retired employees for individual coverage only, based on a formula taking into account age at the time the benefit is first accessed and service at time of retirement. The contribution requirements of plan members and the City are established and may be amended by the Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. Administrative costs are financed through investment earnings. RHCP members receiving benefits contribute a percentage of the monthly insurance premium. Based on this plan, the RHCP pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost, there is no direct RHCP subsidy. The employee contributes the premium cost each month, less the RHCP subsidy calculated as a percentage of the individual premium. The State prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP require the actuarial figures presented above to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the City has elected to contribute to the RHCP at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the RHCP.

In July 2005, the City issued \$35,210,000 Taxable OPEB bonds to retire the unfunded actuarial accrued liability then existing in the RHCP Trust Fund. This allowed the City to reduce its contribution rate. The City's actual regular contribution was less than the annual required contribution calculated using the age-adjusted premiums instead of the blended rate premiums. The difference between the annual required calculation and the City's actual regular contribution was due to two factors. The first is the amortization of the negative net OPEB obligation created in the fiscal year ended September 30, 2005 by the issuance of the OPEB bonds. The other factor is that the City has elected to contribute based on the blended rate premium instead of the age-adjusted premium, described above as the implicit rate subsidy.

In September 2008, the City approved Ordinance No. O-08-52, terminating the existing program and trust and creating a new program and trust, effective January 1, 2009. This action changed the benefits provided to retirees, such that the City will contribute towards the premium of those who retire after August 31, 2008 under a formula that provides ten dollars per year of credited service, adjusted for age at first access of the benefit. Current retirees receive a similar benefit, however the age adjustment is modified to be set at the date the retiree first accesses the benefit or January 1, 2009, whichever is later. For current retirees that are 65 or older as of January 1, 2009, the City's contribution towards the premium will be the greater of the amount calculated under this method or the amount provided under the existing ordinance. The City's contribution towards the premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium compared to the prior year.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included an 8.5% investment rate of return, compounded annually, net of investment expenses. The annual healthcare cost trend rate of 6% is the ultimate rate. The select rate was 12% but was decreased to the ultimate rate in 2002. Both the rate of return and the healthcare cost trend rate include an assumed inflation rate of 3.75%. The actuarial valuation of RHCP assets was set at fair market value of investments as of the measurement date. The RHCP's initial unfunded actuarial accrued liability ("UAAL") as of 1994 is being amortized as a level percentage of projected payroll over a closed period of twenty years from 1994 and changes in the UAAL from 1994 through 2003 are amortized over the remaining portion of the twenty-year period. Future changes in the UAAL will be amortized on an open period of ten years from inception.

Funded Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c
9/30/13	\$57,374,787	\$65,560,356	\$8,185,569	87.51%	\$124,000,000	6.60%

**Ability to be Sued, Judgments Enforceable**

Notwithstanding the liability limits described below, the laws of the State provide that each city has waived sovereign immunity for liability in tort to the extent provided in Section 768.28, Florida Statutes. Therefore, the City is liable for tort claims in the same manner and, subject to limits stated below, to the same extent as a private individual under like circumstances, except that the City is not liable for punitive damages or interest for the period prior to judgment. Such legislation also limits the liability of a city to pay a judgment in excess of \$100,000 to any one person or in excess of \$200,000 because of any single incident or occurrence. Judgments in excess of \$100,000 and \$200,000 may be rendered, but may be paid from City funds only pursuant to further action of the Florida Legislature in the form of a "claims bill." See "LIABILITIES OF THE CITY –Insurance Considerations Affecting the City" herein. Notwithstanding the foregoing, the City may agree, within the limits of insurance coverage provided, to settle a claim made or a judgment rendered against it without further action by the Florida Legislature, but the City shall not be deemed to have waived any defense or sovereign immunity or to have increased the limits of its liability as a result of its obtaining insurance coverage for tortuous acts in excess of the \$100,000 or \$200,000 waiver provided by Florida Statutes. See "LITIGATION" herein.

## Debt Issuance and Management

The City utilizes a financing team when assessing the utilization of debt as a funding source for City capital projects. This team consists of the City Administrative Services Director, Assistant Finance Director, Finance Director, and the following external professionals: bond counsel, disclosure counsel, financial advisor, and underwriter. The City has multi-year contractual arrangements with bond counsel, disclosure counsel, and financial advisor.

### Direct Debt

The City has met certain of its financial needs through debt financing. The table which follows is a schedule of the outstanding debt of the City General Government as of October 1, 2014. This table is exclusive of the debt of the Utility System.

	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding as of October 1, 2014</u>
Revenue Bonds: <sup>(1)</sup>		
Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994	\$15,892,220	\$1,502,220
Taxable Pension Obligation Bonds, Series 2003A (Employees' Plan)	40,042,953	34,015,316
Taxable Pension Obligation Bonds, Series 2003B (Consolidated Plan)	49,851,806	45,215,617
Guaranteed Entitlement Revenue and Refunding Bonds, Series 2004	9,805,000	2,825,000
Capital Improvement Revenue Bonds, Series 2005	22,695,000	14,790,000
Capital Improvement Revenue Note, Series 2009	13,000,000	11,185,000
Capital Improvement Revenue Bonds, Series 2010	4,350,000	3,675,000
Refunding Revenue Note, Series 2011	6,230,000	4,980,000
Capital Improvement Revenue Note, Series 2011A	3,730,000	2,755,000
Refunding Revenue Note, Series 2014	<u>14,715,000</u>	<u>14,590,000</u>
Total Revenue Bonds <sup>(2)</sup>	\$180,311,979	\$135,533,153
Loans: <sup>(3)</sup>		
First Florida Governmental Financing Commission, Series 2005	\$5,640,000	3,585,000
First Florida Governmental Financing Commission, Series 2007	<u>1,540,000</u>	<u>1,130,000</u>
Total Loans	\$7,180,000	\$4,715,000
Total Debt	<u>\$187,491,979</u>	<u>\$140,248,153</u>

(1) The City's outstanding Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 and Series 2004 are secured by a first lien upon and pledge of the guaranteed entitlement portion of the State Revenue Sharing funds. See "GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES – State Revenue Sharing" herein.

