

Opinion of Bond Counsel. In the opinion of Bond Counsel, based on existing law, interest on the 2019B Bonds is not excludable from gross income for purposes of federal income taxation imposed by the Code. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2019B Bonds.

Original Issue Discount. In general, if original issue discount ("OID") on a 2019B Bond is greater than a statutorily defined de minimis amount (a "Taxable Discount Bond"), a holder of a Taxable Discount Bond must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Taxable Discount Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price." For purposes of the foregoing solely as it relates to the discussion in this paragraph: "issue price" means the first price at which a substantial amount of the a Taxable Discount Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest," provided by such Taxable Discount Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "de minimis amount" is an amount equal to 0.25 percent of the Taxable Discount Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Taxable Discount Bond using the constant-yield method, subject to certain modifications.

Bond Premium. In general, if a 2019B Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the 2019B Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder's basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance. Generally, upon the sale, exchange, redemption or other disposition (which would include a legal defeasance) of a 2019B Bond, an owner of such 2019B Bond generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such owner's adjusted tax basis in the 2019B Bond. Such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if such 2019B Bond has been held for more than one year at the time of sale, exchange, redemption or other disposition. An owner's adjusted tax basis in a 2019B Bond generally will equal the cost of such 2019B Bond to the owner, increased by any original issue discount included in income and decreased by the amount of any payments other than "qualified stated interest payments" received and amortized bond premium taken with respect to such 2019B Bond.

The City may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2019B Bonds to be deemed to be no longer outstanding under the resolution authorizing the 2019B Bonds (a "defeasance"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss without any corresponding receipt of moneys. In addition, the character of payments on the 2019B Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding. In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of original issue discount, on a 2019B Bond and the proceeds of the sale of a 2019B Bond before maturity within the United States. Such payments will be subject to backup withholding, except in the case of certain "exempt payees" as defined in the Code, if the owner of a 2019B Bond (a) fails to furnish to the City such owner's social security number or other taxpayer identification number ("TIN"), (b) furnished the City an incorrect TIN, (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code or (d) under certain circumstances, fails to provide the City with a certified statement, signed under penalty of perjury, that the TIN provided to the City is correct and that such owner is not subject to backup withholding. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

Future Law Changes. No assurance can be given that future legislation or changes to law, including amendments to the Code, or interpretations thereof if enacted into law, will not contain provisions or produce results which could, directly or indirectly, affect federal or state tax treatment of interest on the 2019B Bonds.

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

## UNDERWRITING

Barclays Capital Inc., on behalf of itself, Wells Fargo Bank, National Association, Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Citigroup Global Markets Inc. and (collectively, the "Underwriters") are purchasing the 2019A Bonds from the City at an aggregate purchase price of \$\_\_\_\_\_ (representing the par amount of the 2019A Bonds of \$\_\_\_\_\_ plus/less an original issue premium/discount of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_), and the 2019B Bonds from the City at an aggregate purchase price of \$\_\_\_\_\_ (representing the par amount of the 2019B Bonds of \$\_\_\_\_\_ less an Underwriters' discount of \$\_\_\_\_\_). The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the 2019 Bonds if any 2019 Bonds are purchased. The Underwriters have furnished the information on the inside cover page of this Official Statement pertaining to the offering prices of the 2019 Bonds. The 2019 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such 2019 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 Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank,

National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the 2019 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2019 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2019 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2019 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Citigroup Global Markets Inc., an underwriter of the 2019 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Merrill Lynch, Pierce, Fenner & Smith Incorporated and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates may have certain creditor and/or other rights against the issuer and its affiliates in connection with such activities. In the various course of their various business activities, Merrill Lynch, Pierce, Fenner & Smith Incorporated and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. Merrill Lynch, Pierce, Fenner & Smith Incorporated and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

### CONTINUING DISCLOSURE

The City has covenanted for the benefit of the 2019 Bondholders to provide certain financial information and operating data relating to the City and the 2019 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 the Rule either itself or through its dissemination agent. Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The City has agreed to file notices of certain enumerated events, when and if they occur, with the Repository either itself or through its dissemination agent.

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 F - Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the City upon the issuance of the 2019 Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule.

With respect to the 2019 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. The City: (i) did not timely file its audited financial statements and notices of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds; (ii) did not timely file its audited financial statements and operating data and notices of failure to file related thereto for Fiscal Year 2015 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) failed to file certain operating data and notice of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to certain of its Outstanding Utilities System Revenue Bonds; and (iv) failed to file certain notices of defeasance and bond calls which occurred in Fiscal Years 2015 and 2016 with respect to certain of its Utilities System Revenue Bonds and its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds. In the past five years, except as described above, the City has never failed in any material respect to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule. However, the City (i) filed certain operating data in a different format

than required, failed to file certain operating data for Fiscal Years 2013, 2015 and 2016 and a failure to file notice related thereto with respect to certain of its outstanding Utilities System Revenue Bonds; (ii) failed to link certain operating data for Fiscal Years 2012 and 2014 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) failed to file certain notices of defeasance and bond calls occurred in Fiscal Year 2012 with respect to with respect to certain of its Outstanding Utilities System Revenue Bonds, and (iv) did not timely filed certain operating data for Fiscal Years 2012 and 2013 with respect to its outstanding Guaranteed Entitlement Revenue Refunding Bonds, Series 2004. All such required information has been filed as of this date. The City fully anticipates satisfying all future disclosure obligations required pursuant to the Rule. While the City does not believe that such failures constitute material failures to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule, in order to demonstrate its continued commitment to continuing disclosure best practices, the City has included notice of this non-material instance of non-compliance in the interest of being fully transparent. The City has entered into a contract with Digital Assurance Certification, LLC to provide continuing disclosure dissemination agent services for all of its outstanding bond issues.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the 2019 Bonds upon an event of default under the 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 Resolution and the 2019 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2019 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 – Copy of the Resolution" attached hereto for a description of events of default and remedies.

