



The PFM Group

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Honorable Pegeen Hanrahan
Mayor
City of Gainesville
City Hall
PO Box 490
Gainesville, Florida

Mayor Hanrahan,

Public Financial Management (“PFM”), the Financial Advisor to Gainesville Regional Utilities (“GRU”), is currently supporting GRU in conjunction with their efforts to issue the City of Gainesville, Florida’s Variable Rate Utilities System Revenue Bonds, 2007 Series A (the “Bonds”). We have prepared this letter to outline our recommendation to GRU regarding the placement of the Bonds through a negotiated sale process.

PFM agrees with the Financing Team’s decision to issue the Bonds through a negotiated sale as it ensures the best possible transaction for the following reasons:

- Market Standard Structure – The majority of variable rate bonds are brought to the market through a negotiated sale. By providing the bonds to investors in the manner in which they are accustomed, GRU can achieve the lowest possible interest rates by reaching the broadest investor base available.
- Use of a Forward-Starting Swap – The use of a forward-starting floating-to-fixed rate swap introduces many critical issues into the financing plan. A negotiated financing allows the Financing Team to work through these issues with the Underwriter prior to the sale, thereby minimizing the impact of any investor concerns or disclosure issues.
- Complexity – The plan of finance for the Bonds is rather complex, as it involves synthetic fixed-rate debt, tax and accounting treatment issues on the swap and an advance refunding of two series of bonds. By fully addressing these issues with all parties prior to the sale, GRU is able to complete the sale in a smooth and efficient manner.

If you have any questions regarding this letter, please feel free to contact me at (704) 541-8919. PFM values our relationship with GRU and the City of Gainesville, Florida. Thank you.

Sincerely,

Michael Mace
Managing Director
Public Financial Management