(2) Does not include the Series 2014 Bonds described herein.

(3) All loans listed below are secured by a covenant to budget and appropriate funds sufficient to pay the debt service on the loan from legally available non-ad valorem revenues of the City, the same source of security for the Series 2014 Bonds.



## Defined Benefit Pension Plans

The City sponsors and administers two single-employer retirement plans and a single-employer disability plan, which are accounted for in separate pension trust funds in the fiduciary category.

- The Employees' Pension Plan (the "Employees' Plan")
- The Employees' Disability Plan (the "Disability Plan")
- The Consolidated Police Officers' and Firefighters' Retirement Plan (the "Consolidated Plan")

The Employees' Plan is a contributory defined benefit pension plan that covers all permanent employees of the City, except certain personnel who elected to participate in the Defined Contribution Plan (which is described below) and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. The Employees' Plan provides retirement and death benefits to plan members and beneficiaries. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate. This plan and any amendments were enacted through an ordinance of the Commission. In October 2002, the Board of Trustees approved allowing participants to buy back City years of service at its actuarial valuation. The contribution requirements of plan members and the City are established and may be amended by an ordinance enacted by the Commission. Employees' Plan members are required to contribute 5.0% of their annual covered salary. The City is required to contribute at an actuarially determined rate which equals 14.92% of covered payroll for the fiscal year ending September 30, 2015.

The Consolidated Plan is a contributory defined benefit pension plan that covers City sworn police officers and firefighters. The Consolidated Plan provides retirement and death benefits to plan members and beneficiaries. This plan and any amendments were enacted through an ordinance by the Commission. The contribution requirements of plan members and the City are established and may be amended by an ordinance enacted by the Commission. Consolidated Plan members are required to contribute 7.50% of their annual covered salary for police and 9.00% of their annual covered salary for fire. The City is required to contribute at an actuarially determined rate for the fiscal year ended September 30, 2015 which equals 14.33% of covered payroll for police and 17.32% of covered payroll for fire. In addition, State contributions, which totaled \$1,170,024 in the fiscal year ended September 30, 2013, are also made to the plan on behalf of the City.

See the notes portion of "APPENDIX B – Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2013" for further discussion of the City's defined benefit pension plans.

## Retiree Health Care Plan

The City has established the Retiree Health Care Plan, providing for the payment of a portion of the health care insurance premiums for eligible retired employees. The RHCP is a single-employer defined benefit healthcare plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries. The RHCP has 1,034 retirees, spouses and dependents receiving benefits and has a total of 1,723 active participants. Of that total, 1,342 are not yet eligible to receive benefits. Ordinance No. 991457 of the City assigned the authority to establish and amend benefit provisions to the Commission.

The City has chosen to self-insure the Retiree Health Care Plan, rather than purchasing insurance from an insurance carrier. "Self insurance" means that the City funds retiree medical plan expenses with money deposited into the retiree health insurance fund on a periodic basis based on actuarial estimates. On an annual basis, the health insurance premiums are calculated by the City and through an actuarial calculation. The bi-weekly contributions to the Retiree Health Care Plan are determined on a percentage of covered payroll basis. Pursuant to the Retiree Health Care Plan, deposits are made to the retiree health insurance fund established by the City and, together with premium payments made by retirees, gifts to the fund accepted by the City and earnings deposited into the fund, are disbursed only for the payment of premiums for retiree health insurance, retiree health care claim costs and costs associated with managing, administering and operating the fund.

### **FLORIDA CONSTITUTIONAL LIMITATIONS AND PROPERTY TAX REFORM**

Several Constitutional and Legislative amendments affecting ad valorem taxes have been approved by voters in the past including the following:

Save Our Homes Amendment. By voter referendum held on November 3, 1992, Article VII, Section 4 of the State Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. This amendment is known as the "Save Our Homes Amendment." The effective date of the amendment was January 5, 1993 and, pursuant to a ruling by the Florida Supreme Court, it began to affect homestead property valuations commencing January 1, 1995, with 1994 assessed values being the base year for determining compliance.

Millage Rollback Legislation. In 2007, the Florida Legislature adopted Chapter 2007-321, Laws of Florida, a property tax plan which significantly impacted ad valorem tax collections for Florida local governments. One component of the adopted legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 fiscal year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in fiscal year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the legislation limited how much the aggregate amount of ad valorem tax revenues may increase in future fiscal years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

The City fell into the 3% ad valorem tax revenue reduction category. As a result, the City's general millage rate was reduced from 6.7400 mills in fiscal year 2006-07 to 5.4394 mills in fiscal year 2007-08. For the fiscal year 2011-12, the City's general operating millage rate was 4.2544 mills, for the

fiscal year 2012-13 the City's general operating millage rate was 4.4946 mills, for the fiscal year 2013-14 the City's general operating millage rate was 4.5780% and for the fiscal year 2014-15 the City's general operating millage is 4.5079%.