### **RATINGS**

S&P, Moody's and Fitch have assigned ratings of "\_\_\_" (\_\_\_\_ outlook), "\_\_\_" (\_\_\_\_ outlook) and "\_\_\_" (\_\_\_\_ outlook), respectively, to the 2019 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agency. The City furnished such ratings agencies with certain information and materials relating to the 2019 Bonds that have not been included in this Official Statement. The rating is not a recommendation to buy, sell or hold the 2019 Bonds. There is no assurance that the ratings will be in effect for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by S&P, Moody's and Fitch or any of them if in their, or its judgment, circumstances so warrant. The City does not undertake any responsibility to bring to the attention of the owners of the 2019 Bonds any proposed revision or withdrawal of a rating of the 2019 Bonds, or to oppose any such downward revision or withdrawal. Any such downward revision, suspension or withdrawal of the ratings given the 2019 Bonds may have an adverse effect on the liquidity or market price of the 2019 Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: S&P Global Inc., 55 Water Street, New York, New York 10041, Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004.

## LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the City, threatened in any court, agency or other administrative body (either state or federal) in any way questioning or affecting (i) the proceedings under which the 2019 Bonds will be issued, (ii) the validity of any provision of the 2019 Bonds or the Resolution, (iii) the pledge by the City under the Resolution, (iv) the legal existence of the City or (v) the authority of the City to own and operate the System and to set utility rates.

In addition to the action described above, the City is also party to various federal, state and local claims, proceedings and lawsuits for damages claimed to result from the operation of the City and the System. Except as described above, neither the City Attorney believe that, individually or in the aggregate, the proceedings associated with these cases will materially adversely affect the Net Revenues of the System or materially adversely impair the business, operations, or financial condition of the System or the City's ability to pay debt service on the 2019 Bonds.

## LEGAL MATTERS

Certain legal matters incident to the issuance of the 2019 Bonds are subject to the legal opinion of Holland & Knight LLP, Lakeland, Florida, as Bond Counsel, a form of which is attached to this Official Statement as APPENDIX E. The signed legal opinion dated and premised on law in effect as of the date of original delivery of the 2019 Bonds, will be delivered to the Underwriters at the time of original delivery. Certain legal matters are also being passed upon for the City by Nicolle M. Shalley, Esq., City Attorney, Bryant Miller Olive P.A., Tampa, Florida, as Disclosure Counsel to the City, and Nixon Peabody LLP, New York, New York, as Counsel to the Underwriters.

Holland & Knight LLP, Bond Counsel, has not undertaken independently to verify and therefore expresses no opinion with respect to the information or statements contained herein or in the Appendices attached hereto, except as to the accuracy of the portions thereof captioned "SECURITY FOR THE BONDS" and "THE 2019 BONDS" and the copy of the Resolution contained in Appendix C to the extent those sections purport to summarize certain provisions of the Resolution, and except as to the accuracy of the information under the caption "TAX MATTERS." No opinion is expressed by Bond Counsel as to any financial or statistical data or information included in such sections.

The proposed text of the legal opinion of Bond Counsel is set forth in APPENDIX E. 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 opinion is based on existing law, which is subject to change. Such opinions is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances, including changes in law, which may thereafter occur or become effective.

The legal opinions delivered in connection with the 2019 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.

### **CONTINGENT FEES**

The City has retained Bond Counsel, the Financial Advisor and Disclosure Counsel with respect to the authorization, sale, execution and delivery of the 2019 Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriters (which includes the fees of Underwriters' Counsel) are each contingent upon the issuance of the 2019 Bonds.

### **FINANCIAL STATEMENTS**

The audited financial statements of the System as of September 30, 2018 and for the year then ended, included in APPENDIX B attached to this Official Statement as a matter of public record and the consent of Purvis, Gray & Company LLP, independent auditors (the "Auditor") to include such documents was not requested. The Auditor was not requested to perform and has not performed any services in connection with the preparation of this Official Statement or the issuance of the 2019 Bonds.

### **FINANCIAL ADVISOR**

The City has retained PFM Financial Advisors LLC as Financial Advisor. 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 this Official Statement.

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

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 including whether such default related to principal and/or interest payments, dates of any defaults, the current status of any 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. Except as described below, 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 had a payment obligation on a non-callable capital appreciation bond from its Guaranteed Entitlement Revenue Bonds, Series 1994, that was due on August 1, 2018 in the amount of \$1,095,000.00 (the "1994 CAB"). No interest payments were ever due on the 1994 CAB since it was a zero-coupon bond, and through a refinancing/redemption, the City has had no other semi-annual payment obligations with respect to any other of its Guaranteed Entitlement Revenue Bonds, Series 1994, since February 1, 2004. During the intervening 14 year period, the original Paying Agent which was Wachovia Bank, National Association sold its corporate trust business to U.S. Bank National Association ("U.S. Bank"), and for unexplained reasons, U.S. Bank states that the 1994 CAB was transferred to U.S. Bank, and thus U.S. Bank did not provide the City with the typical tickler reminder that an upcoming payment was due. The remainder of Wachovia was acquired by Wells Fargo Bank, National Association during the great

recession. DTC notified the City on August 7, 2018 of the defaulted payment and the City immediately started researching who the successor paying agent was since Wachovia, who was the entity listed in the 1994 official statement and who was operative paying agent on the last regularly scheduled payment made by the City on the issue on February 1, 2004 was no longer operating under that name. In the meantime, the City made the defaulted payment on August 14, 2018 directly through The Depository Trust Company. Since then, on November 1, 2018, U.S. Bank and the City entered into a Paying Agent/Bond Registrar Agreement relating to the 1994 CAB. The payment default described above was not an indication of any financial difficulties of the City; rather, it resulted from an inadvertent oversight and corporate transition, and as required to be stated by rule of the FFSC within this disclosure, there was no ensuing legal proceedings resulting from such default and a trustee or receiver was not been appointed over the assets of the City. FFSC also requires the disclosure of audited financial statements for the last two (2) fiscal years. The City has attached the audited financial statements for the fiscal year ended September 30, 2018 hereto as APPENDIX B. Such financial statements include comparisons to the prior fiscal year in certain instances. Since it is not customary, the City has not attached as an appendix the audited financial statements for the prior fiscal year. However, such audited financial statements, which are incorporated herein by reference, can be accessed through this link: <https://emma.msrb.org/ES1066371-ES832546-ES1233607.pdf>.

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 2019 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.

