



The PFM Group

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EXHIBIT A

June 19, 2006

Honorable Pegeen Hanrahan
Mayor
City of Gainesville
City Hall
P.O. Box 490
Gainesville, Florida 32602

Dear Mayor Hanrahan,

The City of Gainesville, Florida Utilities System (the "City") is currently contemplating the issuance of \$53,305,000 City of Gainesville, Florida Variable Rate Utilities System Revenue Bonds, 2006 Series A. Public Financial Management ("PFM"), as Financial Advisor to the City's Utilities System, is advising the City on this financing and has recommended that the transaction be completed on a negotiated, rather than competitive, basis. The rationale for this recommendation is outlined below.

- 1. Bond Structure:** For its upcoming financing, the City plans to issue variable-rate debt. Variable-rate debt bears interest at rates that are subject to change periodically rather than at fixed rates determined on the date the bonds are initially sold. The selected Underwriter acts as the Remarketing Agent and is responsible for setting any future rates. Therefore, the performance of the Remarketing Agent over time is considered to be the most important element of the Underwriter selection. For this reason, variable-rate debt is typically issued through a negotiated sale process where the Underwriter is selected prior to the sale date. As a result PFM recommends a negotiated sale as the appropriate method of sale for the City's upcoming financing.
- 2. Multipurpose Issuance:** The City's upcoming financing involves both a refunding and new money issuance. The 2006 Series A Bonds are being issued by the City to currently refund a portion of the City's outstanding Utilities System Revenue Bonds 1996 Series A and to pay costs of acquisition and construction of the City's utilities system. Given the multipurpose status of the bonds, we recommend that the City sell the 2006 Series A Bonds on a negotiated basis.
- 3. Use of Synthetic Fixed Rate Swap:** On September 21, 2005, the City entered into a \$53,505,000 forward-starting synthetic fixed-rate interest rate swap transaction with an effective date of July 6, 2006 to lock in savings on the refunding of a portion of the Utilities System Revenue Bonds, 1996 Series A Bonds. In connection with the forward swap start date, the City plans to issue variable-rate bonds as the underlying securities for the swap. As a result of the



timing requirements for selling the variable-rate bonds, we believe it is in the best interest of the City to sell them on a negotiated basis.

For all of the above reasons, we would recommend that the City proceed with this financing through a negotiated sale. Please contact us with any questions regarding our recommendation at (704) 541-8339.

Sincerely,
Public Financial Management

A handwritten signature in cursive script that reads "Michael Mace".

Michael Mace
Managing Director