Constitutional Amendments Related to Ad Valorem Exemptions. On January 29, 2008, in a special election held in conjunction with the State's presidential primary, the requisite number of voters approved amendments to the Florida Constitution exempting certain portions of a property's assessed value from taxation. The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000.

2. Permits owners of homestead property to transfer their Save Our Homes Amendment benefit (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes Amendment benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. As discussed above, the Save Our Homes Amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation.

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax.

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10-year period, subject to extension by an affirmative vote of electors.

The amendments were effective for the 2008 tax year (fiscal year 2008-2009 for local governments).

Over the last few years, the Save Our Homes Amendment assessment cap and portability provisions described above have been subject to legal challenge. The plaintiffs in such cases have argued that the Save Our Homes Amendment assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property in violation of the equal protection provisions of the Florida Constitution and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution. The plaintiffs also argued that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes Amendment. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions; however, there is no assurance that any future challenges to such provisions will not be successful.

In addition to the legislative activity described above, the constitutionally mandated Florida Taxation and Budget Reform Commission (required to be convened every 20 years) (the "TBRC")

completed its meetings on April 25, 2008 and placed several constitutional amendments on the November 4, 2008 General Election ballot. Three of such amendments were approved by the voters of Florida, which, among other things, do the following: (a) allow the Florida Legislature, by general law, to exempt from assessed value of residential homes, improvements made to protect property from wind damage and installation of a new renewable energy source device; (b) assess specified working waterfront properties based on current use rather than highest and best use; (c) provide a property tax exemption for real property that is perpetually used for conservation (began in 2010); and, (d) for land not perpetually encumbered, require the Florida Legislature to provide classification and assessment of land use for conservation purposes solely on the basis of character or use.

Exemption for Deployed Military Personnel. In the November 2010 General Election voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the Florida Legislature. This constitutional amendment took effect on January 1, 2011. At this time, it is impossible to estimate with any certainty the level of impact that the constitutional amendment will have on the City.

Other Proposals Affecting Ad Valorem Taxation. During the Florida Legislature's 2011 Regular Session, it passed Senate Joint Resolution 592 ("SJR 592"). SJR 592 allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment took effect on January 1, 2013.

During the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 93 ("HJR 93"). HJR 93 allows the Florida Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment took effect on January 1, 2013.

Also during the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 169 ("HJR 169") allowing the Florida Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 would not apply to school property taxes. **[To date, the City has not enacted an ordinance granting this additional homestead exemption.]**

Each of the above described proposals was approved by the voters on November 6, 2012. At present, the impact of these amendments on the City's finances cannot be accurately ascertained. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the City's finances.

During the Florida Legislature's 2013 Regular Session, it passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and created a number of changes affecting ad valorem taxation. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the terms "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of the property must reside upon the property to qualify for a homestead exemption. Fifth, SB 1830 clarifies the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for certain limited liability partnerships to qualify for the affordable housing property tax exemption. Eighth, SB 1830 exempts property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 1193 ("HB 1193"), which was signed into law by the Governor. HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieves the value adjustment board of the authority to review the property appraisers. HB 1193 is effective immediately and will apply retroactively to January 1, 2013.

At present, the impact of these amendments on the City's finances cannot be accurately ascertained. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the City's finances.

Legislative Proposals Relating to Ad Valorem Taxation. During recent years, various legislative proposals and constitutional amendments relating to ad valorem taxation and revenue limitation have been introduced in the State. Many of these proposals sought to provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the City's finances. To the extent ad valorem tax collections are reduced or restricted, the effect could be a reduction in the amount of available Non-Ad Valorem Revenues available to be deposited into the Debt Service Fund under the Bond Resolution and constitute Pledged Funds.

### **MUNICIPAL BOND INSURANCE OPTION**

This Preliminary Official Statement has been provided to major municipal bond insurers. In the event that the successful bidder or bidders for the Series 2014 Bonds elect to purchase insurance for one or more maturities, at its expense, the appropriate disclosure regarding such bond insurer and its policy of insurance will be inserted in the final Official Statement at this location.

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**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Series 2014 Bonds are expected to be applied as follows:

**SOURCES OF FUNDS FOR THE SERIES 2014 BONDS:**

Par Amount of Series 2014 Bonds  
Net Original Issue Discount/Premium

**TOTAL SOURCES****USES OF FUNDS FOR THE SERIES 2014 BONDS:**

Deposit to Project Fund  
Costs of Issuance<sup>(1)</sup>

**TOTAL USES**

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<sup>(1)</sup> Includes Underwriter's discount, legal, financial advisory and other related fees and expenses.