#### **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 2019 Bonds, the security for the payment of the 2019 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

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 2019 Bonds.

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

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**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 2019 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 and its book-entry only system of registration, information provided by the Underwriters under the caption "UNDERWRITING" and the information contained under the caption "TAX MATTERS" as to which no view shall be expressed), as of its date and as of the date of delivery of the 2019 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: \_\_\_\_\_  
General Manager for Utilities

**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY**

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY

#### General

The City of Gainesville (the "City"), home of the University of Florida, is located in North Central Florida midway between Florida's Gulf and the Atlantic coast. The City is approximately 125 miles north of Tampa, approximately 110 miles northwest of Orlando and approximately 75 miles southwest of Jacksonville. The Bureau of Economic and Business Research at the University of Florida estimated a 2018 population of 263,291 in the Alachua County (the "County") with an estimated 131,217 persons residing within the City limits. The economic base of Gainesville consists primarily of light industrial, commercial, health care and educational activities. The University of Florida is the State's oldest university and, with approximately 50,000 students, is one of the largest universities in the nation.

#### 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 City 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 following are the current members of the City Commission:

	<u>Term Expires</u>
Mayor Lauren Poe, At Large .....	May 2019
Mayor-Commissioner Pro-Tem Adrian Hayes-Santos, District 4 .....	May 2019
Commissioner David Arreola, District 3.....	May 2020
Commissioner Gail Johnson, At Large .....	May 2021
Commissioner Gigi Simmons, District 1 .....	May 2021
Commissioner Harvey Ward, District 2 .....	May 2020
Commissioner Helen K. Warren, At-Large .....	May 2020

The City Commission appoints the City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the City 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 City Commission. They accomplish this task through the selection and supervision of two Assistant City Managers, Utilities Executive Team, 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, homeless services, 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 and the Gainesville Enterprise Zone Development Agency.

**Population**

The following table depicts historical and projected population growth of the City, the County and the State of Florida:

**POPULATION GROWTH**

<u>Year</u>	<u>City of Gainesville Population</u>	<u>Percentage Increase</u>	<u>Alachua County Population</u>	<u>Percentage Increase</u>	<u>State of Florida Population</u>	<u>Percentage Increase</u>
2018	131,217	--	263,291	--	20,840,568	--
2020	n/a <sup>(1)</sup>	n/a	267,727	4.1%	21,372,207	6.1%
2030	n/a <sup>(1)</sup>	n/a	289,502	8.1	24,070,978	12.6
2040	n/a <sup>(1)</sup>	n/a	309,385	6.9	26,252,141	9.1

<sup>(1)</sup> Information is no longer available through the U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research Florida Statistical Abstracts for the City.  
 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>
2008	4.70
2009	7.40
2010	8.30
2011	8.10
2012	6.90
2013	5.30
2014	4.90
2015	4.50
2016	4.20
2017	3.50

Source: Source: Finance Department, City of Gainesville, Florida.

**TEN LARGEST EMPLOYERS  
(SEPTEMBER 30, 2017)**

<u>Firm</u>	<u>Product/Business</u>	<u>Employees</u>
University of Florida	Education	27,567
UF Health	Health Care	12,705
Veterans Affairs Medical Center	Health Care	6,127
Alachua County School Board	Education	3,904
City of Gainesville	Municipal Government	2,072
North Florida Regional Medical Center	Health Care	2,000
Gator Dining Services	Food Services	1,200
Nationwide Insurance Company	Insurance	960
Alachua County	Government	809
Publix Supermarkets	Grocer	780

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Source: Finance Department, City of Gainesville, Florida.

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**Property Tax Data**

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

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

Fiscal Year Ended	Just Value				Exemptions					Total Taxable Assessed Value	Total Direct Tax Rate
	Tax Year	Real Property	Personal Property	Centrally Assessed Property	Governmental	Agricultural	Institutional	Homestead	Other <sup>(1)</sup>		
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	1,773,423,757	14,341,607	5,666,337,079	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	5,886,019,548	4.3963
2011	2010	10,570,350,300	2,241,373,073	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	37,576,500	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	39,389,400	1,095,790,104	916,778,157	234,075,511	5,174,659,235	4.5780
2015	2014	10,508,455,900	2,979,114,148	2,210,823	5,603,063,413	39,298,000	1,129,921,784	895,414,243	178,766,271	5,643,317,160	4.5079
2016	2015	10,815,607,700	2,912,715,109	2,251,700	5,651,530,893	40,988,400	1,094,785,940	992,344,032	181,396,571	5,769,528,673	4.5079
2017	2016	11,183,742,495	3,179,982,350	2,303,808	5,923,396,413	42,466,700	1,065,499,494	1,041,502,131	267,520,476	6,025,643,439	4.5079

<sup>(1)</sup> Includes non-homestead residential and certain nonresidential property differentials between just value and capped value. Source: Finance Department, City of Gainesville, Florida and Alachua County Property Appraiser Final Ad Valorem Assessment Rolls.

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

Tax Roll Year <sup>(1)</sup>	City Fiscal Year <sup>(2)</sup>	Net Taxable Value for Local Levies <sup>(3)</sup>	Local Property Tax Rates (Mills) General Government <sup>(4)</sup>	Local Property Tax Levies (\$) General Government	Total Taxes Levied
2007	2007-08	\$5,633,362,264	4.2544	\$23,966,576	\$23,966,576
2008	2008-09	5,666,337,079	4.2544	24,106,864	24,106,864
2009	2009-10	5,886,019,548	4.3963	25,876,708	25,876,708
2010	2010-11	5,608,220,528	4.2544	23,859,613	23,859,613
2011	2011-12	5,402,238,297	4.2544	22,983,283	22,983,283
2012	2012-13	5,163,658,711	4.4946	23,208,580	23,208,580
2013	2013-14	5,174,659,235	4.5780	23,689,590	23,689,590
2014	2014-15	5,643,317,160	4.5079	25,439,509	25,439,509
2015	2015-16	5,769,528,673	4.5079	26,008,458	26,008,458
2016	2016-17	6,025,643,439	4.5079	26,153,549	26,153,549

(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 City 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: Finance Department, City of Gainesville, Florida and Alachua County Property Appraiser Final Ad Valorem Assessment Rolls.