[Remainder of page intentionally left blank]

The following table shows debt service on the Series 2014 Bonds issued pursuant to the Bond Resolution:

**SERIES 2014 BOND DEBT SERVICE SCHEDULE**

Bond Year Ended <u>October 1</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service</u>
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Totals

[Remainder of page intentionally left blank]



## LEGAL MATTERS

Certain legal matters in connection with the issuance of the Series 2014 Bonds are subject to an approving legal opinion of Holland & Knight LLP, Lakeland, Florida, Bond Counsel, whose approving opinion (a form of which is attached hereto as "APPENDIX D – Form of Bond Counsel Opinion") will be available at the time of delivery of the Series 2014 Bonds. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law that may thereafter occur or become effective. Holland & Knight LLP has not undertaken independently to verify and therefore expresses no opinion as to the completeness, fairness, or sufficiency of any of the information or statements contained in this Official Statement or any exhibits, schedules or attachments hereto, except as to the accuracy of the information in the portions hereof captioned "DESCRIPTION OF THE SERIES 2014 BONDS" (except for the information under the heading "Book-Entry Only System") and "SECURITY FOR THE SERIES 2014 BONDS" (apart from any engineering, financial and statistical data as to which no opinions or beliefs shall be expressed) to the extent such portions purport to summarize certain provisions of the Bond Resolution and the Series 2014 Bonds, and except as to the accuracy of the information under the caption "TAX MATTERS."

Certain legal matters will be passed on for the City by Nicolle M. Shalley, Esq., Gainesville, Florida, City Attorney and Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel.

The legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered 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.

## LITIGATION

[TO BE UPDATED]

Except as described below, there is no pending or, to the knowledge of the City, any threatened litigation against the City of any nature whatsoever which in any way questions or affects the validity of the Series 2014 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Bond Resolution, or the pledge of the Pledged Revenues, or the covenant and agreement by the City to budget and appropriate Non-Ad Valorem Revenues, or the use of the proceeds of the Series 2014 Bonds to fund the 2014 Project. Neither the creation, organization or existence, nor, except as disclosed herein, the title of the present members of the Commission, nor other officers of the City is being contested.

The City experiences routine litigation and claims incidental to the conduct of its affairs. In the opinion of the City Attorney, to the best of his knowledge, except as described above, there are no actions presently pending or threatened, the adverse outcome of which would have a material adverse effect on the availability of the Pledged Revenues or Non-Ad Valorem Revenues or the ability of the City to pay the Series 2014 Bonds from the Pledged Revenues or Non-Ad Valorem Revenues. From time to time, the City is party to other various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the City or the General Fund, but may, in the aggregate, have a material impact thereon.

### **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "FFSC"). Pursuant to administrative rulemaking, the FFSC has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2014 Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

### **TAX MATTERS**

#### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under existing law, interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2014 Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the City rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2014 Bonds to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed with the proceeds of the Series 2014 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the Series 2014 Bonds to maintain the exclusion of interest on the Series

2014 Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Series 2014 Bonds in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the Series 2014 Bonds. The City has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Series 2014 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the City comply with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Series 2014 Bonds.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Series 2014 Bondholders from realizing the full current benefit of the tax status of the interest on the Series 2014 Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Series 2014 Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced in the near term that, if enacted, could change the federal tax consequences of owning the Series 2014 Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Series 2014 Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the Series 2014 Bonds and of the property financed or refinanced thereby).

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX D – Form of Bond Counsel Opinion" for the complete text thereof. See also "LEGAL MATTERS" herein.

### **Alternative Minimum Tax**

An alternative minimum tax is imposed by the Code on both corporations (as defined for federal income tax purposes) and on taxpayers other than corporations. Interest on the Series 2014 Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Series 2014 Bonds will therefore not be included in the alternative minimum taxable income of corporations or of taxpayers other than corporations. Interest on the Series 2014 Bonds received by a corporate Series 2014 Bondholder will, however, be included in such Series 2014 Bondholder's adjusted current earnings. A corporation's alternative minimum taxable income will be increased by seventy-five percent (75%) of the corporation's adjusted current earnings not otherwise included in its alternative minimum taxable income. The rate of the alternative minimum tax imposed on corporations is twenty percent (20%).

### **Original Issue Premium**

The Series 2014 Bonds maturing on October 1 in the years 20\_\_ through and including 20\_\_, (collectively, the "Premium Bonds") have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Premium Bonds at their maturity.

### **Original Issue Discount**

The Series 2014 Bonds maturing on October 1 in the years 20\_\_ through and including 20\_\_, (collectively, the "Discount Bonds") have been sold to the public at an original issue discount. Generally, the original issue discount is the excess of the stated redemption price at maturity of such a Discount Bond over the initial offering price to the public (excluding underwriters and other intermediaries) at which price a substantial amount of that maturity of the Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Discount Bond, who acquires the Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the owner's adjusted basis (as increased by the amount of original issue discount that has accrued and has been treated as tax-exempt interest in such owner's hands), will be treated as a gain from the sale or exchange of such Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of 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. Owners of Discount Bonds should consult their own tax advisors with respect to the consequences of owning Discount Bonds, including the effect of such ownership under applicable state and local laws.

### **Other Tax Consequences**

Prospective purchasers of the Series 2014 Bonds should be aware that ownership of the Series 2014 Bonds may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should also be aware that ownership of the Series 2014 Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Series 2014 Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the Series 2014 Bonds.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Series 2014 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. Holders of Series 2014 Bonds, should consult their own tax advisors with respect to the consequences of owning Series 2014 Bonds, including the effect of such ownership under applicable state and local laws.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds, such as the Series 2014 Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2014 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2014 Bonds, under certain circumstances, to "backup withholding" at the fourth lowest rate applicable to unmarried individuals with respect to payments on the Series 2014 Bonds and proceeds from the sale of Series 2014 Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2014 Bonds. This withholding generally applies if the owner of Series 2014 Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2014 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2014 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE SERIES 2014 BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE SERIES 2014 BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX D – Form of Bond Counsel Opinion" for the complete text thereof. See also "LEGAL MATTERS" herein.

### **RATINGS**

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") are expected to assign ratings of "\_\_\_" and "\_\_\_" respectively, to the Series 2014 Bonds. The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their judgment, circumstances so warrant. A downward change in or withdrawal of any of such ratings may have an adverse effect on the market price of the Series 2014 Bonds. An explanation of the significance of the ratings can be received from the rating agencies at the following addresses: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and Fitch Ratings, One State Street Plaza, New York, New York 10004.

### **FINANCIAL ADVISOR**

The City has retained Public Financial Management, Inc., Orlando, Florida, as Financial Advisor in connection with the City's financing plans and with respect to the authorization and issuance of the Series 2014 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor did not participate in the underwriting of the Series 2014 Bonds.

### **AUDITED FINANCIAL STATEMENTS**

The audited financial statements of the City as of September 30, 2013 and for the year then ended, included in the attached "APPENDIX B – Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2013," have been audited by Carr, Riggs & Ingram, L.L.C., independent auditors, as stated in their report appearing therein. The City's auditor has consented to the inclusion of the aforementioned report in this Official Statement.

The Series 2014 Bonds are payable solely from the Pledged Revenues and are secured by a covenant and agreement by the City to budget and appropriate Non-Ad Valorem Revenues as described herein and in the Bond Resolution, but the Series 2014 Bonds are not otherwise secured by a specific lien on any general revenues of the City. The audited financial statements are presented for general information purposes only.

## ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2014 Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Bond Resolution and the Series 2014 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX C – Form of Bond Resolution" attached hereto for a description of events of default and remedies.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Series 2014 Bondholders to provide certain financial information and operating data relating to the City and the Series 2014 Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the SEC to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The City has agreed to file notices of certain enumerated material events, when and if they occur, with the Repository.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX E – Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the City upon the issuance of the Series 2014 Bonds. These covenants have been made in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule.

With respect to the Series 2014 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. In the past five years, the City has never failed in any material respect to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule.

## UNDERWRITING

The Series 2014 Bonds are being purchased by \_\_\_\_\_ (the "Underwriter") at an aggregate purchase price of \$\_\_\_\_\_ (equal to the par amount of the Series 2014 Bonds of \$\_\_\_\_\_, less/plus net original issue discount/premium of \$\_\_\_\_\_ and less Underwriter's discount of \$\_\_\_\_\_). The Underwriter's obligations are subject to certain conditions precedent described in the Official Notice of Sale, and they will be obligated to purchase all of the Series 2014 Bonds if any Series 2014 Bonds are purchased. The Series 2014 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2014 Bonds into investment trusts) at prices

lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

### **CONTINGENT FEES**

The City has retained Bond Counsel, Disclosure Counsel and the Financial Advisor with respect to the authorization, sale, execution and delivery of the Series 2014 Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriter are contingent upon the issuance of the Series 2014 Bonds.

### **ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2014 Bonds, the security for the payment of the Series 2014 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument. Copies of such documents may be obtained from either the office of the Clerk of the Commission, Kurt M. Lannon, 200 East University Avenue, Room 107, Gainesville, Florida 32602-0490, telephone (352) 334-5015 or the City's Financial Advisor, Public Financial Management, Inc., 300 South Orange Avenue, Suite 1170, Orlando, Florida 32801, telephone (407) 648-2208.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2014 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

### **AUTHORIZATION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the Series 2014 Bonds, the City will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to DTC, the book-entry only system of registration and the information contained under the caption "TAX MATTERS" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2014 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.



**CITY OF GAINESVILLE, FLORIDA**

By \_\_\_\_\_  
Mayor

By: \_\_\_\_\_  
Finance Director

## APPENDIX A

### GENERAL INFORMATION CONCERNING THE CITY OF GAINESVILLE

#### **Location**

The City of Gainesville (the "City") is the most populous city in Alachua County, serves as the county seat. The City also serves as the cultural, educational and commercial center for the north central Florida region. The City is located midway between the Gulf of Mexico and the Atlantic Ocean and halfway between Miami and Pensacola. There are approximately 63 square miles of land included within the corporate boundaries of the City. As of April 1, 2014, the recent official population estimate was 125,661.

#### **Organization and Administration**

The City was established in 1854, incorporated in 1869 and has operated under a Commission-Manager form of government since 1927. The Commission consists of seven elected officials (a Mayor and six Commissioners) who are responsible for enacting the ordinances and adopting the resolutions which govern the City. The elected officials each serve for three-year terms. The Mayor presides over public meetings and ceremonial events.

The Commission appoints the City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the Commission and Equal Opportunity Director. As chief executive officers, the City Manager and General Manager for Utilities are charged with the enforcement of all ordinances and resolutions passed by the Commission. They accomplish this task through the selection and supervision of two Assistant City Managers, an Administrative Services Director, Assistant General Managers for Utilities, and numerous department heads.

The City provides its constituents with a wide variety of public services: building inspections, code enforcement, community development, cultural affairs, economic development, electrical power, golf course, mass transit, natural gas distribution, parks and recreation, police and fire protection, refuse collection, small business development, stormwater management, street maintenance, traffic engineering and parking, water and wastewater and telecommunications and data transfer.

Internal support services include the following: accounting and reporting, accounts payable and payroll, billing and collections, budgeting and budget monitoring, cash management, City-wide management, computer systems support, debt management, equal opportunity, fleet maintenance, facilities maintenance, human resources, information systems, investment management, labor relations, mail services, pension administration, property control, purchasing, risk management and strategic planning. In addition to these activities, the City exercises oversight responsibility for the Community Redevelopment Agency.