**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
2008	\$23,854,419	\$23,035,894	96.6%	\$38,651	\$23,074,545	96.7%
2009	24,020,009	23,191,605	96.6	59,492	23,251,097	96.8
2010	25,782,262	24,912,341	96.6	78,396	24,990,737	96.9
2011	23,802,971	23,007,885	96.7	25,880	23,033,765	96.8
2012	22,865,258	22,085,295	96.6	62,971	22,148,266	96.9
2013	23,164,346	22,259,404	96.1	87,462	22,346,866	96.5
2014	23,556,658	22,573,803	95.8	122,992	22,696,795	96.3
2015	25,408,150	24,342,225	95.8	57,859	24,400,084	96.0
2016	25,989,724	24,924,172	95.9	27,208	24,951,380	96.0
2017	27,150,814	26,030,596	95.9	N/A	26,030,596	95.9

Source: Finance Department, 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 School District	Overlapping Rates			Total Direct & Overlapping Rates
				Alachua County Library District	St. Johns Water Management District	Alachua County Library District	
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
2014	2013	4.5780	8.7990	8.4020	0.3283	1.4588	23.5661
2015	2014	4.5079	8.7990	8.4100	0.3164	1.4588	23.4921
2016	2015	4.5079	8.7950	8.3420	0.3023	1.4538	23.3830
2017	2016	4.7474	8.4648	7.6250	0.2724	1.2655	22.3751

Source: Finance Department, City of Gainesville, Florida.

The following table sets forth certain information regarding direct and overlapping debt for the City, as of September 30, 2017.

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

Taxing Authority	Taxable Property Value <sup>(2)</sup>	General Obligation Bonded Debt <sup>(3)</sup>	Percent of Debt Applicable to City <sup>(4)</sup>	City's Share of General Obligation Debt <sup>(5)</sup>
City of Gainesville	\$6,025,643,439	\$0	100.00%	\$0
Alachua County	0	0	n/a	0
Alachua County School Board	0	0	0	0
Alachua County Library District	0	0	0	<u>0</u>
				<u>\$0</u>

(1) The above information on bonded debt does not include self supporting and non-self supporting revenue bonds, certificates, and notes (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) Percentages were recalculated by the Finance Department, City of Gainesville, Florida.

(5) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by voter referendum.

Source: Finance Department, City of Gainesville, Florida.



**OVERLAPPING SELF SUPPORTING AND  
NON-SELF SUPPORTING DEBT  
As of September 30, 2017**

<u>Taxing Authority</u>	<u>Self Supporting</u>	<u>Non-Self Supporting</u>	<u>Totals</u>
Alachua County <sup>(1)</sup>		\$64,777,220	\$64,777,220
Alachua County Schools		56,412,724	56,412,724
Alachua County Library District <sup>(1)</sup>		0	0
City of Gainesville:			
Utilities	930,440,000	0	930,440,000
Other than Utilities	1,502,220	125,524,025	127,026,265

Source: Finance Department, City of Gainesville, Florida.

**DEBT SUMMARY<sup>(1)</sup>  
AS OF SEPTEMBER 30, 2017**

	<u>Gross</u>	<u>Net</u>
General Obligation Debt	\$0	\$0
Debt Payable from Non-Ad Valorem Revenues <sup>(2)</sup>	125,524,025	125,524,025
General Obligation Overlapping Debt <sup>(3)</sup>	<u>0</u>	<u>0</u>
Total	\$125,524,025	\$125,524,025

Maximum Annual Debt Service on Debt Payable from Non-Ad Valorem Revenues after 10/01/2016	\$15,005,625
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<sup>(1)</sup> This includes only City of Gainesville general government debt. The City of Gainesville d/b/a Gainesville Regional Utilities and other self-liquidating debt are not included.

<sup>(2)</sup> Includes all debt to which a 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: Finance Department, City of Gainesville, Florida.

## PRINCIPAL TAXPAYERS

### Tax Roll Year 2017

<u>Owner/Taxpayer</u>	Total <u>Assessed</u>	Percentage of Total Taxable <u>Assessed</u>
Gainesville Renewable Energy Center Inc.	\$301,247,900	5.00%
Oaks Mall Gainesville LTD	137,399,380	2.28
HCA Health Services of Florida, Inc.	80,328,240	1.33
Stanley Robert E	63,165,500	1.05
AT&T Mobility LLC	61,263,706	1.02
North Florida Regional Medical Center Inc.	57,660,710	0.96
Oak Hammock at the University of Florida, Inc.	55,555,790	0.92
CoxComm LLC	37,508,473	0.62
CH Realty VII-Preiss SH Gainesville Cabana Beach, LLC	36,237,700	0.60
Sivance LLC	35,638,240	0.59
<b>TOTAL PRINCIPAL TAXPAYERS</b>	<b>\$866,005,639</b>	<b>14.37%</b>

Source: Finance Department, City of Gainesville, Florida.

## 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 System, the estimates are accounted for in the 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 \$200,000 to any one person, or \$300,000 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 System enterprise fund (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. The Utility Fund purchases plant and machinery insurance from a commercial carrier. In addition, an actuarially computed liability of \$3,337,000 is recorded in the Utility Fund as a fully amortized deferred credit. The present value calculation assumes a rate of return of 4.5% with a confidence level of 75%. All claims for fiscal year 2017 were paid from current year's revenues.

Changes in the Utility Fund's claims liability for fiscal years 2017 and 2016 were 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>
2016-2017	\$3,337,000	\$2,253,000	\$2,253,000	\$3,337,000
2015-2016	3,337,000	1,178,000	1,178,000	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 for fiscal years 2016 and 2017 were 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>
2016-2017	\$6,854,000	\$2,466,244	\$2,466,244	\$6,854,000
2015-2016	6,854,000	2,280,237	2,280,237	6,854,000

Health Insurance

The City is also 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 \$300,000 per individual. No claims have exceeded insurance coverage in the last three years. Changes in claims liability for fiscal years 2016 and 2017 were 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>
2016-2017	\$1,310,671	\$21,883,325	\$21,883,325	\$1,310,671
2015-2016	1,310,671	24,243,566	24,243,566	1,310,671

**Other Post-Employment Benefit & Retiree Health Care Plan**

Plan Description.