## Population

The following tables depict historical and projected population growth of the City, Alachua County and the State of Florida:

### POPULATION GROWTH

<u>Year</u>	<u>City of Gainesville Population<sup>(1)</sup></u>	<u>Percentage Increase</u>	<u>Alachua County Population<sup>(2)</sup></u>	<u>Percentage Increase</u>	<u>State of Florida Population<sup>(2)</sup></u>	<u>Percentage Increase</u>
2014	125,661	--	248,002	--	19,259,543	--
2015	126,918	1.00%	252,600	1.85%	19,747,200	2.53%
2020	133,392	5.10	265,700	5.19	21,149,700	7.10
2025	140,196	5.10	278,200	4.70	22,443,000	6.12
2030	147,347	5.10	289,200	3.95	23,609,000	5.20
2035	154,864	5.10	298,600	3.25	24,654,000	4.43
2040	162,763	5.10	306,800	2.75	25,603,600	3.85

(1) City population growth projected at 1% per year.

(2) Using Medium estimates per Bureau of Business and Economic Research

Source: U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research  
Florida Statistical Abstracts.

## Employment

The following table sets forth the unemployment rate for the City over the past ten years.

### EMPLOYMENT

<u>Year</u>	<u>Unemployment Rate</u>
2004	3.30%
2005	3.00
2006	2.80
2007	3.00
2008	4.70
2009	7.40
2010	8.30
2011	8.10
2012	6.90
2013	5.30
2014*	5.50

\* As of August 1, 2014.

Source: United States Department of Labor.

**GAINESVILLE MSA TOTAL  
NON-AGRICULTURAL EMPLOYMENT  
(JANUARY 1, 2013)**

<u>Industry</u>	<u>Percentage of Workforce</u>
Construction	4.5%
Manufacturing	4.0
Trade	12.2
Information	1.6
Financial & Real Estate Activities	5.3
Professional & Business Services	4.2
Educational Services	12.7
Health Care	20.0
Leisure & Hospitality	10.6
Science & Technology	5.1
Other Services	5.3
Government	14.5

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Source: U.S. Bureau of Census.

**TEN LARGEST EMPLOYERS  
(SEPTEMBER 30, 2013)**

<u>Firm</u>	<u>Product/Business</u>	<u>Employees</u>
University of Florida	Education	12,870
UF Health	Health Care	12,000
Alachua County School Board	Education	4,200
Alachua Veterans Affairs Medical Center	Health Care	3,500
City of Gainesville	Municipal Government	2,270
Publix Supermarkets	Grocer	2,160
North Florida Regional Medical Center	Health Care	2,100
Gator Dining Services	Food Services	1,200
Nationwide Insurance Company	Insurance	950
Wal-Mart Stores	Retail	910

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Source: Gainesville Area Chamber of Commerce.

## Property Tax Data

The following data is provided for information and analytical purposes only. The Series 2014 Bonds are not secured by ad valorem tax revenues of the City.

### ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year Ended	Tax Year	Just Value			Exemptions					Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property	Personal Property	Centrally Assessed Property	Governmental	Agricultural	Institutional	Homestead	Other (1)		
2005	2004	7,244,067,100	1,493,401,961	1,737,804	3,641,123,420	34,963,100	369,084,360	876,134,257	12,690,560	3,805,211,168	4.9416
2006	2005	7,991,469,700	1,523,306,918	1,033,801	3,723,073,730	39,875,900	388,002,325	1,014,315,873	13,456,130	4,337,086,461	4.9355
2007	2006	9,127,221,600	1,475,928,616	1,025,098	3,801,414,175	34,506,400	562,036,537	1,221,910,900	15,135,250	4,969,172,052	4.8509
2008	2007	10,059,735,400	1,931,740,674	1,111,824	4,354,225,897	28,451,900	574,033,101	1,385,629,369	16,885,367	5,633,362,264	4.2544
2009	2008	10,599,500,250	1,732,004,529	1,149,322	4,195,267,980	35,549,700	647,733,978	1,773,574,462	14,341,607	5,666,186,374	4.2544
2010	2009	10,534,674,944	2,245,414,910	1,234,487	4,251,801,982	39,408,200	874,389,881	1,594,957,710	134,747,020	5,886,019,549	4.3963
2011	2010	10,569,755,018	2,241,968,355	987,726	4,815,548,071	37,517,700	896,937,822	1,313,405,085	141,081,893	5,608,220,528	4.2544
2012	2011	10,756,478,800	2,308,068,145	1,130,083	5,343,081,038	39,115,900	1,029,746,160	1,134,254,774	117,240,859	5,402,238,297	4.2544
2013	2012	10,437,604,712	2,386,565,278	1,073,991	5,408,327,315	37,756,500	1,112,522,902	993,996,869	109,161,684	5,163,658,711	4.4946
2014	2013	10,480,490,440	2,587,608,797	2,138,554	5,609,545,384	40,626,200	1,095,790,104	916,778,157	232,838,711	5,174,659,235	4.5780

<sup>(1)</sup> Includes no-homestead residential and certain nonresidential property differentials between just value and capped value.

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida, Alachua County Property Appraiser.