By ordinance enacted by the City 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 City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the RHCP. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

The RHCP has 746 retirees receiving benefits, 1,052 retirees not currently electing medical coverage and has a total of 1,867 active participants and 133 DROP participants for a total of 3,798. Ordinance 991457 of the City assigned the authority to establish and amend benefit provisions to the City Commission.

Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended September 30, 2017, the City's annual Other Post-Employment Benefit ("OPEB") cost for the RHCP was \$2,481,058. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended September 30, 2017 were as follows:

Annual required contribution	\$1,820,901
Interest on net OPEB obligation	(1,531,517)
Adjustment to annual required contribution	<u>2,191,674</u>
<b>Annual OPEB cost</b>	<b><u>\$2,481,058</u></b>
Contributions made	<u>1,622,729</u>
Change in net OPEB obligation (asset)	\$858,329
Net OPEB obligation (asset), beginning of year	<u>(18,907,614)</u>
<b>Net OPEB obligation (asset), end of year</b>	<b><u>\$(18,049,285)</u></b>

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
09/30/15	\$3,585,790	\$2,972,451	82.90%	\$(17,669,214)
09/30/16	1,677,380	2,915,780	173.83	(18,907,614)
09/30/17	2,481,058	1,622,729	65.40	(18,049,284)

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 \$1,006,642, \$2,375,230 and \$2,441,107 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, 2017, 2016 and 2015, 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 City 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 which were fully paid in fiscal year 2015. 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. 0-08-52, 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, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included an 8.2% investment rate of return, compounded annually, net of investment expenses. The annual healthcare cost trend rate of 4.5% is the ultimate rate, which decreased from 6% from the prior year. 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 Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c
9/30/17	\$63,500,353	\$67,590,558	\$4,090,205	93.95%	\$122,798,859	3.33%

**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 \$200,000 to any one person or in excess of \$300,000 because of any single incident or occurrence. Judgments in excess of \$200,000 and \$300,000 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 \$200,000 or \$300,000 waiver provided by Florida Statutes.

**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 Assistant Finance Director, Finance Director, and the following external professionals: bond counsel, disclosure counsel, financial advisor, and underwriters. 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, 2016. This table is exclusive of the City's discretely reported component unit debt and all enterprise fund debt, including the debt of the System.

	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding as of October 1, 2017</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	31,479,045
Taxable Pension Obligation Bonds, Series 2003B (Consolidated Plan)	49,851,806	41,385,000
Guaranteed Entitlement Revenue and Refunding Bonds, Series 2004	9,805,000	0
Capital Improvement Revenue Bonds, Series 2010	3,036,907	2,185,177
Capital Improvement Revenue Bonds, Series 2014	<u>12,535,000</u>	<u>11,221,635</u>
Total Revenue Bonds <sup>(2)</sup>	\$131,063,886	\$87,773,077
Loans: <sup>(3)</sup>		
Capital Improvement Revenue Note, Series 2009	11,500,000	1,220,000
Refunding Revenue Note, Series 2011	6,230,000	3,220,000
Capital Improvement Revenue Note, Series 2011A	3,730,000	1,625,000
Refunding Revenue Note, Series 2014	14,715,000	11,810,000
Revenue Refunding Note, Series 2016A	11,007,000	11,920,000
Capital Improvement Revenue Note, Series 2016B	<u>6,630,000</u>	<u>6,630,000</u>
Total Loans	\$53,812,000	\$36,425,000
Total Debt	<u>\$184,875,886</u>	<u>\$124,198,077</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. All other bonds 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.

(2) Does not include the CP Notes or SunTrust Loan.

(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.

## Defined Benefit Pension Plans

The City sponsors and administers two single-employer retirement plans, which are accounted for in separate Pension Trust Funds.

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

Employees' Plan

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. 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.

The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Plan. That report may be obtained by writing to City of Gainesville, Budget & Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

*Benefits Provided.* The Employees' Plan provides retirement, disability and death benefits. Prior to April 2015, disability benefits were provided through a separate plan which was subsequently terminated. Existing and future pension assets and pension liabilities were transferred to the Employees' Plan at that time.

Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. The fixed percentage and final average earnings vary depending on the date of hire as follows:

<u>Date of Hire</u>	<u>Fixed percent of FAE (multiplier)</u>	<u>Final Average Earnings</u>
On or before 10/01/2007	2.0%	Highest 36 consecutive months
10/02/2007 – 10/01/2012	2.0%	Highest 48 consecutive months
On or after 10/02/2012	1.8%	Highest 60 consecutive months

For service earned prior to 10/01/2012, the lesser number of unused sick leave or personal critical leave bank credits earned on or before 09/30/2012 or the unused sick leave or personal critical leave bank credits available at the time of retirement may be credited towards the employee's years of service for that calculation. For service earned on or after 10/01/2012, no additional months of service will be credited for unused sick leave or personal critical leave bank credits.

Retirement eligibility is also tiered based on date of hire as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred on or before 10/02/2007, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.
- If the date of hire was between 10/02/2007 and 10/01/2012, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.
- If the date of hire was on or after 10/02/2012, after accruing 30 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.



Employees are eligible for early retirement:

- If the date of hire occurred on or before 10/01/2012, after accruing 15 years of pension service credit and reaching age 55 while still employed.
- If the date of hire was on or after 10/02/2012, after accruing 20 years of pension service credit and reaching age 60 while still employed.
- Under the early retirement option, the benefit is reduced by 5/12th of one percent for each month (5% for each year) by which the retirement date is less than the date the employee would reach age 65.

Employees receive a deferred vested benefit if they are terminated after accruing five years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 65.

A 2% cost of living adjustment (COLA) is applied to retirements benefits each October 1<sup>st</sup> if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 20 years but less than 25 years of credited service upon retirement, COLA begins after reaching age 62.
- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 25 years of credited service upon retirement, COLA begins after reaching age 60.
- If the retiree was hired on or before 10/01/2012 and had less than 20 years of credited service on or before 10/01/2012 and 25 years or more of credited service upon retirement, COLA begins after reaching age 65.
- If the retiree was hired after 10/01/2012 and had 30 years or more of credited service upon retirement, COLA begins after age 65.

Employees hired on or before 10/01/2012 are eligible to participate in the deferred retirement option plan ("DROP") when they have completed 27 years of credited service and are still employed by the City. Such employees retire from the Employees' Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, compounded monthly. For employees who entered DROP on or before 10/01/2012, DROP balances earn 6% annual interest. For employees who entered DROP on or after 10/02/2012, DROP balances earn 2.25% annual interest. Employees may continue in the DROP for a maximum of 5 years or until reaching 35 years of service, whichever occurs earlier. Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash disbursement, roll into a retirement account or choose a combination of the two options.

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member who is married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, the plan assumes the employee retired the day prior to death and elected the Joint & Survivor option naming their spouse as their beneficiary.
- If an active member who is not married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, or if an active member dies prior to reaching normal retirement eligibility, or if a non-active member with a deferred vested benefit dies before age 65, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

Disability benefits are paid to eligible regular employees of the City who become totally and permanently unable to perform substantial work for pay within a 50-mile radius of the home or city hall, whichever is greater, and who is wholly and continuously unable to perform any and every essential duty of employment, with or without a reasonable accommodation, or of a position to which the employee may be assigned. The basic disability benefit is equal to the greater of the employee's years of service credit times 2% with a minimum 42% for in line of duty disability and a minimum 25% for other than in line of duty disability, times the employee's final average earnings as would be otherwise calculated under the plan. The benefit is reduced by any disability benefit percent up to a maximum of 50% multiplied by the monthly Social Security primary insurance amount to which the employee would be initially entitled to as a disabled worker, regardless of application status. The disability benefit is limited to the lesser of \$3,750 per month or an amount equal to the maximum benefit percent, less reductions above and the initially determined wage replacement benefit made under workers' compensation laws.

*Employees covered by benefit terms.* At September 30, 2017, the following employees were covered by the benefit terms:

Active employees	1,519
Inactive employees:	
Retirees and beneficiaries currently receiving benefits	1,266
Terminated Members and survivors of deceased members entitled to benefits but not yet receiving benefits	<u>428</u>
Total	3,213

*Contribution Requirements.* The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City contributes the difference between the actuarially determined rate and the contribution rate of employees.

Plan members are required to contribute 5% of their annual covered salary. The rate for fiscal year 2017 was 17.45% of covered payroll. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003A. The proceeds from this issue were utilized to retire the unfunded actuarial accrued liability at that time in the Employees' Plan. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

*Net Pension Liability.* The net pension liability related to the Employee's Plan was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016.

The components of the net pension liability at September 30, 2017 were as follows:

Components of Net Pension Liability

Total pension liability	\$537,712,710
Plan fiduciary net position	<u>(396,313,562)</u>
City's net pension liability	<u>\$141,399,148</u>
Plan fiduciary net position as a percentage of the total pension liability	73.70%

*Significant Actuarial Assumptions.* The total pension liability as of September 30, 2017 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2016 actuarial valuation to the pension plan's fiscal year end of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

Inflation	3.75%
Salary Increases	3.00% to 5.00%
Investment Rate of Return	8.10%, net of pension investment expenses

Mortality Rate:

Mortality rates were updated to the assumptions used in the 2016 FRS valuation as it applies to "other than special risk" participants.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Development of Long Term Discount Rate for General Employees' Pension Plan

	<u>Inflation</u>	Real Risk Free <u>Return</u>	Risk <u>Premium</u>	Total Expected <u>Return</u>	Policy <u>Allocation</u>	Policy <u>Return</u>
Domestic Equity	3.00%	2.00%	4.50%	9.50%	50.00%	4.75%
Intl Equity	3.00	2.00	5.50	10.50	30.00	3.15
Domestic Bonds	3.00	2.00	0.50	5.50	2.00	0.11
Intl Bonds	3.00	2.00	1.50	6.50	0.00	0.00
Real Estate	3.00	2.00	2.50	7.50	16.00	1.20
Alternatives	3.00	2.00	3.50	7.50	0.00	0.00
US Treasuries	3.00	0.00	0.00	3.00	0.00	0.00
Cash	3.00	(2.00)	0.00	1.00	<u>2.00</u>	<u>0.02</u>
Total					100.00	9.23

Discount Rate:

The discount rates used to measure the total pension liability were 8.10% as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
Balances at 10/01/2016	\$499,347,420	\$357,298,271	\$142,049,149
Changes for the year:			
Service cost	8,355,553	-	8,355,553
Interest	39,789,214	-	39,789,214
Differences between expected and actual experience	7,646,058	-	7,646,058
Transfer from terminated Disability Plan	-	-	-
Changes to assumptions	21,043,627	-	21,043,627
			(14,654,934)
Contributions – employer	-	14,654,934	)
Contributions – employee	-	4,829,122	(4,829,122)
			(58,605,302)
Net investment income	-	58,605,302	)
Benefit payments, including refunds and DROP payouts	(38,469,162)	(38,469,162)	-
Administrative expense	-	(604,905)	604,905
Net changes	<u>38,365,290</u>	<u>39,015,291</u>	<u>(650,001)</u>
	<u>\$537,712,710</u>		<u>\$141,399,148</u>
Balances at 09/30/2017	<u>0</u>	<u>\$396,313,562</u>	<u>8</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability, calculated using the discount rate of 8.1%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.1%) or 1 percentage-point higher (9.1%) than the current rate:

	1% Decrease <u>(7.1%)</u>	Current Discount Rate <u>(8.1%)</u>	1% Increase <u>(9.1%)</u>
Net pension liability	\$202,787,977	\$141,399,148	\$89,907,875

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees' Plan financial report.