**HISTORY OF LOCAL AD VALOREM  
TAX RATES AND TAX LEVIES**

<u>Tax Roll Year<sup>(1)</sup></u>	<u>City Fiscal Year<sup>(2)</sup></u>	<u>Net Taxable Value for Local Levies<sup>(3)</sup></u>	<u>Local Property Tax Rates (Mills) General Government<sup>(4)</sup></u>	<u>Local Property Tax Levies (\$) General Government</u>	<u>Total Taxes Levied</u>
2004	2004-05	3,805,211,168	4.9416	18,803,470	18,803,470
2005	2005-06	4,337,086,461	4.9355	21,201,089	21,201,089
2006	2006-07	4,969,172,052	4.8509	24,012,497	24,012,497
2007	2007-08	5,633,362,264	4.2544	23,849,838	23,849,838
2008	2008-09	5,666,337,079	4.2544	24,018,701	24,018,701
2009	2009-10	5,886,019,548	4.3963	25,788,782	25,788,782
2010	2010-11	5,608,220,528	4.2544	23,859,613	23,859,613
2011	2011-12	5,402,238,297	4.2544	23,010,703	23,010,703
2012	2012-13	5,163,658,711	4.4946	23,219,460	23,219,460
2013	2013-14	5,179,979,365	4.5780	23,713,946	23,713,946

(1) Tax roll year as of January 1.

(2) Fiscal year beginning October 1 and ending the next September 30.

(3) Sum of real and personal property value.

(4) (a) Tax rates are set by the Commission effective October 1.

(b) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by citizen referendum and imposes a 10 mill limitation on ad valorem tax rates levied for general government operations.

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida and Florida Department of Revenue DR-420 Forms.

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$17,494,937	\$16,876,396	96.5%	\$28,833	\$16,905,229	96.6%
2005	18,725,816	18,055,672	96.4%	38,366	18,094,038	96.6%
2006	21,201,414	20,448,202	96.4%	39,470	20,487,672	96.6%
2007	24,010,640	23,172,540	96.5%	28,915	23,201,455	96.6%
2008	23,854,419	23,035,894	96.6%	29,460	23,065,354	96.7%
2009	24,020,009	23,191,605	96.6%	50,404	23,242,009	96.8%
2010	25,782,262	24,912,341	96.6%	64,268	24,976,609	96.9%
2011	23,802,971	23,007,885	96.7%	15,953	23,023,838	96.7%
2012	22,865,258	22,085,295	96.6%	32,170	22,117,465	96.7%
2013	23,183,944	22,288,394	96.1%	N/A	22,288,394	96.1%

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida.

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(rate per \$1,000 assessed value)**

Fiscal Year	Tax Year	City of Gainesville Direct Rate	Alachua County	Overlapping Rates			Total Direct & Overlapping Rates
				Alachua School District	St. Johns Water Management District	Alachua County Library District	
2004	2003	4.9416	9.2387	9.8390	0.4620	1.6566	26.1379
2005	2004	4.9416	9.2387	9.2240	0.4620	1.6566	25.5229
2006	2005	4.9355	9.2387	9.0340	0.4620	1.5920	25.2622
2007	2006	4.8509	9.1387	8.5710	0.4620	1.5615	24.5841
2008	2007	4.2544	7.8968	8.3950	0.4158	1.3560	22.3180
2009	2008	4.2544	7.8208	8.3590	0.4158	1.3406	22.1906
2010	2009	4.3963	8.2995	9.4080	0.4158	1.3771	23.8967
2011	2010	4.2544	8.6263	9.1070	0.4158	1.4736	23.8771
2012	2011	4.2544	8.5956	9.0920	0.3313	1.4790	23.7523
2013	2012	4.4946	8.5956	8.5490	0.3313	1.4768	23.4473

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida.

The following table sets forth certain information regarding direct and overlapping debt for the City, as of September 30, 2013.

**OVERLAPPING GENERAL OBLIGATION DEBT<sup>(1)</sup>**

<u>Taxing Authority</u>	<u>Taxable Property Value<sup>(2)</sup></u>	<u>General Obligation Bonded Debt<sup>(3)</sup></u>	<u>Percent of Debt Applicable to City</u>	<u>City's Share of Debt<sup>(4)</sup></u>
City of Gainesville	\$5,163,658,711	\$ 0	100.000%	\$ 0
Alachua County		0	46.16	0
Alachua County Schools		2,885,000	42.24	<u>1,218,595</u>
Alachua County Library District		<u>0</u>	45.79%	<u>0</u>
				<u>\$1,218,595</u>

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida.

- (1) The above information on bonded debt does not include self supporting and non-self supporting revenue bonds, certificates, and notes as follows (reserves and/or sinking fund balances have not been deducted).
- (2) Homestead property of certain qualified residents is eligible for up to \$50,000 value exemption.
- (3) Reserves and sinking fund balances have not been deducted.
- (4) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by voter referendum.

**OVERLAPPING SELF SUPPORTING AND  
NON-SELF SUPPORTING DEBT  
As of September 30, 2013**

<u>Taxing Authority</u>	<u>Self Supporting</u>	<u>Non-Self Supporting</u>	<u>Totals</u>
Alachua County		\$88,750,800	\$88,750,800
Alachua County Schools		82,279,647	82,279,647
Alachua County Library District		4,063,000	4,063,000
City of Gainesville:			
Utilities	974,795,000		965,600,000
Other than Utilities	2,974,622	136,714,304	139,688,926

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida.



**DEBT SUMMARY<sup>(1)</sup>**  
**AS OF SEPTEMBER 30, 2013**

	<u>Gross</u>	<u>Net</u>
General Obligation Debt	\$ 0	\$ 0
Debt Payable from Non-Ad Valorem Revenues <sup>(2)</sup>	139,688,926	139,666,696
General Obligation Overlapping Debt <sup>(3)</sup>	<u>1,218,595</u>	<u>1,218,595</u>
Total	\$140,907,521	\$140,885,291

Maximum Annual Debt Service on Debt Payable  
from Non-Ad Valorem Revenues after 10/01/2014 \$13,437,563

- <sup>(1)</sup> This includes only City of Gainesville general government debt; therefore, utility system debt and other self-liquidating debt are not included.
- <sup>(2)</sup> Includes all debt to which pledge and/or lien on a specific non-ad valorem revenue source has been provided by the City, and all loans made by the First Florida Governmental Financing Commission to the City.
- <sup>(3)</sup> Includes general obligation debt of Alachua County School District.

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida.

**PRINCIPAL TAXPAYERS**

Tax Roll Year 2013

<u>Owner/Taxpayer</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Oaks Mall Gainesville Ltd Partnership	\$120,000,000	2.32%
HCA Health Services of Florida	69,164,200	1.34
Oak Hammock at the University of Florida	56,217,910	1.09
North Florida Regional Hospital	41,502,300	0.80
S Clark Butler Properties Land, Trust	39,782,800	0.77
Cox Communications, Inc.	37,413,768	0.72
Inland American Lodging, Gainesville, LLC	35,643,460	0.69
ELPH Gainesville, LLC LIC	34,426,590	0.66
King's Gainesville Apartments LLC	25,836,230	0.50
ACC OP LLC	<u>24,606,780</u>	<u>0.48</u>
 TOTAL ALL TAXPAYERS	 \$484,594,038	 9.37%

Source: Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2013, City of Gainesville, Florida.

**DEBT STATEMENT**  
**PRINCIPAL AMOUNT OF BONDS OUTSTANDING**  
**AS OF SEPTEMBER 30, 2013**

	<u>Non-Self Supporting Debt</u>	<u>Self- Supporting Debt</u>
\$15,892,220 Guaranteed Entitlement Revenue and Refunding Bonds of 1994 -- final maturity 2024	\$1,502,220	
\$40,042,953 Taxable Pension Obligation Bonds, Series 2003A -- final maturity 2032	34,015,316	
\$49,851,806 Taxable Pension Obligation Bonds, Series 2003B -- final maturity 2033	45,215,617	
\$9,805,000 Guaranteed Entitlement Revenue and Refunding Bonds of 2004 -- final maturity 2017	2,825,000	
\$5,640,000 First Florida Financing Commission Loan, Series 2005 -- final maturity 2025	3,585,000	
\$22,695,000 Capital Improvement Revenue Bonds, Series 2005 -- final maturity 2025	14,790,000	
\$1,540,000 First Florida Financing Commission Loan, Series 2007 -- final maturity 2027	1,130,000	
\$4,312,000 State Revolving Loan - Depot Park Remediation (FDEP)		\$202,728
\$942,136 Siemens Buildings Technologies, GPD Energy Project Capital Lease, 2006	372,860	
\$13,000,000 Capital Improvement Revenue Note, Series 2009 -- final maturity 2028	11,185,000	
\$4,350,000 Capital Improvement Revenue Bonds, Series 2010 -- final maturity 2030	3,675,000	
\$6,230,000 Refunding Revenue Note, Series 2011 -- final maturity 2022	4,980,000	
\$3,730,000 Capital improvement Revenue note, Series 2011A -- final maturity 2021	2,755,000	
\$14,715,000 Refunding Revenue Note, Series 2014 -- final maturity 2025	14,590,000	
\$196,950,000 Utilities System Revenue Bonds, Series 2005A -- final maturity 2036		13,130,000
\$61,590,000 Utilities System Revenue Bonds, Series 2005B -- final maturity 2021		24,965,150
\$55,135,000 Utilities System Revenue Bonds, Series 2005C -- final maturity 2026		28,265,000
\$53,305,000 Utilities System Revenue Bonds, Series 2006A -- final maturity 2026		18,410,000
\$139,505,000 Utilities System Revenue Bonds, Series 2007A -- final maturity 2036		137,565,000
\$105,000,000 Utilities System Revenue Bonds, Series 2008A		52,635,000

-- final maturity 2020		
\$90,000,000 Utilities System Revenue Bonds, Series 2008B		90,000,000
-- final maturity 2038		
\$24,190,000 Utilities System Revenue Bonds, Series 2009A		4,110,000
-- final maturity 2015		
\$156,900,000 Utilities System Revenue Bonds, Series 2009B		156,900,000
-- final maturity 2039		
\$12,930,000 Utilities System Revenue Bonds, Series 2010A		12,930,000
-- final maturity 2030		
\$132,445,000 Utilities System Revenue Bonds, Series 2010B		132,445,000
-- final maturity 2040		
\$16,365,000 Utilities System Revenue Bonds, Series 2010C		16,365,000
-- final maturity 2034		
\$81,860,000 Utilities System Revenue Bonds, Series 2012A		81,860,000
-- final maturity 2028		
\$100,470,000 Utilities System Revenue Bonds, Series 2012B		100,470,000
-- final maturity 2042		
\$85,000,000 Commercial Paper Notes, Series C Notes (tax-exempt)		62,000,000
	_____	
	\$140,621,013	\$932,252,878

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Source: Finance Department, City of Gainesville, Florida

**APPENDIX B**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**APPENDIX C**  
**FORM OF BOND RESOLUTION**

**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**