*Pension expense and deferred outflows of resources and deferred inflows of resources.* For the year ended September 30, 2017, the City recognized pension expense for the Employees' Plan of \$22,320,071. At September 30, 2017, the City reported deferred outflows of resources related to the Employees' Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$7,719,277	\$-
Changes to assumptions	27,523,573	-
Changes between projected and actual investment	12,456,239	(31,349,541)
Total	<u>\$47,699,089</u>	<u>\$(31,349,541)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Employees' Plan will be recognized in pension expense as follows:

<u>Fiscal Year</u>	Net Deferred Outflows/(Inflows) of Resources
2018	7,859,825
2019	7,859,828
2020	1,382,370
2021	(752,473)
Thereafter	-

#### Consolidated Plan

The Consolidated Plan is a contributory defined benefit single-employer pension plan that covers City sworn police officers and firefighters. The Plan is established under City of Gainesville Code of Ordinances, Article 7, Chapter 2, Division 8. It complies with the provisions of Chapter 112, Part VII, Florida Statutes; Chapter 22D-1 of the Florida Administrative Code; Chapters 175 and 185, Florida Statutes; and Article X, Section 14 of the Florida Constitution, governing the establishment, operation and administration of plans.

The basis of accounting for the Consolidated Plan is accrual. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. 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.

The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

*Benefits Provided for Police Officers.* The Consolidated Plan provides retirement, disability and death benefits. Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. For Police Officers, the final average monthly earnings (FAME) is the average of pensionable earnings during the 36 to 48 month period (depending on date of hire) that produces the highest earnings. For Police Officers, the benefit multiplier is 2.5% for credited service before 10/01/2005, 2.625% for credited service from 10/01/2005 to 07/01/2013 and 2.5% for credited service on and after 07/01/2013.

Retirement eligibility for Police Officers is tiered based on date of hire as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred prior to 07/01/2013, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy (Rule of Seventy).
- If the date of hire was on or after 07/01/2013, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy.

Employees are eligible for early retirement:

- After accruing 10 years of pension service credit and reaching age 50 while still employed.
- Under the early retirement option, the benefit is reduced 3% for each year by which the retirement date is less than the date the employee would reach age 55.

Employees may choose to receive a refund on contributions to the plan or to receive a deferred vested benefit if they are terminated after accruing 10 years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 55 with no reduction or at age 50 with the early retirement penalty above.

A 1-2% cost of living adjustment (COLA) is applied to retirement benefits each October 1<sup>st</sup> if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree was eligible for retirement on or before 07/01/2013 and had at least 25 years of credited service upon retirement, 2% COLA begins after reaching age 55.
- If the retiree was eligible for retirement on or before 07/01/2013 had 20 years of credited service upon retirement, 2% COLA begins after reaching age 62.
- If the retiree was eligible for retirement after 07/01/2013 and had 25 years of credited service upon retirement 1% COLA begins after reaching age 55 and the COLA increases to 2% after reaching age 62.
- If the retiree retired under the Rule of Seventy with less than 20 years of credited service upon retirement, COLA begins after age 62. Effective July 1, 2013, Police Officers retiring under the Rule of Seventy are ineligible for COLA.

*Benefits Provided for Firefighters.* The Consolidated Plan provides retirement, disability and death benefits. Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. For Firefighters, the final average monthly earnings (FAME) is the average of pensionable earnings during the 36 month period that produces the highest earnings. For Firefighters, the benefit multiplier is 2.5% for credited service before 10/01/2005, 2.625% for credited service from 10/01/2005 to 12/31/2013 and 2.5% for credited service on and after 01/01/2014.

For service earned prior to 01/01/2014, the lesser number of unused sick leave credits earned on or before 12/31/2013 or the unused sick leave bank credits available at the time of retirement may be credited towards the employee's years of service for that calculation. For service earned on or after 01/01/2014, no additional months of service will be credited for unused sick leave credits.

Retirement eligibility for Firefighters is as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred prior to 01/01/2014, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy (Rule of Seventy).
- If the date of hire was on or after 01/01/2014, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy.

Employees are eligible for early retirement:

- After accruing 10 years of pension service credit and reaching age 50 while still employed.
- Under the early retirement option, the benefit is reduced 3% for each year by which the retirement date is less than the date the employee would reach age 55.

Employees may choose to receive a refund on contributions to the plan or to receive a deferred vested benefit if they are terminated after accruing 10 years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 55 with no reduction or at age 50 with the early retirement penalty above.

A 2% cost of living adjustment (COLA) is applied to retirement benefits each October 1<sup>st</sup> if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 25 years of credited service upon retirement, COLA begins after reaching age 55.
- If the retiree had 20 years of credited service upon retirement, COLA begins after reaching age 62.
- If the retiree retired under the Rule of Seventy with less than 20 years of credited service upon retirement, COLA begins after age 62.

*Benefits Provided to Both Police Officers and Firefighters.* Employees are eligible to participate in the deferred retirement option plan (DROP) when they have completed 25 years of credited service and are still employed by the City (or meet the Rule of Seventy). Such employees retire from the Consolidated Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, (5.5% for Firefighters and 4.5% for Police Officers) compounded monthly. Employees may continue in the DROP for a maximum of 5 years or until reaching 35 years of service, whichever occurs earlier. Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash disbursement, roll into a retirement account or choose a combination of the two options. The Consolidated Plan also provides for a reverse DROP option.



Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member with less than ten years of service dies before reaching normal retirement eligibility, the death benefit is a refund to the beneficiary of 100% of the member contributions without interest.
- If an active member with at least ten years of service dies before reaching normal retirement eligibility, the beneficiary is entitled to the benefits otherwise payable to the employee at early or normal retirement age, based on the accrued benefit at the time of death.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

Disability Benefits – The monthly benefit for a service-incurred disability is the greater of the employee's accrued benefit as of the date of disability or 42% of the FAME. The monthly benefit for a non-service-incurred disability is the greater of the accrued benefit as of the date of disability or 25% of the FAME. Payments continue until the death of the member or until the 120<sup>th</sup> payment, payable to the designated beneficiary if no option is elected. There is no minimum eligibility requirement if the injury or disease is service-incurred. If the injury or disease is not service-incurred, the employee must have at least five years of service to be eligible for disability benefits.

*Employees covered by benefit terms.* At September 30, 2017, the following employees were covered by the benefit terms:

Active employees	393
Inactive employees:	
Retirees and beneficiaries currently receiving benefits	427
Vested terminated members entitled to future benefits	<u>20</u>
Total	840

*Contribution Requirements.* The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with Part VII, Chapter 112, Florida Statutes.

The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Firefighters contribute 9.0% of gross pay and Police Officers contribute 7.5% of gross pay. The City's contribution rate for fiscal year 2017 was 15.76% of covered payroll for police personnel and 20.31% for fire personnel. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003B. In addition, State contributions, which totaled \$1,258,283, are also made to the plan on behalf of the City under Chapters 175/185, Florida Statutes. These State contributions are recorded as revenue and personnel expenditures in the City's General Fund before they are recorded

as contributions in the Consolidated Pension Fund. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

*Net Pension Liability.* The net pension liability related to the Consolidated Plan was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016.

The components of the net pension liability at September 30, 2017 were as follows:

Components of Net Pension Liability

Total pension liability	\$277,576,074
Plan fiduciary net position	<u>(241,763,801)</u>
City's net pension liability	<u>\$35,812,273</u>
Plan fiduciary net position as a percentage of the total pension liability	87.10%

*Significant Actuarial Assumptions.* The total pension liability as of September 30, 2017 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2016 actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

Inflation	3.00%
Salary Increases for police employees with less than 5 years of service	6.00%
Salary Increases for fire employees with less than 5 years of service	5.00%
Salary Increases for police employees with 5 to 9 years of service	5.00%
Salary Increases for fire employees with 5 to 9 years of service	4.00%
Salary Increases for police employees with 10 to 14 years of service	4.00%
Salary Increases for fire employees with 10 to 14 years of service	3.00%
Salary Increases for police employees with more than 14 years of service	3.00%
Salary Increases for fire employees with more than 14 years of service	2.00%
Investment Rate of Return	8.10%, net of pension investment expenses

Mortality Rate:

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Blue Collar adjustment based on Mortality Improvement Scale AA. 50% of deaths among active members are assumed to be service incurred, and 50% are assumed to be non-service incurred. Disabled mortality is based on the RP-2000 Disability Retiree Mortality Table.

Other Assumptions:

The actuarial assumptions used as of September 30, 2016 were based on the assumptions approved by the Board in conjunction with an experience study covering the 5 year period ending on September 30, 2010. Due to plan changes first valued in the October 1, 2012 actuarial valuation, changes to the assumed

retirement rates and the valuation methodology for the assumed increase in benefit service for accumulated sick leave and accumulated vacation paid upon termination were made. Payroll growth assumptions were updated in 2012 and investments were reviewed by the Board in February of 2015 based on an asset liability study reflecting the current investment policy.

Long-Term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined over a 30 year time horizon based on the allocation of assets as shown in the current investment policy using the expected geometric return, expected arithmetic return and the standard deviation arithmetic return. The analysis represented investment rates of return net of investment expenses. The return is expected to be above 8.75% for 60% of market simulations and below 8.75% for 40% of the market simulations.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Development of Long Term Discount Rate – Arithmetic

	<u>Inflation</u>	<u>Total Expected Return</u>	<u>Policy Allocation</u>	<u>30-Year Policy Return</u>
US Large Cap	3.04%	11.56%	35.00%	4.05%
US Small Cap	3.04	13.70	20.00	2.74
Global Equity ex US	3.04	10.70	20.00	2.14
US Govt Credit	3.04	4.84	12.50	0.61
NCREIF	3.04	9.87	<u>12.50</u>	<u>1.23</u>
Total			100.00%	10.76%

Discount Rate:

The discount rate used to measure the total pension liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member and State contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
Balances at 10/01/2016	\$263,488,192	\$219,000,182	\$44,488,010
Changes for the year:			
Service cost	4,254,335	-	4,254,335
Interest	21,463,554	-	21,463,554
Differences between expected and actual experience	2,311,687	-	2,311,687
Changes to assumptions	2,158,450	-	2,158,450
Contributions - employer	-	4,294,312	(4,294,312)
Contributions - employee	-	2,024,693	(2,024,693)
Contributions - state	-	1,254,172	(1,254,172)
Net investment income	-	31,854,789	(31,854,789)
Benefit payments, including refunds and DROP payouts	(16,100,144)	(16,100,144)	-
Administrative expense	-	(564,203)	564,203
Net changes	14,087,882	22,763,619	(8,675,737)
	<u>\$277,576,074</u>		
Balances at 09/30/2017	<u>4</u>	<u>\$241,763,801</u>	<u>\$35,812,273</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability, calculated using the discount rate of 8.1%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.1%) or 1 percentage-point higher (9.1%) than the current rate:

	1% Decrease (7.1%)	Current Discount Rate (8.1%)	1% Increase (9.1%)
Net pension liability	\$68,232,826	\$35,812,273	\$8,957,911

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Consolidated Plan financial report.

*Pension expense and deferred outflows of resources and deferred inflows of resources.* For the year ended September 30, 2017, the City recognized pension expense for the Consolidated Plan of \$1,676,563. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Consolidated Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$-	\$(4,959,714)
Changes in assumptions	4,820,848	-
Difference between projected and actual investment earnings	10,552,283	(6,852,923)
Contributions after measurement date	<u>4,294,312</u>	<u>-</u>
Total	<u>\$19,667,443</u>	<u>\$(11,812,637)</u>

The \$4,294,312 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Consolidated Plan will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
2017	\$1,612,733
2018	1,612,732
2019	2,209,101
2020	(1,688,012)
Thereafter	(186,060)

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS RELATING TO THE SYSTEM**

**APPENDIX C**  
**COPY OF THE RESOLUTION**

**APPENDIX D**  
**DEBT SERVICE REQUIREMENTS**



**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**EXHIBIT E**  
**CONTINUING DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Gainesville, Florida (the "Issuer") in connection with the issuance of its \$\_\_\_\_\_ Utilities System Revenue Bonds, 2019 Series A and \$\_\_\_\_\_ Utilities System Revenue Bonds, 2019 Series B (Federally Taxable) (collectively, the "Bonds"). The Bonds are being issued pursuant to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the Issuer on September 21, 2017, and as supplemented and amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_\_ adopted by the Issuer on \_\_\_\_\_, 2019 (collectively, the "Resolution").

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners (defined below) of the Bonds and in order to assist the Participating Underwriters in complying with the continuing disclosure requirements of the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Digital Assurance Certification, LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access web portal of the MSRB, located at <http://www.emma.msrb.org>.

"Event of Bankruptcy" shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal