

---

**CITY OF GAINESVILLE, FLORIDA**

**Not to Exceed  
\$660,000,000  
Utilities System Revenue Bonds,  
2019 Series D**

**and**

**Not to Exceed  
\$890,000,000  
Utilities System Revenue Bonds,  
2019 Series E**

---

**RESOLUTION NO. 190483  
THIRTY-SECOND SUPPLEMENTAL UTILITIES SYSTEM  
REVENUE BOND RESOLUTION**

---

**Adopted \_\_\_\_\_, 2019**

---

---

# TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS AND STATUTORY AUTHORITY .....	2
1.01. Supplemental Resolution .....	2
1.02. Definitions.....	2
1.03. Authority for this Resolution .....	4
1.04. Findings.....	4
ARTICLE II AUTHORIZATION OF SERIES 2019 BONDS .....	6
2.01. Principal Amount, Designation of Series and Description of Series 2019 Bonds.....	6
2.02. Purpose.....	7
2.03. Maturities and Interest; Certain Determinations with Respect to the Series 2019 Bonds .....	7
2.04. Redemption Provisions for Series 2019 Bonds .....	9
2.05. Application of Proceeds of 2019 Series D Bonds.....	10
2.06. Application of Proceeds of 2019 Series E Bonds.....	10
ARTICLE III APPROVAL OF DOCUMENTS.....	11
3.01. Authorization and Approval of Negotiated Sale of the Series 2019 Bonds and Execution of the Purchase Contract; Delegation of Authority to Determine Certain Matters in Connection Therewith .....	11
3.02. Authorization of Authentication .....	11
3.03. Preliminary Official Statement .....	11
3.04. Official Statement .....	12
3.05. Secondary Market Disclosure.....	12
3.06. Approval of Escrow Deposit Agreement; Appointment of Escrow Agent; Purchase of Escrow Investments .....	12
3.07. Authorization to Amend Swap.....	13
3.08. Authorization to Defeas Bonds.....	13
3.09. Execution and Delivery of Series 2019 Bonds and Related Documents .....	14
3.10. Further Actions .....	14
ARTICLE IV ADDITIONAL PROVISIONS RELATING TO THE SERIES 2019 BONDS .....	15
4.01. Minimum Denominations, Dates, Numbers and Letters .....	15
4.02. Designation of the Series 2019 Bonds as Book Entry Bonds; Appointment of Securities Depository for the Series 2019 Bonds .....	15
4.03. Place of Payment and Paying Agents .....	16
4.04. Tax Covenants Relating to the Tax-Exempt Bonds.....	17
ARTICLE V FORM OF BONDS.....	18
5.01. Form of Bonds; Trustee's Certificate of Authentication.....	18
ARTICLE VI SYNTHETIC FIXED RATE BONDS.....	23
6.01. Authorization Swap Documents; Delegation.....	23
6.02. Delegation Parameters .....	24
6.03. Pledge of Revenues.....	25

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE VII MISCELLANEOUS PROVISIONS .....	26
7.01. Severability .....	26
7.02. Effective Date .....	26
 EXHIBITS	
A Purchase Contract	
B Acceptance of Office of Paying Agent	
C Preliminary Official Statement	
D Continuing Disclosure Certificate	
E Escrow Deposit Agreement	
F Swap Documents	
Schedule 1 - Fixed Rate Refunded Bonds	
Schedule 2 - Variable Rate Refunded Bonds	
Schedule 3 - Cash Defeased Bonds	
Schedule 4 - Synthetic Fixed Rate Bonds	

**RESOLUTION NO. 190483**

**THIRTY-SECOND SUPPLEMENTAL UTILITIES SYSTEM  
REVENUE BOND RESOLUTION**

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF GAINESVILLE, FLORIDA FOR THE PURPOSE OF AUTHORIZING THE ISSUANCE, SALE, EXECUTION AND DELIVERY OF NOT TO EXCEED \$660,000,000 OF THE CITY OF GAINESVILLE, FLORIDA UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES D AND \$890,000,000 OF THE CITY OF GAINESVILLE, FLORIDA UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES E (COLLECTIVELY, THE "SERIES 2019 BONDS") IN ORDER TO PROVIDE MONEYS FOR THE PAYMENT OF ALL OR A PORTION OF THE COST OF REFUNDING ALL OR A PORTION OF CERTAIN OUTSTANDING UTILITY SYSTEM BONDS, AND TO PAY THE COSTS OF ISSUANCE THEREOF, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE NEGOTIATED SALE OF SUCH SERIES 2019 BONDS AND APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF ONE OR MORE PURCHASE CONTRACTS WITH RESPECT THERETO, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A CONTINUING DISCLOSURE CERTIFICATE WITH RESPECT TO THE SERIES 2019 BONDS; AUTHORIZING THE AUTHENTICATION AND DELIVERY OF THE SERIES 2019 BONDS; AUTHORIZING THE PREPARATION AND DEEMING FINAL THE PRELIMINARY OFFICIAL STATEMENT AND EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT EACH RELATING TO THE SERIES 2019 BONDS; APPROVING THE AMENDMENT OF AN INTEREST RATE HEDGE AGREEMENT RELATED TO OUTSTANDING BONDS; APPROVING THE CASH DEFEASANCE OF CERTAIN OUTSTANDING BONDS; APPROVING ENTERING INTO A QUALIFIED HEDGING CONTRACT TO SYNTHETICALLY FIX THE INTEREST RATE ON CERTAIN VARIABLE RATE BONDS; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF ONE OR MORE ESCROW DEPOSIT AGREEMENTS WITH RESPECT THERETO; AND AUTHORIZING CERTAIN CITY OFFICIALS TO TAKE ALL OTHER ACTIONS DEEMED NECESSARY OR ADVISABLE IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF THE SERIES 2019 BONDS, DEFEASANCE OF CERTAIN BONDS AND AMENDMENT OF THE INTEREST RATE HEDGE AGREEMENT; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

**BE IT RESOLVED** by the City Commission of the City of Gainesville, Florida (the "City") that:

**ARTICLE I**  
**DEFINITIONS AND STATUTORY AUTHORITY**

**1.01. Supplemental Resolution.** This Resolution is supplemental to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended and supplemented (the "Master Resolution"). The Master Resolution as supplemented is hereinafter referred to as the "Bond Resolution."

**1.02. Definitions.** 1. All terms which are defined in Section 101 of the Master Resolution shall have the same meanings, respectively, in this Resolution, unless otherwise defined herein.

2. In this Resolution, in addition to the terms elsewhere defined herein, the following terms shall have the meanings set forth below:

**"Authorized Officer"** or **"Authorized Officers"** shall mean the "Authorized Officers of the City," as defined in the Bond Resolution.

**"Business Day"** shall mean a day other than (i) a Saturday, Sunday, legal holiday or day on which banking institutions in the city which the Paying Agent has designated as the location of its corporate trust offices are authorized or required by law or executive order to close, or (ii) a day on which the New York Stock Exchange is closed.

**"Cash Defeased Bonds"** shall mean all or a portion of the Utilities System Revenue Bonds included on Schedule "3" attached hereto that are defeased with available cash of the City.

**"Chief Financial Officer"** shall mean the Chief Financial Officer for Utilities as designated by the City from time to time.

**"City"** shall mean the City of Gainesville, Florida.

**"City Attorney"** shall mean the City Attorney, the Utilities Attorney or such other assistant City Attorney as designated by the City Attorney.

**"Clerk"** shall mean the Clerk of the City Commission, any Deputy Clerk of the City Commission or any Acting Clerk of the City Commission.

**"Code"** shall mean the Internal Revenue Code of 1986, as amended, and any rules and applicable regulations thereunder in effect or proposed.

**"Continuing Disclosure Certificate"** shall mean the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2019 Bonds.

**"Delivery Date"** shall mean the date of the initial issuance and delivery of each of 2019 Series D Bonds and 2019 Series E Bonds, as applicable.

"**DTC**" shall mean The Depository Trust Company, New York, New York, or its successors.

"**Escrow Agent**" shall mean U.S. Bank National Association in its capacity as escrow agent under each Escrow Deposit Agreement.

"**Escrow Deposit Agreement**" shall mean each Escrow Deposit Agreement to be entered into between the City and the Escrow Agent in connection with the defeasance of the Cash Defeased Bonds and/or the Fixed Rate Refunded Bonds.

"**Fixed Rate Refunded Bonds**" shall mean all or a portion of the Utilities System Revenue Bonds included on Schedule "1" attached hereto that are refunded with proceeds of the 2019 Series E Bonds.

"**General Manager**" shall mean the General Manager for Utilities, as designated by the City from time to time.

"**Mayor**" shall mean the Mayor or Mayor-Commissioner Pro Tempore.

"**Official Statement**" shall mean the Official Statement of the City relating to the Series 2019 Bonds referred to in Section 3.03 hereof.

"**Preliminary Official Statement**" shall mean the Preliminary Official Statement of the City relating to the Series 2019 Bonds referred to in Section 3.04 hereof.

"**Purchase Contract**" shall mean each Bond Purchase Contract to be entered into between the City and the Underwriters in connection with the sale of the 2019 Series D Bonds and 2019 Series E Bonds and such other Series of Bonds issued hereunder.

"**Rebate Amount**" shall mean the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-3 of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, but shall not include any amount exempted by Section 148(f) of the Code from payment to the United States.

"**Refunded Bonds**" shall mean collectively, the Fixed Rate Refunded Bonds and the Variable Rate Refunded Bonds.

"**Resolution**" shall mean this Thirty-Second Supplemental Utilities System Revenue Bond Resolution.

"**Rule 15c2-12**" shall mean Rule 15c2-12, as amended, promulgated by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

"**2019 Hedge Agreement**" shall mean the Qualified Hedging Contract authorized pursuant to Article VI herein.

**"2019 Series D Bonds"** shall mean the City's Utilities System Revenue Bonds, 2019 Series D, authorized by Article II of this Resolution, or such other series designation as permitted herein.

**"2019 Series E Bonds"** shall mean the City's Utilities System Revenue Bonds, 2019 Series E, authorized by Article II of this Resolution or such other series designation as permitted herein.

**"Subordinated Bond Resolution"** shall mean the Amended and Restated Subordinated Utilities System Bond Resolution adopted by the City on December 8, 2003, as amended.

**"Swap Advisor"** shall mean PFM Swap Advisors LLC, or such other entity as the City may designate as its Qualified Independent Representative.

**"Synthetic Fixed Rate Bonds"** shall mean all or a portion of the Utilities System Revenue Bonds included on Schedule "4" attached hereto which may be synthetically fixed pursuant to the 2019 Hedge Agreement authorized herein.

**"Tax Exempt Bonds"** shall mean Bonds authorized pursuant to Article II of this Resolution the interest on which is excludable from the gross income of the holder thereof for federal income tax purposes.

**"Taxable Bonds"** shall mean Bonds authorized pursuant to Article II of this Resolution which are not Tax Exempt Bonds.

**"Underwriters"** shall mean any or all of the following Goldman Sachs & Co., BofA Securities, Inc., Citigroup Global Markets Inc., Barclays Bank, Plc, and Wells Fargo Bank, National Association, and such other underwriting firms as determined by the General Manager and set forth in the Purchase Contract and execution of the Purchase Contract as provided herein shall be conclusive evidence of such approval.

**"Variable Rate Refunded Bonds"** shall mean all or a portion of the Variable Rate Utilities System Revenue Bonds included on Schedule "2" attached hereto that are refunded with proceeds of the 2019 Series D Bonds.

**1.03. Authority for this Resolution.** This Resolution is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article II, Article X and Article XI of the Master Resolution, and other applicable provisions therein.

**1.04. Findings.** It is hereby ascertained, determined and declared that:

1. Pursuant to the Master Resolution, the City may issue Refunding Bonds for the purpose of refunding the Refunded Bonds and paying costs of issuance related thereto.

2. Pursuant to the Master Resolution, the City may defease the Cash Defeased Bonds with cash of the City and may terminate outstanding interest rate hedge agreements related to certain outstanding Bonds.

3. The City deems it necessary and in its best interest to issue and sell the 2019 Series D Bonds for the purpose of refunding the Variable Rate Refunded Bonds and paying costs of issuance related thereto upon satisfying the parameters set forth herein, in order to achieve a fixed interest rate and thereby reduce the risk of changes in the variable interest rate on the Variable Rate Refunded Bonds.

4. The City deems it necessary and in its best interest to issue and sell the 2019 Series E Bonds for the purpose of refunding the Fixed Rate Refunded Bonds and paying costs of issuance related thereto upon satisfying the parameters set forth herein in order to achieve debt service savings.

5. Because of the characteristics of the Series 2019 Bonds, prevailing and anticipated volatile market conditions, and savings and benefits to be realized from an expeditious sale of the Series 2019 Bonds, and taking into account the advice of PFM Financial Advisors LLC, the financial advisor to the City (the "Financial Advisor"), assuming the offer shall be made within the parameters for the terms of the Series 2019 Bonds hereinafter described, it shall be in the best interest of the City to accept the offer of the Underwriters to purchase the Series 2019 Bonds at a negotiated sale upon the terms and conditions outlined herein.

6. The City desires to delegate the award and sale of the Series 2019 Bonds and certain other matters hereunder to the General Manager or the Chief Financial Officer or such other Authorized Officer within the parameters set forth in this Resolution.

7. The City has previously entered into a Master Agreement, Schedule and Credit Support Annex with Goldman Sachs Bank USA (the "GS Counterparty"), each dated as of November 2, 2017, and thereafter entered into a trade confirmation with a trade date of November 7, 2017 in an original notional amount of \$105,000,000 (the transaction is referred to herein as the "GS Swap") pursuant to which the GS Counterparty pays a variable rate of interest and the GS Counterparty receives from the City a fixed rate of interests and the GS Swap includes an option of the City to terminate the GS Swap without payment of a termination fee on October 1, 2027 (the "Initial Cancellation Option Date") and semiannually thereafter until October 1, 2044, such transaction acting as an interest rate hedge with respect to the Variable Rate Utilities System Revenue Bonds, 2017 Series B (the "2017 Series B Bonds").

8. The City has determined that it may be advantageous to amend the GS Swap to extend the Initial Cancellation Option Date of the GS Swap in return for either an upfront payment or a reduction in the fixed rate interest rate of the GS Swap payable by the City to the GS Counterparty, subject to the parameters set forth herein.

9. The City deems it necessary and in its best interest to cash defease the Cash Defeased Bonds and pay the costs associated therewith with legally available funds of the Utility System upon satisfying the parameters set forth herein.

10. The City wishes to hedge its floating interest rate risk under all or a portion of the Synthetic Fixed Rate Bonds or to provide for a forward starting synthetic fixed rate payable by the City which will be used in connection with the expected issuance of a future floating rate Series of Bonds, in each case by entering into a Master ISDA Agreement and



Schedule and a Credit Support Annex reflecting the terms outlined in the Credit Support Annex Term Sheet, all in forms substantially as attached hereto as composite Exhibit F (collectively, the "Swap Documents") with the successful bidder or bidders pursuant to a bidding process heretofore initiated by the City (the "Counterparty"), and to enter into trade confirmations with respect thereto (collectively, the "Confirmation"), upon satisfying the conditions set forth herein (collectively, the "Swap").

11. The Swap Documents and Confirmation will collectively constitute Qualified Hedging Contracts, and the obligations thereunder (to the extent scheduled) will constitute Parity Hedging Contract Obligations under the Master Resolution and the termination payments and other Hedge Charges due thereunder shall constitute Subordinated Hedging Contract Obligations for purposes of the Master Resolution.

12. The City desires to delegate to the General Manager and Chief Financial Officer, or either of them, subject to the delegation parameters and limitations set forth herein, the authority to complete the negotiation of the Swap Documents, the Confirmation and the Swap, and to pay any associated costs from legally available funds of the City.

## ARTICLE II AUTHORIZATION OF SERIES 2019 BONDS

**2.01. Principal Amount, Designation of Series and Description of Series 2019 Bonds.** Pursuant to the provisions of the Master Resolution, a Series of Bonds is hereby authorized in an aggregate principal amount which will not exceed \$660,000,000 and shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Utilities System Revenue Bonds, 2019 Series D" with such additional identifying information as the General Manager may determine. Pursuant to the provisions of the Master Resolution, a second Series of Bonds is hereby authorized in an aggregate principal amount which will not exceed \$890,000,000 and shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Utilities System Revenue Bonds, 2019 Series E" with such additional identifying information as the General Manager may determine, including whether such Bonds are Taxable Bonds. The General Manager may authorize the modification of the name or series designation of the Series 2019 Bonds, as deemed appropriate, with the approval of such modification to be evidenced by the execution of the Purchase Contract showing such modification. The series designation of the Series 2019 Bonds may be changed by the addition of a letter or letters or a numeral or numerals to reflect the issuance of the 2019 Series D Bonds and/or 2019 Series E Bonds in more than one series, if applicable, or to reflect the year of issuance or to reflect that interest of such Series of Bonds is or is not excludable from the gross income of the holder thereof.

If both Series of Bonds are issued as Tax-Exempt Bonds notwithstanding anything to the contrary herein, the aggregate principal amount authorized herein may be aggregated in a single Series. Subject to the maximum principal amounts set forth above, the actual aggregate principal amount of each Series of the Series 2019 Bonds to be issued shall be determined by the General Manager or the Chief Financial Officer or such other Authorized Officer and execution of the Purchase Contract as provided herein shall be conclusive evidence of such approval.

If the date for the payment of principal of, or premium, if any, or interest on any Series 2019 Bonds shall be a day other than a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

The Series 2019 Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive Bondholder, in accepting any of the Series 2019 Bonds, shall be conclusively deemed to have agreed that such Series 2019 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Florida.

**2.02. Purpose.** The 2019 Series D Bonds are being issued for the purposes of (1) refunding the Variable Rate Refunded Bonds and (2) providing for the payment of the costs of issuance related to the 2019 Series D Bonds. The 2019 Series E Bonds are being issued for the purposes of (1) refunding the Fixed Rate Refunded Bonds, and (2) providing for the payment of the costs of issuance related to the 2019 Series E Bonds.

**2.03. Maturities and Interest; Certain Determinations with Respect to the Series 2019 Bonds.** The Series 2019 Bonds shall mature on such dates and in such respective principal amounts, and shall bear interest at such respective rate or rates per annum, payable semi-annually on each April 1 and October 1 commencing on such date as may be set forth in the applicable Purchase Contract. Fully registered Series 2019 Bonds shall bear interest from the respective Delivery Dates, or, if one or more payments of interest on the Series 2019 Bonds has or have theretofore been made or duly provided for, from the most recent interest payment date to which such interest has been paid or duly provided for. The 2019 Series D Bonds shall be issued as Tax-Exempt Bonds. The 2019 Series E Bonds, or portions thereof, shall be issued as either Taxable Bonds and/or Tax-Exempt Bonds as shall be determined by the General Manager, the Chief Financial Officer or another Authorized Officer, based on the advice of the Financial Advisor and Bond Counsel, and execution of each Purchase Contract as provided herein shall be conclusive evidence of such approval.

The General Manager or the Chief Financial Officer, or such other Authorized Officer, in reliance upon advice of the Financial Advisor, is hereby directed and authorized to award the sale of the Series 2019 Bonds to the Underwriters, and to approve the terms of the Series 2019 Bonds, including, without limitation, the date thereof, the aggregate principal amount thereof, the interest rate or rates with respect thereto, whether such Series 2019 Bonds shall be subject to redemption prior to maturity as provided in Article IV of the Master Resolution by operation of the Debt Service Fund from mandatory Sinking Fund Installments and/or serial bonds, the purchase price thereof, the maturity dates thereof and the redemption terms (including, without limitation, optional, mandatory and make-whole) with respect thereto, all such terms to be set forth in the Purchase Contract and to determine in consultation with the Financial Advisor, whether either or both Series of Series 2019 Bonds shall be issued (which issuance may occur on different dates) and the aggregate principal amount of Fixed Rate Refunded Bonds and Variable Rate Refunded Bonds to be refunded; provided, however, the Purchase Contract shall not be executed by the General Manager or Chief Financial Officer or such other Authorized Officer unless the following conditions have been satisfied:

(a) The execution and delivery of any Purchase Contract shall occur on or before September 30, 2020;

(b) the aggregate principal amount of the 2019 Series D Bonds (without regard to net original issue premium or discount) shall not exceed \$660,000,000 and the aggregate principal amount of the 2019 Series E Bonds (without regard to net original issue premium or discount) shall not exceed \$890,000,000;

(c) the final maturity of the 2019 Series D Bonds shall not be later than the final maturity of the Variable Rate Refunded Bonds being refunded thereby and the final maturity of the 2019 Series E Bonds shall not be later than the final maturity date of the Fixed Rate Refunded Bonds being refunded thereby;

(d) If the Tax-Exempt Bonds shall be subject to optional redemption (A) the first optional call date shall not be later than eleven (11) years from the Delivery Date, and (B) the highest Redemption Price at which the 2019 Series D Bonds may be so redeemed shall be not greater than 100% of the principal amount thereof, plus accrued interest to the date of redemption.

(e) If the Taxable Bonds shall be subject to optional redemption, (i) the Taxable Bonds may be subject to a make-whole redemption as set forth in the form of 2019 Series E Bond herein and a spread over the Treasury Rate (as defined in the form of the 2019 Series E Bonds) of not greater than 1.00% (100 basis points) ("Make-Whole Redemption"), and/or (ii) the Taxable Bonds may be subject to optional redemption (A) the first optional call date shall not be later than eleven (11) years from the Delivery Date, and (B) the highest Redemption Price at which the Taxable Bonds may be so redeemed shall be not greater than 100% of the principal amount thereof, plus accrued interest to the date of redemption; provided, however, the determination of whether the Taxable Bonds shall be subject to optional redemption provisions set forth in clause (i) or (ii) shall be determined by the General Manager, the Chief Financial Officer or another Authorized Officer, based upon the advice of the Financial Advisor, and the execution of the applicable Purchase Contract as provided herein shall be conclusive evidence of such approval.

(f) (i) the purchase price for the 2019 Series D Bonds to be paid by the Underwriters pursuant to the applicable Purchase Contract shall not be less than 97% of the original principal amount thereof (excluding original issue discount and original issue premium), and (ii) the purchase price for the 2019 Series E Bonds to be paid by the Underwriters pursuant to the applicable Purchase Contract shall not be less than 97% of the original principal amount thereof (excluding original issue discount and original issue premium);

(g) the interest rate on the 2019 Series D Bonds shall not exceed the lesser of a true interest cost rate of 5.00% or the maximum rate permitted by law;

(h) (i) the interest rate on the 2019 Series E Bonds shall not exceed the lesser of a true interest cost rate of 5.00% or the maximum rate permitted by law, and (ii) the

overall net present value savings achieved by refunding the Fixed Rate Refunded Bonds selected to be refunded shall be no less than 5.00% of the par amount of such Fixed Rate Refunded Bonds.

The applicable Escrow Deposit Agreement shall expressly identify which Fixed Rate Refunded Bonds shall be defeased, execution of the Escrow Deposit Agreement shall be conclusive evidence of such determination. The Bond Purchase Agreement for the 2019 Series D Bonds shall expressly identify which Variable Rate Refunded Bonds shall be defeased, execution of the Bond Purchase Agreement shall be conclusive evidence of such determination. The Variable Rate Refunded Bonds shall not include any such portion of the Variable Rate Refunded Bonds which the interest rate is synthetically fixed pursuant to a Qualified Hedging Contract in accordance with Article VI hereof.

The Fixed Rate Refunded Bonds shall not include any such portion of the Fixed Rate Refunded Bonds which a forward starting Qualified Hedging Contract is entered into in accordance with Article VI hereof.

**2.04. Redemption Provisions for Series 2019 Bonds.** 1. The Series 2019 Bonds may be subject to optional redemption prior to maturity at the option of the City, either as a whole or in part on the dates and at the Redemption Prices, if any, set forth in such Series 2019 Bonds and in the applicable Purchase Contract, in accordance with Section 2.03 hereof. Except as otherwise provided by the Series 2019 Bonds with respect to such Series of Bonds, if fewer than all of a Series of Series 2019 Bonds subject to optional redemption are called for optional redemption, such Series of Series 2019 Bonds or Sinking Fund Installment to be redeemed shall be selected in such order of maturity and manner as the City, in its discretion, shall determine, and (a) if not Make-Whole Bonds (as hereinafter defined), if less than all of the Series 2019 Bonds of a maturity or a Sinking Fund Installment shall be called for redemption, such Series 2019 Bonds or Sinking Fund Installment to be redeemed shall be selected by lot within such maturity and (b) if less than all of the Taxable Bonds subject to a Make-Whole Redemption (the "Make-Whole Bonds") of a maturity or a Sinking Fund Installment shall be called for redemption such Make-Whole Bonds or Sinking Fund Installment to be redeemed shall be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC Procedures, provided that, so long as the Make-Whole Bonds are held in book-entry form, the selection for redemption of such Make-Whole Bonds shall be made in accordance with the operational arrangements with DTC then in effect. The Series 2019 Bonds may also be subject to redemption prior to maturity as provided in Article IV of the Master Resolution by operation of the Debt Service Fund from mandatory Sinking Fund Installments which for the Series 2019 Bonds will match the mandatory redemption requirements for term bonds as set forth in the applicable Purchase Contract. In any event, the portion of Series 2019 Bonds to be redeemed in part shall be in principal amounts of \$5,000 or any integral multiple thereof.

2. Notwithstanding Section 405 of the Master Resolution, notice of redemption of the Series 2019 Bonds, may be given not more than sixty (60) days or less than twenty (20) days prior to the redemption date of the Series 2019 Bonds, and such notice may be given electronically. Notwithstanding any other provision hereof, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be

specified in such notice of optional redemption and may also be subject to rescission by the City if expressly set forth in such notice.

3. Notwithstanding any provision contained in the Bond Resolution to the contrary, the City shall have the option to cause the Series 2019 Bonds to be purchased in lieu of redemption on the applicable redemption date at a price equal to the then applicable redemption price, plus accrued interest thereon to, but not including, the date of such purchase. Such option may be exercised by delivery to the Paying Agent (if the Trustee is not the Paying Agent for such Series 2019 Bonds) on or prior to the Business Day preceding the redemption date of a written notice of the City specifying that the Series 2019 Bonds shall not be redeemed, but instead shall be subject to purchase pursuant to this paragraph with the moneys provided or to be provided by or on behalf of the City. Upon delivery of such notice, the Series 2019 Bonds shall not be redeemed but shall instead be subject to mandatory tender at the redemption price on the date that would have been the redemption date.

**2.05. Application of Proceeds of 2019 Series D Bonds.** In accordance with subsection (7) of paragraph 1 of Section 202, paragraph 2 of Section 203 and paragraph 3 of Section 204 of the Master Resolution, the net proceeds of the 2019 Series D Bonds, to the extent permitted under the Code and not otherwise provided by the City by a certificate of the General Manager, Chief Financial Officer or another Authorized Officer, delivered at or prior to the Delivery Date, together with certain legally available funds of the City, if any, shall be applied in the following manner:

(A) The amount necessary to pay the principal amount of Variable Rate Refunded Bonds, together with accrued interest and redemption premium, if any, to their respective maturity dates, or earlier redemption dates, shall be transferred to the paying agent for the payment of such Refunded Bonds in accordance with the resolution for such Refunded Bonds.

(B) An amount sufficient to pay costs of issuance of the 2019 Series D Bonds shall be applied by the City to pay such costs (any of which costs may be paid directly by the Underwriters).

No proceeds of the 2019 Series D Bonds shall be deposited into the Rate Stabilization Fund, the Debt Service Reserve Account or any subaccount therein.

**2.06. Application of Proceeds of 2019 Series E Bonds.** In accordance with subsection (7) of paragraph 1 of Section 202 and paragraph 3 of Section 204 of the Resolution, the net proceeds of the 2019 Series E Bonds, to the extent not otherwise provided by the City by a certificate of the General Manager, Chief Financial Officer or another Authorized Officer, delivered at or prior to the Delivery Date, together with certain legally available funds of the City, if any, shall be applied in the following manner:

(A) An amount necessary to advance refund the Fixed Rate Refunded Bonds shall be transferred to the Escrow Agent to be deposited under an Escrow Deposit Agreement or to the extent that any such Fixed Refunded Bonds may be redeemed on the delivery date of the 2019 Series E Bonds, the principal amount of such Fixed Rate Refunded Bonds, together with accrued interest and redemption premium, if any, to their respective maturity dates, or earlier redemption

dates, shall be transferred to the paying agent for the payment of such Refunded Bonds in accordance with the resolution for such Refunded Bonds.

(B) An amount sufficient to pay costs of issuance of the 2019 Series E Bonds shall be applied by the City to pay such costs (any of which costs may be paid directly by the Underwriters).

No proceeds of the 2019 Series E Bonds shall be deposited into the Rate Stabilization Fund, the Debt Service Reserve Account or any subaccount therein.

### **ARTICLE III APPROVAL OF DOCUMENTS**

**3.01. Authorization and Approval of Negotiated Sale of the Series 2019 Bonds and Execution of the Purchase Contract; Delegation of Authority to Determine Certain Matters in Connection Therewith.** The form of the Purchase Contract substantially in the form attached hereto as Exhibit A is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Purchase Contract by the General Manager, the Chief Financial Officer or any other Authorized Officer, executing the same, in a manner consistent with the provisions of this Resolution and subject to the terms hereof, such execution to be conclusive evidence of such approval. Upon compliance with the provisions in Section 2.03 herein and receipt of a disclosure statement and truth-in-bonding statement from the representative of the Underwriters meeting the requirements of Section 218.385, Florida Statutes, and subject to the other provisions of this Resolution, the Authorized Officer signing the same, with the advice of the Financial Advisor, is hereby authorized and directed to accept the offer of the Underwriters to purchase the Series 2019 Bonds, upon the terms, conditions and redemption provisions set forth in the Purchase Contract. Subject to the provisions set forth herein, the General Manager, the Chief Financial Officer or such other Authorized Officer, is hereby authorized to execute one or more Purchase Contracts for and on behalf of the City pursuant to the terms hereof and of such Purchase Contract and the Clerk is hereby authorized to attest such signature to the extent required by the form of such Purchase Contract, subject to the approval of the City Attorney as to form and legality.

**3.02. Authorization of Authentication.** U.S. Bank National Association, as Trustee under the Bond Resolution, is hereby requested and authorized to authenticate the Series 2019 Bonds in the aggregate principal amounts determined as provided in Section 2.03 hereof, and to deliver such Bonds to or on behalf of the Underwriters, upon payment for the account of the City of the sum specified in each Purchase Contract pursuant to the terms of the Bond Resolution and each such Purchase Contract.

**3.03. Preliminary Official Statement.** The City hereby authorizes the distribution and use of one or more Preliminary Official Statements in substantially the form attached hereto as Exhibit C in connection with offering the Series 2019 Bonds for sale. If between the date hereof and the mailing of the Preliminary Official Statement, it is necessary to make insertions, modifications or changes in the Preliminary Official Statement (including to reflect the sale of Series 2019 Bonds at more than one time), the General Manager or the Chief Financial Officer (or their designee) are each hereby authorized to approve such insertions, changes and

modifications. The General Manager or the Chief Financial Officer are each hereby authorized to deem each Preliminary Official Statement "final" within the meaning of Rule 15c2-12(b) under the Securities Exchange Act of 1934 in the form as mailed. Execution of a certificate by the General Manager or the Chief Financial Officer deeming each such Preliminary Official Statement "final" as described above shall be conclusive evidence of the approval of any insertions, changes or modifications.

**3.04. Official Statement.** Subject in all respects with the satisfaction of the conditions set forth in Section 2.03 hereof, the General Manager or such other Authorized Officer is authorized and directed to execute and deliver one or more Official Statements in the name and on behalf of the City, and thereupon to cause each such Official Statement to be delivered to the Underwriters with such changes, amendments, modifications, omissions and additions as may be approved by such Authorized Officers executing the same. Each such Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by such Authorized Officers and the information contained therein are hereby approved and authorized to be used in connection with the sale of the Series 2019 Bonds to the public. Execution by said Authorized Officers of each Official Statement shall be deemed to be conclusive evidence of approval of such changes.

**3.05. Secondary Market Disclosure.** The City hereby covenants and agrees that, in order to provide for compliance by the Underwriters with the secondary market disclosure requirements of Rule 15c2-12, the City will comply with and carry out all of the provisions of each Continuing Disclosure Certificate to be executed by the City upon the issuance of each Series of Series 2019 Bonds, as it may be amended from time to time in accordance with the terms thereof. Each Continuing Disclosure Certificate shall be substantially in the form of Exhibit D with such changes, amendments, modifications, omissions and additions as shall be approved by the General Manager or such other Authorized Officer, who is hereby authorized to execute and deliver such certificate. Execution by such Authorized Officer shall be deemed to be conclusive evidence of approval of such changes. Notwithstanding any other provision of this Resolution, failure of the City to comply with each such Continuing Disclosure Certificate shall not be considered an event of default under the Bond Resolution; provided, however, any Series 2019 Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Section 3.05 and the Continuing Disclosure Certificate applicable to such Series. For purposes of this Section 3.05, "Series 2019 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any Series 2019 Bond for federal income tax purposes.

**3.06. Approval of Escrow Deposit Agreement; Appointment of Escrow Agent; Purchase of Escrow Investments.** The Escrow Deposit Agreement to be utilized in connection with the refunding and redemption of the Fixed Rate Refunded Bonds and Cash Defeased Bonds, a form of which is attached hereto as Exhibit E, is hereby approved, subject to such changes, insertions and omissions and filling of blanks therein as may be approved and made in such form of such Escrow Deposit Agreement by the officers of the City executing the same, in a manner consistent with the provisions of this Resolution, such execution to be conclusive evidence of

such approval. Subject to the provisions set forth herein, the General Manager, the Chief Financial Officer or such other Authorized Officer, is hereby authorized to execute one or more Escrow Deposit Agreements for and on behalf of the City pursuant to the terms hereof and of such Escrow Deposit Agreements and the Clerk is hereby authorized to attest such signature to the extent required by the form of such Escrow Deposit Agreements, subject to the approval of the City Attorney as to form and legality. U.S. Bank National Association, is hereby appointed as Escrow Agent under each such Escrow Deposit Agreement and, to the extent applicable, is hereby authorized to subscribe for or to purchase on behalf of the Issuer securities for deposit under each such Escrow Deposit Agreement.

In connection with the refunding of the Fixed Rate Refunded Bonds and the Cash Defeased Bonds, each Authorized Officer is hereby authorized to cause proceeds of the 2019 Series E Bonds and/or other legally available funds, and earnings thereon, to be invested in United States Treasury Securities - State and Local Government Series ("SLGS") or other United States Treasury Securities or other obligations permitted to be used to accomplish the defeasance of the Fixed Rate Refunded Bonds and the Cash Defeased Bonds, as applicable, in such amounts, at such times, maturing at such times and having such rate or rates of interest as such officer shall determine is necessary or desirable; and any authorized officer of the escrow agent or the Financial Advisor (or an affiliate company of the Financial Advisor) is hereby authorized in the name and on behalf of the City to submit subscriptions to the Bureau of Public Debt of the United States Department of the Treasury for the purchase of book-entry form SLGS, and to take such other action as such person deems necessary or appropriate to effectuate such purposes or to purchase such other obligations, including, without limitation, the solicitation of bids for the sale of such securities to the City for deposit under the applicable Escrow Deposit Agreement and the engagement of the Financial Advisor (or an affiliate company of the Financial Advisor) or such other firm, to solicit such bids is hereby authorized. Each Authorized Officer is hereby authorized to amend or supplement any such Escrow Deposit Agreements to purchase such securities after the deposit of funds therein and to deliver such other certificates, notices and agreements necessary to accomplish the investment of such proceeds.

**3.07. Authorization to Amend Swap.** The General Manager, Chief Financial Officer or any Authorized Officer, upon the advice of the Financial Advisor (or an affiliate company of the Financial Advisor), are each hereby authorized to enter into documents to amend the GS Swap in order to extend the Initial Cancellation Option Date to a date not to exceed October 1, 2034 and to execute and deliver such agreements, documents and instruments on behalf of the City as may be necessary to evidence such amendments; provided, however, that no such documents to effect such amendment shall be executed and delivered unless (x)(i) the aggregate settlement payment to the City, exclusive of costs and expenses of the City incurred in connection therewith, is at least \$5,000,000, or (ii) the minimum annual savings based on a reduction in the fixed interest rate leg of the swap is at least \$200,000, and (y) such amendment shall be effective on or before September 30, 2020. The amendments referred to herein shall relate only to the GS Swap and shall not affect any other transactions of the City under any other agreements.

**3.08. Authorization to Defeas Bonds.** The General Manager, Chief Financial Officer or any Authorized Officers, upon the advice of the Financial Advisor (or an affiliate company of the Financial Advisor), are each hereby authorized to determine which Cash Defeased Bonds



shall be selected for defeasance and to use available cash of the Utility System to defease up to \$25,000,000 of the Cash Defeased Bonds and to deposit such amounts under an Escrow Deposit Agreement in the form approved under Section 3.06 hereof in amount sufficient, together with investment earnings thereon to pay the principal of, redemption premium if any, and interest thereon to their maturity or earlier redemption, provided, however, such defeasance must occur on or before September 30, 2020. The Escrow Deposit Agreement shall expressly identify which Cash Defeased Bonds shall be defeased, execution of the Escrow Deposit Agreement shall be conclusive evidence of such determination.

**3.09. Execution and Delivery of Series 2019 Bonds and Related Documents.** The Mayor of the City is hereby authorized to execute the Series 2019 Bonds on behalf of the City, subject to the approval of the City Attorney as to form and legality; *provided, however*, that the Series 2019 Bonds shall be executed and delivered pursuant to the Bond Resolution and applicable law. The Authorized Officers, collectively or individually, upon satisfaction of the conditions set forth herein, are hereby authorized to execute one or more Purchase Contracts, Continuing Disclosure Certificates, Escrow Deposit Agreements and Official Statements on behalf of the City, each subject to completion thereof, and with such changes therein as the officer(s) executing the same may approve as necessary and desirable and in the best interests of the City, such approval to be evidenced by the execution and delivery thereof, subject to the approval of the City Attorney as to form and legality. The City Clerk is hereby authorized to cause the seal of the City to be affixed to each of the Series 2019 Bonds and the foregoing documents and to attest the same. Such officers are each hereby authorized to deliver such Bonds and documents on behalf of the City. The Authorized Officers, individually and collectively and the officers, attorneys and other agents or employees of the City are each hereby authorized to do all acts and things required of them by the Bond Resolution, each Official Statement, Purchase Contract or Escrow Deposit Agreement or desirable or consistent with the requirements of the Bond Resolution, each Official Statement, Escrow Deposit Agreement or Purchase Contract for the full punctual and complete performance of all the terms, covenants and agreements contained herein or in each Series of Series 2019 Bonds, the Bond Resolution, each Official Statement, Escrow Deposit Agreement and Purchase Contract and each Authorized Officer, employee, attorney and officer of the City is hereby authorized and directed to execute and deliver any and all papers and instruments, and to be and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereunder.

**3.10. Further Actions.** Each Authorized Officer and the City Attorney is hereby authorized and empowered to execute and deliver or cause to be executed and delivered such other documents and opinions and to do all such acts and things as may be necessary or desirable in connection with the adoption of this Resolution and the approval, execution and delivery of each Purchase Contract, Continuing Disclosure Certificate and Escrow Deposit Agreement and the carrying out of their terms and the terms of the Bond Resolution, including without limitation the issuance, sale, execution and delivery of the Series 2019 Bonds, and the use of each Preliminary Official Statement and each Official Statement.

**ARTICLE IV**  
**ADDITIONAL PROVISIONS RELATING**  
**TO THE SERIES 2019 BONDS**

**4.01. Minimum Denominations, Dates, Numbers and Letters.** The Series 2019 Bonds shall be dated as of their date of issuance, shall be issued in the form of fully registered Bonds in the denomination of \$5,000 principal amount or any integral multiple thereof, shall be numbered consecutively from one upward in order of maturity within a Series and preceded by the letter "R," with such additional identifying information as the General Manager may determine, and shall bear interest from their date or dates of issuance payable on such dates as provided in Section 2.03 hereof. Interest on the Series 2019 Bonds will be computed on the basis of a 360-day year consisting of twelve-30 day months.

**4.02. Designation of the Series 2019 Bonds as Book Entry Bonds; Appointment of Securities Depository for the Series 2019 Bonds.** 1. Except as provided in paragraph 4 below, the Series 2019 Bonds are hereby authorized to be and shall be issued as Book Entry Bonds within the meaning of and subject to Section 309 of the Master Resolution.

2. DTC is hereby appointed as the initial Securities Depository for the Series 2019 Bonds.

3. The Series 2019 Bonds of each Series initially shall be issued in the form of a separate single, fully registered Bond in the amount of each separate stated maturity (and, if applicable, each interest rate within a maturity) of the Series 2019 Bonds, as applicable, registered in the name of Cede & Co. ("Cede"), as nominee of DTC. So long thereafter as DTC serves as Securities Depository for the Series 2019 Bonds, the registered holder of all Series 2019 Bonds shall be, and each of the Series 2019 Bonds shall be registered in the name of, Cede, as nominee of DTC. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of the Bond Resolution, the word "Cede" in this Resolution shall refer to such new nominee of DTC. So long as any of the Series 2019 Bonds is registered in the name of Cede, as nominee of DTC in its capacity as Securities Depository for the Series 2019 Bonds, all payments with respect to the principal or Redemption Price of, and interest on, such Series 2019 Bond and all notices with respect to such Series 2019 Bond shall be made or given to DTC as provided in the procedures of DTC as in effect from time to time.

4. With respect to the Series 2019 Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC, the City and the Bond Registrar shall have no responsibility or obligation to any direct or indirect participant in the DTC book-entry program (a "Participant"). Without limiting the immediately preceding sentence, the City and the Bond Registrar shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Series 2019 Bonds, (B) the delivery to any Participant or any other person other than a Series 2019 Bondholder, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Series 2019 Bonds, including any notice of redemption, or (C) the payment to any Participant or any other person, other than a Series 2019 Bondholder, as shown in the registration books kept by the Bond Registrar, of any amount with

respect to principal, interest or redemption premium, if any, of the Series 2019 Bonds. The City and the Bond Registrar may treat and consider the person in whose name each Series 2019 Bond is registered in the registration books kept by the Bond Registrar as the Holder and absolute owner of such Series 2019 Bond for the purpose of payment of principal, interest or redemption premium, if any, with respect to such Series 2019 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2019 Bond, for the purpose of registering transfers with respect to such Series 2019 Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal, interest or redemption premium, if any, of the Series 2019 Bonds only to or upon the order of the respective Owners, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided herein and in the Bond Resolution and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal, interest or redemption premium, if any, of the Series 2019 Bonds to the extent of the sum or sums so paid. No person other than a Holder of Bonds, as shown in the registration books kept by the Bond Registrar, shall receive a certificated Series 2019 Bond evidencing the obligation of the City to make payments of principal, interest or redemption premium, if any, pursuant to the provisions hereof.

5. (a) DTC may determine to discontinue providing its services as Securities Depository for the Series 2019 Bonds at any time by giving reasonable notice thereof to the City or the Trustee. Upon the discontinuance of the services of DTC as Securities Depository for the Series 2019 Bonds pursuant to the preceding sentence, the City may within 90 days thereafter appoint a substitute securities depository which, in the opinion of the City, is willing and able to undertake the functions of Securities Depository under the Bond Resolution upon reasonable and customary terms. If no such successor can be found within such period, the Series 2019 Bonds no longer shall be restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository.

(b) In the event that the Series 2019 Bonds no longer shall be restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository as provided in subparagraph (a) of this paragraph 5, (i) the City shall execute and the Trustee shall authenticate and deliver, upon presentation and surrender of the Series 2019 Bonds as requested by the Securities Depository therefor of like Series, aggregate principal amount, maturity and interest rate, in authorized denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Series 2019 Bonds and (ii) the Bond Registrar shall notify the Paying Agents that the Series 2019 Bonds no longer are restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository.

**4.03. Place of Payment and Paying Agents.** Except as provided in Section 309 of the Master Resolution and Section 4.02 hereof, the principal and Redemption Price of the Series 2019 Bonds shall be payable at the designated corporate trust office of U.S. Bank National Association, and such institution is hereby appointed Paying Agent for the Series 2019 Bonds. Except as provided in Section 309 of the Master Resolution and Section 4.02 hereof, the principal and Redemption Price of the Series 2019 Bonds also shall be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Bond Resolution. Except as provided in Section 309 of the

Master Resolution and Section 4.02 hereof, interest on the Series 2019 Bonds shall be payable by check or draft of the Trustee or wire transfer (or other electronic payment method), as Paying Agent, mailed to the persons entitled thereto at the addresses of such persons shown on the registration books of the City kept for that purpose at the designated corporate trust office of the Trustee, as Bond Registrar. U.S. Bank National Association is hereby requested to execute an acceptance of the office of Paying Agent for the Series 2019 Bonds in substantially the form attached hereto as Exhibit B.

**4.04. Tax Covenants Relating to the Tax-Exempt Bonds.** It is the intention of the City and all parties under its control that the interest on Tax-Exempt Bonds issued hereunder be and remain excluded from gross income for federal income tax purposes and to this end the City hereby represents to and covenants with each of the holders of the Tax-Exempt Bonds issued hereunder that it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Tax-Exempt Bonds issued hereunder from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the City covenants and agrees:

(A) to the extent required by the Code, to make or cause to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount;

(B) to set aside sufficient moneys from the Revenues to timely pay the Rebate Amount to the United States of America;

(C) to pay, at the times and to the extent required under the Code, the Rebate Amount to the United States of America from the funds described in (B) above;

(D) to maintain and retain all records pertaining to the Rebate Amount with respect to the Tax-Exempt Bonds issued hereunder and required payments of the Rebate Amount with respect to the Tax-Exempt Bonds for at least six years after the final maturity of the Tax-Exempt Bonds or such other period as shall be necessary to comply with the Code;

(E) to refrain from taking any action that would cause the Tax-Exempt Bonds issued hereunder to become arbitrage bonds under Section 148 of the Code; and

(F) to refrain from using proceeds of the Tax-Exempt Bonds issued hereunder in a manner that would cause the Tax-Exempt Bonds or any of them to be classified as private activity bonds under Sections 141(a) and/or 141(d) of the Code.

The City understands that the foregoing covenants impose continuing obligations of the City that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code are applicable to the Tax-Exempt Bonds.

Notwithstanding any other provision of the Bond Resolution, the obligation of the City to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section shall survive the defeasance or payment in full of the Tax-Exempt Bonds.

Notwithstanding any other provision of the Bond Resolution to the contrary, (a) upon the City's failure to observe or refusal to comply with the above covenants, the Holders of the Tax-Exempt Bonds, or the Trustee acting on their behalf, shall be entitled to the rights and remedies provided to Bondholders under the Bond Resolution, other than the right (which is hereby abrogated solely in regard to the City's failure to observe or refusal to comply with the covenants of this Section) to declare the principal of all Tax-Exempt Bonds then outstanding, and the interest accrued thereon, to be due and payable and (b) neither the Holders of the Bonds of any Series other than the Tax-Exempt Bonds, nor the Trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to Bondholders under the Bond Resolution based upon the City's failure to observe, or refusal to comply with, the above covenants.

**ARTICLE V  
FORM OF BONDS**

**5.01. Form of Bonds; Trustee's Certificate of Authentication.** Subject to the provisions of the Bond Resolution, the form of the Series 2019 Bonds and the Trustee's certificate of authentication shall be of substantially the following tenor with such omissions, insertions, and variations as may be necessary and desirable, and as may be authorized or permitted by the Bond Resolution and approved by the Mayor and the Trustee:

No. R-\_\_\_\_ \$ \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF FLORIDA  
CITY OF GAINESVILLE  
UTILITIES SYSTEM REVENUE BOND,  
2019 SERIES [D][E] [(FEDERALLY TAXABLE)]**

**INTEREST RATE      MATURITY DATE      ORIGINAL ISSUE DATE      CUSIP**

Registered Owner:

Principal Amount: DOLLARS

**THE CITY OF GAINESVILLE, FLORIDA** (herein called the "City"), a municipal corporation organized and existing under and by virtue of the laws of the State of Florida, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner (named above) or registered assigns, on the Maturity Date (stated above), but solely from the funds pledged therefor, upon presentation and surrender of this bond at the office of U.S. Bank National Association (such bank and any successor thereto being referred to herein as the "Paying Agent"), the Principal Amount (stated above) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay, but solely from the funds pledged therefor, interest on such Principal Amount in like coin or currency from the Original Issue Date (stated above), or, if one or more payments of interest has or have theretofore been made or duly provided for, from the most recent interest payment date to which interest has been paid or duly provided for, payable on April 1 and October 1 in each year commencing \_\_\_\_\_ 1, 20\_\_\_\_, at a rate per annum

equal to the Interest Rate (stated above), until the City's obligation with respect to the payment of such Principal Amount shall be discharged. The interest so payable, and punctually paid or duly provided for, on any interest payment date will, as provided in the Resolution hereinafter referred to, be paid to the person in whose name this bond is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date, such payment to be made by check or draft or wire transfer (or other electronic payment method) of the Trustee hereinafter referred to, as Paying Agent, mailed to such person at the address shown on the registration books of the City kept for that purpose at the principal offices of the Trustee, as Bond Registrar. However, so long as this bond shall be restricted to being registered in the registration books of the City in the name of the Securities Depository (as defined in the Resolution) for this bond, the provisions of the Resolution governing Book Entry Bonds (as defined in the Resolution) shall govern the manner of payment of the principal or redemption price of, and interest on, this bond. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the person in whose name this bond is registered on the Regular Record Date, and shall be paid, in the manner described above, to the person in whose name this bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to holders of bonds of the series of which this bond is one not less than 10 days prior to such Special Record Date.

This bond is one of a duly authorized series of bonds of the City designated as its "Utilities System Revenue Bonds, 2019 Series [D][E] [(Federally Taxable)]" (herein sometimes called the "2019 Series [D][E] Bonds"), in the aggregate principal amount of \$ \_\_\_\_\_ issued pursuant to Chapter 90-394, Laws of Florida, 1990, as amended, and other applicable provisions of law (herein called the "Act") and under and pursuant to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Bond Resolution"), as amended and supplemented, including as supplemented by a resolution supplemental thereto authorizing, among others, the 2019 Series [D][E] Bonds (collectively with the Bond Resolution, the "Resolution"). As provided in the Resolution, bonds, notes or other evidences of indebtedness of the City may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Resolution provided. The aggregate principal amount of bonds, notes or other evidences of indebtedness which may be issued under the Resolution is not limited except as provided in the Resolution, and all bonds, notes or other evidences of indebtedness issued and to be issued under the Resolution are and will be equally secured by the Trust Estate (as hereinafter defined) and covenants made therein, except as otherwise expressly provided or permitted in the Resolution. All such bonds, notes or other evidences of indebtedness issued under and pursuant to the Resolution, as the same may be amended and supplemented from time to time, are hereinafter called the "Bonds".

As provided in the Resolution, the Bonds are direct and special obligations of the City payable solely from and secured as to payment of the principal or redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution solely by (i) the proceeds of the sale of the Bonds, (ii) the Revenues (as defined in the Resolution) and (iii) all Funds established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund and any fund which may be established pursuant to paragraph 2 of Section

502 of the Resolution), including the investments and income, if any, thereof (collectively, the "Trust Estate"), subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. Copies of the Resolution are on file at the office of the City and at the Corporate Trust Office of U.S. Bank National Association, as Trustee under the Resolution, or its successor as Trustee (herein called the "Trustee") and reference is made to the Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act for a description of the security interest, pledge and assignment and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and may be issued thereunder, and for the other terms and provisions thereof.

This bond is transferable, as provided in the Resolution, only upon the books of the City kept for that purpose at the above-mentioned office of the Trustee, as Bond Registrar, by the registered owner hereof in person, or by such owner's duly authorized attorney, upon surrender of this bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or such owner's duly authorized attorney, and thereupon a new fully registered bond or bonds, without coupons, and in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed. The City, the Trustee, the Bond Registrar and the Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The 2019 Series [D][E] Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any multiple of \$5,000 in excess thereof.

[Sinking fund redemption provisions to be inserted here, if applicable]

**[2019 Series D Bonds Only]** [The 2019 Series D Bonds [maturing on and after \_\_\_\_\_ 1, 20\_\_] [also] are subject to redemption prior to maturity at the election of the City, on and after \_\_\_\_\_ 1, 20\_\_, as a whole or in part at any time, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

If less than all of the 2019 Series D Bonds of like maturity are to be redeemed, the particular 2019 Series D Bonds or portions of such Bonds of such maturity (or Sinking Fund Installment) shall be selected by the Trustee in accordance with the Resolution.]

**[2019 Series E Bonds Only]** [The 2019 Series E Bonds of each maturity are subject to redemption at the option of the City in whole or in part pro-rata at any time at the Redemption Price that is the greater of (A) 100% of the principal amount of the 2019 Series E Bonds to be redeemed and (B) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2019 Series E Bonds to be redeemed, not including any portion of those payments of interest accrued unpaid as of the date on which the 2019 Series E Bonds are to be redeemed, discounted to the date on which the 2019 Series E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus [\_\_\_\_\_] basis points, plus, in each

case, accrued and unpaid interest on the 2019 Series E Bonds to be redeemed to but not including the redemption date.

"Treasury Rate" means, as of any redemption date for a 2019 Series E Bond, (i) the time-weighted interpolated average yield to maturity, assuming a 360-day year consisting of twelve 30-day months, for a term equal to the Make Whole Period of the yields of the two U.S. Treasury nominal securities at "constant maturity" (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that is publicly available not less than two (2) Business Days nor more than [45] calendar days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data reasonably selected by the Trustee most nearly equal to the period from the redemption date to the maturity date of such 2019 Series E Bond)) maturing immediately preceding and succeeding the Make Whole Period or (ii) if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury Securities adjusted to a constant maturity of one year. The Treasury Rate will be determined by the Calculation Agent.

The redemption price of the 2019 Series E Bonds to be redeemed pursuant to the make whole optional redemption provision described above will be determined by Calculation Agent or an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Trustee and the City may conclusively rely on such determination of redemption price by such Calculation Agent or independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

"Calculation Agent" means an independent accounting firm, investment banking firm or financial advisor retained by the City and compensated by the City at the City's expense to determine the redemption price of the 2019 Series E Bonds to be redeemed pursuant to the make whole optional redemption provisions above.

"Make Whole Period" means the period between the date of redemption of the 2019 Series E Bonds to be redeemed pursuant to the make whole redemption provisions and the maturity date.

If less than all of the 2019 Series E Bonds are to be so redeemed, the Trustee will select the 2019 Series E Bonds to be redeemed from the outstanding 2019 Series E Bonds on a pro-rata pass through distribution of principal basis, provided that, so long as the 2019 Series E Bonds shall be made in accordance with the operational arrangements of DTC then in effect and, if DTC operational arrangements do not allow for the redemption on a pro-rata pass-through distribution of principal basis, the 2019 Series E Bonds will be selected for redemption, in accordance with DTC procedures, by lot. The portion of any 2019 Series E Bonds of a denomination of more than \$5,000 to be redeemed will be on the principal amount of \$5,000 or any integral multiple thereof.]

The 2019 Series [D][E] Bonds are payable upon redemption at the above-mentioned office of the Paying Agent. Notice of redemption, setting forth the place of payment, shall be given by first-class mail, postage prepaid, to the registered owners of the 2019 Series



[D][E] Bonds not less than 20 days nor more than 60 days before the redemption date, but the failure to give notice by mail, or any defect in such notice, to the registered owner of any 2019 Series [D][E] Bond will not affect the validity of the proceedings for the redemption of any other 2019 Series [D][E] Bonds. If notice of redemption shall have been given as aforesaid and shall not have been rescinded or ceased to be in effect, the 2019 Series [D][E] Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the 2019 Series [D][E] Bonds and portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such 2019 Series [D][E] Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This Bond does not constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any constitutional or statutory provision or limitation of indebtedness. It is expressly agreed by the holders of this bond that (a) no holder shall ever have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal of or interest on this bond or the making of any payments provided for in the Resolution, and (b) this Bond and the obligation evidenced thereby shall not constitute a lien upon any property of or in the City, but shall constitute a lien only on the Trust Estate in the manner provided in the Resolution.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the issue of Bonds of which this is one, together with all other indebtedness of the City, complies in all respects with the applicable laws of the State of Florida including, particularly, the Act.

This bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

**IN WITNESS WHEREOF, THE CITY OF GAINESVILLE, FLORIDA** has caused this bond to be signed in its name and on its behalf by the manual or facsimile signature of its Mayor, and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Clerk of the Commission.

THE CITY OF GAINESVILLE, FLORIDA

\_\_\_\_\_  
Mayor

Dated:

Attested:

\_\_\_\_\_  
Clerk of the Commission

Approved as to Form and Legality:

\_\_\_\_\_  
City Attorney

**[FORM OF CERTIFICATE OF AUTHENTICATION  
ON SERIES 2019 BONDS]**

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the within-mentioned Resolution.

**U.S. BANK NATIONAL ASSOCIATION,**  
Trustee

By: \_\_\_\_\_  
Authorized Officer

**ARTICLE VI  
SYNTHETIC FIXED RATE BONDS**

**6.01. Authorization Swap Documents; Delegation.** The Swap Documents, each in the form attached hereto as composite Exhibit "F" are hereby approved. The General Manager and the Chief Financial Officer are, or either of them is, upon the recommendation of the Swap Advisor and Financial Advisor, hereby authorized and directed to conduct a negotiated bid of the Swap with counterparties designated by the Swap Advisor, to select the successful bidder(s), to complete the negotiation of the Swap Documents, including the full negotiation of the Schedule, the Credit Support Annex and the Confirmation and the approval of changes to the Swap Documents and Confirmation as they deem necessary, and to effectuate one or more interest rate hedges thereunder that will (x) convert the floating rate of all or a portion of the Synthetic Fixed

Rate Bonds to a synthetic fixed rate through the scheduled maturity date of such Synthetic Fixed Rate Bonds (referred to herein as the "Synthetic Fixed Rate Transaction"), and/or (y) provide for a forward starting synthetic fixed rate payable by the City which will be used in connection with the expected issuance of a future floating rate Series of Bonds (the "Future Bonds"), the proceeds of which when issued will be used to refund all or any portion of the Fixed Rate Refunded Bonds (referred to herein as the "Forward Starting Swap Transaction"), all in accordance with the delegation parameters set forth below. Such officers, or either of them, are further authorized to negotiate and execute all Swap Documents and Confirmations and other documents necessary or related to effectuate the Swap, including without limitation, Dodd Frank Protocols and related documentation, and to take such further action, all as may be necessary or desirable to effectuate the Swap, provided in each case that the parameters described herein are satisfied. The Synthetic Fixed Rate Bonds to which the Synthetic Fixed Rate Transaction would apply shall not include such portion of the Synthetic Fixed Rate Bonds which are refunded with proceeds of the 2019 Series D Bonds. The Fixed Rate Refunded Bonds to which the Forward Swap Transaction would apply shall not include such portion of the Fixed Rate Refunded Bonds which are refunded with proceeds of the 2019 Series E Bonds.

The City acknowledges that the London Interbank Offered Rate, commonly referred to as "LIBOR", as a reference index published by International Continental Exchange Benchmark Administration Ltd. ("ICE") as a sponsor, is expected to be cease to be required to be determined by the participating reference banks by the end of 2021 and a substitution rate and equivalency factors have not been commonly agreed to in the market. Thus, the City hereby delegates to the General Manager and the Chief Financial Officer, in consultation with the Financial Advisor and Swap Advisor, the authority to the negotiate and determine (i) an appropriate substitution rate, whether now existing or subsequently developed, that is deemed approximately equivalent to LIBOR and other related adjustments and amendments to either or both of the fixed rate or variable portions of the swap as may be necessary and appropriate for the implementation and administration of the replacement index, and (ii) an appropriate effective date of the substitution rate (which could become immediately effective upon determination that LIBOR as a reference rate is no longer reliable or unascertainable), each of which may be determined by a LIBOR fallback protocol to be published by the International Swaps and Derivatives Association.

**6.02. Delegation Parameters.** The Swap Documents and Confirmation shall not be executed by the General Manager or the Chief Financial Officer and the Swap shall not be effectuated, until such time as the following conditions have been satisfied:

(i) Each Counterparty shall constitute a Qualified Hedging Contract Provider and each Swap (as evidenced by the Swap Documents and Confirmation) shall constitute a Qualified Hedging Contract under the General Bond Resolution;

(ii) The termination date of the Swap shall not be later than the final maturity date of the applicable Synthetic Fixed Rate Bonds (or the latest maturity if more than one Series of Bonds is applicable to the Swap), and the notional amount of the Swap shall be equal to or less than, and shall amortize proportionally in accordance with, the amortization schedule for, the applicable portion of the Synthetic Fixed Rate Bonds for which such Swap applies;

(iii) (a) With respect to the Synthetic Fixed Rate Transaction, the fixed rate payable by the City under the Swap shall not exceed 3.25%; and (b) the floating rate payable by Counterparty shall be a variable rate based on 1-month LIBOR or SIFMA Municipal Swap Index (formerly the BMA Municipal Swap Index) (collectively, the "Index"), or such other comparable index as shall be recommended by the Swap Advisor; and

(b) With respect to the Forward Starting Swap Transaction, assuming that the Future Bonds were issued based on the fixed interest rate on the Swap and the notional amount of the Swap, the estimated overall net present value savings achieved by the proposed refunding such Fixed Rate Refunded Bonds selected to be refunded shall be no less than 5.00% of the par amount of such Fixed Rate Refunded Bonds;

(iv) The City may have the option to terminate either Swap without payment to either party, on such date(s) as shall be recommended by the Financial Advisor; provided, however if recommended by the Financial Advisor to have such right, the initial termination right with respect to the Synthetic Fixed Rate Transaction shall not be more than 11 years from the trade date of such Swap;

(v) The Swap may be secured by a Bilateral Credit Support Annex (New York Law), within the parameters described in the CSA Term Sheet attached as part of Exhibit A;

(vi) The scheduled payments due under the Swap shall constitute Parity Hedging Contract Obligations and the termination payments and other Hedge Charges due thereunder shall constitute Subordinated Hedging Contract Obligations for purposes of the General Bond Resolution; and

(vii) Any Swap shall be entered into by the City with a trade date on or before September 30, 2020.

The General Manager or the Chief Financial Officer may rely conclusively upon the Financial Advisor and Swap Advisor for a determination that the City has complied with the conditions provided in clauses (ii) through (v) above. The applicable Confirmation or a certificate of the General Manager or Chief Financial Officer shall expressly identify which Synthetic Fixed Rate Bonds shall be applicable to such Swap, and/or the Series of Fixed Rate Refunded Bonds to be refunded with such Future Bonds. The execution of the Confirmation or certificate shall be conclusive evidence of such determination.

**6.03. Pledge of Revenues.** The City hereby grants to each Counterparty a lien on the Trust Estate (as defined in the General Bond Resolution) to secure the City's obligations under the Swap as a Parity Hedging Contract Obligation in the manner and to the extent provided in the General Bond Resolution. In furtherance of the foregoing, the obligations of the City to make monthly payments under interest rate hedging transactions entered into pursuant to Swap are hereby designated as Parity Hedging Contract Obligations under the General Bond Resolution and shall be entitled to the rights and benefits of such obligations thereunder, and the obligations of the City to make any termination payments and any other Hedge Charges under the Swap are

hereby designated as Subordinated Hedging Contract Obligations under the General Bond Resolution, entitled to the benefits thereof on a parity with other obligations issued or incurred by the City under the Subordinated Bond Resolution.

**6.04. Further Actions.** Each Authorized Officer and the City Attorney is hereby authorized and empowered to execute and deliver or cause to be executed and delivered such other documents and opinions and to do all such acts and things as may be necessary or desirable in connection with the adoption of this Resolution and the execution and delivery of the Swap Documents and Confirmation, for the full punctual and complete performance of all the terms, covenants and agreements contained herein and in the Swap Documents and Confirmation and the Clerk is hereby authorized to attest such signatures to the extent required by the Swap Documents and Confirmation, subject to the approval of the City Attorney as to form and legality. The Authorized Officers, or their respective designees, the Clerk and the City Attorney are each hereby authorized and directed to execute and deliver any and all papers, instruments and opinions and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereunder.

## **ARTICLE VII MISCELLANEOUS PROVISIONS**

**7.01. Severability.** If any one or more of the covenants, agreements or provisions of this Resolution should be held to be contrary to any express provision of law or to be contrary to the policy of express law, though not expressly prohibited, or to be against public policy, or should for any reason whatsoever be held invalid, then such covenants, agreements, or provisions of, and in no way affect the validity of, all the other provisions of the Bond Resolution or of the Series 2019 Bonds.

**7.02. Effective Date.** This Resolution shall take effect immediately after its adoption by the City Commission of the City and the filing of a copy thereof certified by an Authorized Officer with the Trustee.

Thirty-Second Supplemental Utilities System Revenue Bond Resolution approved and adopted \_\_\_\_\_, 2019.

**CITY OF GAINESVILLE, FLORIDA**

---

Mayor

ATTESTED:

---

Clerk of the Commission

Approved as to Form and Legality:

---

City Attorney

#69883569\_v8

**EXHIBIT A**  
**PURCHASE CONTRACT**

\$ \_\_\_\_\_

**CITY OF GAINESVILLE, FLORIDA**

**UTILITIES SYSTEM REVENUE BONDS  
2019 SERIES D**

**UTILITIES SYSTEM REVENUE BONDS  
2019 SERIES E  
(FEDERALLY TAXABLE)**

\_\_\_\_\_  
**CONTRACT OF PURCHASE**  
\_\_\_\_\_

\_\_\_\_\_, 2019

The Honorable Mayor and Commissioners  
City of Gainesville, Florida  
City Hall  
200 East University Avenue  
Gainesville, Florida 32601

Honorable Mayor and Commissioners:

The undersigned, BofA Securities, Inc., [acting for and on behalf of ourselves and \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, (herein collectively, including the Representative (defined below), called the “Underwriters”)], offer to enter into this Contract of Purchase (the “Purchase Contract”) with you (the “City”) which, upon acceptance, will be binding upon the City and upon the Underwriters. [BofA Securities, Inc. has been duly authorized by the other Underwriters to execute this Purchase Contract as their representative (the “Representative”).] This offer is made subject to the City’s acceptance on or before 11:59 p.m., New York City time, on the date hereof or on such other date as shall be agreed to by the City and the Representative, and if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered in writing by the Representative to the City at any time prior to the acceptance hereof by the City. Capitalized terms used herein and not defined shall have the meanings given to such terms in the Preliminary Official Statement (as defined below).

**1. Purchase, Sale and Delivery of the 2019 Bonds.**

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the City, and the City hereby agrees to sell to the Underwriters, all (but not less than all) of its \$ \_\_\_\_\_ Utilities System Revenue Bonds, 2019 Series D (the “2019D Bonds”)



and \$ \_\_\_\_\_ Utilities System Revenue Bonds, 2019 Series E (Federally Taxable) (the “2019E Bonds” and together with the 2019D Bonds, the “2019 Bonds”). The 2019 Bonds will be dated, bear interest at the rates per annum and mature on the dates and in the amounts and will be subject to redemption as set forth in Exhibit A attached hereto. The purchase price for the 2019D Bonds, representing a par amount of \$ \_\_\_\_\_, plus/less [net] original issue premium/discount of \$ \_\_\_\_\_, less the Underwriters’ discount of \$ \_\_\_\_\_, shall be \$ \_\_\_\_\_. The purchase price for the 2019E Bonds, representing a par amount of \$ \_\_\_\_\_, less the Underwriters’ discount of \$ \_\_\_\_\_, shall be \$ \_\_\_\_\_.

(b) The 2019 Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in, Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the “Bond Resolution”), as amended and supplemented, including as supplemented and amended by Resolution No. \_\_\_\_\_, entitled Thirty-Second Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on \_\_\_\_\_, 2019 (the “Thirty-Second Supplemental Resolution”), authorizing the 2019 Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the “Resolution”). The 2019 Bonds are authorized to be issued pursuant to Chapter 166, Part II, Florida Statutes, and other applicable provisions of law (the “Act”), the Resolution, and the Charter of the City (the “Charter”). The 2019 Bonds will be direct and special obligations of the City payable solely from the Trust Estate (as defined in the Resolution) pledged therefor under the Resolution subject to the priorities described in the Resolution.

(c) The 2019 Bonds are being issued by the City for the primary purpose of (i) refunding the outstanding \_\_\_\_\_ and (ii) paying costs of issuance related thereto.

(d) The Preliminary Official Statement of the City, dated \_\_\_\_\_, 2019 (including all appendices thereto, and as it may be supplemented or amended) relating to the 2019 Bonds is herein called the “Preliminary Official Statement”. The City represents that it has deemed the Preliminary Official Statement “final as of its date” within the meaning of paragraph (b)(1) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for the omission of not more than the following information: offering price(s), interest rates(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery date(s) and other terms of the 2019 Bonds depending on such matters.

(e) The City shall prepare and deliver to the Underwriters, as promptly as practicable, but in any event not later than seven business days from the date hereof, a final official statement relating to the 2019 Bonds in substantially the form of the Preliminary Official Statement, with such changes and amendments as may be agreed to by the City and the Representative, in such quantities as the Representative may reasonably request in order to allow the Underwriters to comply with paragraph (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”) (such official statement, including the cover page and Appendices thereto, as the same may be supplemented or amended pursuant to clause (l) below,

is herein referred to as the “Final Official Statement”). In addition, the City will provide, subject to customary disclaimers regarding the transmission of electronic copies, an electronic copy of the Final Official Statement to the Underwriters in the currently required designated electronic format stated in MSRB Rule G-32 and the EMMA Dataport Manual (as defined below). The parties agree that the format in which the Preliminary Official Statement was delivered meets such electronic format requirements.

(f) Within one (1) business day after receipt of the Final Official Statement from the City, but by no later than the Closing Date (as defined below), the Representative shall, at its own expense, submit the Final Official Statement to EMMA (as defined below). The Representative will comply with the provisions of MSRB Rule G-32, including without limitation the submission of Form G-32 and the Final Official Statement and notify the City of the date on which the Final Official Statement has been filed with EMMA.

“EMMA” means the MSRB’s Electronic Municipal Market Access system, or any other electronic municipal securities information access system designated by the MSRB for collecting and disseminating primary offering documents and information.

“EMMA Dataport Manual” means the document(s) designated as such published by the MSRB from time to time setting forth the processes and procedures with respect to submissions to be made to the primary market disclosure service of EMMA by underwriters under Rule G-32(b).

(g) The City hereby authorizes the Underwriters to use and distribute the Preliminary Official Statement, the Final Official Statement, the Resolution and this Purchase Contract and all information contained in each thereof, and all other documents, certificates and statements furnished by the City to the Underwriters in connection with the transactions contemplated by this Purchase Contract, in connection with the offer and sale of the 2019 Bonds.

(h) The City agrees and acknowledges that: (i) with respect to the engagement of the Underwriters by the City, including in connection with the purchase, sale and offering of the Bonds, and the discussions, conferences, negotiations and undertakings in connection therewith, the Underwriters (a) are and have been acting as principals and not agents, municipal advisors, financial advisors or fiduciaries of the City and (b) has not assumed any advisory or fiduciary responsibility in favor of the City (irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters); (ii) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm’s length commercial transaction between the City and the Underwriters and the Underwriters have financial and other interests that differ from those of the City; (iii) the City has consulted its own legal, accounting, tax, financial and other advisors to the extent it has deemed appropriate; and (iv) this Purchase Contract expresses the entire relationship between the parties hereto.

(i) The Underwriters, subject to Section 3 herein, intend to make a bona fide initial public offering of all the 2019 Bonds at prices no higher than, or yields not lower than, those

shown in the Final Official Statement. Subject to Section 3 herein, the Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the 2019 Bonds. Subject to Section 3 herein, the Underwriters may offer and sell the 2019 Bonds to certain dealers (including dealers depositing the 2019 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Final Official Statement.

(j) The Representative has wire transferred to the City at or prior to the execution hereof by the City \$\_\_\_\_\_ (the “Good Faith Deposit”) as security for the performance by the Underwriters of their obligations to accept delivery of and pay for the 2019 Bonds at the Closing Date in accordance with the provisions of this Purchase Contract. The Good Faith Deposit will be applied (exclusive of any interest earned on the Good Faith Deposit) as a credit towards the purchase price for the 2019 Bonds. In the event the City does not accept this offer, or upon the City’s failure to deliver the 2019 Bonds at the Closing Date for reasons other than a default by the Underwriters, or if the conditions to the obligations of the Underwriters contained in this Purchase Contract shall be unsatisfied (unless waived by the Underwriters), or if such obligations shall be terminated by the Underwriters for any reason permitted by this Purchase Contract, such Good Faith Deposit plus interest earned thereon by the City shall be immediately returned to the Representative. In the event that the Underwriters fail (other than for a reason permitted under this Purchase Contract) to accept delivery of and pay for the 2019 Bonds at the Closing hereinafter referred to, such sum shall constitute full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and shall constitute a full release and discharge of all claims and rights hereunder of the City against the Underwriters. Except as set forth in Section 4 hereof, no party hereto shall have any further rights against any other hereunder. It is understood by both the City and the Underwriters that actual damages in the circumstances as described in the preceding sentence may be difficult or impossible to compute; therefore, the funds represented by the Good Faith Deposit are a reasonable estimate of the liquidated damages in this type of situation. Accordingly, the Underwriters hereby waive any right to claim that the City’s actual damages are less than such amount, and the City’s acceptance of this offer shall constitute a waiver of any right the City may have to additional damages from the Underwriters.

(k) [Reserved].

(l) The City further agrees that if on or prior to the 25th day after the “end of the underwriting period,” as such expression is used in Rule 15c2-12, the City becomes aware of any fact or event which might or would cause the Final Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, the City will notify the Representative thereof and, if in the opinion of the City or the Representative such event or events described in any such notice require a supplement or amendment to the Final Official Statement, the City will supplement or amend the Final Official Statement in a manner approved by the City and the Representative (such approvals not to be unreasonably delayed or withheld) and will thereafter until the end of such 25-day period provide the Representative with

copies of the Final Official Statement, as so amended or supplemented, in sufficient quantities to allow the Underwriters to comply with the requirements referred to in paragraph (e) of this Section 1, subject to Section 4 hereof as to the payment of the expenses therefor. Unless otherwise provided in writing by the Representative to the City on the Closing Date that the Underwriters retain directly, or as a member of an underwriting syndicate, an unsold balance of the 2019 Bonds, the end of the underwriting period shall be the Closing Date, but in no event later than 90 days after the Closing Date.

(m) At 10:00 a.m., New York City time, on \_\_\_\_\_, 20\_\_ or at such earlier or later time or date as shall be agreed upon by the Representative and the City (such time and date being herein referred to as the “Closing Date”), the City will deliver or cause to be delivered to or on behalf of The Depository Trust Company (“DTC”), on behalf of the Underwriters, the 2019 Bonds in definitive form (all 2019 Bonds bearing CUSIP numbers), duly executed by the City, and authenticated by U.S. Bank National Association, as trustee (the “Trustee”), and the City will deliver to the Representative at such location as shall be agreed upon by the City and the Representative, the other documents herein mentioned; the Underwriters will accept such delivery and pay the purchase price of the 2019 Bonds as set forth in paragraph (a) of this Section 1 by wire transfer of federal funds for the purchase of the 2019 Bonds, in an amount equal to the difference between said purchase price and the amount of the Good Faith Deposit (such delivery and payment being hereinafter referred to as the “Closing”).

Copies of the 2019 Bonds, as duly executed by the City but prior to authentication, shall be made available to the Representative not later than one business day before the Closing Date for the purpose of inspection. The 2019 Bonds of each Series shall be issued initially in the form of a separate, fully registered bond in the amount of each separate stated maturity thereof, registered in the name of Cede & Co., as nominee of DTC.

**2. Representations, Warranties and Agreements of the City.** The City hereby represents and warrants to and agrees with the Underwriters that:

(a) The City is duly organized and validly existing as a municipal corporation under the Constitution and laws of the State of Florida, including the Charter, and has, and at the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Contract and a Continuing Disclosure Certificate, dated the Closing Date, relating to the 2019 Bonds in substantially the form attached to the Final Official Statement (the “Continuing Disclosure Certificate” and, together with this Purchase Contract, the “City Documents”), (ii) to adopt the Resolution, (iii) to pledge the Trust Estate as set forth in the Resolution, (iv) to issue, sell and deliver the 2019 Bonds to the Underwriters pursuant to the Resolution, as provided herein, (v) to operate the System (as defined in the Resolution) and conduct the business thereof as set forth in and contemplated by the Final Official Statement, and (vi) to carry out, give effect to and consummate the transactions contemplated by this Purchase Contract, the Resolution, the Preliminary Official Statement, the Final Official Statement and the Continuing Disclosure Certificate;

(b) The City has complied, and will at the Closing Date be in compliance, in all material respects with the Charter, the Act, the Constitution of the State of Florida and the Resolution as directly or indirectly affects the issuance of the 2019 Bonds or the validity thereof, the validity or adoption of the Resolution, or the execution and delivery of the 2019 Bonds, this Purchase Contract, the Final Official Statement, and the Continuing Disclosure Certificate, or other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof;

(c) The City has duly and validly adopted the Resolution, has duly authorized and approved the execution and delivery of the 2019 Bonds, this Purchase Contract, the Final Official Statement, and the Continuing Disclosure Certificate, and has duly authorized and approved the performance by the City of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of said documents, and at the Closing Date the 2019 Bonds, the Resolution, this Purchase Contract, and the Continuing Disclosure Certificate will constitute the valid, legal and binding obligations of the City enforceable against the City in accordance with their respective terms, subject to the effect of, and restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights and judicial discretion and the valid exercise of the sovereign police powers of the State of Florida and the constitutional power of the United States of America, and the Resolution will be in full force and effect;

(d) The City is not in breach of or in default under any constitutional provision, applicable law or administrative rule or regulation of the State of Florida, the United States, or of any department, division, agency or instrumentality of either thereof or any applicable court or administrative decree or order, or any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the City is a party or by which the City or any of the property or assets of the System is otherwise subject or bound which in any material way, directly or indirectly, affects the issuance of the 2019 Bonds, or the validity thereof, the validity or adoption of the Resolution, or the execution and delivery of the 2019 Bonds, this Purchase Contract, the Final Official Statement, or the Continuing Disclosure Certificate, or other instruments contemplated by any such documents to which the City is a party, and compliance with the provisions of each thereof will not conflict with or constitute a breach of or default under any constitutional provision, applicable law or administrative rule or regulation of the State of Florida, the United States, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the City is a party or by which the City or any of the property or assets of the System is otherwise subject or bound;

(e) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the due performance by the City of its obligations under the

Resolution, the 2019 Bonds, this Purchase Contract, and the Continuing Disclosure Certificate, have been obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the “Blue Sky” or securities laws of any state in connection with the offering and sale of the 2019 Bonds;

(f) The 2019 Bonds, the Resolution, the Continuing Disclosure Certificate, conform to the descriptions thereof contained in the Preliminary Official Statement and to be contained in the Final Official Statement, and the 2019 Bonds, when delivered in accordance with the Resolution and paid for by the Underwriters on the Closing Date as provided herein, will be validly issued and outstanding direct and special obligations of the City entitled to all the benefits and security of the Resolution;

(g) The Preliminary Official Statement (except for any information about book-entry, DTC, provider of a reserve surety policy, if any, the information contained under the caption “UNDERWRITING” and the additional following information: offering price(s), interest rates(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery date(s) and other terms of the 2019 Bonds depending on such matters) as of its date and (as supplemented pursuant to Section 1(l)) as of the date of this Purchase Contract is, and the Final Official Statement (except for any information about book-entry, DTC, provider of a reserve surety policy, if any, and the information contained under the caption “UNDERWRITING”) will be, as of the date of its delivery to the Underwriters and (as supplemented pursuant to Section 1(l)) as of the Closing Date, true, correct and complete in all material respects and the Preliminary Official Statement (except for any information about book-entry, DTC, provider of a reserve surety policy, if any, the information contained under the caption “UNDERWRITING” and the additional following information: offering price(s), interest rates(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery date(s) and other terms of the 2019 Bonds depending on such matters) as of its date and (as supplemented pursuant to Section 1(l)) as of the date of this Purchase Contract did not and the Final Official Statement (except for any information about book-entry, DTC, provider of a reserve surety policy, if any, and the information contained under the caption “UNDERWRITING”) will not, as of the date of its delivery to the Underwriters and (as supplemented pursuant to Section 1(l)) as of the Closing Date, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading;

(h) The Resolution creates a legally valid and binding pledge of the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof on the terms and conditions set forth in the Resolution;

(i) Except as described in the Preliminary Official Statement and as may be described in the Final Official Statement, no action, suit or proceeding, at law or in equity, and to the knowledge of the City, no inquiry or investigation before or by any court, public board or body, is pending or, to the knowledge of the City, threatened or notice received of any investigation by a regulatory agency, in any way affecting the existence of the City or the titles

of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the 2019 Bonds or the application of the proceeds of the 2019 Bonds or the collection or application of the Revenues (as defined in the Resolution) of the System as described in the Preliminary Official Statement and as will be described in the Final Official Statement, or the pledge of the Trust Estate pursuant to the Resolution, or in any way contesting or affecting the validity or enforceability of the 2019 Bonds, the Resolution, this Purchase Contract or the Continuing Disclosure Certificate, or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement or the powers of the City or its authority with respect to the 2019 Bonds, the adoption of the Resolution or the execution and delivery of this Purchase Contract, the Continuing Disclosure Certificate, or any action of the City contemplated by any of said documents, or which would adversely affect the exclusion of interest paid on the 2019D Bonds from gross income for federal income tax purposes, nor, to knowledge the City, is there any basis therefor;

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Representative as the Representative may reasonably request to qualify the 2019 Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate; provided that in connection therewith the City shall not be required to file a general consent to service of process or qualify to do business in any jurisdiction;

(k) The audited financial statements of the System for the periods ended September 30, 2018 heretofore delivered to the Underwriters and contained in the Preliminary Official Statement and the Final Official Statement as Appendix B thereto, fairly present the financial position of the System as of the date indicated and the results of its operations for the periods specified, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied during the periods involved, except as otherwise expressly stated in the notes thereto;

(l) The City has the legal authority to apply the proceeds of the 2019 Bonds for the purposes contemplated by the Resolution, the Preliminary Official Statement, the Final Official Statement and the City Documents;

(m) Except as disclosed in the Preliminary Official Statement and the Final Official Statement, as required by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the “FFSC”), 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, provided, however, the City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer, as 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; and

(n) Any certificate signed by the General Manager for Utilities, or other authorized official or individual of the City, shall be deemed a representation and warranty by the City to the Underwriters as to the statements made therein.

(o) Except as disclosed in the Preliminary Official Statement and the Final Official Statement, the City has complied with all previous undertakings it made pursuant to Rule 15c2-12 during the past five years.

### **3. Establishment of Issue Price**

(a) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the 2019 Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2019 Bonds. All actions to be taken by the City under this section to establish the issue price of the 2019 Bonds may be taken on behalf of the City by the City’s municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal advisor.

(b) [Except as otherwise set forth in Exhibit B attached hereto,] The City will treat the first price at which 10% of each maturity of the 2019D Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Representative shall report to the City and the City’s municipal advisor the price or prices at which the Underwriters have sold to the public each maturity of 2019D Bonds. If at that time the 10% test has not been satisfied as to any maturity of the 2019D Bonds, the Representative agrees to promptly report to the City and the City’s municipal advisor the prices at which 2019D Bonds of that maturity have been sold by the Underwriters to the public.]

(c) [The Representative confirms that the Underwriters have offered the 2019D Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit B attached hereto, except as otherwise set forth therein. Exhibit B also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the 2019D Bonds for which the 10% test has not been satisfied and for which the City and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price



rule remains applicable to any maturity of the 2019D Bonds, the Underwriters will neither offer nor sell unsold 2019D Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriters have sold at least 10% of that maturity of the 2019D Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Securities to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the 2019D Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the 2019D Bonds.

(d) [The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the 2019D Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold 2019D Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the 2019D Bonds of that maturity or all 2019D Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the 2019D Bonds to the public, together with the related pricing wires, contains or will contain

language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the 2019D Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold 2019D Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the 2019D Bonds of that maturity or all 2019D Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.]

(e) The Underwriters acknowledge that sales of any 2019D Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2019D Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2019D Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2019D Bonds to the public),

(iii) a purchaser of any of the 2019D Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

**4. Conditions to the Obligations of the Underwriters and the City.** (a) The obligations of the Underwriters to accept delivery of and pay for the 2019 Bonds on the Closing Date shall be subject, at the option of the Underwriters, to the accuracy in all material respects of the representations and warranties on the part of the City contained herein as of the date hereof

and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(b) At the Closing Date, the Resolution shall have been duly adopted, and the Resolution, the 2019 Bonds, this Purchase Contract and the Continuing Disclosure Agreement shall be in full force and effect in accordance with their respective terms, and shall not have been repealed, amended, modified or supplemented, except as may have been agreed to in writing by the Representative, and there shall have been taken in connection therewith, with the issuance of the 2019 Bonds, and with the transactions contemplated thereby, and by this Purchase Contract, all such actions, as, in the opinion of Holland & Knight LLP, Lakeland, Florida (“Bond Counsel”), shall be necessary and appropriate for the issuance of the 2019 Bonds (excluding securities law matters with respect thereto);

(c) At the Closing Date, the Final Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative;

(d) Between the date hereof and the Closing Date, the market price or marketability of the 2019 Bonds, at the initial offering yields set forth in Exhibit A hereto, shall not have been materially adversely affected, in the judgment of the Representative (evidenced by a written notice to the City terminating the obligation of the Underwriters to accept delivery of and pay for the 2019 Bonds), by reason of any of the following:

(1) legislation enacted by or introduced in or favorably reported to either the House of Representatives or the Senate of the United States, or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation or official statement (final, temporary or proposed) issued or made (i) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing Federal income taxation upon the Revenues or upon such interest as would be received by the holders of the 2019D Bonds, or (ii) by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the 2019 Bonds are not exempt from registration under, or other requirements of, the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under, or other requirements of, the Trust Indenture Act of 1939, as amended, or that the offering or sale of the 2019 Bonds, or obligations of the general character of the 2019 Bonds, including any or all underlying arrangements as contemplated hereby or by the Final Official Statement, otherwise is or would be in violation of any applicable law, rule or regulation, including (without limitation) the Federal securities laws as amended and then in effect;

(2) the declaration of war or engagement in major hostilities (or the escalation of any hostilities existing on the date hereof) by the United States or the occurrence of any other national or international emergency or calamity relating to the effective operation of the government of or the financial community of the United States, it being agreed that no such situation currently exists;

(3) the declaration of a general banking moratorium by Federal, New York or Florida authorities or a material disruption in commercial banking or securities settlement or clearance services shall have occurred, or the general suspension of trading on any national securities exchange shall have occurred;

(4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restriction not now in force with respect to the 2019 Bonds or obligations of the general character of the 2019 Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or to the net capital requirements of, underwriters;

(5) the withdrawal or downgrading by a national rating agency of any long-term credit rating without credit enhancement, of any Bonds (as defined in the Resolution);

(6) the adoption of any amendment to the Federal or Florida Constitution, decision by any Federal or Florida court, or enactment by any Federal or Florida legislative body materially adversely affecting the validity or enforceability of this Purchase Contract, the 2019 Bonds or the Resolution; or

(7) any event occurring, or information becoming known, which makes untrue in any material respect any statement or information contained in the Final Official Statement, or has the effect that the Final Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and the Final Official Statement is not amended in accordance with Section 1(e);

(e) At or prior to the Closing Date, the Representative shall have received two counterpart originals of the following documents, in each case satisfactory in form and substance to the Representative:

(1) The Final Official Statement, executed on behalf of the City by the General Manager for Utilities;

(2) A copy of the Resolution, certified by the Clerk of the Commission that it is a true, correct and complete copy of the one duly adopted or authorized by the City and

that it has not been amended, modified or rescinded and is in full force and effect as of the Closing Date;

(3) The unqualified approving opinion of Bond Counsel, dated the Closing Date and addressed to the City, in substantially the form attached as Appendix E to the Final Official Statement (the “Bond Opinion”);

(4) An opinion of Bond Counsel, dated the Closing Date and addressed to the Representative, in the form attached hereto as Exhibit C;

(5) An opinion of Bryant Miller Olive P.A., Tampa, Florida, in its role as disclosure counsel (“Disclosure Counsel”), dated the Closing Date and addressed to the City, in the form attached hereto as Exhibit D, with a reliance letter addressed to the Representative;

(6) An opinion, dated the Closing Date and addressed to the Representative, of Nixon Peabody LLP, New York, New York counsel for the Underwriters, in the form attached hereto as Exhibit E;

(7) An opinion, dated the Closing Date and addressed to the City, Bond Counsel and the Representative, of the office of the City Attorney, which may state that except as otherwise stated, it is limited to the laws of the State of Florida, to the effect that (i) the City is a municipal corporation of the State of Florida duly organized and validly existing under the Constitution and laws of the State of Florida, including the Charter, and has full legal right, power and authority (a) to enter into this Purchase Contract, and the Continuing Disclosure Certificate and to adopt the Resolution, (b) to issue, sell and deliver the 2019 Bonds to the Underwriters as provided in this Purchase Contract, (c) to pledge the Trust Estate as set forth in the Resolution, (d) to operate the System, and to levy, collect, receive, hold and apply rates and charges for the services provided from the System, as provided in the Resolution, and (e) to carry out, give effect to and consummate the transactions contemplated by this Purchase Contract, the Resolution, and the Continuing Disclosure Certificate; (ii) by official action of the City, the City has duly adopted the Resolution, has duly authorized and approved the execution and delivery of the 2019 Bonds, this Purchase Contract, the Continuing Disclosure Certificate, and the Final Official Statement and the consummation by it of all other transactions contemplated by this Purchase Contract, and the 2019 Bonds, the Resolution, the Continuing Disclosure Certificate, and this Purchase Contract constitute legal, valid and binding obligations of the City enforceable in accordance with the terms thereof; (iii) except as described in the Final Official Statement, there is no action, suit or proceeding, at law or in equity, and, to the best of such counsel’s knowledge, after searching court records for cases naming the City and filed in the Circuit Court of the Eighth Judicial Circuit and the Court for the Northern District of Florida, there is no inquiry or investigation, before or by any court, public board or body, or investigation by any regulatory agency for which such counsel has received notice, pending or, to the best of

such counsel's knowledge, after searching court records for cases naming the City and filed in the Circuit Court of the Eighth Judicial Circuit and the Court for the Northern District of Florida, in any way affecting the existence of the City or the titles of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the 2019 Bonds or the collection or application of the Revenues of the System or the pledge of the Trust Estate pursuant to the Resolution, or in any way contesting or affecting the validity or enforceability of the 2019 Bonds, the Resolution, this Purchase Contract, or the Continuing Disclosure Certificate or any action of the City contemplated by any of said documents, or contesting in any way the completeness or accuracy of the Final Official Statement or any supplement or amendment thereto, or contesting the powers of the City or its authority with respect to the 2019 Bonds, the adoption of the Resolution, or the execution and delivery of this Purchase Contract, or the Continuing Disclosure Certificate or any action of the City contemplated by any of said documents, nor to such counsel's knowledge is there any basis therefor; (iv) compliance by the City with the provisions of the Resolution, this Purchase Contract or the other instruments contemplated by any of such documents to which the City is a party will not conflict with or constitute a breach of any constitutional provision or applicable law of the State of Florida, the United States, or any department, division, agency or instrumentality of the United States; and (v) during the course of serving as counsel to the City in connection with the issuance of the 2019 Bonds, and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Final Official Statement, no facts came to the attention of the attorneys in the office of the City Attorney rendering legal services in connection with the issuance of the 2019 Bonds which caused the office of the City Attorney to believe that the Final Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any management discussion and analysis or any information about book-entry, DTC, ratings, rating agencies, provider of a reserve surety policy, if any, and the information contained under the caption "UNDERWRITING" and in Appendices [B, C, D, E and F] to the Final Official Statement, included or referred to therein, which the office of the City Attorney may expressly exclude from the scope of this paragraph and as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (the opinions set forth in clauses (i) and (ii) above being subject to the effect of, and restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights and judicial discretion and the valid exercise of the sovereign police powers of the State of Florida and of the constitutional power of the United States of America);

(8) A certificate or certificates, dated the Closing Date and signed by the General Manager for Utilities, to the effect that (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) no event has occurred since the date of the Final Official Statement which should be disclosed in the Final Official Statement (except for any information about book-entry, DTC, and the information contained under the caption “UNDERWRITING”) so that it does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading; (iii) except as disclosed in the Final Official Statement, nothing has occurred since September 30, 2018 which would have a material adverse effect on the financial condition of the System; and (iv) the City has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under this Purchase Contract at or prior to the Closing Date;

(9) An executed copy of the Continuing Disclosure Certificate, in substantially the form attached as Appendix F to the Final Official Statement;

(10) A Tax Certificate relating to the 2019 Bonds in substance and form satisfactory to Bond Counsel;

(11) A copy of the Blanket Letter of Representations to DTC;

(12) Letters from S&P Global Ratings, Moody’s Investors Service, Inc. and Fitch Ratings, Inc. evidencing ratings of “\_\_\_” (\_\_\_\_\_ outlook), “\_\_\_” (\_\_\_\_\_ outlook), and “\_” (\_\_\_\_\_ outlook), respectively, for the 2019 Bonds;

(13) Such additional legal opinions, certificates, instruments and other documents as the Representative may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the City’s representations and warranties contained herein and of the statements and information contained in the Final Official Statement, and the due performance or satisfaction by the City at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Resolution and the Final Official Statement;

(f) The City shall perform or has performed at or prior to the Closing Date all of its obligations required under or specified in this Purchase Contract, the Final Official Statement and the Resolution to be performed by the City at or prior to the Closing Date; and

(g) At the time of the Closing, except as contemplated herein and by the Preliminary Official Statement and the Final Official Statement, there shall have been no material adverse decrease in assets or any other material adverse change in Revenues of the System or the Funds (as defined in the Resolution) or accounts established in the Resolution.

If any of the conditions to the obligations of the Underwriters contained in this Section or elsewhere in this Purchase Contract shall not have been satisfied when and as required herein, all obligations of the Underwriters hereunder may be terminated by the Representative at, or at any time prior to, the Closing Date by written notice to the City.

If the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2019 Bonds contained in this Purchase Contract are not satisfied, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2019 Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the City shall be under any further obligation hereunder, except that the respective obligations of the City set forth in paragraph 5 hereof shall continue in full force and effect and the Good Faith Deposit specified in paragraph 1(J) hereof shall be returned to the Representative.

**5. Expenses.**

(a) The Underwriters shall be under no obligation to pay, and the City shall pay or cause to be paid (out of the proceeds of the 2019 Bonds or any other legally available funds of the System) all expenses incident to the performance of the City's obligations hereunder including, but not limited to, the cost of printing, executing and delivering the 2019 Bonds to or on behalf of DTC; the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the Resolution, the Preliminary Official Statement, up to 500 copies of the Final Official Statement and all other agreements and documents contemplated hereby or used in connection with the marketing and sale of the 2019 Bonds and any drafts thereof in reasonable quantities as requested by the Representative; the fees and disbursements of Bond Counsel, Disclosure Counsel, engineers, accountants, financial advisors and any other experts or consultants retained in connection with the issuance of the 2019 Bonds; fees charged by the rating agencies for rating the 2019 Bonds; and any other expenses not specifically enumerated in paragraph (b) of this Section incurred in connection with issuance of the 2019 Bonds. The City shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees.

(b) The City shall be under no obligation to pay, and the Underwriters shall pay, the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the agreement among underwriters, the selling group agreement, the "Blue Sky" memoranda and this Purchase Contract; expenses to qualify the 2019 Bonds for sale under any "Blue Sky" laws; fees and disbursements of Underwriters' counsel; and all other expenses incurred by the Underwriters in connection with their public offering and distribution of the 2019 Bonds not specifically enumerated in paragraph (a) of this Section, including the fees and disbursements of their counsel (which shall be paid out of the expense component of the underwriting spread).

**6. Notices.** Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City in care of the



Utilities System, 301 S.E. Fourth Avenue, P.O. Box 147117, Gainesville, Florida, 32614-7117, Attention: General Manager for Utilities; and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to BofA Securities, Inc., One Bryant Park, 12<sup>th</sup> Floor, New York, New York 10036, Attention: Andrew Hildreth, Vice President.

7. **Immunity of Officers and Employees.** No recourse may be had for the payment of the principal, premium, if any, or interest on the 2019 Bonds or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Purchase Contract against any present or future officer, member, employee, director or agent of the City, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Purchase Contract.

8. **Parties in Interest.** This Purchase Contract is made solely for the benefit of the City and the Underwriters (including successors or assigns of any Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. The term “successors or assigns” as used in this Section and Section 12 shall not include any purchaser, as such purchaser, from any of the several Underwriters of the 2019 Bonds.

9. **Survival of Representations and Warranties.** The representations and warranties of the City, set forth in or made pursuant to this Purchase Contract, shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriters and regardless of delivery of and payment for the 2019 Bonds.

10. **Counterparts.** This Purchase Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

11. **Florida Law Governs.** The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of Florida.

12. **Entire Agreement.** This Purchase Contract when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof.

13. **Effectiveness.** This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance by the City and shall be valid and enforceable as of the time of such acceptance.

14. **Truth-In-Bonding Statement.** The City of Gainesville, Florida is proposing to issue \$ \_\_\_\_\_ of 2019D Bonds for the purposes of (i) refunding the outstanding

\_\_\_\_\_ and (ii) paying costs of issuance related thereto. This debt is expected to be repaid over a period of approximately \_\_\_ years. At the interest rates set forth in Exhibit A hereto, total interest paid over the life of the debt will be \$ \_\_\_\_\_.

The City of Gainesville, Florida is proposing to issue \$ \_\_\_\_\_ of 2019E Bonds for the purposes of (i) refunding the outstanding \_\_\_\_\_ and (ii) paying costs of issuance related thereto. This debt is expected to be repaid over a period of approximately \_\_\_ years. At the interest rates set forth in Exhibit A hereto, total interest paid over the life of the debt will be \$ \_\_\_\_\_.

The source of repayment or security for this debt is the net revenues of the System. Authorizing this debt or obligation will result in an average of approximately \$ \_\_\_\_\_ per year of the revenues of the System not being available to finance the other services of the System each year for approximately \_\_\_ years.

*[Remainder of page intentionally left blank; signatures appear on the following page]*

Very truly yours,

BOFA SECURITIES, INC.

[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]

By: BOFA SECURITIES, INC.

By: \_\_\_\_\_
Andrew Hildreth
Vice President

Accepted \_\_\_\_\_, 2019

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_
Chief Financial Officer, Utilities

APPROVED AS TO FORM AND LEGALITY:

By: \_\_\_\_\_
Senior Assistant City Attorney

[Signature Page of Contract of Purchase]

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES**

\$ \_\_\_\_\_

**Utilities System Revenue Bonds,  
2019 Series D**

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
---------------------------------------	---------------	----------------------	--------------	--------------

\$ \_\_\_\_\_ % Term Bond due on October 1, 20\_\_ Yield \_\_\_\_\_ % Price \_\_\_\_\_\*

Initial CUSIP No. 362848\_\_\_\_\*\*

\$ \_\_\_\_\_ % Term Bond due on October 1, 20\_\_ Yield \_\_\_\_\_ % Price \_\_\_\_\_\*

Initial CUSIP No. 362848\_\_\_\_\*\*

\* Priced to the first optional redemption date of October 1, 20\_\_.

\*\* The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness.

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES**

\$ \_\_\_\_\_

**Utilities System Revenue Bonds,  
2019 Series E (Federally Taxable)**

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
---------------------------------------	---------------	----------------------	--------------	--------------

\$ \_\_\_\_\_ % Term Bond due on October 1, 20\_\_ Yield \_\_\_\_\_ % Price \_\_\_\_\_  
 Initial CUSIP No. 362848 \_\_\_\_\_\*\*

\$ \_\_\_\_\_ % Term Bond due on October 1, 20\_\_ Yield \_\_\_\_\_ % Price \_\_\_\_\_  
 Initial CUSIP No. 362848 \_\_\_\_\_\*\*

\*\* The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness.

## Redemption Provisions for the 2019 Bonds

### **2019D Bonds**

Optional Redemption of 2019D Bonds. The 2019D Bonds will be subject to redemption prior to maturity at the option of the City on and after October 1, 20\_\_ as a whole or in part at any time, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Sinking Fund Redemption. The 2019D Bonds maturing on October 1, 20\_\_ will be subject to redemption through mandatory sinking fund installments on October 1 in the years and in the amounts shown below, at a Redemption Price of 100% of the principal amount of such 2019D Bonds to be redeemed plus accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Amount</u>
20__	\$
20__	
20__	
20__*	

\* Final Maturity.

### **2019E Bonds**

Make-Whole Optional Redemption of 2019E Bonds. The 2019E Bonds are subject to redemption prior to their respective maturities at the option of the District, in whole or in part, on any Business Day, at the Make-Whole Redemption Price (as defined below) determined by the Designated Investment Banker (as defined below).

The “Make-Whole Redemption Price” is the greater of (i) the principal amount of the 2019E Bonds to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2019E Bonds to be redeemed at the maturity date, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2019E Bonds are to be redeemed, discounted to the date on which such 2019E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (defined below) plus \_\_\_\_\_ basis points, plus accrued and unpaid interest on the 2019E Bonds to be redeemed on the redemption date.

“Business Day” means a day other than a day (a) on which banks located in The City of New York, New York or the cities in which the principal corporate trust offices of the Trustee or the District are located are required or authorized by law or executive order to close and (b) on which the New York Stock Exchange is not closed.

“Comparable Treasury Issue” means, with respect to any Valuation Date for a redemption date for a particular 2019E Bond, the U.S. Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2019E Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such 2019E Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any Valuation Date for a redemption date for a particular 2019E Bond, (i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than five Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the District.

“Reference Treasury Dealer” means each of four firms, specified by the District approval from time to time, that are primary U.S. Government securities dealers in the City of New York (each, a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the District will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2019E Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the District and the Trustee by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the Valuation Date.

“Treasury Rate” means, with respect to any redemption date for a particular 2019E Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

“Valuation Date” means a date that is no later the third Business Day preceding the redemption date but not later than the date the redemption notice is to be mailed.

## FORM OF ISSUE PRICE CERTIFICATE

§ \_\_\_\_\_  
**CITY OF GAINESVILLE, FLORIDA**  
**UTILITIES SYSTEM REVENUE BONDS**  
**2019 SERIES D**

## ISSUE PRICE CERTIFICATE

The undersigned, on behalf of BofA Securities, Inc. (the “Representative”)[, on behalf of itself and \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ (collectively, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least ten percent of such Maturity of the Bonds was sold to the Public is the respective price set forth in Schedule A attached hereto.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
  - (a) The Underwriting Group offered the *Hold-the-Offering-Price Maturities* to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule C.
  - (b) As set forth in the Bond Purchase Agreement, the members of the Underwriting Group have agreed in writing that, (i) for each of the Hold-the-Offering-Price-Maturities, they would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for each Maturity during the Holding Period for such Maturity (the “hold-the-offering-price-rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any unsold Bonds of any Maturity of the Hold-the-Offering-Price-Maturities at a price higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.



3. ***Defined Terms.***

- (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
- (b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”
- (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (\_\_\_\_\_, 2019), or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
- (d) *Issuer* means the City of Gainesville, Florida.
- (e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (f) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2019.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax and Non-Arbitrage Certificate and Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Holland & Knight LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal

income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

BOFA SECURITIES, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_, 2019

**SCHEDULE A**

**Sale Prices of the 2019D Bonds**

<u>Maturity Date</u>	<u>Principal Amount (\$)</u>	<u>Initial Interest Rate (%)</u>	<u>Price (% of Par)</u>
----------------------	------------------------------	----------------------------------	-------------------------

\*

\* Priced to the first optional redemption date of October 1, 20\_\_.

**Sale Prices of the 2019E Bonds**

<u>Maturity Date</u>	<u>Principal Amount (\$)</u>	<u>Initial Interest Rate (%)</u>	<u>Price (% of Par)</u>
----------------------	------------------------------	----------------------------------	-------------------------

**SCHEDULE B**

**Pricing Wire or Equivalent**

**FORM OF BOND COUNSEL SUPPLEMENTAL OPINION**

[to come]

**FORM OF DISCLOSURE COUNSEL OPINION**

[to come]

FORM OF UNDERWRITERS' COUNSEL OPINION

\_\_\_\_\_, 20\_\_

BofA Securities, Inc.,  
as the representative of the  
Underwriters named in the Contract  
of Purchase, dated \_\_\_\_\_, 2019,  
between the City of Gainesville,  
Florida and said Underwriters  
One Bryant Park, 12<sup>th</sup> Floor,  
New York, New York 10036

Ladies and Gentlemen:

This opinion is being rendered pursuant to Section 4(e)(6) of the Contract of Purchase, dated \_\_\_\_\_, 2019 (the "Purchase Contract"), between the City of Gainesville, Florida (the "City") and BofA Securities, Inc., as representative of the underwriters named in the Purchase Contract (the "Underwriters") for \$\_\_\_\_\_ Utilities System Revenue Bonds, 2019 Series D (the "2019D Bonds") and \$\_\_\_\_\_ Utilities System Revenue Bonds, 2019 Series E (Federally Taxable) (the "2019E Bonds" and together with the 2019D Bonds, the "2019 Bonds"), issued on the date hereof by the City.

In our capacity as counsel to the Underwriters in connection with the issuance and sale of the 2019 Bonds, we have reviewed originals, or copies certified or otherwise identified to our satisfaction, of the following documents:

- (a) the Purchase Contract;
- (b) Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Bond Resolution"), as amended, restated and supplemented, including as supplemented by Resolution No. \_\_\_\_\_, entitled Thirty-Second Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on \_\_\_\_\_, 2019 (the "Thirty-Second Supplemental Resolution"), authorizing the 2019 Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the "Resolution");
- (c) the Preliminary Official Statement of the City, dated \_\_\_\_\_, 2019, relating to the 2019 Bonds (the "Preliminary Official Statement");
- (d) the Official Statement of the City, dated \_\_\_\_\_, 2019, relating to the 2019 Bonds (the "Official Statement");

(d) the Continuing Disclosure Certificate of the City, dated \_\_\_\_\_, 20\_\_, relating to the 2019 Bonds (the “Continuing Disclosure Certificate”); and

such other documents, instruments and opinions, and we have made such investigations of law, as we have deemed necessary or advisable for the purpose of rendering this opinion. As to questions of fact material to our opinion, we have relied on representations contained in the proceedings for the issuance of the 2019 Bonds and other representations and certifications of public officials furnished to us, without undertaking to verify the same by investigation.

Based on the foregoing, we are of the opinion that:

(i) in connection with the public offering and sale of the 2019 Bonds, the 2019 Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(ii) the Continuing Disclosure Certificate complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule applicable to the primary offering of the 2019 Bonds; and

(iii) the Continuing Disclosure Certificate provides a suitable basis for the Underwriters to reasonably make the determination required by paragraph (b)(5) of the Rule as a condition to purchasing or selling the 2019 Bonds in connection with an Offering (as said term is defined in the Rule) of the 2019 Bonds.

We are not passing and do not assume any responsibility for the accuracy, completeness or fairness of the information and statements contained in the Preliminary Official Statement and the Official Statement, and we have not undertaken to determine independently the accuracy, completeness or fairness of the information and statements contained in the Preliminary Official Statement and the Official Statement. However, in connection with the issuance and sale of the 2019 Bonds, at the request of the Underwriters, we have participated and have assisted in the preparation of the Preliminary Official Statement and the Official Statement. In the course of our participation in the preparation of the Preliminary Official Statement and the Official Statement, we have reviewed the information and statements contained therein. In addition, we have participated in conferences with representatives of the City, Disclosure Counsel to the City, Bond Counsel to the City, the City’s financial advisor and representatives of the Underwriters, during which the contents of the Preliminary Official Statement and Official Statement or portions thereof and related matters were discussed and reviewed. We have also reviewed, and without further investigation have assumed the accuracy of, certain representations made by representatives of the City relating to certain information and statements contained in the Preliminary Official Statement and Official Statement. Based upon our participation in the above-mentioned conferences and information made available to us in our participation in the preparation of the Preliminary Official Statement and the Official Statement as Counsel to the Underwriters as aforesaid, and subject to the foregoing, (a) as of its date and as of the date of pricing, no information had come to our attention which would lead us to believe that the Preliminary Official Statement contained any untrue statement of material fact or omitted to state



any material fact necessary to make the statements therein, in light of the statements made therein, not misleading, and (b) as of the date of the Official Statement and the date hereof, no information had come to our attention which would lead us to believe that the Official Statement as of its date and the date hereof, contained or contains any untrue statement of material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the statements made therein, not misleading; provided, that we expressly exclude from the scope of this paragraph and express no opinion about Appendices A, B, D, and E and summaries thereof and references thereto, and other financial, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion with respect to the System included or referred to therein, and any information about book-entry, tax exemption, ratings and ratings agencies included or referred to therein.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriters and is not to be used, circulated, quoted or otherwise referred to for any other purpose (other than inclusion in the record of proceedings relating to the issuance and sale of the 2019 Bonds) without our prior consent.

Very truly yours,

**EXHIBIT B**

**ACCEPTANCE OF OFFICE OF PAYING AGENT**

\_\_\_\_\_, 2019

Ladies and Gentlemen:

The undersigned hereby accepts the duties and obligations of Paying Agent for the Utilities System Revenue Bonds, 2019 Series D and the Utilities System Revenue Bonds, 2019 Series E [(Federally Taxable)] of the City of Gainesville, Florida (the "City") imposed upon the undersigned by Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution (the "Bond Resolution") adopted by the City on September 21, 2007, as amended. The undersigned, in its capacity as Trustee under the Bond Resolution hereby acknowledges the filing with it of Supplemental Resolution No. \_\_\_\_\_ adopted by the City on \_\_\_\_\_, 2019 authorizing the issuance of the Bonds in accordance with Section 1001 of the Bond Resolution.

**U.S. BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Title:

**EXHIBIT C**  
**PRELIMINARY OFFICIAL STATEMENT**

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2019**

**NEW ISSUE – BOOK-ENTRY ONLY**

**See "RATINGS" herein**

*In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the 2019 Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed on certain taxpayers other than corporations (as defined for federal income tax purposes). Holders of 2019 Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. See "TAX EXEMPTION" herein.*

\$ \_\_\_\_\_ \*  
**City of Gainesville, Florida  
Utilities System Revenue  
Bonds, 2019 Series D**

\$ \_\_\_\_\_ \*  
**City of Gainesville, Florida  
Utilities System Revenue  
Bonds, 2019 Series E**



Dated: Date of Delivery

Due: \_\_\_\_\_ 1, as shown on the inside cover page

The City of Gainesville, Florida (the "City") is issuing its Utilities System Revenue Bonds, 2019 Series D (the "2019D Bonds") and Utilities System Revenue Bonds, 2019 Series E (the "2019E Bonds," and together with the 2019D Bonds, the "2019 Bonds") as fully registered bonds, which initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases will be made in book-entry form only in denominations as described herein. Purchasers of the 2019 Bonds (the "Beneficial Owners") will not receive physical delivery of the 2019 Bonds. Transfer of beneficial ownership in the 2019 Bonds will be effected through DTC's book-entry system as described herein. As long as Cede & Co. is the Registered Owner as nominee of DTC, principal and interest payments will be made directly to such Registered Owner which will in turn remit such payments to the Participants (as defined herein) for subsequent disbursement to the Beneficial Owners.

The 2019 Bonds are being issued pursuant to the authority of and in full compliance with Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Resolution"), and as supplemented and amended by the Thirty-Second Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_\_ adopted by the City on \_\_\_\_\_, 2019 (the "Thirty-Second Supplemental Resolution"), authorizing the 2019 Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. See "APPENDIX C – Copy of the Resolution" attached hereto.

The 2019D Bonds are being issued by the City for the primary purpose of (i) refunding all or a portion of certain variable rate bonds as more particularly described herein, and (ii) paying the costs of issuance related thereto. The 2019E Bonds are being issued by the City for the primary purpose of (i) refunding all or a portion of certain fixed rate bonds as more particularly described herein, and (iv) paying costs of issuance related thereto.

The 2019 Bonds will bear interest from their dated date payable each April 1 and October 1, commencing \_\_\_\_\_ 1, \_\_\_\_\_. Principal of the 2019 Bonds is payable, when due, to Cede & Co. as the Registered Owner by U.S. Bank National Association, as Trustee, Paying Agent and Bond Registrar. All payments of principal of, redemption premium, if applicable, and interest on the 2019 Bonds shall be payable in lawful money of the United States of America.

Certain of the 2019 Bonds will be subject to redemption prior to maturity as described herein.

THE 2019 BONDS WILL NOT CONSTITUTE A GENERAL INDEBTEDNESS OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION OF INDEBTEDNESS. NO HOLDER OF THE 2019 BONDS WILL HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2019 BONDS OR THE MAKING OF ANY PAYMENTS UNDER THE RESOLUTION. THE 2019 BONDS AND THE OBLIGATIONS EVIDENCED THEREBY WILL NOT CONSTITUTE A LIEN ON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE TRUST ESTATE (AS DEFINED HEREIN).

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

*The 2019 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the opinion on certain legal matters relating to their issuance by Holland & Knight LLP, Lakeland, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Nicolle M. Shalley, Esq., City Attorney and Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel to the City and for the Underwriters by \_\_\_\_\_, Counsel to the Underwriters. PFM Financial Advisors LLC, Charlotte, North Carolina is Financial Advisor to the City in regard to the issuance of the 2019 Bonds. It is expected that the 2019 Bonds in definitive form will be available for delivery to the Underwriters in New York, New York at the facilities of DTC on or about \_\_\_\_\_, \_\_\_\_.*

**[UNDERWRITERS]**

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

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

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

**Utilities System Revenue Bonds,  
2019 Series D**

\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bonds due on \_\_\_\_\_ 1, \_\_\_\_\_ \* -- Yield \_\_\_\_\_ % Price \_\_\_\_\_ -- Initial CUSIP No. \_\_\_\_\_ \*\*  
\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bonds due on \_\_\_\_\_ 1, \_\_\_\_\_ \* -- Yield \_\_\_\_\_ % Price \_\_\_\_\_ -- Initial CUSIP No. \_\_\_\_\_ \*\*

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

**Utilities System Revenue Bonds,  
2019 Series E**

\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bonds due on \_\_\_\_\_ 1, \_\_\_\_\_ \* -- Yield \_\_\_\_\_ % Price \_\_\_\_\_ -- Initial CUSIP No. \_\_\_\_\_ \*\*

\* Preliminary, subject to change.

\*\* The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.

RED HERRING LANGUAGE:

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2019 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The City has deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

CITY OF GAINESVILLE, FLORIDA

CITY OFFICIALS

Lauren Poe ..... Mayor (At Large)  
 Harvey Ward ..... Mayor-Commissioner Pro-Tem (District 4)  
 David Arreola ..... Commissioner (District 3)  
 Adrian Hayes-Santos ..... Commissioner (District 4)  
 Gail Johnson ..... Commissioner (At Large)  
 Gigi Simmons ..... Commissioner (District 1)  
 Helen K. Warren ..... Commissioner (At Large)

CHARTER OFFICERS

Deborah Bowie ..... Interim City Manager  
 Edward J. Bielarski, Jr. .... General Manager for Utilities  
 Nicolle M. Shalley, Esq. .... City Attorney  
 Lisa C. Bennett, Esq.\* ..... Senior Assistant City Attorney  
 Omichele D. Gainey ..... Clerk of the Commission  
 Qian Yuan ..... Interim City Auditor  
 Teneeshia Marshall ..... Equal Opportunity Director

UTILITIES SYSTEM

Edward J. Bielarski, Jr.\*\* ..... General Manager for Utilities  
 Claudia Rasnick ..... Chief Financial Officer  
 Thomas R. Brown, P.E. .... Chief Operating Officer  
 Dino S. De Leo ..... Energy Supply Officer  
 Anthony L. Cunningham ..... Water/Wastewater Officer  
 Gary L. Baysinger ..... Energy Delivery Officer  
 J. Lewis Walton ..... Chief Business Services Officer  
 William J. Shepherd ..... Chief Customer Officer  
 Cheryl F. McBride ..... Chief People Officer  
 Vacant ..... Chief Change Officer  
 Walter T. Banks ..... Chief Information Officer

BOND COUNSEL

Holland & Knight LLP  
 Lakeland, Florida

DISCLOSURE COUNSEL

Bryant Miller Olive P.A.  
 Tampa, Florida

FINANCIAL ADVISOR

PFM Financial Advisors LLC  
 Charlotte, North Carolina

---

\*Reports to and works under direction and supervision of City Attorney. Ms. Bennett is not a Charter Officer.

\*\*Also a Charter Officer.



No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations in connection with the 2019 Bonds other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City, DTC and other sources which are believed to be reliable, but which is not guaranteed as to accuracy by, and is not to be construed as a representation by the City, with respect to any information provided by others. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their 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. This Official Statement is submitted in connection with the sale of the 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

All summaries set forth or incorporated herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the 2019 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2019 Bonds. The reference to internet websites in this Official Statement are shown for reference and convenience only. Unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

NO REGISTRATION STATEMENT RELATING TO THE 2019 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2019 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE FORWARD LOOKING STATEMENTS. SUCH STATEMENTS

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

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY AND ANY ONE OR MORE OF THE OWNERS OF THE 2019 BONDS.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT .....	1
General .....	1
The City and the System .....	2
Other .....	3
REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS .....	3
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION.....	3
OUTSTANDING DEBT .....	6
ESTIMATED SOURCES AND USES OF FUNDS .....	8
DEBT SERVICE SCHEDULE FOR 2019 BONDS.....	9
SECURITY FOR THE BONDS .....	10
Pledge Under the Resolution .....	10
Rates, Fees and Charges.....	10
Additional Bonds; Conditions to Issuance .....	11
Operation and Maintenance of the System .....	14
Flow of Funds Under the Resolution .....	14
THE 2019 BONDS.....	15
General .....	15
Book-Entry Only System.....	15
Redemption Provisions.....	18
Notice of Redemption .....	20
Purchase in Lieu of Redemption.....	20
Selection of 2019 Bonds to be Redeemed.....	20
Negotiability, Transfer and Registry.....	21
Payment of Interest on 2019 Bonds; Interest Rights Reserved.....	21
THE CITY.....	22
General .....	22
Government.....	22
THE SYSTEM .....	22
General .....	22
The Electric System.....	26
The Water System .....	43
The Wastewater System.....	48
The Natural Gas System .....	52
GRUCom.....	55
Rates.....	59
Summary of Combined Net Revenues .....	74
Management's Discussion of System Operations.....	76
Funding the Capital Improvement Program - Additional Financing Requirements .....	91
Factors Affecting the Utility Industry .....	92
TAX EXEMPTION.....	105
General .....	105
Alternative Minimum Tax.....	106
Original Issue Premium.....	106
Other Tax Consequences.....	106

Information Reporting and Backup Withholding .....	107
UNDERWRITING .....	107
CONTINUING DISCLOSURE.....	108
ENFORCEABILITY OF REMEDIES.....	109
RATINGS.....	110
LITIGATION .....	110
LEGAL MATTERS.....	110
CONTINGENT FEES .....	111
FINANCIAL STATEMENTS.....	111
FINANCIAL ADVISOR.....	111
VERIFICATION OF ARITHMETICAL COMPUTATIONS.....	112
DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATION .....	112
ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT.....	113
AUTHORIZATION OF OFFICIAL STATEMENT.....	114

APPENDIX A	General Information Regarding the City
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

**OFFICIAL STATEMENT**  
**relating to**

\$ \_\_\_\_\_\*  
**CITY OF GAINESVILLE, FLORIDA**  
**Utilities System Revenue Bonds,**  
**2019 Series D**

\$ \_\_\_\_\_\*  
**CITY OF GAINESVILLE, FLORIDA**  
**Utilities System Revenue Bonds,**  
**2019 Series E**

**INTRODUCTORY STATEMENT**

**General**

This Official Statement, which includes the cover page and inside cover page hereof and the Appendices attached hereto, provides certain information in connection with the sale by the City of Gainesville, Florida (the "City") of its \$ \_\_\_\_\_\* Utilities System Revenue Bonds, 2019 Series D (the "2019D Bonds") and its \$ \_\_\_\_\_\* Utilities System Revenue Bonds, 2019 Series E (the "2019E Bonds," and together with the 2019D Bonds, the "2019 Bonds"). Definitive copies of all reports and documents not reproduced in this Official Statement may be obtained from the Utilities Administration Building, 301 SE 4th Avenue, Gainesville, Florida 32601. The City can be contacted by telephone at (352) 334-5000. The City, located in Alachua County in north-central Florida (the "County"), is a municipal corporation of the State of Florida (the "State"), organized and existing under the laws of the State including the Chapter 90-394, Laws of Florida, 1990, as amended (the "Charter"). The City-owned utilities do business as Gainesville Regional Utilities ("Gainesville Regional Utilities" or "GRU").

The 2019 Bonds are being issued pursuant to the authority of and in full compliance with Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Resolution"), and as supplemented and amended by the Thirty-Second Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_\_ adopted by the City on \_\_\_\_\_, 2019 (the "Thirty-Second Supplemental Resolution"), authorizing the 2019 Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. See "APPENDIX C- Copy of the Resolution" attached hereto.

The 2019D Bonds are being issued by the City for the primary purpose of (i) refunding all or a portion of the City's Variable Rate Utilities System Revenue Bonds, 2005 Series C, Variable Rate Utilities System Revenue Bonds, 2006 Series A, Variable Rate Utilities System Revenue Bonds, 2007 Series A, Variable Rate Utilities System Revenue Bonds, 2008 Series B, Variable Rate Utilities System Revenue Bonds, 2012 Series B, Variable Rate Utilities System Revenue Bonds, 2012 Series B, Variable Rate Utilities System Revenue Bonds, 2017 Series B, Variable Rate Utilities System Revenue Bonds, 2017 Series C and Variable Rate Utilities System Revenue Bonds, 2019 Series C (see "REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS – Plan of Refunding" below), and (ii) paying the costs of issuance related thereto. The 2019E Bonds are being issued by the City for the primary purpose of (i) refunding all or a portion of the City's Utilities System Revenue Bonds, 2005 Series A, Utilities System Revenue Bonds, 2009 Series B (Federally Taxable – Issuer Subsidy – Build America Bonds), Utilities System Revenue Bonds, 2010 Series C, Utilities System Revenue Bonds, 2012 Series A, Utilities System Revenue Bonds, 2014 Series A, Utilities System Revenue Bonds, 2014 Series B, Utilities System Revenue Bonds, 2017 Series A and

---

\*Preliminary, subject to change.

Utilities System Revenue Bonds, 2019 Series A (see "REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS – Plan of Refunding" below), and (iv) paying costs of issuance related thereto.

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

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

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

For a more detailed discussion of the City's outstanding debt, see "OUTSTANDING DEBT" herein. APPENDIX D hereto shows total debt service requirements on all Bonds Outstanding as of the date of this Official Statement, including the Refunded CP Notes (which are anticipated to be refunded with proceeds of the 2019 Bonds). The Resolution provides for the issuance of additional Bonds in accordance with the terms of the Resolution. For a discussion of additional Bonds which may be issued in the future, see "APPENDIX C – Copy of the Resolution – Additional Bonds" and "THE SYSTEM - Additional Financing Requirements" herein.

### **The City and the System**

For general information with respect to the City see "APPENDIX A – General Information Regarding the City" attached hereto. For information with respect to the electric system, natural gas

system, water system, wastewater system and telecommunications system owned by the City and operated as a single combined public utility (the "System"), including the service areas, history, organization, operations and management, regulatory matters, capital improvement program, additional financing requirements and historical financial information, see "THE SYSTEM" herein.

#### **Other**

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

There follows in this Official Statement brief descriptions of the security for the Bonds, the 2019 Bonds, the System, the City, Alachua County, Florida (the "County"), the Resolution and certain financial statements. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City, as described under the paragraph "-- General" above.

### **REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS**

**[TO COME]**

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

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

- the impact of recent and future federal and state regulatory changes or judicial opinions, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the 2005 Energy Policy Act (hereinafter defined), the Clean Power Plan ("CPP") (as hereinafter defined), environmental laws and regulations affecting water quality, coal combustion byproducts, and emissions of sulfur dioxide, nitrogen oxides, greenhouse gases ("GHG"), particulate matter and hazardous air pollutants including mercury, financial reform legislation, and also changes in tax and

other laws and regulations to which the System is subject, as well as changes in application of existing laws and regulations;

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



- the effect of accounting pronouncements issued periodically by standard-setting bodies.

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

[Remainder of page intentionally left blank]

**OUTSTANDING DEBT**

The following table sets forth the outstanding debt of the City issued for the System as of October 1, [2019].

**Outstanding Debt of the City Issued for the System**

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

[Footnotes appear on following page]

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

APPENDIX D attached hereto shows total debt service requirements on all Bonds Outstanding as of October 1, 2019.

**ESTIMATED SOURCES AND USES OF FUNDS**

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

	<u>2019D</u> <u>Bonds</u>	<u>2019E</u> <u>Bonds</u>	<u>Total</u>
<b>SOURCES OF FUNDS</b>			
Principal Amount	\$	\$	\$
Plus Other Legally Available Funds			
Plus/Less Original Issue Premium/Discount			
<b>TOTAL SOURCES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>USES OF FUNDS</b>			
Deposit to Escrow Accounts	\$	\$	\$
Costs of Issuance <sup>(1)</sup>			
<b>TOTAL USES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

---

<sup>(1)</sup> Includes legal and financial advisory fees, Underwriters' discount, printing costs, rating agency fees and other costs of issuance of the 2019 Bonds.

[Remainder of page intentionally left blank]

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

**DEBT SERVICE SCHEDULE FOR 2019 BONDS**

Bond Year Ended <u>1</u>	2019D Bonds <u>Principal</u>	2019D Bonds <u>Interest</u>	2019D Bonds Total Debt <u>Service</u>	2019E Bonds <u>Principal</u>	2019E Bonds <u>Interest</u>	2019E Bonds Total Debt <u>Service</u>	Total Debt <u>Service<sup>(1)</sup></u>
--------------------------------	---------------------------------	--------------------------------	---	---------------------------------	--------------------------------	---	--

Total

---

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

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

## SECURITY FOR THE BONDS

### **Pledge Under the Resolution**

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

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

### **Rates, Fees and Charges**

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

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

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

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

### **Additional Bonds; Conditions to Issuance**

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

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

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

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

date of such certificate and which the City has covenanted to put into effect during the Applicable Bond Year, had such rate changes been effective on the first day of the Audit Period, and (iv) the amount required to be paid by a public body on an annual basis in connection with a contract with a duration at least equal to the term of the proposed additional Bonds, pursuant to which contract the City shall agree to furnish water or electric power, or to furnish services for the collection, treatment or disposal of sewage or agreed to furnish other services in connection with any other utility system for such public body, as if such contract had been in effect on the first day of the Audit Period. If any adjustments permitted by clauses (i), (ii) or (iv) of the preceding sentence shall be made, in determining the amount of the Adjusted Operation and Maintenance Expenses, such Authorized Officer shall take into account the estimated amount by which the Operation and Maintenance Expenses for the Audit Period would have increased had the **[Project]** to be financed with the proceeds of such additional Bonds been in operation from the beginning of the Audit Period, provided, however, it may take into account any adjustments necessary to reflect government ownership of any projects acquired from private owners. In projecting numbers of new customers for the purposes of clause (ii) of this paragraph, there shall be taken into account only dwellings, buildings or other structures in existence on the date of such projections.

(c) The amount of the Maximum Aggregate Debt Service for any Fiscal Year thereafter on account of all Bonds then Outstanding under the Resolution and the additional Bonds proposed to be issued thereunder.

(d) The amount, if any, required to be deposited from Revenues into the Debt Service Reserve Account pursuant to the Resolution or into any subaccount therein in the Applicable Bond Year pursuant to the terms of a supplemental ordinance or resolution.

(e) Based upon the foregoing, the Authorized Officer is of the opinion that the Adjusted Gross Revenues for the Audit Period, less one hundred percent (100%) of the Adjusted Operation and Maintenance Expenses for the Audit Period, shall equal or exceed the sum of one hundred percent (100%) of the amount to be deposited to the Reserve Fund as described in paragraph (d) above and one hundred twenty-five percent (125%) of the Maximum Aggregate Debt Service referred to in paragraph (c) above.

No Default. In addition, additional Bonds (except for Refunding Bonds) may be issued only if the City certifies that no Event of Default exists under the Resolution or that any such Event of Default will be cured through application of the proceeds of such Bonds.

Refunding Bonds. 1. One or more series of Refunding Bonds may be issued at any time to refund any Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds.

2. Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (with copies of all documents to the Co-Trustee, if any), in addition to the documents required by the Resolution for the issuance of additional Bonds, except as otherwise provided below, of:



(a) Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption or paid at maturity within the next succeeding sixty (60) days, instructions to the Trustee, satisfactory to it, to give due notice of defeasance in the manner provided for in the Resolution or the Supplemental Resolution authorizing the Bonds of the Series being refunded; and

(c) Either (i) moneys (including moneys withdrawn and deposited pursuant to the Resolution) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be redeemed and at the principal amount of the Bonds to be paid at maturity together with accrued interest on such Bonds to the redemption date or maturity date, as applicable, which moneys shall be held by the Trustee or any one or more of the Paying Agents or Depositories in a separate account irrevocably held for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply (x) with the provisions of the Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in the Resolution or (y) the provisions relating to defeasance of the Bonds being refunded set forth in the Supplemental Resolution authorizing the Bonds of the Series being refunded, as applicable, which Defeasance Securities and moneys shall be held in trust and used only as provided in said provisions.

3. The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution.

4. The City may issue at any time and from time to time Refunding Bonds for the purpose of refunding any Series of Bonds, or any Bonds within a Series, or any maturity or portion of a maturity of Bonds within a Series, or for the purpose of refunding any Subordinate Indebtedness by complying with the requirements of the Resolution. In addition to, and notwithstanding the foregoing, the City may issue at any time and from time to time Refunding Bonds for the purpose of refunding any Series of Bonds, or any Bonds within a Series, or any portion of a maturity of Bonds within a Series or Sinking Fund Installment, without the necessity of complying with the requirements contained in the Resolution only with respect to debt service coverage requirements described above under the caption "Debt Service Coverage," provided that either (x) the Debt Service with respect to such Refunding Bonds in each Fiscal Year from and after the issuance thereof shall be equal to or less than the Debt Service in each such Fiscal Year with respect to the Bonds being refunded or (y) the Maximum Aggregate Debt Service of the Bonds is not increased as a result of such Refunding Bonds. In addition, at or prior to the issuance of such Refunding Bonds pursuant to the preceding sentence, there shall be filed with the Governing Body of the City, an opinion of Bond Counsel, given in reliance on factual and financial certificates, to the effect that upon the deposit of proceeds from the sale of such Refunding Bonds, together with such other legally available funds, in irrevocable escrow for the payment of the Bonds to be refunded, such Bonds shall not be deemed Outstanding for purposes of the Resolution.

Subordinated Indebtedness. The City may also issue Subordinated Indebtedness under the Resolution without compliance with any of the above conditions. References herein and in the Resolution to Bonds do not include such Subordinated Indebtedness.

### **Operation and Maintenance of the System**

The City shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

### **Flow of Funds Under the Resolution**

1. On or before the last Business Day of each calendar month, the Revenues and Subsidy Payments actually received by the City and deposited into the Revenue Fund shall be applied, to the extent available, only in the following manner and in the following order of priority (such application to be made in such a manner so as to assure good funds in such Funds and Accounts on the last Business Day of such month):

(1) Each month the City shall pay from the Revenue Fund such sums as are necessary to meet Operation and Maintenance Expenses for such month;

(2) The City shall transfer from the Revenue Fund to the Rate Stabilization Fund the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the current Annual Budget or the amount otherwise determined by the City to be credited to such Fund for the month;

(3) The City shall next forward to the Trustee, for deposit in the Debt Service Fund (i) for credit to the Debt Service Account, (a) the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month, (b) payments received by the City from a Qualified Hedging Contract Provider pursuant to a Parity Hedging Contract Obligation and (c) the amount, if any, required so the City can pay all obligations payable out of the Debt Service Account in the current month; provided that, for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the balance in said Account the amount, if any, set aside in said Account from the proceeds of Bonds (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month; and (ii) for credit to each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such subaccount shall equal the Debt Service Reserve Requirement related thereto including any amount required to be credited to any separate subaccount in the Debt Service Reserve Account to satisfy any Reserve Deposits established for any Additionally Secured Series of Bonds as of the last day of the then current month (or, if the amount on deposit in the Revenue Fund shall not be sufficient to make the deposits required to be made pursuant to this clause (ii) with respect to all of the separate

subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount);

(4) The City shall next forward to the Trustee, for deposit from Revenues in the Subordinated Indebtedness Fund, the amount, if any, as shall be required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest and other amounts due, on each issue of Subordinated Indebtedness coming due in such month, whether as a result of maturity or prior call for redemption, and to provide reserves therefor, as required by the Supplemental Resolution authorizing such issue of Subordinated Indebtedness; and

(5) The City shall next pay into the Utilities Plant Improvement Fund such amount as it shall deem appropriate provided that for each Fiscal Year deposits into such Fund shall be at least equal to one-half (1/2) of the Net Revenues, during the immediately preceding Fiscal Year, less the sum of (i) Aggregate Debt Service during the immediately preceding Fiscal Year and (ii) interest and principal paid during the immediately preceding Fiscal Year with respect to all Subordinated Indebtedness payable out of Revenues under the Resolution.

2. The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used by the City for any lawful purpose; provided, however, that none of the remaining moneys shall be used for any purpose other than those hereinabove specified unless all current payments, including payments to the Utilities Plant Improvement Fund calculated on a pro-rata annual basis, and including all deficiencies in prior payments, if any, have been made in full and unless the City shall have complied in all material respects with all the covenants and provisions of the Resolution; and provided, further, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds and Parity Hedging Contract Obligations in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), no transfers shall be required to be made to the Debt Service Fund.

## THE 2019 BONDS

### General

The 2019 Bonds will be dated the date of delivery thereof, will bear interest from their date of delivery at the rates per annum set forth on the inside cover page of this Official Statement, payable on April 1 and October 1 of each year, commencing \_\_\_\_\_ 1, \_\_\_\_\_, and will mature on October 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. The 2019 Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof and, when issued, will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). See "-- Book-Entry Only System" below.

### Book-Entry Only System

THE FOLLOWING INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE. THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2019 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE 2019 BONDHOLDERS OR REGISTERED OWNERS OF THE 2019 BONDS SHALL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2019 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2019 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE 2019 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE 2019 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2019 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE 2019 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2019 Bond certificate will be issued for each maturity of each series of the 2019 Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has an S&P Global Inc. ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Bonds

are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest on the 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, the 2019 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Bonds certificates will be printed and delivered to DTC.

**Redemption Provisions**

Optional Redemption of 2019D Bonds. The 2019D Bonds will be subject to redemption prior to maturity at the option of the City on and after October 1, \_\_\_\_ as a whole or in part at any time, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Sinking Fund Redemption. The 2019D Bonds maturing on October 1, \_\_\_\_ will be subject to redemption through mandatory sinking fund installments on October 1 in the years and in the amounts shown below, at a Redemption Price of 100% of the principal amount of such 2019D Bonds to be redeemed plus accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Sinking Fund Installment</u>
	\$
*	

---

\*Final Maturity.

The 2019D Bonds maturing on October 1, \_\_\_\_ will be subject to redemption through mandatory sinking fund installments on October 1 in the years and in the amounts shown below, at a Redemption Price of 100% of the principal amount of such 2019D Bonds to be redeemed plus accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Sinking Fund Installment</u>
	\$
*	

---

\*Final Maturity.

The 2019E Bonds maturing on October 1, \_\_\_\_ will be subject to redemption through mandatory sinking fund installments on October 1 in the years and in the amounts shown below, at a Redemption Price of 100% of the principal amount of such 2019E Bonds to be redeemed plus accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Sinking Fund Installment</u>
	\$
*	

---

\*Final Maturity.

The 2019 Bonds or portions thereof to be redeemed through mandatory sinking fund installments shall be selected by the Trustee in the manner described under "Selection of 2019 Bonds to be Redeemed" below. So long as a book-entry system is used for determining ownership of the 2019 Bonds, DTC or its

successor and Direct Participants and Indirect Participants will determine the particular ownership interests of 2019D Bonds maturing October 1, \_\_\_\_ and \_\_\_\_ and the 2019E Bonds maturing on October 1, \_\_\_\_ to be redeemed through mandatory sinking fund installments.

In determining the amount of 2019 Bonds to be redeemed with any Sinking Fund Installment, the Sinking Fund Installment to be credited as provided in the Resolution, the City may from time to time and at any time by written notice to the Trustee specify the portion, if any, of such 2019 Bonds so purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. None of such 2019 Bonds may be applied as a credit against a Sinking Fund Installment to become due less than 45 days after such notice is delivered to the Trustee.

Make-Whole Optional of Redemption 2019E Bonds. The 2019E Bonds of each maturity are subject to redemption at the option of the City in whole or in part pro-rata at any time at the Redemption Price that is the greater of (A) 100% of the principal amount of the 2019E Bonds to be redeemed and (B) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2019E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2019E Bonds are to be redeemed, discounted to the date on which the 2019E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 15 basis points, plus, in each case, accrued and unpaid interest on the 2019E Bonds to be redeemed up to but not including the redemption date.

"Treasury Rate" means, as of any redemption date for a 2019E Bond, (i) the time-weighted interpolated average yield to maturity, assuming a 360-day year consisting of twelve 30-day months, for a term equal to the Make Whole Period of the yields of the two U.S. Treasury nominal securities at "constant maturity" (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that is publicly available not less than two (2) Business Days nor more than 45 calendar days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data reasonably selected by the Trustee most nearly equal to the period from the redemption date to the maturity date of such 2019E Bond)) maturing immediately preceding and succeeding the Make Whole Period or (ii) if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury Securities adjusted to a constant maturity of one year. The Treasury Rate will be determined by the Calculation Agent.

The Redemption Price of the 2019E Bonds to be redeemed pursuant to the make whole optional redemption provision described above will be determined by Calculation Agent or an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such Redemption Price. The Trustee and the City may conclusively rely on such determination of Redemption Price by such Calculation Agent or independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

"Calculation Agent" means an independent accounting firm, investment banking firm or financial advisor retained by the City and compensated by the City at the City's expense to determine the Redemption Price of the 2019E Bonds to be redeemed pursuant to the make whole optional redemption provisions above.

"Make Whole Period" means the period between the date of redemption of the 2019E Bonds to be redeemed pursuant to the make whole redemption provisions and the maturity date.

## **Notice of Redemption**

The Trustee shall give notice, in the name of the City, of the redemption of such 2019 Bonds, which notice shall specify the Series and maturities and interest rates within maturities, if any, of the 2019 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if fewer than all of the 2019 Bonds of any like and maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such 2019 Bonds so to be redeemed, and, in the case of 2019 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed and such notice may be conditioned upon the occurrence or non-occurrence of certain events. Such notice shall further state that on such date, unless such notice has been rescinded or has ceased to be in effect in accordance with the terms thereof, there shall become due and payable upon each 2019 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of 2019 Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by first class mail, postage prepaid, or electronically, not less than 20 nor more than 60 days before the redemption date, to the Registered Owners of any 2019 Bonds or portions of 2019 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, and such notice may be given electronically. Failure to give notice by mail, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of 2019 Bonds. Notwithstanding any other provision in the Resolution, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the City if expressly set forth in such notice.

## **Purchase in Lieu of Redemption**

Notwithstanding any provision contained in the Resolution to the contrary, the City shall have the option to cause the 2019 Bonds to be purchased in lieu of redemption on the applicable redemption date at a price equal to the then applicable Redemption Price, plus accrued interest thereon to, but not including, the date of such purchase. Such option may be exercised by delivery to the Paying Agent (if the Trustee is not the Paying Agent for such 2019 Bonds) on or prior to the Business Day preceding the redemption date of a written notice of the City specifying that the 2019 Bonds shall not be redeemed, but instead shall be subject to purchase pursuant to this paragraph with the moneys provided or to be provided by or on behalf of the City. Upon delivery of such notice, the 2019 Bonds shall not be redeemed but shall instead be subject to mandatory tender at the Redemption Price on the date that would have been the redemption date.

## **Selection of 2019 Bonds to be Redeemed**

If fewer than all of a Series of 2019 Bonds subject to optional redemption are called for optional redemption, such Series of 2019 Bonds or Sinking Fund Installment to be redeemed shall be selected in such order of maturity and manner as the City, in its discretion, shall determine, and (a) if less than all of a Series of 2019 Bonds of a maturity or a Sinking Fund Installment shall be called for redemption, such Series of 2019 Bonds or Sinking Fund Installment to be redeemed shall be selected by lot within such maturity and (b) if less than all of the 2019E Bonds of a maturity or a Sinking Fund Installment shall be called for redemption such 2019E Bonds or Sinking Fund Installment to be redeemed shall be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC Procedures, provided that, so long as the 2019E Bonds are held in book-entry form, the selection for redemption of such 2019E Bonds shall be made in accordance with the operational arrangements with DTC then in effect. In any event, the



portion of 2019 Bonds to be redeemed in part shall be in principal amounts of \$5,000 or any integral multiple thereof.

### **Negotiability, Transfer and Registry**

The 2019 Bonds shall be transferable only upon the books of the City, which shall be kept for such purposes at the office of the Bond Registrar, by the Registered Owner thereof in person or by such owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or such owner's duly authorized attorney. Upon the transfer of any such 2019 Bond the City shall issue in the name of the transferee a new 2019D Bond or 2019E Bond of the same aggregate principal amount and Series, maturity and interest rate as the surrendered 2019 Bond.

The City and each Fiduciary may deem and treat the person in whose name any 2019 Bond shall be registered upon the books of the City as the absolute owner of such 2019 Bond, whether such 2019 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such 2019 Bond and for all other purposes, and all such payments so made to any such Registered Owner or upon such owner's order shall be valid and effectual to satisfy and discharge the liability upon such 2019 Bond to the extent of the sum or sums so paid, and neither the City nor any Fiduciary shall be affected by any notice to the contrary. The City agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under the Resolution, in so treating such Registered Owner.

### **Payment of Interest on 2019 Bonds; Interest Rights Reserved**

Interest on any 2019 Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that 2019 Bond is registered at the close of business on the date (hereinafter the "Regular Record Date") which, unless otherwise provided in the Supplemental Resolution authorizing such 2019 Bond, is the 15th day of the calendar month next preceding such interest payment date.

Any interest on any 2019 Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the Registered Owner on the relevant Regular Record Date by virtue of having been such owner; and such Defaulted Interest shall be paid by the City to the persons in whose names the 2019 Bonds are registered at the close of business on a date (hereinafter the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The City shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each 2019 Bond and the date of the proposed payment, and at the same time the City shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in provided in the Resolution. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the City of such Special Record Date and, in the name and at the expense of the City, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor

to be mailed, first class postage prepaid, to each 2019 Bondholder at such 2019 Bondholder’s address as it appears in the books of the City kept at the office of the Bond Registrar, not less than 10 days prior to such Special Record Date.

Subject to the foregoing provisions of the Resolution, each 2019 Bond delivered under the Resolution upon transfer of or in exchange for or in lieu of any other 2019 Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other 2019 Bond.

**THE CITY**

**General**

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 County with an estimated 133,857 persons resided within the City limits as of January 2019. 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 56,000 students, is one of the largest universities in the nation.

For additional information with respect to the City and the County, see APPENDIX A attached hereto.

**Government**

The City is governed by the City Commission, which currently consists of seven members. Four are elected from single member districts and three are elected Citywide. The Mayor is elected by the residents of the City.

The following are the current members of the City Commission:

	Term <u>Expires</u>
Mayor Lauren Poe, At Large .....	November, 2022
Mayor-Commissioner-Pro-Tem Harvey Ward, District 2 .....	May 2020
Commissioner David Arreola, District 3.....	May 2020
Commissioner Adrian Hayes-Santos, District 4.....	November, 2022
Commissioner Gail Johnson, At Large .....	May 2021
Commissioner Gigi Simmons, District 1 .....	May 2021
Commissioner Helen K. Warren, At Large.....	May 2020

**THE SYSTEM**

**General**

Under its home rule powers and pursuant to the Charter, the City owns and operates the System, which provides the City and certain unincorporated areas of the County with electric, natural gas, water, wastewater, and telecommunications service (including certain utility services to the University of Florida).

The System provides wholesale wastewater service to the City of Waldo. Natural gas service is also provided to retail customers within the corporate limits of the City of Alachua, Florida ("Alachua"), and the City of High Springs, Florida ("High Springs"). All facilities of the System are owned and operated by the City. The System is governed by the City Commission.

The electric system was established in 1912 to provide street lighting (GRU is in the process of replacing street lights with more efficient LEDs) and electric service to the downtown area. Continuous expansion of the electric system and its generating capacity has resulted in the electric system serving an average of 98,172 customers (11,220 of which were commercial and industrial customers) in the fiscal year ended September 30, 2018, and having a maximum net summer generating capacity of 634 MW. In recent years, the System has replaced street lighting with more efficient LEDs.

The water and wastewater systems were established in 1891 to provide water and wastewater service to the City. The water and wastewater systems served an average of 73,043 and 66,483 customers, respectively, in the fiscal year ended September 30, 2018. In the fiscal year ended September 30, 2018, the water system had an average annual daily flow ("AADF") of 23.3 million gallons per day ("Mgd") and the wastewater system had an AADF of 19.6 Mgd.

The natural gas system was acquired from the Gainesville Gas Company in 1990 to provide gas distribution throughout the City. The gas system served an average of 35,389 customers in the fiscal year ended September 30, 2018.

The telecommunications system, GRUCom, was established in 1995 to provide communication services to the Gainesville area in a manner that would minimize duplication of facilities, maximize interconnectivity, simplify access, and promote the evolution of new technologies and business opportunities. GRUCom operates a state-of-the-art fiber optic network and current product lines include telecommunications transport services, Internet access services, communication tower antenna space leasing services, and public safety radio services. GRUCom served an average of 333 internet access customer connections and 129 dial-up customers in the fiscal year ended September 30, 2018.

#### Utility Advisory Board

On November 19, 2015, the City Commission enacted Ordinance No. 140384 which created a new utility advisory board (the "Utility Advisory Board") to advise and make recommendations to the City Commission on all aspects of governance of the System's electric, gas, telecommunications, water and wastewater utilities. The Utility Advisory Board is comprised of seven members appointed by the City Commission, all of whom reside within the System's service area and receive utility service from GRU. The Utility Advisory Board serves as an advisor to the City Commission on all policy and governance decisions to be made by the City Commission regarding utility services; serves as a channel of communications between the City Commission, utility staff and the utility customers; and considers and makes recommendations regarding proposed changes in fees, rates, or charges for utility services. The Utility Advisory Board has no rate setting authority. However, since July 18, 2017, the City Commission and Utility Advisory Board have been holding joint meetings to study and evaluate whether to vest the Board with some level of final decision-making authority. Any such changes in decision-making authority with respect to utility matters would require revisions to the City Code of Ordinances and may, depending on the extent of the changes, require revisions to the City Charter.

## Legislative Matters Affecting the City

The City and the System may, from time to time in the future, be subject to changes in laws or regulations, many of which are beyond the control of the City, and which could have an effect on the existence, governance, revenues, management, operations and finances of the City and the System.

## Management of the System

The daily operations of the System are managed by the General Manager for Utilities. In addition to the General Manager for Utilities, key members of the System's leadership team include five operational managers, a Chief Operating Officer, the Chief Financial Officer and the City Attorney. The operational managers consist of an Energy Delivery Officer, Water/Wastewater Officer, Chief Customer Officer, Energy Supply Officer and a Chief Business Services Officer.

*Mr. Edward J. Bielarski, Jr., General Manager for Utilities*, joined the System as a Charter Officer and General Manager in June of 2015. Mr. Bielarski has over 20 years of experience in the utility industry, having worked with Constellation Energy Group (Maryland) as a Project General Manager and a Project Chief Financial Officer, and Lehigh County Authority (Pennsylvania) as a Chief Operating Officer and Chief Financial Officer. As a Charter Officer, he reports directly to the seven-member City Commission and to the Utilities Advisory Board. Mr. Bielarski currently serves on the Board of Directors for The Energy Authority, Inc. ("TEA") and the Florida Reliability Coordinating Council (the "FRCC"). In his role as General Manager, Mr. Bielarski oversees all operations of the combined electric, natural gas, water, wastewater and telecommunications utilities. Principal responsibilities include management for all planning, administration, customer service, engineering, organizational development, construction and operations for all utility responsibility areas in accordance with City policies. Additionally, he oversees the preparation and administration of the annual budget and is responsible for policy development and the implementation of policies adopted by the City Commission.

*Ms. Claudia Rasnick, Chief Financial Officer*, joined the System in January 2014 and was appointed to this role in December 2017. Ms. Rasnick has worked in an executive capacity in private industry for ten years, in public accounting for publicly traded, not for profit and governmental clients seven years, and in municipal utilities for four years. She previously held the role of Accounting and Finance Director. She holds a Master of Business Administration and is a licensed Certified Public Accountant in the State of Florida. Ms. Rasnick oversees the operations of the Budget, Finance, and Accounting divisions.

*Mr. Thomas R. Brown, P.E., Chief Operating Officer*, joined the System in September of 2015 and was appointed to this role in July 2016. Mr. Brown has worked as an energy industry executive for 38 years, including most recently as the Vice President/Commercial Manager of Leidos-Plainfield Renewable Energy in Plainfield, Connecticut. He also served in executive management positions with Cogentrix, El Paso Merchant Energy and Ridgewood Power Corporation. Mr. Brown holds a Master of Business Administration degree from Indiana University of Pennsylvania and a Bachelor of Science degree in Mechanical Engineering from Pennsylvania State University, and is a registered Professional Engineer. In his current role, Mr. Brown oversees and manages the System's Energy Supply, Energy Delivery, and Water/Wastewater business operations.

*Mr. Dino De Leo, Energy Supply Officer*, joined the System in September 2006 and formerly served as Production Assurance Support Director. Mr. De Leo was appointed interim Energy Supply Officer in

February 2016 and was made permanent in January 2017. Mr. De Leo has worked as an executive in the energy industry for over 36 years and, prior to joining GRU, served in various leadership roles in the US Navy Submarine force where he retired after 26 years of service in 2006. He holds a Bachelor of Science in Nuclear Engineering from the University of Florida, a Bachelor of Science in Business Administration degree from Columbia College and a Master of Business Administration from Brenau University. Mr. De Leo is responsible for planning, directing, coordinating and administering all activities and personnel for the System's Energy Supply Department including the System's power generation functions, a power engineering group, and a fuels management group, and oversees the design, construction, operation, and maintenance of related systems, projects, and contracts. He also assists with risk management oversight on an executive team and acts as the System's Energy Supply Department's liaison with local, state, and federal agencies.

*Mr. Anthony Cunningham, P.E., Water/Wastewater Officer*, has been with the System for over fifteen (15) years, was appointed to his position in 2016 and previously served as Water/Wastewater Engineering Director. Mr. Cunningham's entire 22 year professional career has been in the water and wastewater industry including 7 years as a consulting civil engineer at Causseuax & Ellington, Inc. He has held various positions through his years at the System including; Strategic Planning Engineer, Senior Environmental Engineer, Acting Water Distribution and Wastewater Collection Director, and Engineering Director. He holds a Bachelor of Science degree in Engineering from the University of Florida and is a registered Professional Engineer in the State of Florida. Mr. Cunningham is responsible for planning, directing, coordinating and administering all activities and personnel of the Water and Wastewater Department. He directs the design, construction, operation and maintenance of all the water and wastewater systems to deliver safe, reliable, and competitively priced services.

*Mr. Gary L. Baysinger, Energy Delivery Officer*, joined the System in 2006. He was appointed interim Energy Delivery Officer in January 2016 and was made permanent in January 2017. Mr. Baysinger previously served as Work & Resource Management Manager and holds a Bachelor of Science in Industrial Engineering from Kent State University. Mr. Baysinger currently serves as Vice-Chair of the Florida Society of Maintenance and Reliability Professionals and maintains CMRP and CMM credentials. As the Energy Delivery Officer, Mr. Baysinger oversees the construction, operation and maintenance of the System's electric transmission and distribution facilities and the natural gas transmission and distribution facilities, and is also responsible for operations engineering, system control, substations and relay/control, city gate stations, electric and gas metering, and field services.

*Mr. J. Lewis Walton, Chief Business Services Officer*, joined the System in March 2008, and has more than 20 years of experience developing, implementing, marketing and managing customer-driven products and services in both competitive markets and the utility industry. Before his appointment to Chief Business Services Officer in September 2015, Mr. Walton served progressively as Marketing & Communications Manager, Director of Marketing and Business Solutions, and most recently as Chief of Staff for GRU's combined utility systems. Mr. Walton holds a Communications Degree from Auburn University and previous to his arrival at GRU, progressed through various operations, sales, marketing, and management positions at both Roadway Package Systems, which is now FedEx Ground, and at Lee County Electric Cooperative in Southwest Florida. Mr. Walton oversees the planning, operations and administration of GRUCom, the System's competitive fiber optic telecommunications unit, as well as the natural gas marketing program, economic development and development of ancillary products and services for the combined System.

*Mr. William J. Shepherd, Chief Customer Officer*, has been with the System for over 23 years, was appointed to his position in September 2015 and previously served as the Director of Customer Operations. The majority of Mr. Shepherd's career has been in Energy and Business services where he has played a critical part in the design and development of the System's nationally recognized energy efficiency programs. Mr. Shepherd holds a Masters of Business Administration from the University of Florida and a Bachelor of Science in Aeronautical Science from Embry Riddle Aeronautical University, and is a Certified Energy Manager ("CEM"). Mr. Shepherd is responsible for customer service, billing, collections, mail services, quality control, facilities, purchasing, cashiers, energy and business services, and new services.

*Cheryl McBride, Chief People Officer*, is GRU's chief liaison with the City, and the primary contact for GRU's personnel matters. Prior to joining GRU, Ms. McBride worked in the City's Human Resources Department for 10 years, serving as the H. R. Director for the past three years. Ms. McBride has also worked in human resources at Walt Disney World, Sprint, and Harris Corporation; however, her first job out of high school was with GRU. She later went on to earn her degree in business administration from the University of Florida.

*Walter Banks, Chief Information Officer*, has been planning, implementing and leading information technology solutions for public organizations for nearly 20 years. He most recently served as Director of Information Technologies for Frederick County, Virginia, following more than a decade managing the IT needs of school districts in central New Jersey and eastern Pennsylvania.

*Nicolle M. Shalley, Esq., City Attorney*, has been with the City Attorney's Office since 2006 and has been the City Attorney since October 2012.

*Lisa C. Bennett, Esq., Senior Assistant City Attorney*, has been with the City since 2013. She works under the direction and supervision of the City Attorney.

#### Labor Relations

The System presently employs approximately 850 persons. All personnel are City employees and are solely under the management of the City. Florida law prohibits public employees from striking.

The City has historically maintained good labor relations with respect to the System. Approximately 560 of the System's employees are represented by Local No. 3170 of the Communications Workers of America (the "CWA"). The current agreements with the CWA (Non-Supervisory and Supervisory), expire on December 31, 2018. Negotiations on three year successor agreements began in April 2018, and the CWA was ratified by the Union on January 22, 2019. The agreements were ratified by the City Commission on February 7, 2019.

#### Permits, Licenses and Approvals

Management believes that all principal permits, licenses and approvals required to construct and operate the System's facilities have been acquired. Management further believes that the System is operating in compliance in all material respects with all such permits, licenses and approvals and with all applicable federal, state and local regulations, codes, standards and laws.

### **The Electric System**

#### Service Area

The System provides retail electric service to customers in the Gainesville urban area, which includes the City and a portion of the surrounding unincorporated area. Wholesale electric services are currently provided to Alachua. See "—Energy Sales – Retail and Wholesale Energy Sales" below. The electric facilities of the System currently serve approximately 124.5 square miles of the County, and approximately 76% of the population of the County, including the entire City, with the exception of the University of Florida campus, which is served principally by Duke Energy Florida ("Duke"). Electric service is also provided in the unincorporated areas of the County by Duke, Clay Electric Cooperative ("Clay"), Florida Power & Light Company ("FPL"), and Central Florida Electric Cooperative, Inc. The System has a territorial agreement with Clay which establishes a service boundary between the two utilities in the unincorporated areas of the County in order to clearly delineate, for existing and future service, those areas to be served by the System and those areas to be served by Clay.

### Customers

The System has experienced modest growth in customers averaging 1.17% per year since 2014. The following tabulation shows the average number of electric customers for the fiscal years ended September 30, 2014, through and including September 30, 2018.

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Retail Customers (Average):					
Residential	83,117	83,796	84,069	85,229	86,952
Commercial and Industrial	10,602	10,677	10,726	11,043	11,220
Total	<u>93,719</u>	<u>94,473</u>	<u>94,795</u>	<u>96,272</u>	<u>98,172</u>

Of the 98,172 customers in the fiscal year ended September 30, 2018, 11,220 commercial and industrial customers provided approximately 56% of revenues from retail energy sales.

Below are the top ten electric customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of Electric Revenue</u>
1	GRU	2.9%
2	Alachua County Public Schools	2.2
3	UF Health/Shands Teaching Hospital and Clinics	2.0
4	North Florida Regional Medical Center	1.7
5	Publix Super Markets Inc.	1.7
6	VA Medical Center	1.7
7	University of Florida	1.5
8	Alachua County Board of Commissioners	0.9
9	Santa Fe College	0.7
10	City of Gainesville	0.7
	<b>Top 10 Electric Customers</b>	<b>16.1%</b>
	<b>Fiscal Year 2018 Electric Revenue* (000)</b>	<b>\$285,720</b>

\*Management prepared breakout of each business unit revenues in accordance with the Resolution (reviewed by auditor in relation to the audited financial statements).

## Energy Sales

### *The Energy Authority*

TEA is a Georgia nonprofit corporation founded by publicly-owned utilities in 1997 to maximize the value of their generation and energy resources in a competitive wholesale market. The System became an equity member of TEA on May 1, 2000. Other equity members include City Utilities of Springfield, Missouri, Cowlitz County Public Utility District, JEA (Jacksonville), the Municipal Electric Authority of Georgia ("MEAG Power"), Nebraska Public Power District, South Carolina Public Service Authority, and American Municipal Power. TEA has offices in Jacksonville, Florida and Seattle, Washington and provides power marketing, trading, and risk management services throughout most of the United States.

TEA currently works with over 50 public power clients that represent 24,000 MW of peak demand and 30,000 MW of installed generation capacity across the U.S. TEA manages a diverse generation portfolio that has proven advantageous in terms of market presence. Operations include the purchase and sale of power, transmission capacity acquisition and scheduling, natural gas and oil purchase and transportation, and financial trading and hedging under strictly observed risk policies.

Other than for retail load and applicable pre-existing bi-lateral long-term wholesale power agreements, TEA markets the System's generating resources in real-time, day-ahead, and longer-term power markets up to twelve months ahead. TEA also purchases all of the System's natural gas and optimizes the System's gas transportation entitlements. TEA's ability to execute energy transactions on behalf of the System includes arranging for any transmission services required to accommodate such transactions. Each transaction is accomplished through the execution of a letter of commitment between the System and TEA for a specific capacity amount and duration, and with negotiated terms and prices. Examples of these power sales include short-term, emergency and economy sales, ranging from a period of months to a single hour. TEA also executes and manages financial hedges for its members, primarily in the form of NYMEX natural gas futures and options. TEA constantly monitors the credit of counterparties and manages credit security requirements on behalf of the System as well as other TEA members.

TEA settles the transactions it makes for its members under terms set forth in settlement procedures adopted by its Board of Directors. The excess (or deficiency) of TEA's revenues over (or under) its costs are also allocated among its members pursuant to such procedures.

The System provides guarantees to TEA and to TEA's banks to secure letters of credit issued by the banks to cover purchase and sale contracts for electric energy, natural gas and related transmission. In accordance with the membership agreement between the System and its joint venture members and with the executed guaranties delivered to TEA and to TEA's banks, the System's aggregate obligation for electric energy marketing transactions entered into by TEA on behalf of its members was \$9.6 million as of each of September 30, 2018 and September 30, 2017. The System's aggregate obligation for TEA's natural gas marketing transactions, under similar agreements and executed guaranties as of September 30, 2018 and 2017, was \$12.1 million and \$9.9 million, respectively.

For a discussion of the System's investment in TEA and its commitments to TEA as of September 30, 2017 and 2016, see Note 3 to the audited financial statements of the System "Investment in The Energy Authority" referenced in APPENDIX B attached hereto. See also "-- Energy Supply System – Fuel Supply – Natural Gas" below for additional discussion of TEA's role in supplying natural gas for the System.



With support from TEA, GRU explored the benefits and consequences of combining GRU's generation with that of another entity and economically dispatching the combined fleet through coordinated dispatch. The coordinated dispatch model allows JEA (also part owner of TEA) and GRU to dispatch their generation fleets as if they were one. The most economical units can supply power to meet the combined demand.

The coordinated dispatch model creates another option to provide power at a lower price point, but is not an obligation. GRU and JEA would dispatch their two systems as one and establish day-ahead (and in the potential future, week-ahead and month-ahead transactions) schedules for power flows between the entities. The pricing of the power flowing during each hour is determined by the avoided cost of the entity selling the power plus a margin. The margin is determined by the savings between dispatching the systems separately versus together.

The analysis of the benefits showed the ability to reduce JEA's production cost by running their fleet at a point of better thermal efficiency when serving part of the GRU demand. GRU's savings were the result of serving load with lower-cost power generated by JEA, rather than from its own fleet. The agreement was signed in March 2016 and coordinated dispatch began in May 2016. As of February 2018, GRU has realized approximately \$2.3 million in savings as a result of the agreement.

#### Retail and Wholesale Energy Sales

In the fiscal year ended September 30, 2018, the System sold 2,032,343 megawatt hours ("MWh") of electric energy to its retail and firm wholesale customers (excluding interchange and economy sales). The System currently has a firm "all requirements" wholesale sales contract with Alachua. This contract, which originated in 1988, was renewed April 1, 2016 for a term of seven years. "All requirements" services include control area voltage and frequency regulation and all other ancillary services. The following table shows the System's sales in MWh and average use of electricity, in kilowatt hours ("kWh") by customer class, for the fiscal years ended September 30, 2014 through and including September 30, 2018. Year-to-year variability is due primarily to the effects of weather on heating and cooling loads. For the fiscal year ended September 30, 2018, there was a 3.13% increase in residential MWh sales from the prior year.

The contract with Alachua includes management of Alachua's 0.019% share of the St. Lucie Unit project, as well as, compliance responsibilities of the North American Electric Reliability Corporation, Inc. ("NERC"). During the fiscal year ended September 30, 2018, the System sold 133,709 MWh to Alachua and received \$7,789,361 in revenue from those sales, which represented approximately 6.6% of total energy sales (excluding interchange sales) and 3.0% of total sales revenues.

**Retail and Wholesale Energy Sales**

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Energy Sales–MWh:					
Residential	771,884	792,704	819,431	796,851	821,821
General Service, Large Power and Other	941,578	951,412	977,797	963,123	989,213
Firm Wholesale <sup>(1)</sup>	119,447	190,103	220,890	218,732	221,309
Total	<u>1,832,909</u>	<u>1,934,219</u>	<u>2,018,118</u>	<u>1,978,706</u>	<u>2,032,343</u>
Average Annual Use per Customer–kWh:					
Residential	9,287	9,460	9,747	9,350	9,451
General Service, Large Power and Other	88,811	89,109	91,161	87,216	88,163

<sup>(1)</sup> Sales to the City of Winter Park, Florida began January 2015 and ended on December 31, 2018.

Pursuant to Florida's Interlocal Cooperation Act of 1969, Chapter 163, Florida Statutes, the System entered into an Interlocal Agreement with the City of Winter Park, Florida on February 24, 2014, effective January 1, 2015 whereby the System agreed to sell 10 MW of capacity and the associated energy on a 7 day/24 hours a day "must-take" basis, except that Winter Park could designate up to 500 hours per year during which the "must-take" quantity may be 5 MW. However, such agreement expired on December 31, 2018 and was not renewed.

Interchange and Economy Wholesale Sales

The System has participated in short-term power sales to other utilities through TEA when market opportunities exist. Due to new natural gas-fired generation in the market, and low and stable natural gas prices, these opportunities are limited. In recent years, net revenues from interchange sales as reflected in the following table have been modest.

**Net Revenues from Interchange and Economy Wholesale Sales<sup>(1)</sup>**  
**(Fiscal Years ended September 30)**  
**(dollars in thousands)**

	2013	2014	2015	2016	2017
Net Revenues (Loss)	\$123	\$673	\$369	\$126	\$3,064
Percent of Total Electric System Net Revenues	0.1%	0.9 %	0.5%	0.2%	3.73%

<sup>(1)</sup> Variable in nature due to regional capacity availability, weather effects on demand and fuel price volatility.

### Interchange and Economy Wholesale Purchases

Interchange and economy wholesale purchases made when power is available from the market at prices below the System's production costs are among the factors that allow the System to assure competitive power costs for retail and firm wholesale customers. Purchases for a duration of less than 24 months are made through TEA. Longer-term contracts are negotiated by the System's staff. The benefits of the System's purchases are passed on to retail and firm wholesale customers by affecting the fuel and purchased power adjustment portion of their rates (see "– Rates – Electric System" below). In the fiscal year ended September 30, 2018, 8% of energy required to serve retail and wholesale customers was obtained through non-firm off-system purchases.

### Renewable Energy

On November 8, 2017, the City purchased the DHR Biomass Plant an approximately 102.5 MW net (116 MW gross) wood biomass-fired facility. The DHR Biomass Plant is located on a 131-acre site approximately 10 miles northwest of the City within Alachua County, adjacent to GRU's current Deerhaven electric generation facilities. Prior to the acquisition of the DHR Biomass Plant, all of the output of the DHR Biomass Plant was sold to GRU pursuant to the PPA, described in more detail below. The DHR Biomass Plant uses advanced combustion technology in which biomass materials are burned in a fluidized bed boiler under controlled, low emissions conditions to generate steam, which in turn drives a turbine/generator that converts the power into electricity.

The acquisition of the DHR Biomass Plant offered several strategic advantages that were in the best financial interests of GRU and its ratepayers:

1. Termination of the PPA, which was set to expire in 2043 (see "–Operating Flexibility" below for a description of resulting operational flexibility);
2. An immediate one-time reduction of electric bills of approximately 8% for residential and 10% for commercial addressing the City's policy for rate competitiveness (GRU also then anticipated subsequent annual 2-3% rate increases over the next five years);
3. The realization of future annual cash flow savings from the elimination of the minimum annual fixed payments under the PPA, compared to the annual debt service on the Utilities System Revenue Bonds, 2017 Series A, Variable Rate Utilities System Revenue Bonds, 2017 Series B and Variable Rate Utilities System Revenue Bonds, 2017 Series C;
4. The flexibility to operate the DHR Biomass Plant as a strategic reliability hedge, based on the market cost of power, cost of fuel, and operating and maintenance requirements of the DHR Biomass Plant;
5. A reduction of long-term contractual capitalized obligations on GRU's balance sheet of approximately \$1 billion in exchange for adding \$680,920,000 of long-term debt; and
6. The final resolution of all on-going arbitration between the City and Gainesville Renewable Energy Center, LLC ("GREC LLC").

Termination of the PPA in connection with the acquisition of the DHR Biomass Plant also offered operational flexibility that was in the best financial interests of GRU and its ratepayers, including:

1. GRU no longer has to coordinate for the planned dispatch of the DHR Biomass Plant as was mandated by the PPA. Rather, GRU can optimize the mix of generating resources and market purchases to meet the necessary demand in the most cost-effective manner.

2. Prior to the termination of the PPA, GRU was required to dispatch the plant at 70 MWs, which is a large percentage of GRU's overall load and has proven difficult to manage across the generation fleet. The larger block size of 70 MWs prevented the use of other GRU generating resources or market purchases that could provide energy at a savings compared to the energy from the DHR Biomass Plant. A smaller blocksize, such as 35 MWs or lower, allows GRU to better optimize its fleet to more economically meet the requisite demand with multiple generation resources fueled by less expensive coal, natural gas, biomass and market purchases.
3. Prior to the termination of the PPA, GRU could not schedule any shutdowns during the summer period. As a result, if the DHR Biomass Plant started the summer season, it had to remain "On" for the duration of the summer season. Terminating the PPA eliminated this operational inflexibility and financial burden. Additionally, GRU had the ability to manage the DHR Biomass Plant such that for certain periods of the year, if the DHR Biomass Plant was not expected to be operational, staffing levels can be significantly reduced for a period of time. The PPA required a full workforce compliment whether the DHR Biomass Plant was operating or in stand-by mode.
4. The DHR Biomass Plant is adjacent to GRU's current Deerhaven facilities. The operation and maintenance staffing of this facility is through a 3<sup>rd</sup> party contractor of North American Energy Services ("NAES"). Since GRU has owned the facility the facility staffing has been optimized to take advantage of some of the synergistic services provided to GRU's other three generating plant sites. Additionally, GRU is currently evaluating options to convert the operation and maintenance of DHR Biomass Plant from NAES to GRU employees.
5. Prior to the termination of the PPA, GREC LLC managed the fuel procurement process with its staff. GRU believed those contracts can be better managed with staff of GRU while eliminating the "margin" that GREC LLC applied to fuel procurement. Additionally, the PPA required a minimum fuel inventory of fifteen (15) days. GRU can manage the fuel inventory more opportunistically.
6. The PPA treated the property taxes on the DHR Biomass Plant as a reimbursable expense. Termination of the PPA and GRU's ownership eliminated the direct payment of property taxes.
7. GRU control of the DHR Biomass Plant's dispatch and the reduction in the 70 MW block size enables GRU to make more cost-effective market purchases of energy when market prices are below GRU's cost of delivering energy.

With the reductions in the cost of natural gas, a slower growth in load than forecasted, an evolving legislative and regulatory environment, and energy efficiency increases, among other factors, the need for energy from the DHR Biomass Plant had become less economical. Upon acquisition of the DHR Biomass Plant, the restrictions imposed by the PPA were no longer applicable. As such, GRU is able to operate the plant with greater flexibility, and with more economical biomass fuel than under the PPA. These two factors as well as unit tuning and optimization have made the DHR Biomass Plant more economical. GRU continues to consider the DHR Biomass Plant to be a useful long-term strategic energy resource, and expects it will continue to play an integral part in its long-term strategy to hedge against any potential future carbon tax and trade programs.

For information on the effect of the acquisition of the DHR Biomass Plant on historical debt service coverage levels, see "- Summary of Combined Net Revenues" below. Based on historical information, GRU expects an improvement to the fixed charge coverage ratio and a reduction in the debt service coverage metric in the future.

For more information, see "-- Energy Supply System – Generating Facilities – DHR Biomass Plant" below.

### Other Renewable Energy and Carbon Management Strategies

Since 2006, renewable energy and carbon management strategies became a major component of the System's long-term power supply acquisition program. These renewable resources include the purchase of energy generated by landfill gas emissions, biomass and solar. The System instituted the nation's first European-style solar feed-in-tariff ("FIT") (discussed below) to be offered by a utility. The System's renewable energy portfolio is part of a long-term strategy to hedge against potential future carbon tax and trade programs. See "-- Future Power Supply" below for more information on the System's renewable energy resources. See also "-- Factors Affecting the Utility Industry - Air Emissions - *The Clean Air Act*" below concerning the cap and trade program under which utilities have several options for complying with the emissions cap, including installation of emission controls, purchasing allowances or switching fuels.

### Energy Supply System

#### *Generating Facilities*

The DHR Biomass Plant is an approximately 102.5 MW net (116 MW gross) wood biomass-fired facility. The DHR Biomass Plant is located on a 131-acre site approximately 10 miles northwest of the City within Alachua County, adjacent to GRU's current Deerhaven electric generation facilities. The DHR Biomass Plant uses advanced combustion technology in which biomass materials are burned in a fluidized bed boiler under controlled, low emissions conditions to generate steam, which in turn drives a turbine/generator that converts the power into electricity. The DHR Biomass Plant is more particularly described below in "THE SYSTEM – The Electric System – Energy Supply System –Generating Facilities – DHR Biomass Plant."

The System owns generating facilities having a net summer continuous capability of 634 MW of net dispatchable summer continuous capacity. The System also is entitled to the capacity and non-dispatchable energy from a landfill gas to energy plant of approximately 3.7 MW. These facilities are connected to the Florida Grid and to the System's service territory over 138 kilovolt ("kV") and 230 kV transmission facilities that include three interconnections with Duke and one interconnection with FPL.

See also "-- Energy Sales – *Interchange and Economy Wholesale Purchases*" above for a discussion of certain power purchases employed to allow the System to assure competitive power costs.

The Generating Facilities are set forth in the following table and described herein.

Existing Generating Facilities		Fuels		Net Summer Capability (MW)
Plant Name	Unit No.	Primary	Alternative	
<u>JRK Station</u>				
	Steam Unit 8	Waste Heat	—	36
	Combustion Turbine 4	Natural Gas	Distillate Fuel Oil	72
				<u>108</u>
<u>Deerhaven Generating Station</u>				
	Steam Unit 2	Bituminous Coal	—	228
	Steam Unit 1	Natural Gas	Residual Fuel Oil Distillate Fuel	75
	Combustion Turbine 3	Natural Gas	Oil	71
	Combustion Turbine 2	Natural Gas	Distillate Fuel Oil	17.5
	Combustion Turbine 1	Natural Gas	Distillate Fuel Oil	17.5
				<u>409</u>
<u>South Energy Center</u>				
	SEC-1	Natural Gas	—	3.5
	SEC-2	Natural Gas	—	7.4
				<u>10.9</u>
<u>DHR Biomass Plant</u>				
		Biomass	—	<u>102.5</u>
<u>Total Owned Resources</u>				
				630.4
<u>Baseline Landfill</u>				
		Landfill Gas	—	<u>3.7</u>
<b>Total Available Capacity</b>				<b>634.1</b>

**JRK Station** – The John R. Kelly Station (the "JRK Station") is located in downtown Gainesville. The JRK Station consists of one combined cycle combustion turbine ("CC1") unit with a net summer generation capability of 108 MW. CC1's is fueled by natural gas. With current natural gas prices and unit efficiency, CC1 operates mostly as a baseload unit.

**Deerhaven** – The Deerhaven Generating Station ("Deerhaven" or "DGS") is located approximately six miles northwest of the City and encompasses approximately 3,474 acres, which provides room for future expansion as well as a substantial natural buffer. The DGS consists of two steam turbines and three combustion turbines with a cumulative net summer capability of 409 MW. Unit 1 ("DH 1") is a conventional steam unit with a net summer capability of 75 MW. Its primary fuel is natural gas and its emergency backup fuel is #6 oil. DH 1 began commercial operation in 1972 and is expected to be retired in 2022. Unit 2 ("DH 2") is a coal-fired, conventional steam unit with a net summer capability of 228 MW. Two combustion turbines are rated at 17.5 MW each and the third combustion turbine at 71 MW. All three combustion turbines have natural gas as their primary fuel and #2 oil as an alternate fuel.

DH 2 was the first zero liquid discharge power plant built east of the Mississippi River. No industrial wastewater or contact storm water leaves the site. Brine salt by-product from process water treatment is transported off site to a Class III landfill due to capacity constraints. The Deerhaven site has a coal combustion products/coal combustion residuals ("CCP"/"CCR") landfill that provides disposal capacity for CCR, fly and bottom ash, as well as flue gas scrubber by-product from the air quality control system ("AQCS"). DH 2 has an AQCS consisting of an electrostatic precipitator and fabric filter for particulate control, a dry circulating scrubber for sulfur dioxide ("SO<sub>2</sub>"), acid gas, and mercury ("Hg") reduction, and a selective catalytic reduction ("SCR") system for reduction of the oxides of nitrogen ("NO<sub>x</sub>") to meet or exceed regulatory requirements.

Since 2009, the operational mode of DH 2 has shifted from a high capacity factor base load to deep load cycling operation. This is the result of factors which includes flat megawatt-hour sales. A cost of cycling engineering study has been performed to accurately determine the long term maintenance cost resulting from this operational mode. The costs are utilized in both long range generation planning and short term unit commitment. Additionally, operational and physical changes necessary to reduce the cost of this mode of operation have been identified and are in various stages of implementation. The findings of the cycling engineering study have been incorporated into the budget and reflected in the CIP.

To assure reliability, considerable investment continues to be made in both physical components and control systems. In addition, the System has invested in a full scale, high fidelity simulator for operator training and control logic quality control. During 2017, the System incurred a loss of \$5.4 million on a rebuild and upgrade of the Circulating Dry Scrubber ("CDS") which is also known as the Turbosorp Air Quality Control System, that was installed in 2009, due to structural integrity issues. This environmental control equipment was replaced with upgraded structural support and a corrosion/erosion resistance liner that is made of C-276 alloy. The replacement and upgrades were completed before the summer peak season and will better ensure the long-term reliability of the environmental control equipment. Through coordination with the City of Gainesville Risk Management on an insurance claim related to the failure of the Deerhaven Unit #2 CDS; GRU has recovered \$4.219 million for the cost of the CDS decommissioning and erection of the vessel to the original design specifications.

*Crystal River 3* – Crystal River 3 ("CR-3") is a retired nuclear powered electric generating unit which had a net summer capability of 838 MW, located on the Gulf of Mexico in Citrus County, Florida, approximately 55 miles southwest of Gainesville. Duke was the majority owner. In February of 2013, Duke announced that CR-3 would be permanently shut down and retired. The System owned a 1.4079% ownership share of CR-3 equal to approximately 12.7 MW (11.846 MW delivered to the System). In 2012, the minority owners, including the System, agreed to have the Florida Municipal Power Agency ("FMPA") represent their interests in negotiating a settlement with Duke for damages resulting from the premature retirement of CR-3. Duke maintained insurance for property damage and incremental costs of replacement power resulting from prolonged accidental outages from Nuclear Electric Insurance, LTD. ("NEIL"). The System has received its allocated insurance proceeds of \$1,308,211, of which \$660,951 was credited on invoices.

FMPA, on behalf of the minority owners, negotiated a settlement with Duke. The settlement was executed by all parties with an effective date of September 26, 2014. The settlement transferred all of the System's ownership interests in CR-3 and the requisite Decommissioning Funds to Duke. In October 2014, the System received reimbursement of \$219,706 in operation and maintenance expenses forgiven by the settlement. The ownership transfer was approved by the Nuclear Regulatory Commission (the "NRC") on May 20, 2015. Upon the NRC's approval of ownership transfer, the minority owners received certain cash

settlements and Duke agreed to be responsible for all future costs and liabilities relating to CR-3 including decommissioning costs. On October 30, 2015, the transfer of ownership interests in CR-3 closed, and the System received a settlement of \$9.56 million as a minority owner of CR-3 and \$618,534 as a former purchaser of power from CR-3. Consequently, CR-3 is not shown on the table of generating facilities.

For further discussion regarding CR-3, see Note 5 to the audited financial statements of the System "Jointly Owned Electric Plant" referenced in APPENDIX B attached hereto.

**South Energy Center** – The South Energy Center was completed in 2 phases of construction and is a combined heat and power facility dedicated to serve a 1,000,000 square foot, 400-bed teaching hospital with Level I trauma center belonging to UF Health/Shands Teaching Hospital and Clinics ("UF Health") at the University of Florida. The South Energy Center provides for all of the hospital's energy needs for electricity, steam, and chilled water. The South Energy Center is also responsible for providing medical gas infrastructure.

The South Energy Center provides the hospital with a highly redundant electric microgrid that is capable of operating either grid-connected or grid-independent to meet 100% of the hospital's needs. The South Energy Center Phase 1 has two grid connections for normal power, and a 3.5 MW on-site combustion turbine to provide full standby power to the hospital and energy center, as well as a planned 2.25 MW fast-start diesel generator to provide code-compliant essential power for the hospital. The combustion turbine is installed in a combined-heat-and-power configuration and is typically run base-loaded to provide export power to the grid and steam to the hospital. All plant systems for electric, chilled water, and steam have high levels of equipment redundancy to minimize the potential of an outage. The South Energy Center Phase 2 has two grid connections for normal power, and both a 7.4 MW on-site reciprocating internal combustion engine to provide full standby power to two towers of the hospital and energy center, as well as a planned 3 MW fast-start diesel generator to provide code-compliant essential power for the hospital. The reciprocating internal combustion engine is installed in a combined-heat-and-power configuration and is typically run base-loaded to provide export power to the grid and steam to the hospital. During 2018, the South Energy Center provided 2.6% of the System's generation.

The South Energy Center is owned and operated by the System, and provides services under a 50-year "cost plus" contract with UF Health. The medical campus has been master planned for 3,000,000 square feet of facilities at build out, the timing of which is contingent upon future economic conditions.

**DHR Biomass Plant** –The fuel supply is primarily forest residuals left in the field after normal timber harvesting as well as materials from urban forestry and suitable sources of clean wood, and biomass such as pallets, and mill residues. The DHR Biomass Plant began commercial operation on December 17, 2013 ("COD"). The DHR Biomass Plant is equipped with Best Available Control Technology ("BACT") air emission controls including; dry sorbent injection, selective catalytic reduction of NO<sub>x</sub> and fabric filters for particulate control. The type of fuel to be employed makes it unnecessary to control SO<sub>2</sub> or mercury. The DHR Biomass Plant received its Title V Operating Air Emissions Permit effective January 1, 2015, which was transferred to GRU in November 2017, and must be renewed every five years.

Upon the City acquiring the DHR Biomass Plant in November, 2017, considerable effort has been spent in optimizing the plant. The plant currently has the ability to operate between a range of 30-102.5 MW, with no restrictions. As such the DHR Biomass Plant is now more economical to be used for dispatch than it was under the PPA.



**Baseline Landfill** – The System entered into a fifteen-year contract for the entire output (3.68 MW) of electricity generated from landfill gas derived from the Baseline Landfill in Marion County, Florida, which was placed in service in December 2008. The Baseline Landfill is actively expanding and additional capacity is projected for the future. Power from the Baseline Landfill is wheeled to the System over Duke's transmission system.

### Fuel Supply

The objectives of the System's fuel procurement and management strategy are: (1) diversification of fuel mix and fuel sources, (2) continuous improvement of delivered fuel cost through innovative contract procurement and the use of short-term suppliers, (3) optimization of the quality of fuel and market price to achieve environmental compliance in the most effective and competitive manner possible, (4) reduction in the impact of price volatility in fuel markets through physical and financial risk management of the fuel supply portfolio and (5) participation in joint procurement programs with other municipal systems to maximize the price benefits of volume purchasing. The flexibility afforded by these actions allows the System to take advantage of changes in relative fuel prices and strategically adjust its use of coal, natural gas, woody biomass or fuel oil to optimize its fuel costs. For fiscal year 2018, net energy for load ("NEL") was served as follows: natural gas 41.0%, biomass 26.8%, coal 26.0%, landfill gas 1.3%, solar 1.1% and oil 0.1%. The remainder of NEL was served by spot purchase power. The System, as both a buyer in the fuel markets and a producer of power, hedges risk and volatility by the use of futures and options. The System's hedging activities are primarily limited to natural gas futures and options. The System's exposure to financial market risk through hedging activity is limited by a written policy and procedure, oversight by a committee of senior division managers, financial control systems, and reporting systems to the General Manager for the System. From time to time, GRU staff considers whether to recommend the purchase of some fuel on a long-term, prepaid basis to strategically manage its fuel costs. If GRU staff were to recommend this strategy, it is subject to approval by the Utility Advisory Board and City Commission.

**Coal** – The System currently owns a fleet of 111 aluminum rapid-discharge rail cars that are in continuous operation between the Deerhaven Generating Station ("DGS") and the coal supply regions. Coal inventory at the DGS is maintained at approximately 40-50 day supply, based on projected burn, anticipated disruptions in coal supply or rail transportation, or short-term market pricing fluctuations. The System's coal procurement considers both short-term and long-term fuel supply agreements with reputable coal producers. This strategy allows the System to reduce supply risk, decrease price volatility, insulate customers from short-term price swings, and exert better control over the quality of coal delivered. The strategy also retains opportunities for cost savings through spot purchases, the ability to evaluate new coal sources through test burns, or to take advantage of a producer's excess coal production capacity. Typically, the System maintains 70-75% of its coal supply under one to three year term contracts and the remainder under short-term contracts of one year or less. The System currently does not have active contracts for the supply of coal, but is currently evaluating coal supply requirements for remainder of 2019 and 2020. The System has a long-term transportation contract for coal with CSX Transportation that expires December 31, 2019. Staff is currently conducting research and gathering information in preparation for renegotiation of the agreement. A consultant that specializes in fuel transportation and logistics has been retained to explore additional transport options and finalize the rail renegotiation strategy. Effective October 2014, the City Commission instituted a policy prohibiting the procurement of coal from mountain top removal (MTR) sources unless a 5% savings over non-MTR mined coal is achieved by doing so. This policy has not had a material impact on the System to date.

See also "Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition - Coal Supply Agreements" herein.

**Natural Gas** – Natural gas supply for both the electric system and the natural gas distribution system is transported to the System by Florida Gas Transmission ("FGT"). A portion of this gas is transported under long-term contracts for daily firm pipeline transport capacity. The contracts are priced under transportation tariffs filed with the Federal Energy Regulatory Commission ("FERC"). The System's natural gas supplies are transported from Gulf Coast producing regions in Texas, Louisiana, Mississippi and Alabama. Natural gas volumes greater than the System's firm transportation contract entitlements are supplied either through the use of excess delivered capacity from other suppliers on FGT or through interruptible transportation capacity, as arranged by TEA which has combined purchasing power to ensure capacity. For fiscal year 2018, the System consumed 9,411,731 million British thermal units ("MMBtu") of natural gas in electric generation and 2,185,050 MMBtu for the gas distribution system. The average cost of gas delivered to the System was \$3.56/MMBtu. The System analyzes, investigates, and participates in opportunities to hedge its natural gas requirements as well as provide greater reliability of supply and transportation for customers. These opportunities include pipeline tariff discussions and negotiations, review of potential liquefied natural gas projects and supply offers, review of potential long-term purchases, natural gas supply baseload contracts, and the purchase and sale of financial NYMEX commodity contracts and options. TEA and consultant INTL FCStone are market participants that provide comprehensive energy trading, analysis, strategies and recommendations to the System's Risk Oversight Committee ("ROC"). TEA is responsible for the procurement of daily physical volumes and management of pipeline transportation entitlements, as well as the execution of financial hedging transactions on the System's behalf. ROC provides direction and oversight on hedging to TEA. See "Energy Sales – *The Energy Authority*" above.

**Oil** – At current and projected price levels, the System's oil capable units are not projected to operate on fuel oil except in emergency backup modes. For fiscal year 2018, fuel oil accounted for approximately 0.06% of net generation. This level of contribution is not projected to change in the near term. When it does become necessary to replenish inventory for any unit, the System seeks to control the costs by purchasing forward supply at fixed prices and timing market entry points to take advantage of favorable pricing trends.

**DHR Biomass Plant Fuel Supply** – The DHR Biomass Plant is fueled by local clean wood waste. This wood fuel includes forestry residues (such as slash and cull trees, pre-commercial thinnings, and whole-tree chips), urban wood residue (such as wood and brush from clearing activities, tree trimmings from right-of-way maintenance), wood processing residue (such as round-offs, end cuts, saw dust, shavings, reject lumber) and other wood waste (such as unusable wood pallets, storm/infested woody debris). It does not use any wood from construction or demolition waste. Rather than importing more fossil fuels, the DHR Biomass Plant's wood fuel is local and is harvested within a 75 mile radius of the plant in north central Florida. The DHR Biomass Plant requires approximately seven hundred and fifty thousand green tons of fuel annually. Before the DHR Biomass Plant began taking wood deliveries, much of this forestry waste wood was open burned, releasing smoke, ash, and soot into the air. Instead of being burned in the open or left on the forest floor to decompose, this material is being used to create renewable energy.

#### Transmission System, Interconnections and Interchange Agreements

The System's transmission system infrastructure consists of approximately 117.2 circuit miles operated at 138 kV and 2.5 circuit miles operated at 230 kV. There are four interconnections with the Florida

transmission grid thereby connecting the System to Duke to the west and south as well as FPL to the east. Specifically, there are three (3) interconnections with Duke: one at their Archer Substation at 230 kV and two at their Idylwild Substation at 138 kV. There is also one interconnection to FPL's Hampton Substation at 138kV. The Hague transmission switching station was constructed to serve as the interconnection point to the DHR Biomass Plant. The transmission system has ample interconnection capacity to import sufficient power from the State grid system to serve native load under normal circumstances.

The System's 138 kV transmission system encircles its service area and connects three transmission switching stations, six loop-fed distribution substations, and four radial-fed distribution substations. This configuration provides a high degree of reliability to serve the System's retail load, delivering wholesale power to Alachua and providing transmission service to a portion of Clay's service territory.

The System is a member of the Florida Reliability Coordinating Council (the "FRCC"), which is a not-for-profit company incorporated in the State of Florida. The purpose of the FRCC is to ensure and enhance the reliability and adequacy of bulk electricity supply in Florida. As a member of FRCC, the System participates in sharing reserves for reliability purposes with other generating utilities in Florida, resulting in a substantial reduction in the amount of reserves required for proper operation and reliability.

FRCC serves as a regional entity with delegated authority from the North American Electric Reliability Corporation ("NERC") for the purposes of proposing and enforcing reliability standards within the FRCC Region. The area of the State of Florida that is within the FRCC Region is peninsular Florida east of the Apalachicola River, which area is under the direction of the FRCC Reliability Coordinator.

#### Electrical Distribution

All of the System's distribution substations are served from the 138 kV transmission system. The System is a 12.47 kV distribution system. If the transmission line supplying a radial-fed distribution substation should fault, the retail loads affected can be served by remote and field actuated switching to adjacent and unaffected distribution circuits. Additional substations have been planned near and within the northern and eastern quadrants of the System's service area to serve load growth in those areas and improve system reliability and resiliency.

The transmission and distribution facilities are fully modeled in a geographical information system ("GIS"). The GIS is integrated with the System's outage management system to enable the linkage of customer calls to specific devices. This integration promotes enhanced and expedited service restoration. Integrated software systems are also used extensively to assign loads to specific circuits, planning distribution and substation system improvements, and supporting restoration efforts resulting from extreme weather. In addition, greater than 60% of the distribution system's circuit miles are underground, which is among the highest percentages in Florida.

#### Capital Improvement Program

The System's current five-year electric capital improvement program requires approximately \$180 million in capital expenditures between fiscal years ended September 30, 2018 through and including 2023 which includes the DHR Biomass Plant. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018

budget process. See "--Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

**Electric Capital Improvement Program**

	Fiscal Years ended September 30,					
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Generation and Control	\$35,079,531	\$22,148,496	\$13,116,496	\$7,041,496	\$4,471,496	\$81,857,515
Transmission and Distribution	11,465,391	37,292,872	16,536,919	6,448,227	7,987,410	79,730,819
Miscellaneous and Contingency	4,817,612	4,626,709	4,044,262	3,528,407	1,968,896	18,985,886
<b>Total</b>	<b>\$51,362,534</b>	<b>\$64,068,077</b>	<b>\$33,697,677</b>	<b>\$17,018,130</b>	<b>\$14,427,802</b>	<b>\$180,574,220</b>

[Remainder of page intentionally left blank]

Loads and Resources

A summary of the System's generating resources and firm interchange sales compared to historical and projected capacity requirements is provided below, which takes into account that the City of Winter Park, Florida is no longer purchasing 10 MW of capacity and the associated energy on a 7 day/24 hours a day "must-take" basis:

Fiscal Year	Net Summer System Capability (MW) <sup>(1)</sup>	Firm Interchange Sales (MW)	Peak Load (MW) <sup>(2)</sup>	Actual / Projected Planning Reserve Margin	
				MW	Percent
Historical					
2014	639	0	409	230	56%
2015	639	0	421	218	52
2016	631	0	428	203	47
2017	627	0	418	209	50
2018	635	0	408	227	56
Projected					
2019	635	0	426	209	49
2020	635	0	439	205	48
2021	635	0	434	201	46
2022 <sup>(3)</sup>	635	0	405	230	57
2023	560	0	408	152	37

<sup>(1)</sup> Based upon summer ratings. Imported firm capacity has been adjusted for losses in the table above. The DHR Biomass Plant is 102.5 MW and is included in projected values. Does not include Solar FIT.

<sup>(2)</sup> Source: GRU 2019 Ten Year Site Plan, Schedule 7.1.

<sup>(3)</sup> Assumes loss of Alachua as a wholesale electric energy customer on March 31, 2022.

Mutual Aid Agreement for Extended Generation Outages

The System has entered into a mutual aid agreement for extended generation outages with six other consumer-owned generating utilities in north central Florida and Georgia. Participating with the System in this agreement are FMPA, JEA, the City of Tallahassee, Lakeland Electric, Orlando Utilities Commission and MEAG Power. Participants have committed to provide replacement power in the event of a long-term (two to twelve month) outage of one of the baseload generating units designated under the agreement. Each utility will provide a pro-rata share of the replacement power and will be reimbursed at an indexed price of coal assuming a heat rate of 11,000 BTU/kWh and an indexed price for gas assuming a heat rate of 9,250 BTU/kWh. The System has designated 100 MW of the capacity of DH 2 and 100 MW of the capacity at JRK Station to be covered under the agreement. The current agreement was renewed for an

additional 5-year term beginning October 1, 2017. To date, the System has provided aid under this agreement, but has never requested aid pursuant to this agreement.

### Future Power Supply

#### General

While the System's existing generating units can maintain a 15% reserve margin through at least 2022, if all generating units are available, the reserve margin can fall from 40+% to a generation deficit with the loss of the System's largest unit, DH 2. As such, power supply planning must address this first contingency event. The reliability of the System's generating sources and the availability of purchased power have been such that the System has never had to declare a generation deficiency. The next scheduled retirement of a generating facility is DH 1 in 2022. Management's strategy to maintain competitive power costs is to maintain the System's status as a self-generating electric utility with a diverse fuel supply that is hedged with a renewable PPA portfolio and meets all environmental standards and expectations of the local community. The ability to be self-generating has proven itself to be a powerful hedge against market volatility while maximizing reliability for native load. Important aspects of this strategy are the management of potentially stranded costs, maintenance of adequate transmission capacity, use of financial as well as physical techniques to hedge fuel costs, and long-term management of pipeline and rail transportation contracts and capacity. GRU has found it to be in its best economic interests to manage its power needs through the generation of power with its existing facilities and to acquire/utilize purchased energy supply, if there is a cost benefit.

#### The Planning Process

The primary factors currently affecting the utility industry include environmental regulations, restructuring of the wholesale energy markets, the formation of independent bulk power transmission systems, the formation of an Electric Reliability Organization ("ERO") under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida. The purpose of the planning process is to develop a plan to best meet the System's obligation to the reliability and security of the bulk electric system ("BES") of the State of Florida and best serve the needs of the System's customers, the most significant of which being competitive pricing of services. The System's current coal transportation contract expires December 31, 2019. Although negotiation strategies and additional options are being explored, the as-delivered cost of coal is anticipated to significantly increase.

Power 2020 originally started in 2012 to determine the long-term life cycle management of generating units, and was originally focused only on power generation options to replace upcoming retiring unit, as well as longer term generation needs. In 2016, the scope expanded to look at both generation and transmission options for GRU. As a result, in early 2016, TEA was chosen to create an Integrated Resource Plan ("IRP") to help model a better answer to some of the unknowns going forward. Using modeling algorithms, the IRP will take a look at the aspects of the system requirements and provide recommendations for the best path forward. That path may include, amongst other strategies, additional generation, import capability, and demand side management, to accomplish the needs of the System. Delivery of the final report was received in September 2017. Since acquiring the DHR Biomass Plant in late 2017, GRU is working with TEA to update the IRP with current data, including looking at adding a portion of solar farm. The IRP updates are actively in progress at this time. The IRP may recommend what mix of

generation and transmission may be needed long term, as well as what generating units will provide the best economic dispatch, which may impact coal contracts.

In the fall of 2016, GRU applied for a Point-to-Point Transmission Service Request ("TSR") with Duke Energy Florida ("DEF") and Florida Power & Light ("FPL") with the intent of obtaining worst-case costs and facility upgrades necessary to provide GRU with 340 MW of firm power service from either provider. The amount of 340 MW was chosen as the "upper envelope" of import power needs in the event GRU retires all native generation with the exception of the DHR Biomass Plant. Based on the study results, DEF concluded that extensive projects work must be completed in the 10 year planning horizon and provided a non-binding estimate of \$400 million to mitigate impacts on the DEF system. FPL, based on its own TSR results, provided a non-binding estimate of \$75.5 million for its own required system upgrades and identified multiple third party impacts, confirming DEF's findings. Should GRU pursue large firm power purchases, third party impacts (such as the need to acquire right of way for transmission lines) shall be reassessed in a coordinated study with the FRCC TWG.

#### Solar FIT

The System became the first utility in the nation to adopt a European-style solar FIT in March 2009. The System purchases 100% of the electricity produced by a photovoltaic ("PV") solar system, which is delivered directly to the System's distribution system. What distinguishes a European-style FIT from any other FIT are the following three factors: (a) the price paid per kWh is designed to allow the owner/operator to earn a profit (the System applied a 5% internal rate of return after taxes to a reference system design); (b) the tariff is fixed over a sufficient period of time by a contract that is designed to promote investment (the System provides a twenty-year fixed price power purchase agreement); and (c) there are distinctions between different types of projects in terms of the price paid (in the case of the System, there are different rates for building/pavement mount and green field ground mount systems). FIT can be applied to any form of renewable energy, but the System chose to focus on solar. The System acquires all the environmental attributes of the solar energy purchased under the FIT, such as renewable energy credits and carbon offsets. The System stopped accepting new installations after 2013; however, approximately 18.6 MW of solar PV capacity was installed and continues to supply energy to the System. Such Solar FIT program, while no longer growing, does result in lower usage by customers resulting in decreased peak demands and MWh of energy sales.

#### Solar Net Metering

Net metering systems generally consist of solar panels, or other renewable energy generators, connected to a public utility power grid. The surplus power produced is transferred to the grid, allowing customers to offset the cost of power drawn from the utility. The net meter system includes both residential and commercial customers. To date, approximately 6.9 MW of solar PV capacity have been installed.

### **The Water System**

The water system currently includes 1,170 miles of water transmission and distribution lines throughout the Gainesville urban area, 16 water supply wells located in a protected well field, and one treatment plant (the "Murphree Plant") possessing a rated peak day capacity of 54 Mgd. Treatment processes include lime-softening, recarbonation, filtration, chlorination and fluoridation. The Murphree Plant's design allows for expansion to at least 60 Mgd of capacity at the plant site without interruption of treatment or service. The System renewed its consumptive use permit ("CUP") in September 2014 which

will expire on September 10, 2034. The water system also includes a total of 19.5 million gallons of water storage capacity, comprised of pumped ground storage and elevated tanks.

Service Area

The water system serves customers within the City limits and in the immediate surrounding unincorporated area. Comprehensive land use plans for the Gainesville urban area mandate connection of new construction to the water system for all but very low density residential developments. Much of the water system's growth is in areas served by Clay for electricity or redevelopment of areas with higher density development. The area presently served includes approximately 118 square miles and approximately 74% of the County's total population. The University of Florida and a small residential development in Alachua are the only wholesale water sales customers.

Customers

The System has experienced average customer growth of 1.0% per year over the last five years. The System has extension policies and connection fees for providing water supply services to new developments appropriately designed to assure that new customers do not impose rate pressure on existing customers. The following tabulation shows the average number of water customers for the fiscal years ended September 30, 2014 through and including 2018.

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Customers (Average)	70,300	70,903	71,546	72,136	73,043

Most of the System's individual water customers are residential. Commercial and industrial customers comprised approximately 8.7% of the 73,043 average customers in the fiscal year ended September 30, 2018, and 61% of all water sales revenues were from residential customers.

[Remainder of page intentionally left blank]



Below are the top ten water customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of Water Revenue</u>
1	University of Florida	5.2%
2	GRU	1.4
3	North Florida Regional Medical Center	0.8
4	Alachua County Public Schools	0.7
5	VA Medical Center	0.6
6	City of Gainesville	0.6
7	UF Health/Shands Teaching Hospital and Clinics	0.6
8	Celebration Pointe Holdings LLC	0.6
9	Alachua County Board of Commissioners	0.5
10	Sivance LLC	0.4
	<b>Top 10 Water Customers</b>	<b>11.4%</b>
	<b>Fiscal Year 2018 Water Revenue* (000)</b>	<b>\$36,868</b>

\*Management prepared breakout of each business unit revenues in accordance with the Resolution (reviewed by auditors in relation to audited financial statements).

#### Water Treatment and Supply

The System's water supply is groundwater obtained from a well field that includes 16 wells which tap into a confined portion of the Floridan aquifer. Groundwater is treated at the Murphree Plant prior to distribution and eventual use. Water treatment and supply facilities are planned based on the need to provide reserve capacity under extreme conditions of extended drought, with attendant maximum demands for water and lowered aquifer water levels. Under these design conditions, current water treatment and supply facilities are adequate through at least 2034. No limitation of supply imposed by the aquifer's sustained yield has been identified by groundwater studies to date.

Water treatment at the Murphree Plant consists of softening to protect the distribution system and improve customer satisfaction, fluoridation for improved cavity protection in young children, filtration, and chlorination for protection from microbial contamination. Specific treatment processes include sulfide oxidation, lime softening, pH stabilization, filtration, fluoridation, and chlorination. The plant is permitted for a maximum daily flow of 54 Mgd. Treated water is collected in a clearwell for transfer to ground storage reservoirs prior to distribution. The filter system has been upgraded with two additional filter cells to provide additional treatment capacity. The System has been upgrading plant components that are outdated or at or near the end of the operating lives in order to ensure the reliability and longevity of the plant. One such upgrade is replacing the electrical system at the water plant. This project will replace the original large electrical equipment, generator, conductors, and construct a new electrical building at the plant. The original equipment which was installed in 1974 has reached the end of its serviceable life and requires replacement to ensure the continued reliable operation of the Murphree Plant. The project will be completed in fiscal year 2019 costing approximately \$11 million and is included in the System's 6 year capital budget.

Raw water requirements for the water system are supplied by sixteen (16) deep wells drilled into the Floridan aquifer. Vertical turbine pumps raise the water and deliver it to the Murphree Plant for treatment. In 2000, the System, along with the local water management districts, purchased a conservation

easement over 7,000 acres of silvicultural property immediately to the north and northwest of the Murphree Plant. The conservation easement provides protection to the System's sixteen (16) existing wells and will accommodate the construction of additional wells. Existing and future wells within the conservation easement are anticipated to yield a minimum of 60 Mgd of water supply to match the long-term future treatment capacity of the Murphree Plant site.

The System's groundwater withdrawals are permitted through the St. Johns River Water Management District ("SJRWMD") and Suwannee River Water Management District ("SRWMD"). The SJRWMD and the SRWMD have adopted a 20-year water supply plan through 2035. The intent of the water supply planning process is to ensure adequate water supply on a long-term basis while protecting natural resources. Computer groundwater modeling performed to date by the water management districts indicates that there may be future constraints on groundwater supplies. One of the regulatory constraints used by the water management districts and the Florida Department of Environmental Protection ("FDEP") to protect water bodies is the "minimum flows and levels" ("MFL") program. The water management districts and the FDEP have developed and are continuing to develop MFLs for individual springs, lakes and rivers to ensure that they are not adversely impacted by groundwater withdrawals. The water management districts are developing refined groundwater models to better define and evaluate potential constraints for both water supply planning and the MFL program. The System is participating in both the model development and MFL development efforts. The System is required to comply with existing and future MFLs and with water supply plans which may result in increased costs to the System. The System will comply with its consumptive use permit and meet the System's future water supply needs primarily through a combination of increased water conservation efforts and an increased use of reclaimed water.

The Cabot/Koppers Superfund site is located approximately 2 miles to the southwest of the Murphree Plant. The site includes two properties: The Cabot Carbon area, covering 50 acres on the eastern side of the site and The Koppers area, covering 90 acres on the western side of the site. The Cabot property was used primarily for producing charcoal and pine products. The Koppers property was used for wood treating. Both production facilities are owned by corporations unrelated to the System.

The EPA placed the site on the National Priorities List under the Superfund program in 1984 because of contaminated soil and groundwater resulting from facility operations. The EPA then issued a Record of Decision ("ROD") for the site in 1990 which described the plan for cleaning up the site. Actions were taken in the 1990's to contain and partially remove contamination at the site. The presence of protective geologic confining layers over the aquifer has greatly impeded the migration of contamination. However, additional investigations of the site since 2001, conducted at the urging of the System, the County and members of the community, have indicated that additional measures are needed to contain the contamination and clean up the site to ensure that the water supply is protected. Although the System is not a potentially responsible party ("PRP") for this site, it has been and intends to continue being highly proactive in protecting the City's water supply. The System has actively participated as a stakeholder working with the EPA and the PRPs for the site (Beazer East, Inc. and Cabot Corporation) to develop remediation plans. The System has assembled a team of experts in the groundwater contamination field to assist and advise the System, and to assist the System in interacting with the EPA and the PRPs to ensure that the appropriate steps are taken. The System regularly tests both the raw and finished water at the well field and there has been no trace of contamination. Based on the System's request, an extensive Floridan aquifer groundwater monitoring network has been constructed at the Koppers portion of the site and is routinely monitored.

In February 2011, the EPA issued a second ROD which described additional cleanup actions needed at the site. The ROD includes a multiple barrier approach for containing contamination at the Koppers portion of the site: (1) areas containing creosote will be treated with two different in situ treatment technologies to immobilize the creosote; (2) a slurry wall will be constructed around the most contaminated areas; and (3) contaminated groundwater from the Floridan aquifer below the site is being pumped and treated. The EPA and Beazer East, Inc., the PRP for the Koppers portion of the site, have entered into a consent decree which requires the PRP to implement the remediation described in the ROD. The consent decree has been approved by the federal district court. The consent decree has not had a material adverse effect on the System or its financial condition. Beazer is currently implementing the cleanup plan per the ROD and it is anticipated that the cleanup of the Koppers portion of the site will be completed by 2021. The System and its expert consultants are continuing to be highly engaged in the design and implementation of the cleanup site.

Additional cleanup measures will also be implemented for the Cabot portion of the site. These measures will include construction of subsurface slurry walls around contaminated areas and may include additional soil removal. It is anticipated that remediation of this site will also be completed by 2021.

Over 200,000 water quality tests have been conducted throughout the System. The System performs routine monitoring of drinking water quality at the Murphree Plant and in the water distribution system in accordance with the EPA and state regulations including EPA Lead and Copper Rule. The System has been in compliance with the Lead and Copper Rule since its inception 26 years ago. The drinking water supply does not contain lead. Also, since the drinking water supply comes from a limestone aquifer, the water is naturally non-corrosive which protects against lead leaching into the water from plumbing fixtures.

#### Transmission and Distribution

The water transmission system consists primarily of cast and ductile iron water mains from 10 to 36 inches in diameter providing a hydraulically looped system. The Murphree Plant high service pumps and the Santa Fe Repump station and two elevated storage tanks provide water flow and pressure stabilization throughout the service area. The water distribution system consists primarily of cast iron, ductile iron, and polyvinyl chloride ("PVC") water mains from 2 to 8 inches in diameter and covers a service area of approximately 118 square miles. The System not only installs new water distribution system additions, but also approves plans for and inspects private developers' water distribution systems which ultimately are deeded over to the System to become an integral part of the System's overall distribution system. The System monitors pressure in several locations throughout the distribution system to ensure that adequate pressures are maintained. In addition, the System utilizes a computer model to assess future conditions and to ensure that system improvements are constructed to ensure adequate pressures in the future.

#### Capital Improvement Program

The System's current five-year water capital improvement program requires approximately \$46.1 million in capital expenditures for the fiscal years of September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital

Improvement Program - Additional Financing Requirements" below for more information regarding funding.

**Water Capital Improvement Program**

	Fiscal Years ended September 30,					Total
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Plant Improvements	\$4,600,000	\$3,950,000	\$4,215,000	\$4,215,000	\$2,445,000	\$19,425,000
Transmission and Distribution	4,120,000	4,655,000	5,355,000	5,145,000	5,395,000	24,670,000
Miscellaneous and Contingency	294,600	499,000	400,000	400,000	400,000	1,993,600
<b>Total</b>	<b>\$9,014,600</b>	<b>\$9,104,000</b>	<b>\$9,970,000</b>	<b>\$9,760,000</b>	<b>\$8,240,000</b>	<b>\$46,088,600</b>

**The Wastewater System**

The wastewater system serves most of the Gainesville urban area and consists of 673 miles of gravity sewer collection system, 170 pump stations with 153 miles of associated force main, and two major wastewater treatment plants with a combined treatment capacity of 22.4 Mgd AADF. For the fiscal year ended September 30, 2018, the AADF was 19.6 Mgd.

All of the effluent from the plants is beneficially reused either for aquifer recharge through recharge wells or groundwater recharge systems, environmental restoration, irrigation, or industrial cooling. The System is continuing to expand its reuse systems at both of its treatment plants in order to conserve groundwater resources and provide additional effluent disposal capacity expansion.

Service Area

The wastewater system service area is essentially the same as the water system service area. Similar to the water system, extension policies and connection fees for providing wastewater facilities and service to new customers are appropriately designed to protect existing customers from rate pressure that would result from adding new customers to the wastewater system. Comprehensive land use plans for the Gainesville urban area mandate connection of new construction to the wastewater system for all but very low density residential developments. Much of the wastewater system's growth is in areas served by Clay for electricity or redevelopment of areas with higher density development. The System also provides wholesale wastewater service to the City of Waldo. The wastewater system does not serve the majority of the University of Florida campus. The wastewater system hauls and treats all the biosolids generated at the University of Florida.

Customers

The System has experienced average customer growth of 1.2% per year over the last five years. The following tabulation shows the average number of wastewater customers, including reclaimed water customers, for the fiscal years ended September 30, 2014 through and including 2018.

	Fiscal Years ended September 30,				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Customers (Average)	63,501	64,121	64,781	65,591	66,483

The composition of the System's wastewater customers is predominantly residential. Commercial and industrial customers comprised approximately 6.8% of the 66,483 average customers in the fiscal year ended September 30, 2018, and residential customers were the source of 66% of all the wastewater system's revenues in the fiscal year ended September 30, 2018.

In 2011, the System executed an agreement with the City of Waldo, Florida ("Waldo") to provide Waldo with wastewater service on a wholesale basis. Waldo currently provides wastewater service to approximately 850 of its residents. Waldo constructed a lift station and force main which collects Waldo's raw wastewater and discharges it to one of the System's existing lift stations. The facilities provide adequate capacity for Waldo to more than double its service population with future growth, which will in turn result in more revenue opportunities for the System.

Below are the top ten wastewater customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of Wastewater Revenue</u>
1	University of Florida	1.1%
2	State of Florida Department of Children and Family Services	0.8
3	Alachua County Public Schools	0.7
4	North Florida Regional Medical Center	0.6
5	Sivance LLC	0.6
6	UF Health/Shands Teaching Hospital and Clinics	0.6
7	City of Gainesville	0.6
8	Cabot Carbon Oper Jump Start	0.5
9	VA Medical Center	0.5
10	Alachua County Board of Commissioners	0.5
	<b>Top 10 Wastewater Customers</b>	<b>6.6%</b>
	<b>Fiscal Year 2018 Wastewater Revenue* (000)</b>	<b>\$46,155</b>

\*Management prepared breakout of each business unit revenues in accordance with the Resolution (reviewed by auditors in relation to audited financial statements).

### Treatment

The wastewater system currently includes two major wastewater treatment facilities, the Main Street Water Reclamation Facility (the "MSWRF") and the Kanapaha Water Reclamation Facility (the "KWRF"). Currently, these facilities have a combined capacity of 22.4 Mgd AADF, which is sufficient capacity to meet projected demands through at least 2034. Although these facilities receive flow from adjacent but distinct collection areas, a pump station that allows wastewater to be routed to either the MSWRF or KWRF allows treatment capacity at both facilities to be fully utilized.

The MSWRF has a treatment capacity of 7.5 Mgd AADF and was upgraded in 1992 to include advanced tertiary activated sludge treatment process units. The plant includes influent screening and grit removal, activated sludge treatment, filtrations and disinfection. Biosolids from the plant are treated via aerobic digestion and are hauled to the KWRF facility where it is combined with KWRF sludge for beneficial reuse and/or disposal. Existing sludge treatment facilities are adequate to meet current federal sludge regulations. Effluent from the MSWRF is discharged to the Sweetwater Branch and must meet requirements of the FDEP for discharge to Class III surface waters. The MSWRF is in compliance with its

National Pollutant Discharge Elimination System ("NPDES") permit. The MSWRF NPDES permit is a 5-year permit that expires March 18, 2020.

In addition, the MSWRF includes a reclaimed water pumping station and distribution system. The reclaimed water distribution system currently includes a pipeline, which provides reclaimed water to the South Energy Center where it is then used for process cooling and irrigation. See "-- The Electric System – Energy Supply System – *Generating Facilities – South Energy Center*" above. This pipeline also provides reclaimed water for pond augmentation and irrigation at the Depot Park Project (MGP remediation site) (see "- The Natural Gas System – Manufactured Gas Plant" below) and at the System's Innovation Energy Center chilled water facility (see "- Management's Discussion of System Operations – Competition" herein). The pipeline will also provide reclaimed water for other irrigation and cooling uses that develop near the pipeline corridor.

The MSWRF East Train rehabilitation and headworks projects are scheduled to be completed in or before fiscal year 2022 at an estimated cost of \$13 million, and is part of the five-year capital improvements program. The east train is the oldest treatment train at the MSWRF, originally installed in the 1960's. The mechanical components in the east train have signs of deterioration and the aerators are nearly 40 years old. This rehabilitation project will replace the clarifier mechanism, electrical gears, control panels, programmed logic control system (PLC), aerators, and rehabilitate the concrete basin structure. The existing headworks will remain operational until construction is completed and prepared for cutover. In addition, a transfer pump station will be constructed to assist in transferring wastewater flow between the two water reclamation facilities.

Under the FDEP Total Maximum Daily Load ("TMDL") regulations, FDEP assesses the water quality in water bodies and sets requirements for reduction in pollutant sources. FDEP adopted a TMDL in January 2006 which requires reductions in total nitrogen discharges from the MSWRF and other nitrogen sources. Florida's TMDL regulations allow the FDEP to negotiate basin management plans involving all of the parties affecting the water bodies. Subsequent to the adoption of this TMDL, the FDEP promulgated its Numeric Nutrient Criteria ("NNC") Rule effective September 17, 2014. The System has implemented a cooperative environmental restoration project known as the Paynes Prairie Sheetflow Restoration project in order to achieve its TMDL limits and comply with the NNC Rule. The combination of the project and the reclaimed water distribution (described above) will allow the System to beneficially reuse 100% of the MSWRF effluent.

The MSWRF NPDES permit requires the Paynes Prairie Sheetflow Restoration project be fully operational and comply with TMDL requirements by April 2019. On March 21, 2019, GRU submitted a permit modification to extend deadline to March 2020. Construction of the project was completed in 2016 and is in the start-up phase of operation, which is anticipated to last for five years. It is expected to be fully compliant with all criteria, as required, by April 2019. In conjunction with the project, the System is currently working with the FDEP to establish site specific criteria for the Sweetwater Branch Creek in accordance with the NNC Rule. The System is following established procedures for developing site specific criteria. However, the System also has a backup plan in the unlikely event that it was not able to obtain site specific criteria. The backup plan would consist of the construction of an \$8 million pipeline which would meet numeric nutrient criteria.

Another regulatory change that the System has responded to is the reuse of biosolids generated from the wastewater treatment process. Prior to 2016, the System beneficially reused its biosolids through Class B land application in accordance with FDEP and EPA requirements. However, changes in local land

use ordinances made it necessary to transition to a new program that includes biosolids dewatering and use of a contractor that will process the biosolids to produce a fertilizer product. The System has completed construction on the dewatering facilities and other plant improvements to facilitate dewatering at a cost of \$17 million and is currently in full operation. In addition, enhanced screening facilities at the KWRF were replaced to reduce solids entering the plant and thereby reducing wear and tear on the new dewatering equipment.

The KWRF is permitted to discharge into a potable zone of the Floridan aquifer. The plant was originally constructed in 1977. A capacity expansion project was completed in June 2004 to provide a total capacity of 14.9 Mgd AADF. The plant includes influent screening, grit removal, activated sludge treatment, filtration and high level disinfection. The KWRF has two distinct treatment processes incorporated into its design: a modified Ludzack-Ettinger Treatment process and a carousel advanced wastewater treatment activated sludge system. The treatment processes conclude with filtration and disinfection prior to discharge into aquifer recharge wells and a reclaimed water distribution system. The disinfection system was recently modified to meet more stringent regulatory limits. The System consistently meets the required primary and secondary drinking water standards for discharge to recharge wells as set forth in its NPDES permit.

The Southwest Reuse Project distributes reclaimed water from the KWRF to commercial and residential customers for landscape irrigation and golf course irrigation. The System also has numerous "aesthetic water features," which provide a public amenity and wildlife habitat in addition to recharging the aquifer. All reclaimed water not reused directly recharges the Floridan aquifer through deep recharge wells that discharge to a depth of 1,000 feet.

In the fiscal years ended September 30, 2018 and 2017, the System delivered approximately 2.7 Mgd AADF and 2.9 Mgd AADF, respectively, of reclaimed water. The regional water management districts encourage the use of reclaimed water to reduce demands on groundwater. The FDEP encourages reuse as an environmentally appropriate means of effluent disposal.

#### Wastewater Collection

The wastewater gravity collection system consists of 15,524 manholes with 730 miles of gravity sewer, 50% of which consists of vitrified clay pipe. New facilities are primarily constructed of PVC high density polyethylene ("HDPE") pipe. The System maintains three television sealing and inspection units which are routinely employed in inspecting new additions to the System to ensure they meet specifications of the System and in inspecting older lines. The television inspections allow the System to identify segments of piping which have high infiltration and inflow or structural concerns. These pipes are restored through a process known as slip-lining, in which a cured in place fiberglass sleeve is installed in the pipe. The System performs slip-lining using its own crews. In addition, the System routinely utilizes contractors to perform slip-lining of longer segments of piping. As a result of the use of slip-lining, infiltration and inflow to the System are not excessive. The System is undergoing a comprehensive inflow and infiltration remediation effort which will include a comprehensive assessment of the System's wastewater collection system and assist in prioritizing sewer system rehabilitation projects in order to reduce inflow and infiltration into the collection system and ensure reliability of the collection system.

The force main system which routes flow to the treatment plant consists of 170 pump stations and over 153 miles of pipe. Existing lines less than 12 inches in diameter are generally constructed of PVC pipe and existing lines 12 inches in diameter and over are generally constructed of ductile iron pipe. For new

construction, force mains 16 inches and smaller are generally constructed of PVC or HDPE. The System has instituted a preventative maintenance program to assure long life and efficiency at all pumping stations.

**Capital Improvement Program**

The System's current five-year wastewater capital improvement program requires approximately \$98.9 million in capital expenditures for the fiscal years ending September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

**Wastewater Capital Improvement Program**

	Fiscal Years ended September 30,					<u>Total</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Plant Improvements	\$6,250,000	\$7,160,000	\$8,495,000	\$3,495,000	\$3,085,000	\$28,485,000
Reclaimed Water	180,000	780,000	230,000	240,000	240,000	1,670,000
Collection System	10,178,000	9,543,000	8,474,000	7,849,000	8,449,000	44,493,000
Miscellaneous and Contingency	2,500,000	6,000,000	6,500,000	4,250,000	5,000,000	24,250,000
<b>Total</b>	<b>\$19,108,000</b>	<b>\$23,483,000</b>	<b>\$23,699,000</b>	<b>\$15,834,000</b>	<b>\$16,774,000</b>	<b>\$98,898,000</b>

**The Natural Gas System**

The natural gas system was acquired in January 1990 and since then has met the System's customers' preferences for natural gas as a cooking and heating fuel as well as provided a cost-effective DSM program alternative. The natural gas system consists primarily of underground gas distribution and service lines, six points of delivery or interconnections with FGT, and metering and measuring equipment. Liquid propane ("LP") systems are utilized for new developments that are beyond the existing natural gas distribution network. As the natural gas system is expanded, the LP systems and customer appliances are converted from LP to natural gas.

**Service Area**

The natural gas system services customers within the City limits and in the surrounding unincorporated area. The natural gas system covers approximately 115 square miles and provides service to 30% of the County's population. In addition, the natural gas system serves customers within the city limits of Alachua and High Springs. Service provided to Alachua represents approximately 5.9% of total retail gas sales of the System. A franchise agreement with both Alachua and Newberry were approved during fiscal year 2018. The System has also entered into franchise agreements to provide natural gas to the City of Archer ("Archer") and Hawthorne. To date, there are no budgeted funds or anticipated timelines for capital infrastructure developments into Archer or Hawthorne.



## Customers

The following tabulation shows the average number of natural gas customers for the fiscal years ended September 30, 2014 through and including 2018. The majority of new single family developments in the Gainesville urban area have been connected to the System over this period.

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Customers (Average)	33,780	34,152	34,496	34,942	35,389

The composition of the System's natural gas customers is predominantly residential. Commercial and industrial customers comprised approximately 4.7% of the 35,389 average customers served in the fiscal year ended September 30, 2018, while approximately 95.3% were residential customers. Residential customers accounted for approximately 49% of the natural gas system's revenues in the fiscal year ended September 30, 2018.

Below are the top ten natural gas customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of Gas Revenue</u>
1	University of Florida	4.4%
2	Ology Bioservices Inc.	1.4
3	Alachua County Board of Commissioners	1.3
4	UF Health/Shands Teaching Hospital and Clinics	1.1
5	Alachua County Public Schools	1.0
6	North Florida Regional Medical Center	0.8
7	RTI Biologics Inc.	0.7
8	State of Florida Department of Children and Family Services	0.6
9	Santa Fe College	0.5
10	Anderson Columbia Co. Inc.	0.4
	<b>Top 10 Gas Customers</b>	<b>12.3%</b>
	<b>Fiscal Year 2018 Gas Revenue* (000)</b>	<b>\$21,279</b>

\*Management prepared breakout of each business unit revenues in accordance with the Resolution (reviewed by auditors in relation to audited financial statements).

## Natural Gas Supply

Natural gas is procured and delivered in much the same manner as the System's electric generation operations. TEA purchases the commodity, optimizes pipeline capacity entitlements, and executes physical and financial hedging strategies on behalf of the System as it does for electric operations. The non-coincident occurrences of electric system and gas retail distribution ("LDC") system peak demands provide opportunities to switch electric fuels to free up pipeline capacity for the LDC and/or manage pipeline entitlements to enhance the reliability and cost performance of the gas system. The average cost of gas delivered to the System for the natural gas distribution system in the fiscal year ended September 30, 2018 was \$3.61/MMBtu. Fuel costs for the natural gas system differ from those of the electric system only in that the gas system has no fuel switching capability and must carry sufficient pipeline reserve capacity to meet peak demands, resulting in higher delivered fuel costs.

### Natural Gas Distribution

The natural gas system consists of 783 miles of gas distribution mains. The predominant and standard pipe materials in service are polyethylene (591 miles) and coated steel (186 miles). All coated steel pipelines are cathodically protected using magnesium anodes. The balance of the distribution system is comprised of uncoated steel and black plastic. The replacement of these two pipeline materials has been programmed within the immediate planning/construction horizon and will be completed by the end of fiscal year 2019.

### Manufactured Gas Plant

The City's natural gas system originally distributed blue water gas, which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas around 1960, coal residuals and spilt fuel contaminated soils at and adjacent to the manufactured gas plant ("MGP") site. When the natural gas system was purchased, the System assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. The System has pursued recovery for the MGP from past insurance policies and, to date, has recovered \$2.2 million from such policies. Site investigations on properties affected by MGP residuals have been completed and the System has completed limited removal actions. The System has received final approval of its proposed overall Remedial Action Plan which will entail the excavation and landfilling of impacted soils at a specially designed facility. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property was redeveloped by the City as a park with stormwater ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program and that timeframe is open to the results of what the sampling data shows.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years ended September 30, 2018 and 2017, expenditures which reduced the liability balance were approximately \$1.1 million each year. The reserve balance at September 30, 2018 and 2017 was approximately \$641,000 and \$814,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Through fiscal years ended September 30, 2018 and 2017, customer billings were \$1.1 million each year and the regulatory asset balance was \$11 million and \$12 million, respectively.

Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have an adverse material effect on GRU's financial position, results of operations, or liquidity.

### Capital Improvement Program

The System's current five-year natural gas capital improvement program requires approximately \$13.4 million in capital expenditures during the fiscal years ended September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

## Gas Capital Improvement Program

	Fiscal Years ended September 30,					Total
	2019	2020	2021	2022	2023	
Distribution Mains	\$1,540,742	\$1,430,086	\$1,757,334	\$1,797,387	\$1,805,674	\$8,331,223
Meters, Services and Regulators	767,724	724,879	1,267,871	1,328,723	852,299	4,941,496
Miscellaneous and Contingency	25,923	25,923	32,218	33,185	34,181	151,430
<b>Total</b>	<b>\$2,334,389</b>	<b>\$2,180,888</b>	<b>\$3,057,423</b>	<b>\$3,159,295</b>	<b>\$2,692,154</b>	<b>\$13,424,149</b>

### GRUCom

The System has been providing retail telecommunications services since 1995 under the brand "GRUCom." Services provided by GRUCom include Internet and data transport services to local businesses, government agencies, multiple dwelling units ("MDU") housing communities, various Internet service providers, and other telecommunications carriers. Additional services provided by GRUCom include tower space leases for wireless personal communications (cellular telephone) providers, public safety radio services for all the major public safety agencies operating in the County and collocation services in the System's central office. GRUCom is licensed by the FPSC as an Alternative Access Vendor and as an Alternative Local Exchange Carrier.

#### Service Area

GRUCom provides telecommunications and related services to customers located primarily in the Gainesville urban area and holds telecommunications licenses that allow it to provide telecommunication services throughout the state. GRUCom operates network connections to interface with all major Interexchange Carriers ("IXC") who maintain facilities in the County, as well as interconnections with both of the County's two incumbent local exchange carriers. The System, through interlocal agreements, also provides public safety radio services across the entire County.

#### Services Provided

The services provided by GRUCom fall primarily into the following five major product lines: telecommunications services; Internet access services; communication tower antenna space leasing; public safety radio services; and collocation services.

The telecommunications services provided by GRUCom are primarily Private Line and Special Access transport circuits (both described below) delivered in whole, or in part, on the GRUCom fiber optic network. These high bandwidth circuits are capable of carrying voice, data or video communications. Private Line circuits are point-to-point, unswitched channels connecting two or more customer locations with a dedicated communication path. Special Access circuits are also unswitched and provide a dedicated communication path, but these circuits connect a customer location to the Point of Presence of another telecommunications company. GRUCom transport services are provided at various levels ranging from 1.5 megabits per second ("Mbps") to 10 gigabit per second ("Gbps"). Part of GRUCom's business strategy is to use unbundled network elements from the incumbent local exchange carrier, AT&T, in anticipation of fiber extensions to specific service locations. GRUCom also uses the fiber optic network to provide high speed Internet access services. Business Internet and Dedicated Internet Access ("DIA") class service connections are offered at access speeds ranging from 10 Mbps up to 10 Gbps and bulk residential Internet access service is provided to participating MDU communities at speeds up to 1 Gbps under the brand name

GATOR NET. In 2017, GRUCom upgraded its bulk GATORNET services to deliver Symmetrical bandwidth, a first in the Gainesville area. GRUCom operates eleven communications towers in the Gainesville area and leases antenna space on these towers as well as on two of the System's water towers, for a total of thirteen antenna attachment sites. Two of the five transmitter sites for the countywide public safety radio system are also located on these communications towers. Wireless communications service providers lease space on the towers and, in most cases, also purchase fiber transport services from GRUCom to receive and deliver traffic at the towers. GRUCom provides transport services that carry a substantial portion of cell phone traffic in the Gainesville urban area. The GRUCom public safety radio system began operation in 2000. These services are provided over Federal Communications Commission ("FCC")-licensed 800 MHz frequencies, utilizing a trunked radio system that is compliant with the current frequency allocations enacted by the FCC in 2010 to accommodate personal communication services ("PCS") providers. The trunked radio system meets current industry standards for interagency operability. The trunked radio system consists of 22 trunked voice frequencies. Antenna sites are linked to the network controller and various dispatch centers utilizing GRUCom's transport services.

### Customers

GRUCom's customer base is growing as the fiber optic network is expanded and new product offerings are introduced. Customer types vary for each GRUCom business activity. As of September 30, 2018, GRU had approximately 6,737 end-users.

GRUCom's fiber transport customers include other land-line telecommunications companies, cellular telecommunications companies, private commercial and industrial businesses, federal, state and local governmental agencies, public and private schools, public libraries, Santa Fe College, the University of Florida, UF Health and the University of Florida Health Science Center. As of September 30, 2018, GRUCom had a total of 499 transport circuits in service.

Internet access services are provided to other Internet service providers, local businesses, government agencies, and participating MDU housing communities. As of September 30, 2018, GRUCom had 333 Business Internet access customer connections and bulk residential Internet agreements with 41 MDU communities. GRUCom tower space leasing services are used primarily by wireless providers, which include cellular telephone and PCS companies. As of September 30, 2018, GRUCom executed 32 tower leases, for space on eleven of its thirteen antenna attachment sites with eight different lessees, including national and regional cellular service providers.

Public safety radio system customers consist solely of government entities due to restrictions on the use of the frequencies allocated to the System under licenses issued by the FCC. The primary radio system users include: the System, the Gainesville Police Department, the Gainesville Fire Rescue Department, the Gainesville Regional Transit System, the City's Public Works Department, the University of Florida Police Department, the Santa Fe College Police Department, the City of Alachua Police Department, the City of High Springs Police Department, the County's Sheriff's Office, the County's Fire Rescue Operations and the County's Public Works Departments. These users have entered into service agreements which are valid through 2020, with minimum commitments for the number of users and monthly fees per user established for voice and dispatch subscriber units. The public safety radio system is operated by GRUCom on an enterprise basis, but an interagency Radio Management Board has been established to govern user protocols, monitor system service levels, and review system changes that could increase rates. As of September 30, 2018, the public safety radio system had 2,599 subscriber units in service.

**GRUCom Projected Revenue and Customer Count**

	2019	2020	2021	2022	2023	2024
Telecom and Data Service Sales	\$7,733,558	\$7,964,792	\$8,117,296	\$8,514,959	\$9,080,145	\$9,648,284
TRS Sales	1,718,952	1,706,112	2,451,453	2,451,453	2,451,453	2,451,453
Tower Leasing Sales	1,767,692	1,817,517	1,868,807	1,921,609	1,975,966	2,031,927
Non-Standard Sales (Non-Recurring)	35,000	35,000	35,000	35,000	35,000	35,000
<b>Total Revenue</b>	<b>\$11,255,202</b>	<b>\$11,523,421</b>	<b>\$12,472,557</b>	<b>\$12,923,020</b>	<b>\$13,542,565</b>	<b>\$14,166,665</b>

Below are the top ten GRUCom customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of GRUCom Revenue</u>
1	GRU	12.2%
2	Alachua County Board of Commissioners	9.0
3	Verizon Wireless Personal Communications	7.3
4	Alachua County Public Schools	6.0
5	C of G	5.8
6	AT&T Wireless	4.2
7	Interstate Fibernet Inc.	4.0
8	T-Mobile USA Inc.	3.7
9	Florida Phone Systems	3.2
10	UF Health/Shands Teaching Hospital and Clinics	2.3
	<b>Top 10 GRUCom Customers</b>	<b>57.8%</b>
	<b>Fiscal Year 2018 GRUCom Revenue* (000)</b>	<b>\$11,210</b>

\*Management prepared breakout of each business unit revenues in accordance with the Resolution (reviewed by auditors in relation to audited financial statements).

Description of Facilities

As of September 30, 2018, GRUCom had 543 miles of fiber optic cable installed throughout Gainesville and the County. The fiber strand count included in the cable depends on service requirements for the particular area and ranges from 12 to 144 strands. The fiber is installed in a ringed topology consisting of a backbone loop and several subtending rings. Service is provisioned on the network in two ways: for services requiring transmission through Synchronous Optical Network standard protocol, GRUCom has deployed equipment manufactured by Ciena (primarily); and for services requiring transmission through Ethernet standard protocol, GRUCom uses equipment manufactured by Cisco and Telco System. GRUCom is in the process of retiring the Cisco Systems equipment and migrating all Ethernet to the Telco System's transmission platform. The Telco Systems equipment will enable GRUCom to provide multi-protocol line switching functionality and reduce network infrastructure equipment complexity. The Ethernet protocol provides GRUCom with increased flexibility for managing bandwidth delivered to the customer. The maximum transport speed currently utilized in the fiber optic network is 10 Gbps, which is enough bandwidth to deliver more than 125,000 simultaneous phone calls (as an illustration). Bandwidth on this network is a function of the electronic equipment utilized and, with technologies such as dense wave division multiplexing, expansion of the transport capability of the

network is virtually unlimited. To exchange network traffic, GRUCom also is interconnected with other major telecommunications companies serving the Gainesville area.

The public radio system employs a Motorola 800 MHz simulcast system configured with six transmit and receive tower sites including 22 simulcast voice and two additional mutual aid channels. GRUCom is completing the process of migrating to the P25 protocol.

GRUCom maintains a point-of-presence at the Digital Realty Trust, Inc. collocation and interconnection facility located in Atlanta, Georgia (the "ATL1 data center"). The ATL1 data center provides access to hundreds of leading domestic and international carriers as well as physical connection points to the world's telecommunications networks and internet backbones. Atlanta, Georgia is a major fiber interconnection point from Florida to New York and the ATL1 data center sits on top of most of the fiber. GRUCom maintains an ultra-high bandwidth backbone transmission interconnection on diverse routes between Gainesville and the ATL1 data center to provide highly reliable Internet access to customers in Gainesville. GRUCom is also a member of the Digital Realty Internet Exchange (the "Internet Exchange"), a separate peering point in the ATL1 data center. The Internet Exchange allows GRUCom to quickly and easily exchange Internet protocol ("IP") traffic directly with over 60 of the world's largest Internet Service Providers ("ISPs"), Content Providers, Gaming Providers and Enterprises, including companies such as Google, Netflix, Apple, McAfee Akami, Hurricane Electric (a major Internet service), Sprint, Level 3 and several other Internet service providers. The Internet Exchange participants can route IP traffic efficiently, providing faster, more reliable and lower-latency internet or voice over Internet protocol ("VoIP") access to their customers, by bypassing intermediate router points so that Internet traffic may have direct access to destination networks.

GRUCom maintains a second point-of-presence at the Equinix, Inc. Network Access Point of the Americas ("NOTA") collocation and interconnection facility which is located in Miami, Florida. NOTA is one of the most significant telecommunications projects in the world. The Tier-IV facility was the first purpose-built, carrier-neutral Network Access Point and is the only facility of its kind specifically designed to link Latin America with the rest of the world. NOTA is located in downtown Miami in close proximity to numerous other telecommunications carrier facilities, fiber loops, international cable landings and multiple power grids. More than 160 global carriers exchange data at NOTA including seven Tier-1 worldwide Internet service providers. GRUCom maintains an ultra-high bandwidth backbone transmission interconnection between Gainesville and NOTA, separate from the ATL1 data center interconnection circuits, which allows GRUCom to maintain a second, fully diverse data gateway and exchange to further enhance the reliability of the Internet services provided to customers in Gainesville. In Miami, GRUCom is also connected to the FL-IX Peering facility to provide additional and duplicate peering points with various ISPs including Content Providers, Gaming Providers and enterprises similar to the Internet Exchange connection in Atlanta.

### Capital Improvement Program

The System's current five-year GRUCom capital improvement program requires approximately \$10 million in capital expenditures for years ended September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital

Improvement Program - Additional Financing Requirements" below for more information regarding funding.

**GRUCom Capital Improvement Program**

	Fiscal Years ended September 30,					<u>Total</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
GRUCom Systems	\$1,237,660	\$693,763	\$1,170,260	\$1,714,189	\$2,244,413	\$7,060,285
Special Project	500,000	-	-	-	-	500,000
Miscellaneous and Contingency	442,817	470,272	405,640	514,386	621,631	2,454,746
<b>Total GRUCom</b>	<b>\$2,180,477</b>	<b>\$1,164,035</b>	<b>\$1,575,900</b>	<b>\$2,228,575</b>	<b>\$2,866,044</b>	<b>\$10,015,031</b>

**Rates**

General

In general, the rates of municipal electric utilities in Florida are established by the governing bodies of such utilities. The governing bodies of municipal water, wastewater and natural gas utilities in Florida have exclusive jurisdiction over the setting of rates for said systems, subject only to certain statutory restrictions upon water and wastewater rates outside the municipal corporate limits. The City Commission's sole authority to set the level of the rates and charges of the System is constrained by the Resolution to set rates that comply with the rate covenant in the Resolution and takes into account recommendations of the Utilities Advisory Board regarding proposed changes in fees, rates, or charges for utility services. See "—Utilities Advisory Board" above and "SECURITY FOR THE BONDS – Rates, Fees and Charges " herein. Future projected revenue requirement changes provided in this Official Statement have been developed by the System's staff based on the most recent forecasts and operation projections available. Under Chapter 366, Florida Statutes, the FPSC has jurisdiction over municipal electric utilities only to prescribe uniform systems and classifications of accounts, to require electric power conservation and reliability, to regulate electric impact fees, to establish rules and regulations regarding cogeneration, to approve territorial agreements, to resolve territorial disputes, to prescribe rate structures, to prescribe and enforce safety standards for transmission and distribution facilities and to prescribe and require the periodic filing of reports and other data. Pursuant to the rules of the FPSC, rate structure is defined as the classification system used in justifying different rates and, more specifically the rate relationship between various customer classes, as well as the rate relationship between members of a customer class." However, the FPSC and the Florida Supreme Court have determined that, except as to rate structure, the FPSC does not have jurisdiction over municipal electric utility rates. The FPSC also has the authority to determine the need for certain new transmission and generation facilities.

Although the rates of the System are not subject to federal regulation, the National Energy Act of 1978 contains provisions which require the City to hold public proceedings to consider and determine the appropriateness of adopting certain enumerated federal standards in connection with the establishment of its retail electric rates. Such proceedings have been completed and the results currently are reflected in the System's policies and electric rate structure.

Electric System

Each of the System's various rates for electric service consists of a "base rate" component and a "fuel and purchased power adjustment" component. The base rates are evaluated annually and adjusted as required to fund projected revenue requirements for each fiscal year. The fuel and purchased power

adjustment clause provides for increases or decreases in the charge for electric energy to cover increases or decreases in the cost of fuel and purchased power to the extent such cost varies from a predetermined base of 6.5 mills per kWh. The current fuel and purchased power adjustment formula is a one-month forward-looking projected formula which is based on a true-up calculation, from the second month preceding the billing month, based on actual fuel costs valued on a weighted average accounting basis, including purchased power, and the upcoming month's estimates of fuel and purchased power costs.

The table below presents electric system base rate revenue requirements, fuel and purchased power adjustment and total residential bill changes since 2013 and GRU's most recent projections of future base rate revenue requirements, fuel and purchased power adjustment and total residential bill changes.

**Electric System  
Base Rate Revenue Requirements, Fuel and Purchased Power  
Adjustment and Total Bill Changes<sup>(4)</sup>**

	Percentage Base Rate Revenue Requirements Increase/(Decrease) <sup>(1)</sup>	Percentage Fuel and Purchased Power Adjustment Increase/(Decrease) <sup>(2)</sup>	Total Residential Bill Percentage Increase/(Decrease) <sup>(3)</sup>
Historical (Fiscal Year Beginning):			
October 1, 2013	(5.60)%	37.20%	9.21%
October 1, 2014	(8.50)	17.00	2.71
October 1, 2015	0.00	(6.70)	(5.24)
October 1, 2016	0.00	(3.70)	(2.04)
October 1, 2017	2.00	0.00	0.88
February 1, 2018 <sup>(4)</sup>	31.40	(50.00)	(8.02)
October 1, 2018	2.00	0.00	1.55
Projected (Fiscal Year Beginning): <sup>(5)</sup>			
October 1, 2019	4.00%	2.00%	3.70%
October 1, 2020	2.65	2.00	2.80
October 1, 2021	2.25	2.00	2.60
October 1, 2022	3.00	2.00	2.70
October 1, 2023	2.00	2.00	2.40

<sup>(1)</sup> Change in overall system-wide non-fuel revenue requirement. Increases or decreases are applied to billing elements to reflect the most recent cost of service studies and to yield the overall revenue requirement.

<sup>(2)</sup> Historical change in weighted average retail fuel adjustment.

<sup>(3)</sup> Based on residential monthly bill at 1,000 kWh.

<sup>(4)</sup> Changes resulting from the acquisition of the DHR Biomass Plant.

<sup>(5)</sup> All changes in the System's revenue requirements are subject to approval by the City Commission, which usually occurs in conjunction with its approval of the System's annual budget.



The electric and natural gas systems use amounts on deposit in a reserve known as the "fuel adjustment levelization balance" that the System accumulates. The balance of the reserve as of September 30, 2018, was negative \$2,376,941 for both electric and natural gas combined. The balance of this fund is anticipated to carry a balance of approximately 5% of the annual fuel expense budget on an average year.

In 2014, the City Commission approved the addition of an Economic Development Rate for new and existing general service demand and large power commercial electric customers of the System in an effort to attract large, regionally competitive new commercial customers and incentivize local growth. Approval of the applicable changes to the City Code of Ordinances occurred in November 2014. The Economic Development rate allows for a 5-year, 20% discount to the base rate portion of the electric bill of a new customer who adds a load of at least 100,000 kWh per month or a 15% discount to the base rate portion of the electric bill of an existing customer who increases its baseline usage by a minimum of 20%. There is no discount on the fuel adjustment portion of the bill under this program, but the addition of load will distribute the fixed costs of the DHR Biomass Plant across a greater number of kWh, lowering the fuel adjustment for all customers. This program is base revenue neutral during the five year discount period, with additional base revenues after the discount ends. The System does not have any customers currently participating in this program.

Public roadways in Gainesville and in portions of the unincorporated areas of the County within the System's service territory are served by streetlights operated and maintained by the System, which bills the appropriate jurisdiction for payment. Currently, the General Fund pays for streetlights in Gainesville. Pursuant to a 1990 agreement, the General Fund reimburses the Board of County Commissioners of the County to, in effect, pay for the streetlights in such portions of the unincorporated areas served by the System.

Rates and Charges for Electric Service

The electric rates, effective October 1, 2018, are provided below by class of service. Though the rates are functionally unbundled, they are commonly presented in a bundled format.

Residential Standard Rate

Customer charge, per month.....	\$14.25
First 850 kWh, Total charge per kWh.....	\$0.070
All kWh per month over 850, Total charge per kWh .....	\$0.093

Non-Residential General Service Non-Demand Rates

Customers in this class have not established a demand of 50 kW. Charges for electric service are:

Customer charge, per month.....	\$29.50
First 1,500 kWh per month, Total charge per kWh.....	\$0.093
All kWh per month over 1,500, Total charge per kWh .....	\$0.123

Non-Residential General Service Demand Rates

Customers in this class have established a demand of between 50 and 1,000 kW. Charges for electric service are:

Customer charge, per month.....	\$100.00
Total Demand charge, per kW .....	\$9.50
Total Energy charge, per kWh.....	\$0.062

Non-Residential Large Power Rates

Customers in this class have established a demand of 1,000 kW or greater. Charges for electric service are:

Customer charge, per month.....	\$350.00
Total Demand charge, per kW .....	\$9.75
Total Energy charge, per kWh.....	\$0.058

Customers in all classes are charged a fuel and purchased power adjustment. Chapter 203, Florida Statutes, imposes a tax at the rate of 2.5% on the gross receipts received by a distribution company for utility services that it delivers to retail consumers in the state of Florida and requires that the distribution company report and remit its Florida Gross Receipts tax to the Florida Department of Revenue on a monthly basis. All non-exempt customers residing within the City's corporate limits pay a utility tax (public service tax) of 10% on portions of their bill. All non-exempt customers not residing within the City's corporate limits are assessed a surcharge of 10% and also pay a County utility tax of 10% on portions of their bill. All non-residential taxable customers pay a State sales tax of 6.95% on portions of their bill. The minimum bill is the customer charge plus any applicable demand charge. The billing demand is defined as the highest demand (integrated for 30 minutes) established during the billing month. The City's codified rate ordinances include clauses providing for primary service metering discounts and facilities leasing adjustment.

[Remainder of page intentionally left blank]

Comparison with Other Utilities

The table below shows the average monthly bills for electric service for certain selected Florida electric utilities, including the System. Residential bills are commonly compared at 1,000 kWh in Florida, however GRU's customers typically average closer to 800 kWh per month.

**Comparison of Monthly Electric Bills<sup>(1)</sup>**

	Residential 1,000 kWh	General Service		Large Power 430,000 kWh 1,000 kW
		Non-Demand 1,500 kWh	Demand 30,000 kWh 75 kW	
Kissimmee Utility Authority	\$99.59	\$162.00	\$2,755.39	\$36,899.12
Lakeland Electric	\$102.85	\$149.52	\$2,477.70	\$34,313.56
Orlando Utilities Commission	\$106.00	\$163.90	\$2,540.00	\$34,579.00
Florida Power & Light Company	\$96.14	\$144.76	\$2,313.44	\$32,452.98
JEA	\$108.50	\$155.64	\$2,715.10	\$37,297.40
Tampa Electric Company	\$105.16	\$161.59	\$2,484.39	\$34,704.91
City of Tallahassee	\$109.07	\$140.00	\$2,653.08	\$35,907.07
Clay Electric Cooperative, Inc.	\$112.90	\$171.05	\$2,728.25	\$35,806.00
Ft. Pierce Utilities Authority	\$111.84	\$176.93	\$3,020.85	\$45,217.20
Ocala Electric Authority	\$119.20	\$175.85	\$2,972.55	\$42,593.75
<b>Gainesville Regional Utilities</b>	<b>\$122.87</b>	<b>\$220.90</b>	<b>\$3,713.50</b>	<b>\$49,961.00</b>
City of Vero Beach	\$122.95	\$191.41	\$3,428.15	\$48,398.40
Duke (Energy Florida)	\$121.11	\$184.80	\$2,840.82	\$39,736.02
Gulf Power Company	\$128.00	\$187.69	\$2,738.93	\$38,761.50

<sup>(1)</sup> Rates in effect for October 2018 applied to noted billing units, ranked by residential bills. Excludes utility taxes, sales taxes and surcharges.

Source: Prepared by the Finance Department of the System based upon published base rates and charges for the time period given with fuel costs provided by personal contact with utility representatives unless otherwise published.

Water and Wastewater System

The table below presents water system revenue requirements and total residential bill changes since 2014 and Management's most recent projections of future revenue requirements and total bill changes. The percentage increases shown represent the aggregate amount required to fund increases in projected revenue requirements for the water system.

**Water System  
Revenue Requirement and Total Bill Changes**

	Percentage Revenue Requirement Increase <sup>(1)</sup>	Total Bill Increase <sup>(2)</sup>
Historical		
October 1, 2014	3.75%	1.90%
October 1, 2015	3.75	10.40
October 1, 2016	3.00	2.20
October 1, 2017	0.00	0.00
October 1, 2018	0.00	0.00
Projected <sup>(3)</sup>		
October 1, 2019	1.00%	1.00%
October 1, 2020	1.00	1.00
October 1, 2021	1.00	1.00
October 1, 2022	1.00	1.00
October 1, 2023	1.00	1.00

- 
- (1) Change in overall revenue requirements collected from all retail customer classes from billing elements, including monthly customer service charges and water usage charges. Increases are applied to billing elements to reflect the most recent cost of service study and to yield the overall revenue requirement.
- (2) Based on monthly bill at 7 Kgal.
- (3) All changes in the System's revenue requirements are subject to approval by the City Commission, which usually occurs in conjunction with its approval of the System's annual budget.

[Remainder of page intentionally left blank]

The table below presents wastewater system revenue requirements and total residential bill changes since fiscal year 2014 and Management's most recent projections of future revenue requirement and total bill changes. The percentage increases shown represent the aggregate amount required to fund increases in projected revenue requirements for the wastewater system.

**Wastewater System  
Revenue Requirement and Total Bill Changes**

	Percentage Revenue Requirement Increase <sup>(1)</sup>	Total Bill Increase <sup>(2)</sup>
Historical		
October 1, 2014	4.85%	4.00%
October 1, 2015	4.85	3.30
October 1, 2016	3.00	1.50
October 1, 2017	0.00	0.00
October 1, 2018	0.00	0.00
Projected <sup>(3)</sup>		
October 1, 2019	4.75%	4.75%
October 1, 2020	4.00	4.00
October 1, 2021	3.00	3.00
October 1, 2022	2.00	2.00
October 1, 2023	2.00	2.00

<sup>(1)</sup> Change in overall revenue requirements collected from all retail customer classes from billing elements, including monthly customer service charges and wastewater usage charges (as a function of water usage). Increases are applied to billing elements to reflect the most recent cost of service study and to yield the overall revenue requirement.

<sup>(2)</sup> Based on monthly bill at 7 Kgal.

<sup>(3)</sup> All changes in the System's rates are subject to approval by the City Commission, which usually occurs in conjunction with its approval of the System's annual budget.

Rates and Charges for Water and Wastewater Services

Total water and wastewater system revenues are derived from two basic types of charges which reflect costs: (a) monthly service charges and (b) connection charges. The current schedule of fees, rates and charges, combined with other revenues for the water and wastewater systems, provides sufficient funds to meet all operation and maintenance expenses, prorated debt service, and internally generated capital expense. The connection charges are designed to provide for the capital costs associated with the water and wastewater system expansion. Growth in retail revenues due to projected customer growth provides for all other increased costs.

Residential customers are subject to inverted block rates. As of October 1, 2015, the first tier pricing is applied to the first 4,000 gallons used, the second tier pricing is applied to usage between 5,000 and 16,000 gallons, and the third tier pricing is applied to usage above 16,000 gallons. A three tier billing structure has

been in place since 2001. Over time the thresholds for quantities of water billed in each block has been lowered to current break points.

The City Commission also adopted a new Multi-Family water rate as part of the fiscal year 2015 budget. The pricing for the usage charge is the same as the second tier of the three tier residential rate.

The University of Florida is charged different rates than other customers because of the City's commitment not to receive General Fund transfers from sales to the University of Florida and because the University of Florida owns and maintains its own on-campus water distribution system. The General Fund transfer policy reflects a historical commitment which enticed the University of Florida to locate in the City of Gainesville in the early 1900's. In 2004, the University of Florida rates became cost-of-service based.

Monthly Service Charges

Monthly customer charges are levied for the actual units of service rendered to individual customers. Customers pay a rate per thousand gallons of water consumed or wastewater treated, and all customers pay a monthly customer charge, as shown on Table 1 below. All wastewater customers are subject to rate surcharges for wastewater discharges which exceed normal domestic strength. Commercial customers are billed 95% of their water usage as wastewater while residential customers are billed the lesser of actual water usage or winter maximum usage, in order to better identify water used for domestic purposes for wastewater billing. Table 2 below lists the charges for water and wastewater service that will become effective October 1, 2018. These rates are unchanged from fiscal year 2018.

**Table 1. Monthly Water Customer Charge by Meter Size**

<u>Meter Size</u>	<u>Monthly Customer Charge</u>
5/8" and 3/4"	\$9.45
1"	9.65
1.5"	12.50
2"	20.00
3"	74.00
4"	100.00
6"	140.00
8"	200.00
10"	275.00

[Remainder of page intentionally left blank]

**Table 2. Current Monthly Charges For Water and Wastewater Services**

Water Rates:	
Residential	
Customer Billing Charge .....	Based on meter size
Consumption Rate:	
1,000 to 4,000 gallons .....	\$2.45 per 1,000 gallons
5,000 to 16,000 gallons .....	\$3.75 per 1,000 gallons
17,000 or more gallons .....	\$6.00 per 1,000 gallons
Commercial	
Customer Billing Charge .....	Based on meter size
Consumption Rate .....	\$3.85 per 1,000 gallons
University of Florida	
Customer Billing Charge .....	Based on meter size
Consumption Rate:	
On-campus facilities .....	\$2.43 per 1,000 gallons
Off-campus facilities .....	\$3.21 per 1,000 gallons
City of Alachua <sup>(1)</sup>	
Customer Billing Charge .....	Based on meter size
Consumption Rate .....	\$1.62 per 1,000 gallons
Wastewater Rates:	
Residential and Commercial	
Customer Billing Charge .....	\$9.10 per month
All Usage <sup>(2)</sup> .....	\$6.30 per 1,000 gallons

---

<sup>(1)</sup> The System provides wholesale water service to Alachua for resale to four locations.

<sup>(2)</sup> Wastewater rates apply to all metered water consumption up to a specified maximum. The residential maximum is established for each customer based upon its winter (December or January) maximum water consumption. The non-residential maximum is 95% of metered water use.

[Remainder of page intentionally left blank]

Comparison with Other Cities

The System's average water and wastewater charges in effect for the month of October 2018 are compared to those other Florida cities in the table below.

**Comparison of Monthly Residential Water  
and Wastewater<sup>(1)</sup>**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Ft. Pierce	\$39.92	\$55.31	\$95.23
<b>Gainesville Regional Utilities</b>	<b>30.50</b>	<b>53.20</b>	<b>83.70</b>
Pensacola (ECUA)	29.02	50.64	79.66
Tallahassee	25.16	61.19	86.35
Lakeland	24.62	47.69	72.31
Jacksonville	23.37	46.33	69.70
Tampa	21.04	44.08	65.12
Ocala	16.27	45.20	62.07
Orlando	14.43	50.37	64.48

<sup>(1)</sup> Comparisons are based on 7,000 gallons of metered water and 7,000 gallons of wastewater treated and rates in effect for October 2018. Excludes all taxes, surcharges, and franchise fees. Sorted in ascending order by total charges.

Source: Prepared by the Finance Department of the System based upon published rates and charges and/or personal contact with utility representatives of the applicable system.

Surcharge

Non-exempt water customers residing within the City's corporate limits are assessed a 10% utility tax. Non-exempt water customers residing outside the City's corporate limits are assessed a 25% surcharge and pay a 10% County utility tax. There is no utility tax on wastewater. However, non-exempt wastewater customers residing outside the City's corporate limits are assessed a 25% surcharge. Effective October 1, 2001, water and wastewater connection charges were subject to the 25% surcharge imposed on non-exempt customers not residing within the City's corporate limits. This surcharge on connection fees was suspended for fiscal year 2015 and was re-implemented in fiscal year 2016.

Connection Charge Methodology

Beginning October 1, 2016, GRU made a change in its assessment of connection charges to more equitably distribute the costs of demand on the System to each customer based on their anticipated demand on the System. The change is intended to be revenue neutral for the System. New single family connections and small non-residential connections will continue to pay a Minimum Connection Charge, which is similar to how GRU currently charges for these small connections. Larger non-residential connections, with an estimated use greater than 280 gallons per day, will pay a flow-based connection charge. Multi-family connections will continue to pay flow-based connection charges and are not affected by these changes.

Calculation of the estimated average water use for a non-residential customer is based on the total square footage of the business multiplied by the water use coefficient to obtain gallons per day. If the average water use is estimated to be 280 gpd or less the Minimum Connection Charge will be assessed. If the water use is estimated to be greater than 280 gpd the customer will pay a flow-based connection charge.



Effective October 1, 2018, transmission and distribution/collection system connection charges for individual lots are \$462 to connect to the water system and \$766 to connect to the wastewater system. Water and wastewater plant connection charges for individual lots are \$695 and \$2,631, respectively. The water meter installation charge is \$697 for a typical single family dwelling (requiring 3/4 inch meter). The total water system connection charges for a typical single family dwelling (requiring 3/4 inch meter) are \$1,854 for new water service and the total wastewater connection charges are \$3,397 for new wastewater service. Total water and wastewater connection charges for a typical single family dwelling are \$5,251. Additionally, effective in the fiscal year ended September 30, 2018, GRU implemented lower water and wastewater connection charges for single family homes smaller than 1,400 square feet heated and cooled. The total water connection charge for these homes is \$1,449 and the total wastewater connection charge is \$2,208. Also, there is a 25% surcharge applied to new connections located outside of the incorporated area of the City.

#### Infrastructure Improvement Area

The System's water and wastewater extension policy requires that new development projects pay the cost for the infrastructure improvements needed to serve them. Under this policy, developers typically design and install most of these improvements, with the System's review and approval, as part of the design and construction for their development projects. In some cases, the System may construct these improvements, with the developer reimbursing the System for the cost.

The City Commission, by adoption of Ordinance No. 110541 on April 7, 2016, established the "Innovation District Infrastructure Improvement Area." Within the designated area, the System developed a master plan for major water distribution and wastewater collection capacity improvements needed to facilitate current and anticipated future development. The System is constructing these improvements according to the master plan. The System has constructed \$1.14 million in water system improvements and \$2.34 million in wastewater collection system improvements as of the date of this Official Statement. The cost for these improvements will be recovered through "infrastructure improvement area user fees" which new development projects pay at the time of connection to the System. These user fees are calculated for each development project based on the size of the project and type of project. The user fees are set based on recovering the System's expenditures with interest over a 20 year period. The City Commission enacted Ordinance No. 160725 on March 16, 2017 increasing the fees for the improvement area.

#### Natural Gas System

Each of the System's various rates for natural gas service consists of a "base rate" component and a "purchased gas adjustment" component. The base rates are evaluated annually and adjusted as required to fund projected revenue requirements for each fiscal year. The purchased gas adjustment clause provides for increases or decreases in the charge for natural gas to cover increases or decreases in the cost of gas delivered to the System. The current purchased gas adjustment is calculated with a formula using a one-month forward-looking projection and a true-up of the second month preceding the actual fuel cost in the billing month.

The table below presents natural gas system base rate revenue requirements, purchased gas adjustment and total residential bill changes since 2014 and Management's most recent projections of future base rate revenue requirements, purchased gas adjustment and total residential bill changes. The percentage changes shown represent the aggregate amount required to fund changes in projected non-fuel and purchased gas revenue requirements for the natural gas system.

**Natural Gas System  
Base Rate Revenue  
Purchased Gas Adjustment and Total Bill Changes**

	Percentage Base Rate Revenue Increase/(Decrease) <sup>(1)</sup>	Percentage Purchased Gas Adjustment Revenue Increase/(Decrease) <sup>(2)</sup>	Total Bill Increase/(Decrease) <sup>(3)</sup>
Historical			
October 1, 2014	4.25%	4.10%	3.90%
October 1, 2015	4.75	(36.40)	(8.30)
October 1, 2016	9.00	(13.10)	4.40
October 1, 2017	0.00	0.00	0.00
October 1, 2018	0.00	34.08	6.10
Projected <sup>(4)</sup>			
October 1, 2019	0.00%	2.00%	0.50%
October 1, 2020	0.00	2.00	0.50
October 1, 2021	0.00	2.00	0.50
October 1, 2022	0.00	2.00	0.50
October 1, 2023	0.00	2.00	0.50

- 
- (1) Change in overall non-fuel revenues collected from all retail customer classes from billing elements, including monthly service charges and energy usage charges ("therms"). Fuel revenue requirements are collected as a uniform charge on all therms of energy used. Increases or decreases are applied to billing elements to reflect the most recent cost of service studies and to yield the overall revenue requirement. For additional information on the MGP site, see "-- The Natural Gas System – Manufactured Gas Plant" above.
- (2) Historical purchased gas adjustment revenue increase represents the change in weighted average purchased gas adjustment.
- (3) Based on monthly residential bill at 25 therms.
- (4) All changes in the System's revenue requirements are subject to approval by the City Commission, which usually occurs in conjunction with its approval of the System's annual budget.

Rates and Charges for Natural Gas Service

The current natural gas rates, effective October 1, 2018, are provided below by class of service:

Residential Service Rate	
Customer Charge .....	\$9.75 per month
Non-Fuel Energy Charge .....	\$0.63 per therm
Small Commercial Rate .....	
Customer Charge.....	\$20.00 per month
Non-Fuel Energy Charge.....	\$0.62 per therm
General Firm Service Rate	
Customer Charge .....	\$45.00 per month
Non-Fuel Energy Charge .....	\$0.44 per therm
Large Volume Interruptible Rate	
Customer Charge .....	\$400.00 per month
Non-Fuel Energy Charge .....	\$0.27 per therm
Manufactured Gas Plant Cost Recovery Factor (Applied to All Rate Classes)	\$0.0556 per therm

Customers in all classes are charged a purchased gas adjustment and the Manufactured Gas Plant Cost Recovery Factor. Chapter 203, Florida Statutes, imposes a 2.5% tax based on an index price applied to the quantity of gas billed. All non-exempt customers residing within the City's corporate limits pay a City utility tax of 10% on portions of their bill. All non-exempt customers not residing within the City's corporate limits pay a 10% County utility tax on portions of their bill and a 10% surcharge on portions of their bill. All non-residential taxable customers pay a State sales tax of 6% on portions of their bill. For firm customers, the minimum bill equals the customer charge.

[Remainder of page intentionally left blank]

Comparison with Other Utilities

The System's average natural gas charges in effect for the month of October 2017 are compared to those for eleven other municipal and private natural gas companies (based on rates effective February 2018) in the following table. The System's gas rates are among the lowest in the State.

**Comparison of Monthly Natural Gas Bills<sup>(1)</sup>**

	Residential <u>25 therms</u>	General Firm <u>300 therms</u>	Large Volume <u>30,000 therms</u>
<b>Gainesville Regional Utilities</b>	<b>\$34.64</b>	<b>\$286.68</b>	<b>\$19,468.00</b>
Okaloosa Gas District	42.83	353.39	26,829.36
Tallahassee	35.85	345.24	21,607.41
Clearwater	43.50	397.00	29,050.00
City of Sunrise	44.74	378.60	19,218.65
Ft. Pierce	46.84	324.36	22,826.19
Kissimmee <sup>(2)</sup>	50.42	379.34	30,713.80
Lakeland <sup>(2)</sup>	50.42	379.34	30,713.80
Orlando <sup>(2)</sup>	50.42	379.34	30,713.80
Tampa <sup>(2)</sup>	50.42	379.34	30,713.80
Central Florida Gas	54.32	439.37	29,474.70
Pensacola	56.93	559.21	28,485.20

<sup>(1)</sup> Rates in effect for October 2018 applied to noted billing volume (excludes all taxes).

<sup>(2)</sup> Service provided by People's Gas.

Source: Prepared by the Finance Department of the System based upon published base rates and charges for the time period given with fuel costs provided by personal contact with utility representatives unless otherwise published.

[Remainder of page intentionally left blank]

**Comparison of Total Monthly Cost of Electric, Gas, Water and  
Wastewater Services for Residential Customers in Selected Florida Locales**

The following table shows comparisons of the total monthly cost for a "basket" of electric, gas, water and wastewater services for residential customers in selected Florida locales for the month of October 2017, based upon (a) typical average usage by the System's residential customers by category of service and (b) standard industry benchmarks for average usage by residential customers.

**Comparison of Monthly Utility Costs<sup>(1)</sup>**

	Based Upon Typical Average Usage by Residential Customers <u>of the System<sup>(2)</sup></u>	Based Upon Standard Industry Usage Benchmarks <sup>(3)</sup>
Tampa	\$176.77	\$227.01
Kissimmee	180.02	220.32
Orlando	180.17	221.22
Tallahassee	182.92	231.28
Lakeland	184.39	225.58
<b>Gainesville Regional Utilities</b>	<b>185.37</b>	<b>241.21</b>
Jacksonville	186.68	228.62
Ocala	193.12	231.70
Clay County	193.60	232.37
Vero Beach	196.37	241.70
Ft. Pierce	200.21	253.90
Pensacola	212.66	272.27

<sup>(1)</sup> Based upon rates in effect for October 2018 by the actual providers of the specified services in the indicated locales, applied to the noted billing units. Excludes public utility taxes, sales taxes, surcharges, and franchise fees.

<sup>(2)</sup> Monthly costs of service have been calculated based upon typical average annual usage by residential customers of the System during the fiscal year ended September 30, 2018, as follows: for electric service: 800 kWh; for natural gas service: 20 therms; for water service: 5,000 gallons of metered water; and for wastewater service: 4,000 gallons of wastewater treated.

<sup>(3)</sup> Monthly costs of service have been calculated based upon standard industry benchmarks for average annual usage by residential customers, as follows: for electric service: 1,000 kWh; for natural gas service: 25 therms; for water service: 7,000 gallons of metered water; and for wastewater service: 7,000 gallons of wastewater treated.

Source: Prepared by the Finance Department of the System based upon (a) in the case of electric and gas service, published base rates and charges for the time period given, with fuel costs provided by personal contact with utility representatives of the applicable system unless otherwise published and (b) in the case of water and wastewater service, published rates and charges and/or personal contact with utility representatives.

Since the System's rates for electric, water and wastewater service are designed to encourage conservation, average usage of those utility services by residential customers of the System are lower than the standard industry benchmarks for average usage by residential customers that typically are used for

rate comparison purposes. As with all utilities with similar programs, such conservation measures result in sustained lower usage by customers resulting in decreased peak demands and MWh of energy sales. As a result, the total monthly cost of electric, gas, water and wastewater service for residential customers of the System, calculated based upon average usage by such customers, compares favorably to what the total monthly cost of such services would have been, calculated based upon such standard industry benchmarks.

### **Summary of Combined Net Revenues**

The following table sets forth a summary of combined net revenues for the fiscal years 2014, 2015, 2016 and 2017, along with combined net revenue information for the nine-month period ended June 30, 2018. The information is derived from the audited financial statements of the City for the System. Such information should be read in conjunction with the City's audited financial statements for the System and the notes thereto for the fiscal years ended September 30, 2014, 2015, 2016, 2017 and 2018, referenced in APPENDIX B attached hereto or in prior audited financial statements.

[Remainder of page intentionally left blank]

Fiscal Years Ended September 30,  
(in thousands)

	2014	2015	2016	2017	2018
<b>Revenues:</b>					
Electric	\$280,482	\$298,914	\$308,071	\$317,644	\$285,720
Water	31,827	32,524	33,818	35,091	36,868
Wastewater	36,052	38,261	42,346	44,185	46,155
Gas	25,801	24,111	24,325	21,925	21,279
GRUCom	10,694	12,600	11,744	11,450	11,210
<b>Total Revenues</b>	<u>\$384,856</u>	<u>\$406,410</u>	<u>\$420,304</u>	<u>\$430,295</u>	<u>\$401,232</u>
<b>Operation and Maintenance Expenses<sup>(1)</sup>:</b>					
Electric	\$203,506	\$217,082	\$225,290	\$235,525	\$177,687
Water	13,321	13,559	14,827	15,463	16,242
Wastewater	13,968	14,334	17,388	19,052	20,213
Gas	16,726	15,318	14,577	12,902	12,993
GRUCom	6,492	8,460	7,422	7,109	6,503
<b>Total Operation and Maintenance Expenses</b>	<u>\$254,013</u>	<u>\$268,753</u>	<u>\$279,504</u>	<u>\$290,051</u>	<u>\$233,638</u>
<b>Net Revenues:</b>					
Electric	\$76,976	\$81,832	\$82,781	\$82,119	\$108,034
Water	18,506	18,965	18,991	19,627	20,625
Wastewater	22,084	23,927	24,958	25,133	25,942
Gas	9,075	8,793	9,748	9,023	8,286
GRUCom	4,202	4,140	4,322	4,341	4,708
<b>Total Net Revenues</b>	<u>\$130,843</u>	<u>\$137,657</u>	<u>\$140,800</u>	<u>\$140,243</u>	<u>\$167,595</u>
Aggregate Debt Service on Bonds	\$54,860	\$55,461	\$55,822	\$55,989	\$89,236
Debt Service Coverage Ratio for Bonds	2.39	2.48	2.52	2.50	1.88
Debt Service on Subordinated Indebtedness <sup>(2)</sup>	<u>\$5,182</u>	<u>\$6,178</u>	<u>\$6,205</u>	<u>6,583</u>	<u>859</u>
Total Debt Service on Bonds and Subordinated Indebtedness	\$60,042	\$61,639	\$62,027	\$62,572	\$90,095 <sup>(3)</sup>
Debt Service Coverage Ratio for Bonds and Subordinated Indebtedness <sup>(3)</sup>	2.18 <sup>(4)</sup>	2.23 <sup>(4)</sup>	2.27 <sup>(4)</sup>	2.24 <sup>(4)</sup>	1.86 <sup>(4)</sup>

[Footnotes appear on following page]

- 
- (1) Includes administrative expenses. Excludes depreciation and amortization.
  - (2) Excludes principal of maturing commercial paper notes which were paid from newly-issued commercial paper notes.
  - (3) Maximum annual debt service after the transactions described in "REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein is expected to increase to **[\$109,637,153]**. See APPENDIX D attached hereto.
  - (4) The historical debt service coverage calculation described above is based on the rate covenant described in "SECURITY FOR THE BONDS – Rates, Fees and Charges" herein. At the end of 2017, the DHR Biomass Plant was acquired using proceeds of the 2017 Series A Bonds, 2017 Series B Bonds and 2017 Series C Bonds. Coverage levels thereafter significantly dropped, in part, because of the debt which was necessary to finance the costs of such acquisition. It should also be noted that financial operations information in the table above only reflects ownership of the DHR Biomass Plant by the City for 327 of 365 days during the fiscal year ended September 30, 2018, so the 1.86x coverage figure would have been slightly lower had the City owned the DHR Biomass Plan for all 365 days. However, such acquisition is not expected to adversely affect the City's ability to pay debt service on the Outstanding Bonds, or to otherwise comply with any of its obligations under the Resolution, including the rate covenant. On the contrary, such acquisition improved financial results. In particular, the City is realizing future annual cash flow savings from elimination of payments pursuant to the PPA, taking into account new annual debt service on the 2017 Bonds. When debt service coverage gets calculated on a cash flow basis rather than pursuant to the Resolution, the coverage level is expected to increase. Also, see "REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein. The debt restructuring described therein is more consistent with the useful lives of the assets financed thereby will reduce annual debt service in the near future providing opportunities for additional financial flexibility.

Source: Prepared by the Finance Department of the System.

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, fuel and purchased power and other operating costs, environmental regulation, increased competition in the electric utility industry, economic growth of the community, labor contracts, population, weather, and other matters, the nature and effect of which cannot at present be determined. Net Revenues take into account amounts transferred to or from the Rate Stabilization Fund.

See also "Management's Discussion and Analysis" in the audited financial statements of the System referenced in APPENDIX B attached hereto. In addition, for a discussion of derivative transactions entered into by the System, see Note 8 to the audited financial statements of the System in APPENDIX B attached hereto.

## **Management's Discussion of System Operations**

### Results of Operations

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, fuel and other operating costs, environmental regulation, increased competition in the electric utility industry, economic growth of the community, labor contracts, population, weather, and other matters, the nature and effect of which cannot at present be determined.



For the electric system, base rate revenue requirements for the fiscal year ended September 30, 2015 decreased by 8.5%. For the fiscal year ended September 30, 2016, requirements were unchanged and remained unchanged through the fiscal year ended September 30, 2017. For fiscal years ended September 30, 2018 and 2019, revenue requirements increased by 2% each year as reflected in base rate charges. For the fiscal year ended September 30, 2015, the electric system deposited \$2.3 million, to the Rate Stabilization Fund. For the fiscal years ended September 30, 2016 and 2017, the electric system withdrew \$1.0 million and \$15.5 million, respectively, from the Rate Stabilization Fund. For the fiscal year ended September 30, 2018, the electric system withdrew approximately \$7.5 million from the Rate Stabilization Fund.

Energy sales (in MWh) to retail customers increased 1.4% per year from the fiscal year ended September 30, 2014 to the fiscal year ended September 30, 2018. The number of electric customers increased at an average annual rate of 1.17% for the fiscal years ended September 30, 2014 through and including 2018. Native load fuel costs for the electric system between the fiscal years ended September 30, 2015 and 2016, the electric fuel cost decreased each year by approximately \$1.0 million (1%). Between the fiscal years ended September 30, 2016 and 2017, fuel costs increased approximately \$6.67 million (4.3%). From the fiscal year ended September 30, 2015 to the fiscal year ended September 30, 2016 fuel revenues decreased by approximately \$10.2 million (7%).

For the fiscal years ended September 30, 2014 through and including 2018, natural gas sales increased by 1.96% per year. The number of gas customers increased at an annual rate of approximately 1.17% between fiscal years ended September 30, 2014 and 2018.

The base rate revenue requirement for the natural gas system remained unchanged for the fiscal year ended September 30, 2013, with a nominal increase of 0.85% for the fiscal year ended September 30, 2014. For the fiscal year ended September 30, 2015, base rate revenue requirement for the gas system was increased by 4.75%. For the fiscal years ended September 30, 2016 and 2017, the base rate revenue requirements were increased by 4.25% and 9.0%, respectively. Base rates were not changed for the fiscal year ended September 30, 2018 and 2019. For the fiscal year ended September 30, 2014, the natural gas system withdrew approximately \$1.0 million from the Rate Stabilization Fund. For the fiscal year ended September 30, 2015, the natural gas system deposited approximately \$1.6 million to the Rate Stabilization Fund. For the fiscal year ended September 30, 2016, the natural gas system withdrew approximately \$2.0 million from the Rate Stabilization Fund. For the fiscal year ended September 30, 2017, the natural gas system deposited approximately \$1.1 million to the Rate Stabilization Fund. In order to recover costs associated with the remediation of soil contamination caused by the operation of an MGP, the City established a per therm charge as part of the gas system's customer rate in the fiscal year ended September 30, 2003. The estimated remaining cost to be recovered is approximately \$17.0 million. See "-- The Natural Gas System – Manufactured Gas Plant" above. The MGP has billed at a rate of \$0.0556 per therm since October 1, 2014. Natural gas fuel cost decreased by approximately \$2.6 million (28%) between the fiscal years ended September 30, 2015 and 2016, and increased by approximately \$273 thousand (4%) between the fiscal years ended September 30, 2016 and 2017. This fluctuation in gas cost is reflective of the natural gas commodity market prices during the same timeframe. Since these costs are passed along to customers as part of the purchased gas adjustment charge each month, any natural gas cost increases or decreases are offset by purchased gas adjustment revenues.

Water system sales are impacted by seasonal rainfall. For the fiscal year ended September 30, 2014 through and including 2018, sales increased by an average annual rate of 0.37% and customers grew 0.96%. Revenues from water sales increased by approximately \$4,534,106 for the fiscal year ended September 30, 2014 through and including 2018. The water revenue increases were primarily the result of rate increases,

kept moderate by low customer growth and slow sales growth due to price sensitivity and conservation efforts.

Water base rate revenue requirements were increased by 3.5% in the fiscal year ended September 30, 2013, 3.85% in the fiscal year ended September 30, 2014, 3.75% in each of the fiscal years ended September 30, 2015 and 2016, and for the fiscal year ending September 30, 2017, the base rate revenue requirement was increased by 3.0%. Base rates were not changed for the fiscal year ended September 30, 2018 and 2019. For the fiscal years ended September 30, 2015, 2016 and 2017, the water system contributed approximately \$2.4 million, \$3.3 million, and \$2.5 million, respectively, to the Rate Stabilization Fund.

Wastewater system billings generally track water system sales. From the fiscal year ended September 30, 2014 to 2018, the wastewater system billing volumes increased 0.99% per year. Revenues during this same period increased 14.4% due to the combination of billing volumes and base rate revenue requirement increases. Approximately 1.1% more wastewater was billed for the fiscal year ended September 30, 2018, as compared to fiscal year ended September 30, 2017.

Wastewater base rate revenue requirements were increased by 3.00% in the fiscal year ended September 30, 2013, 2.4% in the fiscal year ended September 30, 2014, 4.85% in each fiscal years ended September 30, 2015 and 2016, and for the fiscal year ending September 30, 2017 and 2018, the base rate revenue requirement remained unchanged.

For the fiscal years ended September 30, 2015, 2016 and 2017, the wastewater system deposited approximately \$2.9 million, \$2.1 million and \$850 thousand, respectively, to the Rate Stabilization Fund. GRUCom's sales have increased from \$10.5 million in fiscal year ended September 30, 2013 to \$11.2 million in fiscal year ended September 30, 2017. This is a 6.7% increase over this 4 year time period. Sales were \$11.2 million, \$10.9 million and \$11.7 million in fiscal years ended September 30, 2014, 2015 and 2016, respectively. For the fiscal year ended September 30, 2015, GRUCom withdrew approximately \$1.4 million from the Rate Stabilization Fund, GRUCom deposited approximately \$7,400 from the Rate Stabilization fund, for the fiscal year ended September 30, 2016 and for the fiscal year ended September 30, 2017, GRUCom withdrew approximately \$585 thousand from the Rate Stabilization Fund.

The debt service coverage ratio ("DSCR") is a financial ratio that measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations. See "THE SYSTEM – Summary of Combined Net Revenues " above which shows GRU's DSCR for year's fiscal year 2014 through and including fiscal year 2017 and partial year.

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, fuel and purchased power and other operating costs, environmental regulation, increased competition in the electric utility industry, economic growth of the community, labor contracts, population, weather, and other matters, the nature and effect of which cannot at present be determined. Net Revenues take into account amounts transferred to or from the Rate Stabilization Fund.

### Liquidity Position

GRU periodically updates its liquidity targets based on an internal analysis of market, operating and other risk factors in order to determine an appropriate liquidity target for the System. Also see "--Cash Balance Policy" below which may impact such targets. The following table identifies this target as well as

the sources of funds and accounts, to include available capacity in GRU's commercial paper program and the STI Loan that can be used to meet this liquidity target:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Cash Reserve Targets:</b>	\$73,600,000	\$75,800,000	\$78,100,000	\$80,400,000
Operating Cash	4,404,399	4,404,399	4,404,399	4,404,399
Rate Stabilization Fund	50,036,741	36,993,156	26,793,857	19,893,729
Utilities Plant Improvement				
Fund for Reserves	<u>28,000,815</u>	<u>28,004,478</u>	<u>33,220,997</u>	<u>36,271,525</u>
<b>Total Cash Reserves</b>	<b>\$82,441,955</b>	<b>\$69,402,033</b>	<b>\$64,419,253</b>	<b>\$60,569,653</b>
STI Loan <sup>(1)</sup>	25,000,000	25,000,000	25,000,000	25,000,000
Tax-Exempt CP Lines <sup>(2)</sup>	125,000,000	125,000,000	125,000,000	125,000,000
Taxable CP Lines <sup>(2)</sup>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Total Liquidity and Lines	\$257,441,955	\$244,402,033	\$239,419,253	\$235,569,653
<b>Over(Under) Target</b>	<b>\$183,841,955</b>	<b>\$168,602,033</b>	<b>\$161,319,253</b>	<b>\$155,169,653</b>

(1) The expiration date of the STI Loan is August 3, 2021.

(2) The fixed rate long-term financing of the outstanding commercial paper with proceeds of the 2019 Bonds will provide full capacity to issue commercial paper under both by tax-exempt and taxable programs at least until the respective credit facility expiration dates of November 30, 2021 and August 28, 2020, respectively, at which times GRU intends to seek extensions or replacements of both credit facilities.

Source: Prepared by the Finance Department of the System.

#### Transfers to General Fund

The City Commission established a General Fund transfer formula for the System for fiscal year 2015 through and including fiscal year 2019 pursuant to Resolution Number 140166, adopted on July 23, 2014. The General Fund transfer formula will be up for renewal beginning with the fiscal year ending September 30, 2020. The transfer formula established the base amount of the fiscal year 2015 transfer, less the amount of ad valorem revenue received each year by the City from the DHR Biomass Plant. The fiscal year ended September 30, 2015 base transfer amount increases each fiscal year over the period between fiscal year 2016 through fiscal year 2019 by 1.5%. The General Fund transfer for the fiscal year ended September 30, 2017 was equal to 7.8 % of the System's operating revenue.

This transfer formula is to be reviewed at least every other year by the System's staff and the City's General Government staff. The transfer amount may be paid from any part of the System's revenue or a combination thereof. The City Commission may modify the transfer amount or the transfer formula at any time. The City Commission is in the process of determining a new formula for the transfer for the fiscal year ending September 30, 2020 and thereafter. See "REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein.

The transfers to the General Fund made in the fiscal years ended September 30, 2012 through and including 2018 were as follows:

<u>Fiscal Years ended September 30,</u>	<u>Transfers to General Fund</u>	
	<u>Amount</u>	<u>% Increase/(Decrease)</u>
2012	\$36,004,958	2.2%
2013	36,656,458	1.8
2014	37,316,841 <sup>(1)</sup>	1.5
2015	34,892,425	(7.1)
2016	34,994,591	0.03
2017	35,814,010	2.3
2018	36,379,079	1.6

<sup>(1)</sup> Year ended September 30, 2014 was the last year of a four year agreement regarding General Fund transfer calculation methodology, where the agreed upon value was compared to prior formulaic calculation and a gain/loss sharing was applied.

Source: Prepared by the Finance Department of the System.

The projected transfers to the General Fund made in the fiscal years ended September 30, 2019 through and including 2020 are as follows:

<u>Fiscal Years ended September 30,</u>	<u>Projected Transfers to General Fund</u>	
	<u>Amount</u>	<u>% Increase/(Decrease)</u>
2019	\$38,285,000	5.2%
2020	38,285,000	-

Source: Prepared by the Finance Department of the System.

### Investment Policies

The System's investment policy provides for investment of its funds. The primary goals of the investment policy are (1) preservation of capital, (2) providing sufficient liquidity to meet expected cash flow requirements, and (3) providing returns commensurate with the risk limitations of the program. The System's funds are invested only in securities of the type and maturity as permitted by the Resolution, Florida Statutes and its internal investment policy. The System does not presently have, nor does it intend to acquire in the future, derivative or leveraged investments or investments in mortgage-backed securities. The System does not invest its funds through any governmental or private investment pool (including, without limitation, the Florida PRIME or the former Local Government Surplus Funds Trust Fund administered by the State's Board of Administration).

### Debt Management Policy

The System's debt management policy applies to all current and future debt and related hedging instruments issued by the System and approved by the City Commission. The purpose of the policy is to provide guidance for issuing and managing debt. The System debt is required to be managed with an overall philosophy of taking a long term approach in borrowing funds at the lowest possible interest cost. To achieve this goal, the System will continuously work towards developing an optimal capital structure, including the types of variable rate exposure, in view of the System's risk tolerance to market fluctuations,

capital market outlook, future capital funding needs, rating agency considerations, and counterparty credit profiles.

### Cash Balance Policy

GRU's staff has developed, in conjunction with their Financial Advisor, a Cash Balance Policy. The purpose of this policy is to review the economic and operational risks potentially facing GRU, and to identify an appropriate level of cash to reserve against these particular risks. The Cash Balance Policy will provide GRU with a recommended level of cash to reserve against such risks and also establish a higher and lower limit (+/- 15 days of cash) for this recommended Cash Balance Policy. This range allows for flexibility to meet these targets based on the financial operations of the Utility. The Cash Balance Policy was reviewed by the Utility Advisory Board and approved by the City Commission on March 21, 2019.

### Competition

In recent years, energy-related enterprises have become more influenced by the competitive pressures of an increasingly deregulated industry, especially the wholesale power market. The Florida retail electric system is under no immediate threat of market loss due to the current laws and regulations governing the supply of electricity in Florida, which presently prohibit any form of retail competition. The System's other enterprises currently are operating in competitive environments of one form or another. These competitive environments include the natural gas system by-pass and competition against other LP distributors and alternative fuel types, private wells, septic tanks and privately owned water and wastewater systems, and the entire telecommunications arena for GRUCom.

Management's response to the increasing competition in the wholesale power market (including interchange and economy sales), and the corollary open access changes in the electric transmission network has been to stay involved and form strategic alliances. These alliances fall into two categories, joint ventures and industry associations. The most significant joint venture the System is currently involved in is TEA, a Georgia nonprofit corporation established for power marketing, fuels procurement, and financial hedging and risk management (see "– The Electric System – Energy Sales – *The Energy Authority*" above). The System's staff is very involved with the American Public Power Association, the Florida Municipal Electric Association ("FMEA"), and FMPA. These industry associations have proven to be a powerful way to stay informed, plan, and help shape federal and state policies to protect customer interests and assure the fair treatment of municipal systems.

The natural gas system has been subjected to competition due to the deregulation that has occurred in that industry since the early 1990's. A consequence of this deregulation for municipal gas utilities in Florida is that "end-users" are allowed to secure and purchase their gas requirements directly from gas producers, thereby "bypassing" the monopoly producer/pipeline systems. The System's rate structures largely avoid this concern. The System passes fuel costs directly through its purchased gas adjustment, and rates applicable for transportation of system by-pass are allowed to earn a return on distribution infrastructure, which is the sole basis for the System's revenue requirements. Thus, a customer electing to bypass the System simply substitutes its ability to buy gas for the System's ability to buy gas. The sole example of bypass experienced by the System to date was in the case of service to Duke's cogeneration plant at the University of Florida where the amount of non-fuel revenue realized from the customer was virtually unchanged by its decision to contract for its own gas supply. Several strategies are being implemented to gain a competitive advantage for the System in natural gas sales growth. Two very significant competitive advantages are the System's position of having among the lowest gas rates in the

State, and the environmental benefits of natural gas for certain appliance end uses. Appliance rebates and distribution system construction credits are employed to encourage and stimulate customer growth. In addition, temporary LP distribution systems may be constructed to encourage and rapidly accommodate the acquisition of a customer base that is just beyond an economic expansion of the natural gas distribution system. These LP systems and customer appliances are converted to natural gas when gas pipeline extensions become feasible. Rebates are also used to assist customers in overcoming the short-term economic obstacles of converting existing electric appliances to natural gas in order to allow them to obtain long-term financial, convenience, and environmental benefits, both inside and outside the System's electrical service territory. The System has franchises to provide retail natural gas services to several nearby cities in the County. See "-- The Natural Gas System – Service Area" herein for a discussion of the status of the System's franchise agreement to provide natural gas service in the County.

Private wells, septic tanks, and privately owned water utilities are the traditional alternatives for water and wastewater utility services and serve small populations where service from centralized facilities is less practical or desirable. Comprehensive planning in the City and the surrounding unincorporated areas strongly discourages urban sprawl, and the System's incumbent status, competitive rates and environmental record have resulted in a very favorable competitive position, with sustained high levels of market capture from population growth.

GRUCom operates in a fully deregulated and competitive telecommunications environment. Management has taken a targeted approach to this enterprise, seeking opportunities that maximize use of System assets, which include widely deployed fiber optic communication facilities and existing elevated antenna structures (communications towers and water tanks), while also taking advantage of its professional employee expertise in areas of utility and public safety operations, information technology and its close working relationships within the local businesses community and the commercial property development industry. GRUCom primarily engages its customer markets as a business-to-business enterprise taking a consultative sales approach to solicit its services to private companies, governments, telecommunications carriers, major institutions and other similar commercial users of high volume voice, data and Internet bandwidth applications.

GRUCom also provides data center co-location services within its telecommunications central office building providing leased access to conditioned space, redundant power and building systems and highly available communications facilities. Tenants include private businesses and government agencies co-located for the purpose of off-site data back-up and storage, on-line hosting service providers co-located for the purpose of accessing reliable high-capacity Internet connectivity, and other Internet and telecommunications service providers who gain access to GRUCom's excellent local fiber transmission services at preferential rates available only to co-located resellers.

The System currently is pursuing opportunities related to several large development projects occurring in the service territory to diversify revenues while investing in energy efficient systems, as was successfully pursued in the South Energy Center. Due to the existing knowledge, experience, infrastructure and resources within the System's core utilities, it has a competitive advantage as it focuses on chilled water services, and emergency backup power opportunities.

Chilled water provides an additional revenue source, while providing a more efficient, cost effective cooling system that is consistent with environmental stewardship. The System's strategy for chilled water service does not depend on extensive distribution systems. Instead, each chilled water and generation facility is located near the premises of the development. Additionally, the chilled water systems

are modular and can be expanded incrementally as the customer base grows. This strategy will limit the System's exposure for stranded assets or investing in infrastructure without having full subscription to the available service, especially at a time when development has slowed significantly.

The Innovation District is an area of approximately 80 acres between the University of Florida's campus and downtown Gainesville that has been master planned and is being transformed into an area of high urban density to house and support scientific research and development and technology based businesses as well as residential, retail, and hospitality development. The Innovation District is currently a mixture of low density office, commercial and residential uses, and includes the former Shands at Alachua General Hospital ("AGH") site. The former Shands at AGH was demolished and the entire site is now called Innovation Square. The University of Florida has constructed a three-story building known as Innovation Hub on the site and has another building known as Innovation Hub Phase II under construction. Innovation Square is a research oriented development that forms the nucleus of the Innovation District. The Innovation District is projected to be comprised of approximately 3.7 million square feet of lab, business, residential, commercial, and institutional space. The System will have the opportunity to provide commercial power, emergency power, natural gas, water, wastewater, reclaimed water, chilled water, and telecommunication services to the Innovation District. The Innovation District is projected to constitute significant utility loads, including an electric load of more than 10 MW.

Redevelopment of the Innovation District is an ambitious undertaking and has required that basic utility infrastructure be upgraded to support the dense urban development that is envisioned. Redevelopment in and around downtown Gainesville, particularly when coupled with the University of Florida's international reputation as a premier scientific research institution, presents tremendous opportunities for economic growth.

In order to help facilitate development in the Innovation District the System has designated an Innovation District "Infrastructure Improvement Area" within which the System is constructing water distribution system and wastewater collection system capacity improvements according to a master plan. The System is charging an additional fee to new development projects within the area to recover its costs. This mechanism allows critical capacity improvements to be constructed as efficiently as possible. For more information, see "-- Rates—Water and Wastewater System—*Infrastructure Improvement Area*" above.

The System owns and operates a recently constructed facility, known as the Innovation Energy Center, dedicated to serve Innovation Square. The facility provides chilled water and emergency power for the Innovation Hub building and future buildings being planned for the Innovation Square development, under an exclusive provider contract with the University of Florida Development Corporation. The modular facility has a current capacity of 870 tons of chilled water with planned expansion to 7,000 tons as additional customers are connected to the facility.

Currently, there is no initiative and little indication of interest in pursuing retail electric deregulation either in Florida or nationwide. Management has a renewed focus on maintaining and improving the projected levels of Net Revenues, debt service coverage, and the overall financial strength of the System. To be successful at this, the System will require many of the same goals and targets necessary to be prepared for retail competition. These goals and targets relate to enhancing customer loyalty and satisfaction by providing safe and reliable utility services at competitive prices.

Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition

The System has entered into certain agreements that contain provisions giving counterparties certain rights and options in the event of a downgrade in the System's credit ratings below specified levels and/or the occurrence of certain other events or circumstances. Given its current levels of ratings, Management does not believe that the rating and other credit-related triggers contained in any of its existing agreements will have a material adverse effect on the System's liquidity, results of operations or financial condition. However, the System's ratings reflect the views of the rating agencies and not of the System, and therefore, the System cannot give any assurance that its ratings will be maintained at current levels for any period of time.

Liquidity Support for the System's Variable Rate Bonds

The System has entered into separate standby bond purchase agreements with certain commercial banks in order to provide liquidity support in connection with tenders for purchase of the 2005 Series C Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, the 2008 Series B Bonds and the 2012 Series B Bonds (collectively the "Liquidity Supported Bonds"). The following details the Liquidity Supported Bonds, the bank providing the liquidity support and the termination date of the current facility:

<u>Series</u>	<u>Bank</u>	<u>Expiration</u>
2005C	Landesbank Hessen Thüringen Girozentrale	November 24, 2020
2006A	Landesbank Hessen Thüringen Girozentrale	November 24, 2020
2007A	State Street Bank and Trust Company	April 1, 2021
2008B	Barclays Bank PLC	June 29, 2020
2012B	Citibank, N.A.	June 29, 2020

The standby bond purchase agreements relating to the Liquidity Supported Bonds provide that any Liquidity Supported Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement may be tendered or deemed tendered to the System for payment upon the occurrence of certain "events of default" with respect to the System under such standby bond purchase agreement. Upon any such tender or deemed tender, the Liquidity Supported Bond so tendered or deemed tendered will be due and payable immediately.

The standby bond purchase agreements relating to the 2005 Series C Bonds and the 2006 Series A Bonds, provides that it is an "event of default" on the part of the System thereunder if any of the ratings fall below "A2" (or its equivalent) by Moody's Investors Service, Inc. ("Moody's") and below "A" (or its equivalent) by S&P Global Inc. ("S&P"), or below "A" (or its equivalent) by Fitch Ratings, Inc. ("Fitch") or is withdrawn or suspended. The standby bond purchase agreement relating to the 2007 Series A Bonds provides that it is an "event of default" on the part of the System thereunder if the ratings on the 2007 Series A Bonds, without taking into account third-party credit enhancement, fall below "Baa3" by Moody's and "BBB-" by S&P or are withdrawn or suspended. The standby bond purchase agreements relating to the 2008 Series B Bonds and the 2012 Series B Bonds provide that it is an "event of default" on the part of the System thereunder if any rating on the 2008 Series B Bonds, 2012 Series B Bonds or any Parity Debt, without taking into account third-party credit enhancement, is withdrawn or suspended, in either case, for credit-related reasons by Moody's, S&P and/or Fitch or reduced below "A2" (or its equivalent) by Moody's, "A" (or its equivalent) by S&P or "A" (or its equivalent) by Fitch. Any Liquidity Supported Bond purchased by



the applicable bank under a standby bond purchase agreement will bear interest at the rate per annum set forth in such standby bond purchase agreement, which rate may be significantly higher than market rates of interest borne by such Bonds when held by investors.

Additionally, the City entered into a continuing covenant agreements relating to the 2017 Series B Bonds and the 2017 Series C Bonds with Wells Fargo Bank, National Association and Bank of America, N.A, respectively. The continuing covenant agreements relating to the 2017 Series B Bonds and the 2017 Series C Bonds provide that it is an "event of default" thereunder if any ratings to any Parity Debt (as defined in the respective continuing covenant agreement) (without taking into account third party credit enhancement) is withdrawn or suspended or reduced below "A2" (or its equivalent) by Moody's below "A" (or its equivalent) by S&P or by Fitch. It shall also be an "event of default" if each rating agency then rating Parity Debt shall have withdrawn or suspended its rating assigned to Parity Debt, in either case, for credit related reasons or such rating is reduced below investment grade.

#### Liquidity Support for the System's Commercial Paper Program

The System also has entered into separate credit agreements with certain commercial banks in order to provide liquidity support for the CP Notes. The CP Notes constitute Subordinated Indebtedness under the Resolution. If, on any date on which a CP Note of a particular series matures, the System is not able to issue additional CP Notes of such series to pay such maturing CP Note, subject to the satisfaction of certain conditions, the applicable bank is obligated to honor a drawing under its credit agreement in an amount sufficient to pay the principal of such maturing CP Note. The credit agreements for the Series C Notes and the Series D Notes currently have stated termination dates of November 30, 2021 and August 28, 2020, respectively, which dates are subject to extension in the sole discretion of the respective banks.

The credit agreements provide that, upon the occurrence and continuation of certain "tender events" on the part of the System thereunder, the banks may, among other things, (a) issue "No-Issuance Instructions" to the issuing agent for the CP Notes of the applicable series, instructing such paying agent not to issue any additional CP Notes of such series thereafter, (b) terminate the commitment and the applicable bank's obligation to make loans or (c) require immediate payment from the System for any outstanding principal and accrued interest due under the respective credit agreement.

With respect to the Series C Notes, among others, it is an immediate termination event under the related credit agreement if the ratings assigned to any of the System's Bonds fall below "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch or are suspended or withdrawn for credit-related reasons.

With respect to the Series D Notes, among others, it is an immediate termination event under the related credit agreement if the ratings assigned to any of the System's Bonds fall below "Baa" by Moody's, "BBB-" by S&P or "BBB-" by Fitch or are suspended or withdrawn for credit-related reasons.

Any drawing made under a credit agreement bears interest at the rate per annum set forth in such credit agreement, which rate may be significantly higher than market rates of interest borne by the related CP Notes.

#### Direct Placement Transactions

The City has entered into direct placement transactions with two different lenders under agreements with respect to the 2017 Series B Bonds and 2017 Series C Bonds. The current lenders are Wells Fargo Bank, N.A., for the 2017 Series B Bonds, and Bank of America, N.A., for the 2017 Series C Bonds.

For the 2017 Series B Bonds, the City has entered into a direct placement transaction with Wells Fargo, N.A, for a three year term maturing October 1, 2044 with put date on November 7, 2020. During the term of the transaction, the City will pay to the lender, a rate equal to 70% of the one-month LIBOR rate and an applicable spread of 35 basis points. Should the City's credit rating fall below "Aa3" from Moody's and/or "AA-" from S&P, and/or "AA-" from Fitch, then the applicable spread will be increased by 15 bps with each notch drop. Additionally, a change in the corporate tax rate will cause a change in the applicable spread. As a result of the recent decrease in marginal corporate tax rate, the rate on the 2017 Series B Bonds was increased.

For the 2017 Series C Bonds, the City has entered into a direct placement transaction with Bank of America, N.A, for a three year term, maturing on October 1, 2047 with put date on November 7, 2020. During the term of the transaction, the City will pay to the lender, a rate equal to 70% of the one-month LIBOR rate and an applicable spread of 41 basis points. Should the City's credit rating fall below "Aa3" from Moody's and/or "AA-" from S&P, and/or "AA-" from Fitch, then the applicable spread will be increased by 10 basis points with each notch drop. Additionally, a change in the corporate tax rate will cause a change in the applicable spread. As a result of the recent decrease in marginal corporate tax rate, the rate on the 2017 Series C Bonds was increased.

The City entered into a direct placement revolving line of credit transaction in a not to exceed amount of \$25 million with STI Institutional & Government, Inc. with respect to the STI Loan. It expires approximately three years from the date of issuance which expiration date is on August 3, 2021. During the term of the transaction, the City will pay the lender a rate equal to equal to 81% multiplied by the sum of the LIBOR Rate plus 1.85%, and subject to adjustment to reflect changes in the LIBOR Rate. Should the City's credit rating fall below "Baa1"/"BBB+" by all rating agencies then the interest rate may be increased.

#### *Interest Rate Swap Transactions*

**The City has entered into interest rate swap transactions with four different counterparties under interest rate swap master agreements with respect to the 2005 Series B Bonds, the 2005 Series C Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, the 2008 Series B Bonds and the 2017 Series B Bonds. The current counterparties are Goldman Sachs Mitsui Marine Derivative Products, L.P., JPMorgan Chase Bank, N.A., Goldman Sachs Bank, USA and Citibank, N.A.**

**For the Refunded Bonds, the City entered into a floating-to-floating rate interest rate swap transaction (the "2005 Series B Swap Transaction") for a pro-rata portion of each of the maturities of the Refunded Bonds. During the term of the 2005 Series B Swap Transaction, the City will pay to the counterparty a rate equal to the SIFMA Municipal Swap Index and will receive from the counterparty a rate equal to 77.14% of the one-month LIBOR rate. GRU notes that the United Kingdom's Financial Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the U.K., has stated that they will plan for a phase out of LIBOR with a target end to the indices in 2021. The FCA has indicated they will no longer require the LIBOR indices be used after 2021, however LIBOR indices will not be prohibited from being used after 2021. GRU also notes that the International Swaps and Derivatives Association ("ISDA") has not issued formal directives addressing the planned phase-out of LIBOR. As of the date of this publication, it is unclear what the overall impact will be on the expected phase out of the LIBOR indices and the resulting change due to the potential alternative reference rate. The initial notional amount of the 2005 Series B Swap Transaction was \$45,000,000, which corresponded to approximately 73.1% of the principal amount of each maturity of the Refunded Bonds. The effect of the 2005 Series B Swap Transaction was to synthetically convert the interest rate on such pro-rata portion**

of the Refunded Bonds from a taxable rate to a tax-exempt rate. The City has designated the 2005 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The counterparty to the 2005 Series B Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. When entered into, the term of the 2005 Series B Swap Transaction was identical to the term of the Refunded Bonds, and the notional amount of the 2005 Series B Swap Transaction was scheduled to amortize at the same times and in the same amounts as the pro-rata portion of the Refunded Bonds. On August 2, 2012, \$31,560,000 of the 2005 Series B Bonds were redeemed with proceeds from the issuance of the City's 2012 Series B Bonds. As a result, the 2005 Series B Swap Transaction no longer served as a hedge against the Refunded Bonds. However, since the City had other taxable Bonds Outstanding, the City left the 2005 Series B Swap Transaction outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rate movements. It is anticipated that the remainder of the 2005 Series B Bonds will be redeemed with proceeds of the 2019E Bonds. Since the City has other variable rate Bonds Outstanding, the City will leave the 2005 Series B Swap Transaction outstanding following issuance of the 2019E Bonds, as a partial hedge against interest rate movements. The 2005 Series B Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series B Swap Transaction is October 1, 2021.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2005 Series C Swap Transaction"). During the term of the 2005 Series C Swap Transaction, the City will pay to the counterparty a fixed rate of 3.20% per annum and will receive from the counterparty a rate equal to 60.36% of the ten-year LIBOR swap rate. Initially, the term of the 2005 Series C Swap Transaction was identical to the term of the 2005 Series C Bonds, and the notional amount of the 2005 Series C Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2005 Series C Bonds. The effect of the 2005 Series C Swap Transaction was to synthetically fix the interest rate on the 2005 Series C Bonds at a rate of approximately 3.20% per annum, although the City bears basis risk which could result in a realized rate over time that may be lower or higher than the 3.20% rate. The counterparty (JPMorgan Chase Bank) currently has a counterparty credit rating of "Aa3" from Moody's and a counterparty credit rating of "A+" from S&P. The City has designated the 2005 Series C Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$17,570,000 of the 2005 Series C Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left the 2005 Series C Swap Transaction outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rate movements. [Since the City has other variable rate Bonds Outstanding, the 2005 Series C Swap Transaction will remain outstanding following issuance of the 2019C Bonds as a partial hedge against interest movements.] The 2005 Series C Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series C Swap Transaction is October 1, 2026.

In September 2005, the City entered into a forward-starting floating-to-fixed rate interest rate swap transaction (as amended, the "2006 Series A Swap Transaction"). During the term of the 2006 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.224% per annum and will receive from the counterparty a rate equal to 68% of the ten-year LIBOR swap rate minus 36.5 basis points. The effect of the 2006 Series A Swap Transaction was to synthetically fix the interest rate on the 2006 Series A Bonds at a rate of approximately 3.224% per annum, although the City bears basis risk, which could result in a realized rate over time that may be lower or higher than the 3.224% rate. Initially, the term of the 2006 Series A Swap Transaction was identical to the term of the 2006 Series A Bonds, and the notional amount of the 2006 Series A Swap Transaction was scheduled to amortize at the same times

and in the same amounts as the 2006 Series A Bonds. The counterparty to the 2006 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. The City has designated the 2006 Series A Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$25,930,000 of the 2006 Series A Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left that portion of the 2006 Series A Swap Transaction outstanding as a partial hedge against the interest rate movements. [Since the City has other variable rate Bonds Outstanding, it is expected that all or a portion of the outstanding 2006 Series A Bonds will be refunded with proceeds of the 2019C Bonds. The 2006 Series A Swap Transaction will remain outstanding following issuance of the 2019C Bonds as a partial hedge against interest movements.] The 2006 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2006 Series A Swap Transaction is October 1, 2026.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2007 Series A Swap Transaction") with respect to the 2007 Series A Bonds. The term of the 2007 Series A Swap Transaction is identical to the term of the 2007 Series A Bonds, and the notional amount of the 2007 Series A Swap Transaction will amortize at the same times and in the same amounts as the 2007 Series A Bonds. During the term of the 2007 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.944% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2007 Series A Swap Transaction is to synthetically fix the interest rate on the 2007 Series A Bonds at a rate of approximately 3.944% per annum. The counterparty to the 2007 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a financial program rating of "AA-" from S&P. The City has designated the 2007 Series A Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. [Since the City has other variable rate Bonds Outstanding, it is expected that all or a portion of the outstanding 2007 Series A Bonds will be refunded with proceeds of the 2019C Bonds. The 2007 Series A Swap Transaction will remain outstanding following issuance of the 2019C Bonds as a partial hedge against interest movements.] The 2007 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2007 Series A Swap Transaction is October 1, 2036.

The City has entered into two floating-to-fixed rate interest rate swap transactions (the "2008 Series B Swap Transactions") with respect to the 2008 Series B Bonds. The terms of the 2008 Series B Swap Transactions are identical to the term of the 2008 Series B Bonds, and the notional amount of the 2008 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2008 Series B Bonds. During the terms of the 2008 Series B Swap Transactions, the City will pay to the counterparty a fixed rate of 4.229% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2008 Series B Swap Transactions is to synthetically fix the interest rate on the 2008 Series B Bonds at a rate of approximately 4.229% per annum. The counterparty to the 2008 Series B Swap Transactions (JPMorgan Chase Bank) currently has a counterparty risk rating of "Aa3" from Moody's and a financial program rating of "A+" from S&P. The City has designated each of the 2008 Series B Swap Transactions as a "Qualified Hedging Transaction" within the meaning of the Resolution. [Since the City has other variable rate Bonds Outstanding, it is expected that all or a portion of the outstanding 2008 Series B Bonds will be refunded with proceeds of the 2019C Bonds. The 2008 Series B Swap Transaction will remain outstanding following issuance of the 2019C Bonds as a partial hedge against interest movements.] The 2008 Series B Swap Transactions

are subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2008 Series B Swap Transaction is October 1, 2038.

The City has entered into a cancellable floating-to-fixed rate interest rate swap transaction (the "2017 Series B Swap Transaction") with respect to the 2017 Series B Bonds. The two counterparties for this swap transaction are Citigroup, N.A. and Goldman Sachs Bank USA. In the aggregate, terms of the 2017 Series B Swap Transactions are similar to the term of the 2017 Series B Bonds, and the notional amounts of the 2017 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2017 Series B Bonds. Where Goldman Sachs Bank, USA is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay a fixed rate per annum of 2.119% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The current notional amount with respect to Goldman Sachs Bank, USA is \$105,000,000. Where Citibank N.A. is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay to Citibank, N.A., a fixed rate per annum of 2.11% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The effect of the 2017 Series B Swap Transaction is to synthetically fix the interest rate on the 2017 Series B Bonds. As discussed below, there is now a basis differential due to the rate changing on the 2017 Series B Bonds due to the decrease in marginal corporate tax rate. The City has designated the 2017 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The 2017 Series B Swap Transaction is subject to early termination by the City or the counterparty or counterparties at certain times and under certain conditions. The currently scheduled termination of the 2017 Series B Swap Transaction is October 1, 2044. However, the City has an optional early terminate date of October 1, 2027 and semiannually thereafter, subject to early termination terms. The parties entered into a bilateral Credit Support Annex to which eligible collateral includes cash or Treasury securities having a remaining maturity on such date of one year or less, Treasury securities having a remaining maturity on such date greater than one up to and including five years or Treasury securities having a remaining maturity on such date of greater than five years up to and including ten years. The threshold amount for posting collateral is based upon the counterparty's or counterparties' long term unsecured and unenhanced debt ratings from S&P and Moody's and the City's credit ratings on senior lien Bonds. If the credit ratings drop below BBB- by S&P and Baa3 by Moody's, the threshold shall be \$0.

In December of 2017, the President signed the Tax Cuts and Jobs Act into law. One provision of this law was to change the maximum corporate tax rate from 35% to 21%. Based on the agreements underlying the 2017 Series B Bonds, there was an adjustment to the percent of LIBOR that GRU pays on the 2017 Series B Bonds. The effect was to change the index associated with the 2017 Series B Bonds from 70% of 1 Month LIBOR to 85% of 1 Month LIBOR (which also resulted in an adjustment to the Applicable Spread (as defined in the 2017 Series B Bonds)). Due to this change, the underlying index for the bonds no longer matches the underlying index for the 2017 Series B Swap Transaction. GRU does not believe these changes are material in nature.

Under the master agreements, the interest rate swap transactions entered into pursuant to such master agreements are subject to early termination upon the occurrence of certain "events of default" and upon the occurrence of certain "termination events." One such "termination event" with respect to the Bonds is a suspension or withdrawal of certain credit ratings with respect to the Bonds, or a downgrade of such ratings below the levels set forth in the master agreement or in the confirmation related to a particular interest rate swap transaction. Upon the early termination of an interest rate swap transaction, the City may owe the applicable counterparty a termination payment, the amount of which

could be substantial. The amount of any such potential termination payment would be determined in the manner provided in the applicable master agreement and would be based primarily upon prevailing market interest rate levels and the remaining term of the interest rate swap transaction at the time of termination. Such termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution. In general, the ratings triggers on the part of the System contained in the master agreements range from (x) if any two ratings are below "Baa2" by Moody's and/ or "BBB" by S&P and/ or "BBB" by Fitch to (y) if the City fails to have at least one rating of "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch.

The System's estimated aggregate exposure under all of its outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System will owe its counterparties if all of the interest rate swap transactions were terminated) is \$47,373,357.18 as of December 31, 2018. As of September 30, 2017, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$64,101,764.72. As of September 30, 2016, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$93,138,518.72. As of September 30, 2015, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$77,042,766.58. As of September 30, 2014, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$55,103,516.23. Termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution.

The System adopted Governmental Accounting Standards Board ("GASB") Statement No. 53, *Accounting and Reporting for Financial Reporting and Derivative Instruments*, which addresses the recognition, measurement and disclosure of information for derivative instruments, and was effective for periods beginning after June 15, 2009. GASB Statement No. 53 requires retrospective adoption, which requires a restatement of the financial statements for the earliest year presented. GASB Statement No. 53 requires the fair market value of derivative instruments, including interest rate swap transactions, to be recorded on the balance sheet. Changes in fair value for effective derivative instruments are recorded as a deferred inflow or outflow, while changes in fair value for ineffective derivative instruments are recorded as investment income. This is a significant change from previous practice, which required the fair value of derivative instruments to be disclosed in the footnotes to the financial statements.

The System records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. U.S. Treasury securities are examples of Level 1 inputs.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. agencies, corporate bonds and financial hedges are examples of Level 2 inputs.

Level 3 inputs are unobservable inputs that reflect GRU's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements are as follows:

Investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.

Commodity derivatives, such as futures, swaps and options, which are ultimately settled using prices at locations quoted through clearinghouses are valued using level 1 inputs.

Other hedging derivatives, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on pricing algorithms using observable market quotes.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. GRU's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels. GRU's fair value measurements are performed on a recurring basis.]

#### **Funding the Capital Improvement Program - Additional Financing Requirements**

The System's current five-year capital improvement program requires a total of approximately \$349 million in capital expenditures in the fiscal years ending September 30, 2019 through and including 2023, and does not include the DHR Biomass Plant acquisition described above. Such amount was funded in part from Revenues and approximately \$147 million of additional Bonds (including additional commercial paper notes which are Subordinated Indebtedness). The following table shows the sources of funding for the fiscal years ending September 30, 2019 through and including 2023:

<b>Source of Funds:</b>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Bond Financing	\$33,000,000	\$57,000,000	\$34,500,000	\$8,000,000	\$14,500,000	\$147,000,000
Revenues	51,000,000	43,000,000	37,500,000	40,000,000	30,500,000	202,000,000
<b>Total Sources</b>	<b>\$84,000,000</b>	<b>\$100,000,000</b>	<b>\$72,000,000</b>	<b>\$48,000,000</b>	<b>\$45,000,000</b>	<b>\$349,000,000</b>

Source: Prepared by the Finance Department of the System.

The table above represents GRU's planned future capital improvements to the System and the planned sources of funds. Future City Commission approved budgets could materially change the sources and uses of funds for the capital improvement program.

### **Factors Affecting the Utility Industry**

#### General

The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida.

The role of municipalities as telecommunications providers pursuant to the 1996 Federal Telecommunications Act resulted in a number of state-level legislative initiatives across the nation to curtail this activity. In Florida, this issue culminated in the passage, in 2005, of legislation codified in Section 350.81, Florida Statutes (Section 350.81) that defined the conditions under which municipalities are allowed to provide retail telecommunications services. Although the System has special status as a grandfathered entity under this legislation, the provision of certain additional retail telecommunications services by the System would implicate certain requirements of Section 350.81. Management of the System does not expect that any required compliance with the requirements of Section 350.81 would have a material adverse effect on the operations or financial condition of GRUCom.

#### Environmental and Other Natural Resource Regulations

The System and its operations are subject to federal, state and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, SO<sub>2</sub> and NO<sub>x</sub> into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of wastes and reuse of products generated by wastewater treatment and combustion processes; management of hazardous materials; and the nature of waste materials discharged into the wastewater system's collection facilities. Environmental regulations generally are becoming more numerous and more stringent and, as a result, may substantially increase the costs of the System's services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction and operation of new facilities (including both facilities that are owned and operated by the System as well as facilities that are owned and operated by others, from which the System purchases output, services, commodities and other materials). There is no assurance that the facilities in operation, under construction or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements



could result in reduced operating levels or the complete shutdown of those facilities not in compliance as well as the imposition of civil and criminal penalties.

Increasing concerns about climate change and the effects of GHGs on the environment have resulted in EPA finalizing on August 3, 2015 carbon regulations, the CPP, for existing power plants. Currently, the CPP is being litigated and August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse gas new source performance standards ("GHG NSPS") in abeyance "pending further order of the court." The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017. Further litigation is expected regardless of the DC Circuit Court of Appeals decision. In addition, the EPA has been given presidential direction to review the CPP. The court has also ordered the parties to file supplemental briefs addressing whether the challenges should be remanded to the EPA rather than held in abeyance. The briefs were filed on May 15, 2017.

On October 16, 2017, the proposed repeal of the CPP was published in the Federal Register. Hearings were held November 28-29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were held in February and March in Missouri, California and Wyoming. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy ("ACE") plan as a replacement to the CPP. It is currently under review. However, the timeline for finalizing the ACE rule may be delayed due to the partial government shut-down from December 28, 2018 to January 25, 2019. TEPA plans to take final action on the ACE rule in the second quarter of 2019.

## Air Emissions

### *The Clean Air Act*

The Clean Air Act ("CAA") regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Among the provisions of the CAA that affect the System's operations are (1) the acid rain program, which requires nationwide reductions of SO<sub>2</sub> and NO<sub>x</sub> from existing and new fossil-fueled electric generating plants, (2) provisions related to toxic or hazardous pollutants, and (3) requirements to address regional haze.

The CAA also requires persons constructing new major air pollution sources or implementing significant modifications to existing air pollution sources to obtain a permit prior to such construction or modifications. Significant modifications include operational changes that increase the emissions expected from an air pollution source above specified thresholds. In order to obtain a permit for these purposes, the owner or operator of the affected facility must undergo a "new source review," which requires the identification and implementation of BACT for all regulated air pollutants and an analysis of the ambient air quality impacts of a facility. In 2009, the EPA announced plans to actively pursue new source review enforcement actions against electric utilities for making such changes to their coal-fired power plants without completing new source review. Under Section 114 of the CAA, the EPA has the authority to request from any person who owns or operates an emission source, information and records about operation, maintenance, emissions, and other data relating to such source for the purpose of developing regulatory programs, determining if a violation occurred (such as the failure to undergo new source review), or carrying out other statutory responsibilities.

The Cross-State Air Pollution Rule (CSAPR)

On July 6, 2011, the EPA released its final Cross-State Air Pollution Rule ("CSAPR"). This rule is the final version of the Transport Rule and replaces Clean Air Interstate Rule ("CAIR"). In Florida, only ozone season NO<sub>x</sub> emissions are regulated by CSAPR through the use of allowances.

Various states, local governments, and other stakeholders challenged CSAPR and, on August 21, 2012, a three-judge panel of the D.C. Circuit Court, by a 2-1 vote, held that the EPA had exceeded its statutory authority in issuing CSAPR and vacated CSAPR along with certain related federal implementation plans. As part of its holding, the D.C. Circuit Court panel held that the EPA should continue to administer the original CAIR program until the EPA promulgates a valid replacement.

On July 28, 2015, the D.C. Circuit ruled that Florida's allowance budget is invalid and remanded CSAPR to the EPA. On October 26, 2016 EPA published, in the *Federal Register* at 81 Fed. Reg. 74504, an update to the CSAPR to address the 2008 Ozone National Ambient Air Quality Standards ("NAAQS"). For three states (North Carolina, South Carolina and Florida), the EPA is removing the states from the CSAPR ozone season NO<sub>x</sub> trading program because modeling for the Final Rule indicates that these states do not contribute significantly to ozone air quality problems in downwind states under the 2008 ozone NAAQS. Therefore, GRU did not have to meet ozone season limits in 2018 and, most likely, will not in 2019.

EPA's Rule Establishing Mercury and Air Toxics Standards ("MATS")

On December 16, 2011, the EPA promulgated a rule to reduce emissions of toxic air pollutants from power plants. Specifically, these mercury and air toxics standards or MATS for power plants will reduce emissions from new and existing coal- and oil-fired electric utility steam generating units ("EGU"). The EPA also signed revisions to the new source performance standards for fossil fuel-fired EGUs. Such revisions revised the standards that new coal- and oil-fired power plants must meet for particulate matter, SO<sub>2</sub> and NO<sub>x</sub>. On November 25, 2014, the United States Supreme Court accepted certiorari to hear challenges to the mercury rules.

On June 29, 2015, the U.S. Supreme Court issued a 5-to-4 decision reversing a prior D.C. Circuit decision to uphold MATS for electric generating units. *Michigan, et al. v. EPA, et al., No. 14-46 ("Michigan v. EPA")*. The Court granted review on a single issue: "Whether the Environmental Protection Agency unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants emitted by electric utilities." Writing for the majority, Justice Scalia held that EPA "strayed far beyond" the "bounds of reasonable interpretation" when the Agency interpreted the CAA to mean that it "could ignore costs when deciding to regulate power plants." The Court remanded the case to the D.C. Circuit Court for further proceedings consistent with the Court's opinion. On August 10, 2015, EPA stated in a motion filed with the D.C. Circuit Court that the EPA then planned to revise its "appropriate and necessary" determination for MATS by the spring of 2016, prior to the extended MATS compliance deadline of April 15, 2016. The EPA also stated that it intended to request that the D.C. Circuit Court remand the rule without vacatur while the EPA works on this revision. Since the D.C. Circuit Court did not vacate the rule, the MATS rule is still in effect.

On April 14, 2016, the Administrator of the EPA signed the final supplemental finding in the MATS rule. The new "appropriate and necessary" finding responds to the U.S. Supreme Court decision in *Michigan v. EPA*, and explains how the EPA has taken cost into account in evaluating whether it is

appropriate and necessary to regulate coal- and- oil-fired EGUs under Section 112 of the CAA. The EPA still concludes it is proper to regulate mercury emissions from power plants.

On May 6, 2016, the EPA filed a brief urging the U.S. Supreme Court to deny a *writ of certiorari* filed by 20 states, which requested that the Court review and reverse a decision by the U.S. Court of Appeals for the D.C. Circuit Court to remand MATS to the EPA without vacating the rule. According to the EPA's brief, the Supreme Court should deny review of whether MATS should have been vacated while the EPA made its "appropriate and necessary" finding because the issue was then moot since the EPA had issued the finding. Additionally, the EPA argued that the CAA, not the Administrative Procedure Act, governs whether MATS should have been vacated, and the CAA does not mandate vacatur of a rule on remand. Rather, the EPA argued that the CAA gives a court discretion on whether to vacate a remanded rule based on the circumstances. Finally, the EPA asserted that the D.C. Circuit Court was correct in not vacating MATS on remand because the EPA could quickly remedy the legal deficiency and vacating the rule would have been harmful to the public because it would have allowed an increase in emissions of hazardous air pollutants from EGUs.

Murray Energy became the first party to appeal the final MATS Appropriate and Necessary Finding, filing its petition for review on April 25, 2016, the same day the rule was published in the *Federal Register*. 81 Fed. Reg. 24,420 (Apr. 25, 2016). All petitions for review of the Finding must have been filed in the D.C. Circuit Court no later than June 24, 2016. As of this deadline, six petitions for review were filed in the D.C. Circuit Court and consolidated under the lead case *Murray Energy Corp. v. EPA*, No. 16-1127.

On October 14, 2016, the D.C. Circuit Court issued orders establishing the briefing schedule for the challenge related to MATS. In *Murray v. EPA*, 16-1127 (D.C. Cir.), industry petitioners challenge the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units.

On April 27, 2017, the D.C. Circuit Court granted the EPA's motions to postpone oral argument in the challenge to the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units ("Supplemental Finding"), *Murray v. EPA*, No. 16-1127 (D.C. Cir.), as well as in industry's challenge to the EPA's denial of administrative petitions for reconsideration of MATS, *ARIPPA v. EPA*, No. 15-1180 (D.C. Cir.). Oral argument in both cases was previously scheduled for May 18, 2017.

The court also ordered both challenges held in abeyance "pending further order of the court." EPA is directed to file status reports with the court every (ninety) 90 days. The parties will be directed to file motions to govern future proceedings within (thirty) 30 days of the EPA notifying the court and the parties of any action it has or will be taking with respect to the Supplemental Finding and the MATS reconsideration petitions.

So far, since the MATS program became effective on April 16, 2015, DH 2 (the only unit MATS applies to) has complied with all requirements.

#### Regional Haze

On June 15, 2005, the EPA issued the Clean Air Visibility Rule, amending its 1999 regional haze rule, which had established timelines for states to improve visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources may be required to

install best available retrofit technology ("BART"). Some of the effects of the amended rule could be requirements for newer and cleaner technologies and additional controls for particulate matter, SO<sub>2</sub> and NO<sub>x</sub> emissions from utility sources. The states were to develop their regional haze implementation plans by December 2007, identifying the facilities that will have to reduce emissions and then set emissions limits for those facilities. However, states have not met that schedule and on January 15, 2009, the EPA published a notice finding that 37 states (including Florida), the District of Columbia and the Virgin Islands failed to submit all or a portion of their regional haze implementation plans. The EPA's notice initiates a two-year period during which each jurisdiction must submit a haze implementation plan or become subject to a Federal Implementation Plan issued by the EPA that would set the basic program requirements. See "-- The Electric System – Energy Supply System – *Generating Facilities – Deerhaven*" herein for a description of the actions that have been taken by the System to install additional emission control equipment at DH 2 and reduce SO<sub>2</sub> and NO<sub>x</sub> emissions that potentially contribute to regional haze.

Emissions modeling was completed for DH 1 to determine its impact on visibility in the Class I areas within 300 km of the DGS. Results of this modeling confirmed that DH 1 had impacts on the applicable Class I areas below the 0.5 deciview threshold and therefore is exempt from the BART program associated with the regional haze program.

The reasonable further progress ("RFP") section of Florida's regional haze state implementation plan, which has been approved by EPA, applies to DH 2. The System has voluntarily requested a cap on SO<sub>2</sub> emissions, which provides DH 2 with an exemption from the RFP section. A draft permit from the FDEP was issued on June 1, 2012 approving the System's requested cap on SO<sub>2</sub> emissions, and the final permit was issued on June 26, 2012.

#### *Internal Combustion Engine MACT*

On August 20, 2010, the EPA published a final rule for the National Emissions Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines, which covers existing stationary spark ignition reciprocating internal combustion engines located at major sources of hazardous air pollutant emissions such as power plant sites. This final rule, which became effective on October 19, 2010, requires the reduction of emissions of hazardous air pollutants from covered engines. Several of the System's reciprocating engines are covered by this rule and all are in full compliance.

#### *Climate Change*

On June 25, 2013, President Obama issued a Presidential Memorandum directing the EPA to work expeditiously to complete GHG standards for the power sector. The agency is using its authority under Section 111(d) of the CAA to issue emission guidelines to address GHG emissions from existing power plants. The Presidential Memorandum specifically directed the EPA to build on state leadership, provide flexibility and take advantage of a wide range of energy sources and technologies towards building a cleaner power sector. It also directed the EPA to issue proposed GHG standards, regulations or guidelines, as appropriate, for existing power plants by no later than June 1, 2014, and issue final standards, regulations or guidelines, as appropriate, by no later than June 1, 2015. In addition, the Presidential Memorandum directed the EPA to include in the guidelines, addressing existing power plants, a requirement that states submit to the EPA the implementation plans required under Section 111(d) of the CAA and its implementing regulations by no later than June 30, 2016. States would be able to request more time to submit complete implementation plans with the EPA being able to allow states until June 30, 2017 or

June 30, 2018, as appropriate, to submit additional information completing the submitted plan no later than June 30, 2016.

Accordingly, on June 2, 2014, the EPA released a proposed rule, the CPP Rule, that would limit and reduce carbon dioxide emissions from certain fossil fuel power plants, including existing plants. Finally, on August 3, 2015, the EPA released the final version of such rule, and on October 23, 2015, EPA published in the *Federal Register* the GHG existing source performance standards for power plants (the CPP), and the final NSPS for GHG emissions from new, modified and reconstructed fossil fuel-fired power plants. The final CPP was published at 80 Fed. Reg. 64662, and the final GHG NSPS were published at 80 Fed. Reg. 64510.

On October 23, 2015, the American Public Power Association ("APPA") and the Utility Air Regulatory Group ("UARG") filed a joint petition for review of the EPA's final Section 111(d) rule to regulate carbon dioxide ("CO<sub>2</sub>") emissions from existing electric generating sources in the D.C. Circuit Court. In addition, the state of West Virginia joined by Texas, Alabama, Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, South Carolina, South Dakota, Utah, Wisconsin, Wyoming, the Arizona Corporation Commission, and the North Carolina Department of Environmental Quality also filed their motion to stay the final Section 111(d) rule under the CAA. Such a stay would put implementation of the rule on hold until the court decides on its legality.

On January 26, 2016, 29 states requested that the U.S. Supreme Court stay implementation of the final GHG Clean Power Plan or CPP (80 Fed. Reg. 64662 - Oct. 23, 2015), pending judicial review of the rule. On February 9, 2016, the Supreme Court granted the stay of the CPP pending judicial review of the rule. The stay will remain in effect pending Supreme Court review if such review is sought. Since the US Supreme Court stayed the EPA rulemaking on the CPP, that extraordinary action will delay any regulatory action. GRU continues to closely monitor any activities with respect to Climate Change and GHGs.

The D.C. Circuit Court issued an order on April 28, 2017, holding the consolidated CPP cases in abeyance for sixty (60) days. The D.C. Circuit Court is requiring the EPA to file status reports concerning its ongoing regulatory deliberations at thirty (30) days intervals. The court also asked the parties to file supplemental briefs by May 15, 2017 addressing whether the judicial process should be ended and the matter should be remanded to the EPA.

On August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse GHG NSPS in abeyance "pending further order of the court. The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017.

On October 10, 2017, the EPA Administrator signed a rule proposing the repeal of the CPP and on October 16, 2017 the proposed repeal of the CPP was published in the Federal Register. On November 2, 2017, a hearing was announced for November 28 and 29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were announced for February and March in Missouri, California, and Wyoming.

With respect to a replacement rule, the Advance Notice of Proposed Rulemaking for the CPP replacement was published on December 28, 2017. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy (ACE) plan as a replacement to the CPP. It is currently under review.

### Coal Combustion Products

The EPA published a final rule (40 CFR 257), effective October 14, 2015, to regulate the disposal of coal combustion residuals ("CCR") as solid waste under subtitle D of the Resource Conservation and Recovery Act ("RCRA"). The rule includes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments. GRU is subject to the requirements of the promulgated rule that are applicable to CCR ponds and landfill at Deerhaven.

On May 1, 2017, EPA Administrator Scott Pruitt sent a letter informing states that the EPA is working on guidance for implementing state permitting programs that allow flexibility in individual permits to manage the safe disposal of coal combustion residuals, known as CCR or "coal ash." The EPA expects that its new guidance will allow for the safe disposal and continued beneficial use of coal ash, while enabling states to decide what works best for their environment. GRU, through the Florida Electric Power Coordinating Group, made contact with FDEP's Tim Bahr on May 2, 2017 and he confirmed that the EPA shared some draft CCR permit program materials (draft FAQs, draft checklist, etc.) last week. The FDEP is planning to discuss that internally. The EPA has not finished drafting the guidance document that is intended to assist States in ensuring that their permit program applications are complete. This guidance has been published in the Federal Register. GRU continues to closely follow developments related to CCR regulations.

FCG has requested FDEP to apply to EPA for program approval through FDEP's incorporation by reference of the federal CCR Rule, in the Department's rules, which may include Florida specific provisions.

### Storage Tanks

GRU is required to demonstrate financial responsibility for the costs of corrective actions and compensation of third-parties for bodily injury and property damage arising from releases of petroleum products and hazardous substances from certain underground and above-ground storage tank systems. GRU has eleven fuel oil storage tanks. The South Energy Center has two underground distillate (No. 2) oil tanks, the JRK Station has four above-ground distillate oil tanks, two of which are empty and out of service, and two above-ground No. 6 oil tanks which are empty and out of service. DH has one above-ground distillate and two above-ground No. 6 oil tanks, one of which is out of service. All of GRU's fuel storage tanks have secondary containment and/or interstitial monitoring and GRU is insured for the requisite amounts.

### Remediation Sites

Several site investigations have been completed at the JRK Station, most recently in 2011. According to previous assessments, the horizontal extent of soils impacted with No. 6 fuel oil extends from the northern containment wall of the aboveground storage tanks to the wastewater filter beds and from the old plant building to Sweetwater Branch Creek. The results of the most recent soil assessment document the presence of Benzo[a]pyrene in one soil sample at a concentration greater than its default commercial/industrial direct exposure based soil cleanup target levels ("SCTL"). Four of the soil samples contained Benzo[a]pyrene equivalents at concentrations greater than its default commercial/industrial direct exposure based SCTLs. In addition, two of the soil samples contained total recoverable petroleum

hydrocarbons at concentrations greater than its default commercial/industrial direct exposure based SCTLs.

In the Site-Wide Monitoring Report dated March 24, 2011, measurable free product was detected in four wells. An inspection in April 2013 showed that groundwater contains four of the polynuclear aromatic hydrocarbons ("PAH") (Benzo[a]anthracene, Benzo[a]pyrene, Benzo[b]fluoranthene, and Dibenzo[a,h]anthracene) at concentrations greater than their groundwater cleanup target levels ("GCTL"). With the exception of Benzo[a]pyrene, the concentration of the remainder of these parameters did not exceed their Natural Attenuation Default Concentrations. The groundwater quality data reported in the 2011 Site-Wide Groundwater Monitoring Report documents that groundwater quality meets applicable GCTLs at the locations sampled. It is likely that groundwater quality impacts exist in the area where residual number 6 Fuel Oil is present as a non-aqueous phase liquid.

Following the submittal of the August 2013 No Further Action Proposal, the FDEP prepared comments regarding the No Further Action Proposal and provided them to GRU in a letter dated January 10, 2014.

In August of 2014, GRU provided responses to the FDEP's January 2014 comment letter.

In March of 2016, an attempt was made to meet with the FDEP, but a time was not set up for a meeting. The delay in responding to GRU's comments was due in part to the FDEP waiting on resolution of the request to use an active hydraulic containment system as an engineering control. Ultimately, the FDEP rejected the use of the active containment system as an engineering control.

On April 17, 2017, the FDEP provided comments on GRU's August 2014 response to the FDEP January 2014 comment letter.

ECT prepared a response to the FDEP's comments which was submitted to the FDEP on October 19, 2018. The FDEP requested further assessment of the extent of No. 6 fuel oil in the subsurface. ECT's response proposed additional soil investigation to assess the extent of No. 6 fuel oil; both as a non-aqueous phase liquid and as stained soils. ECT also proposed temporarily shutting down the groundwater recovery system and evaluating whether free product returns to the wells. This information will be used to evaluate what actions will be needed to recover free product, if any is detected.

#### Water Use Restrictions

Pursuant to Florida law, a water management district in Florida may mandate restrictions on water use for non-essential purposes when it determines such restrictions are necessary. The restrictions may either be temporary or permanent. The SJRWMD has mandated permanent district-wide restrictions on residential and commercial landscape irrigation. The restrictions limit irrigation to no more than two days per week during Daylight Savings Time, and one day per week during Eastern Standard Time. The restrictions apply to centralized potable water as provided by the System as well as private wells. All irrigation between the hours of 10:00 a.m. and 4:00 p.m. is prohibited.

In addition, in April 2010, the County adopted, and the City subsequently opted into, an Irrigation Ordinance that codified the above-referenced water restrictions which promote and encourage water conservation. County personnel enforce this ordinance, which further assists in reducing water use and thereby extending the System's water supply.

The SJRWMD and the SRWMD each have promulgated regulations referred to as "Year-Round Water Conservation Measures," for the purpose of increasing long-term water use efficiency through regulatory means. In addition, the SJRWMD and the SRWMD each have promulgated regulations referred to as a "Water Shortage Plan," for the purpose of allocating and conserving the water resource during periods of water shortage and maintaining a uniform approach towards water use restrictions. Each Water Shortage Plan sets forth the framework for imposing restrictions on water use for non-essential purposes when deemed necessary by the applicable water management district. On August 7, 2012, in order to assist the SJRWMD and the SRWMD in the implementation and enforcement of such Water Conservation Measures and such Water Shortage Plans, the Board of County Commissioners of the County enacted an ordinance creating year-round water conservation measures and water shortage regulations (the "County Water Use Ordinance"), thereby making such Water Conservation Measures and such Water Shortage Plans applicable to the unincorporated areas of the County. On December 20, 2012, the City Commission adopted a resolution to opt into the County's "year round water conservation measures" and "water shortage regulations" ordinances in order to give the Alachua County Environmental Protection Department the authority to enforce water shortage orders and water shortage emergencies within the City.

#### Manufactured Gas Plant

Gainesville's natural gas system originally distributed blue water gas, which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas in the mid-1950's, coal residuals and spilt fuel contaminated soils at and adjacent to the manufactured gas plant ("MGP") site. When the natural gas system was purchased, the System assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. The System has pursued recovery for the MGP from past insurance policies and, to date, has recovered \$2.2 million from such policies. The System has received final approval of its Remedial Action Plan which entailed the excavation and landfilling of impacted soils at a specially designed facility. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property has been redeveloped by the City as a park with stormwater ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program will be for the duration of the permit, and that timeframe is open to the results of what the sampling data shows.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years ended September 30, 2017 and 2016, expenditures which reduced the liability balance were approximately \$1.1 million and \$1.0 million, respectively. The reserve balance at September 30, 2017 and 2016 was approximately \$814,000 and \$629,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Through fiscal years ended September 30, 2018 and 2017, customer billings were \$1.3 million and \$1.1 million, respectively, and the regulatory asset balance was \$11.7 million and \$13.1 million, respectively.

Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have an adverse material effect on GRU's financial position, results of operations, or liquidity.



## Wholesale and Retail Electric Restructuring

### Energy Policy Act of 2005

The 2005 Energy Policy Act empowered FERC to enforce mandatory compliance with the Bulk Electric System reliability standards. FERC delegated policy enforcement and standard development to NERC who, in turn, delegated regional enforcement and monitoring to the FRCC in the State to become the ERO monitoring the System's compliance. The System is a "registered entity" with NERC and FRCC under the following nine functional categories and must comply with all standards applicable to those categories:

- Balancing Authority
- Distribution Provider
- Generation Owner
- Generation Operator
- Planning Authority
- Resource Planner
- Transmission Owner
- Transmission Operator
- Transmission Planner

Electric utilities registered as a Balancing Authority or Transmission Operator are required to undergo an on-site audit for compliance with the reliability standards once every three years. The System is registered as both a Balancing Authority and a Transmission Operator and is therefore subject to the 3-year on-site audit cycle. In addition to the NERC O&P reliability standards, GRU must comply with NERC's Critical Infrastructure Protection ("CIP") standards which helps ensure the cyber and physical security of GRU's Bulk Electric System ("BES"). In November, 2017, FRCC compliance auditors conducted an on-site audit for compliance with the standards and requirements associated with the System's functions within the Florida bulk power system as listed above. FRCC identified two (2) violations, both of which were treated as "compliance exceptions" by FRCC, meaning that no penalties are levied. The System's next on-site reliability compliance audit is anticipated to occur in November, 2020.

### FERC Order 779

FERC Order 779 was issued in May 2013 to deal with the establishment of Geomagnetic Disturbances ("GMD") reliability standards in two stages. Stage one became effective in April 2015 and required the development and implementation of operating procedures that mitigate the impact of GMD events. Stage two (Notice of Proposed Rulemaking, May 14, 2015) will require that the transmission system will be planned in a manner to mitigate the risks associated with GMD events such as system instability and/or uncontrolled separation. FERC Order 779 will have a minor impact on the System.

### FERC Order 1000

FERC Order 1000 became effective sixty (60) days after publication of the final order in the Federal Register, August 11, 2011. Order 1000 affects transmission planning and cost allocation requirements and drives reform in three areas: planning, cost allocation and non-incumbent developers.

Planning element reforms:

- Each public utility transmission provider must participate in the development of a regional transmission plan.
- Regional and local transmission plans are to be driven by state or federal laws or regulation. Transmission needs and associated solutions are to be weighed against those requirements.
- Neighboring transmission regions are to coordinate the satisfaction of mutual transmission needs (efficiency and cost).

Cost allocation reforms:

- Each public utility transmission provider must participate in a regional cost sharing allocation method for the selected transmission solution.
- A similar cost allocation is required when neighboring transmission regions select an interregional solution.
- Participant finding is permitted. However, it may not be the regional or interregional allocation schema.

Developer reforms:

- With certain limitations, public utility providers must remove from their tariffs a federal right of first refusal for a regional transmission plan needs solution for the purposes of cost allocation.
- The reliability and service requirements of incumbent transmission providers may be dependent upon regional transmission infrastructure. The order requires the reevaluation of the regional transmission plan and the identification of alternative transmission solutions should the delay in infrastructure development adversely impact system reliability and/or the delivery of required services.

The System is a full participant in the regional transmission planning process through the FRCC.

Impact of Hurricane Irma

On September 10, 2017, the State of Florida was impacted by Hurricane Irma. At approximately 9:00 a.m., the center of Hurricane Irma made landfall at Cudjoe Key in the lower Florida Keys as a Category 4 storm, according to the National Weather Service. The center of Hurricane Irma made a second landfall as a Category 3 storm, at approximately 3:30 p.m., near Marco Island, which is located approximately 300 miles southwest of the City. The City recorded sustained winds of 70 mph along with approximately 12 inches of rain in the local area in a 24 hour period. As expected, due to the winds, rain and local area flooding, electric service and other outages were experienced. At the peak of the storm, about 46,000 customers were without power. GRU worked to restore power to approximately 84% of those customers without power within 48 hours after restoration efforts began, and 100% of those who lost service during the storm were restored by September 18, 2017. Any residual outages as a result of trees downed subsequent to the storm were dealt with on a case-by-case basis.

While there was some isolated structural damage and local area flooding, the electric system sustained no significant damage. None of GRU's power generating assets were damaged by the hurricane and the majority of the buildings were undamaged.

There were 50 customers that experienced a disruption to their drinking water service due to isolated incidents such as overturned trees. These individual customers were issued Precautionary Boil Water Notices and their water services were quickly restored. The overall water system maintained system pressure and delivered safe water throughout the incident.

The extreme rainfall and flooding had the biggest impact to the wastewater system. The flooding resulted in significant inflow of stormwater and floodwaters into the collection system which resulted in comingled wastewater and stormwater overwhelming portions of the collection system. There were numerous locations that the collection system experienced overflows. GRU and private pumpers hauled over 13.8 million gallons of stormwater and wastewater from the collection system to mitigate release impact and help bring the system back to normal operation. During the hurricane and in the following days, it is estimated that approximately 3.5 million gallons of combined stormwater and wastewater were released from the collection system. It is estimated that approximately 80% (or 2.8 mg) of the release was stormwater and 20% (or 0.7 mg) was wastewater. Additionally, GRU lost power to 92 of the 170 wastewater lift stations. However, GRU was able to utilize 41 generators to keep such lift stations operational. GRU restored power to most of the GRU served lift stations by September 12, 2017. There was minimal impact to customers.

GRU coordinated with Alachua County Environmental Protection Department and the Alachua County Department of Health throughout the response and recovery to ensure public health and safety and environmental health. Immediately following the storm, GRU provided an initial notice of wastewater releases to the Florida Department of Environmental Protection ("FDEP") through the State Watch Office and the FDEP Pollution Public Notification website. Environmental assessment teams were deployed throughout the service area and regular regulatory updates and notification of significant operational changes were provided through email and FDEP Storm Tracker. On September 20, 2017, a final update was provided to all regulatory agencies summarizing environmental assessments and release volumes.

In response to wastewater overflows due to Hurricane Irma, FDEP has issued Consent Orders to numerous utilities across the State. The Florida Statutes do not offer regulatory relief for wastewater overflows for any reason, including force majeure. Since GRU responded aggressively and followed prudent utility practices to protect public health and safety and the environment, FDEP issued a Short Form Consent Order (SFCO) without Corrective Actions. The SFCO includes civil penalties based on the releases. In lieu of paying the civil penalties, GRU has elected to execute an In-Kind project that will improve the wastewater collection system. In addition, GRU is committed to reducing inflow and infiltration in the wastewater collection system and is in the process of conducting a Resiliency Study. This study will identify critical areas for infrastructure improvements and will help GRU prioritize future capital improvements. Projects identified through this study will be incorporated into the capital improvement budget and will help mitigate future wastewater releases. These projects are not included in the capital improvement plan in "—Funding the Capital Improvement Plan" below.

The water and wastewater systems did not experience any significant damage to the facilities as a result of the storm.

GRU continues to analyze the System in order to determine if any additional capital improvements will be needed. Initial assessments indicate that the System did not sustain any material infrastructure damage. Overall, the System remains in good condition. Costs associated with any necessary repairs, in addition to the extraordinary operational costs incurred as a result of the power outages, are preliminarily estimated to be approximately \$5.5 million.

As a result of the temporary loss of service, the City estimates an initial loss of revenue in the approximate amount of \$1.1 million, which is based upon the loss of electric service to active customers for a period of four days. The impact on the customer base caused by wind and flood damage from Hurricane Irma appears to be minimal.

In addition to federal aid that may be received to assist with offsetting potential costs and loss of revenues, GRU has property insurance, including loss of income insurance, and flood insurance. GRU will be aggressively pursuing all possible insurance claims and federal aid, including FEMA reimbursements. The City also has funds in the amount of approximately \$68 million in its Rate Stabilization Fund, as well as funds in the amount of \$41 million in unrestricted cash, that can be applied, if necessary, to pay for any damages, costs, or lost revenues that GRU may incur as a result of Hurricane Irma's impacts to the System. Based on past experience, the City expects FEMA reimbursements to approximate 75% of the expenditures.

As of September 22, 2017, electric, water, wastewater and GRUcom service was restored to 100% of the service area.

At the present time, the City does not believe the impacts of Hurricane Irma will materially adversely affect its ability to pay debt service on the 2019 Bonds.

#### Plant Vogtle Litigation

JEA and the City of Jacksonville, Florida ("Jacksonville"), recently filed a complaint in Florida state court for declaratory judgment regarding a power purchase agreement in place with MEAG Power since 2008. The power purchase agreement is tied to the expansion project at Plant Vogtle, a nuclear power generating facility in Georgia. Under the power purchase agreement, MEAG Power agreed to sell JEA a portion of the output of Plant Vogtle Units 3 and 4, two new nuclear generation units under construction in Burke County, Georgia. MEAG Power subsequently filed a breach of contract lawsuit against JEA in the Federal Court for the Northern District of Georgia. JEA and Jacksonville believe the agreement violates the Constitution of the State of Florida and should be declared void and unenforceable.

JEA filed a petition with FERC asking it to make a number of legal determinations related to the power purchase agreement between JEA and MEAG Power. In the petition, JEA asked FERC to declare that it has jurisdiction over the power purchase agreement (and the transactions therein) under Section 201(b)(1) of the Federal Power Act ("FPA"), even though MEAG Power and JEA are each exempt from regulation by FERC as "public utilities" under Section 201(f) of the FPA. FERC did not accept JEA's petition.

#### Other Risk Factors

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions as set forth above, changes in demand for services, economic conditions, demographic changes, and litigation. In addition to those items listed in the

preceding sentence, some of the possible changes in the future may include, but not be limited to, the following:

1. The City's electric, water and wastewater facilities are subject to regulation and control by numerous federal and state governmental agencies. Neither the City nor its consultants can predict future policies such agencies may adopt. Future changes could result in the City having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation. See "THE SYSTEM" above for more information.

2. Estimates of revenues and expenses contained in this Official Statement and the realization of such estimates, are subject to, among other things, future economic and other conditions which are unpredictable and which may adversely affect such revenues and expenses, and in turn, the payment of the 2019 Bonds.

## TAX EXEMPTION

### General.

In the opinion of Bond Counsel, under existing law, interest on the 2019 Bonds is excludable from gross income for federal income tax purposes. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2019 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the City rebates certain excess earnings on proceeds and amounts treated as proceeds of the 2019 Bonds to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the 2019 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the 2019 Bonds to maintain the exclusion of interest on the 2019 Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the 2019 Bonds in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the 2019 Bonds. The City has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the City complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the 2019 Bonds.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or otherwise become effective, will not cause the interest on the 2019 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the 2019D Bondholders from realizing the full current benefit of the tax status of the interest on the 2019 Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the 2019 Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is

possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the 2019 Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the 2019 Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the 2019 Bonds and of the property financed or refinanced thereby).

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

### **Alternative Minimum Tax.**

An alternative minimum tax is imposed by the Code on certain taxpayers other than corporations (as defined for federal income tax purposes). Interest on the 2019 Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the 2019 Bonds will therefore not be included in the alternative minimum taxable income of taxpayers other than corporations.

### **Original Issue Premium.**

The 2019 Bonds have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the 2019 Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a 2019D Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a 2019D Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such 2019D Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of 2019 Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering 2019 Bonds at their maturity.

### **Other Tax Consequences.**

Prospective purchasers of the 2019 Bonds should be aware that ownership of the 2019 Bonds may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations and foreign corporations, individuals entitled to receive the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2019 Bonds. Prospective purchasers of the 2019 Bonds should also be aware that ownership of the 2019 Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the 2019 Bonds. Further, Bond Counsel has expressed no

opinion regarding the state tax consequences that may arise with respect to the 2019 Bonds. Prospective purchasers of the 2019 Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the 2019 Bonds.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of 2019 Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of 2019 Bonds, should consult their own tax advisors with respect to the consequences of owning 2019 Bonds, including the effect of such ownership under applicable state and local laws.

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

Interest paid on tax-exempt bonds, such as the 2019 Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2019 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2019 Bonds, under certain circumstances, to "backup withholding" at the fourth lowest rate applicable to unmarried individuals with respect to payments on the 2019 Bonds and proceeds from the sale of 2019 Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2019 Bonds. This withholding generally applies if the owner of 2019 Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2019 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2019 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE 2019 BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE 2019 BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

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

### **UNDERWRITING**

\_\_\_\_\_ (collectively, the "Underwriters") are purchasing the 2019D Bonds from the City at an aggregate purchase price of \$\_\_\_\_\_ (representing the par amount of the 2019D Bonds of \$\_\_\_\_\_ [plus/less an original issue premium/discount] of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_), and the 2019E Bonds from the City at an aggregate purchase price of \$\_\_\_\_\_ (representing the par amount of the 2019E 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.

**[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 Year 2014 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) did not timely file its audited financial statements for Fiscal Year 2017, and (iv) did not timely file certain operating data for Fiscal Year 2013 with respect to its then-outstanding Guaranteed Entitlement Revenue Refunding Bonds, Series 2004. All such required information has been filed as of this date. 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. With respect to the City's April 30, 2019 filing deadline the City's general purpose audited financial statements and related financial information and operating data was not available for timely filings, due to staff turnover in the City's General Government finance department and the hiring of a new auditor. A notice of failure to file was filed on April 30, 2019 and such audited financial statements and related financial information and audited financial data was filed on June 18, 2019.] Except for this, the City fully anticipates satisfying all future disclosure obligations required pursuant to the Rule. 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 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 \_\_\_\_\_, 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 EXEMPTION." 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 opinions are 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 opinions 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.

## VERIFICATION OF ARITHMETICAL COMPUTATIONS

[At the time of the delivery of the 2019 Bonds, \_\_\_\_\_, \_\_\_\_\_, as the Verification Agent, will deliver a report on the mathematical accuracy of the computations contained in schedules provided to them and prepared by the Financial Advisor on behalf of the City relating to (a) the sufficiency of the anticipated cash and maturing principal amounts and interest on the Refunding Securities to pay, when due, the principal, whether at maturity or upon prior redemption, interest and call premium requirements, if any, of the Refunded Bonds, respectively, and (b) the "yield" on the 2019A Bonds and the 2019B Bonds and on the Refunding Securities considered by Bond Counsel in connection with its opinion that the Series Bonds and the 2019B Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, as amended.]

## 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.

[Remainder of page intentionally left blank]

## 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 EXEMPTION" 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 133,857 persons residing within the City limits. The economic base of the City 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 .....	November, 2022
Mayor-Commissioner-Pro-Tem Harvey Ward, District 2 .....	May 2020
Commissioner David Arreola, District 3.....	May 2020
Commissioner Adrian Hayes-Santos, District 4.....	November, 2022
Commissioner Gail Johnson, At Large .....	May 2021
Commissioner Gigi Simmons, District 1 .....	May 2021
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 generation and distribution, 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	133,857	--	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.

[Remainder of page intentionally left blank]

## 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>
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
2018	2.70

---

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

### TEN LARGEST EMPLOYERS (SEPTEMBER 30, 2018)

<u>Firm</u>	<u>Product/Business</u>	<u>Employees</u>
University of Florida	Education	28,118
UF Health	Health Care	12,959
Veterans Affairs Medical Center	Health Care	6,250
Alachua County School Board	Education	3,943
City of Gainesville	Municipal Government	2,120
North Florida Regional Medical Center	Health Care	2,098
Gator Dining Services	Food Services	1,200
Nationwide Insurance Company	Insurance	973
Alachua County	Government	812
Publix Supermarkets	Grocer	783

---

Source: Finance Department, City of Gainesville, Florida.

**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	Tax Year	Just Value			Exemptions					Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property	Personal Property	Centrally Assessed Property	Governmental	Agricultural	Institutional	Homestead	Other <sup>(1)</sup>		
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
2018	2017	11,231,867,455	3,208,636,215	2,347,682	5,961,428,856	43,012,432	1,096,499,331	1,016,923,482	215,439,707	6,109,547,544	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	Local Property	Total Taxes Levied
			Tax Rates (Mills) General Government <sup>(4)</sup>	Tax Levies (\$) General Government	
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
2017	2017-18	6,109,547,544	4.5079	[ ]	[ ]

(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
2009	\$24,020,009	\$23,191,605	96.6%	\$63,122	\$23,254,727	96.8%
2010	25,782,262	24,912,341	96.6	82,380	24,994,721	96.9
2011	23,802,971	23,007,885	96.7	30,552	23,038,437	96.8
2012	22,865,258	22,085,295	96.6	60,850	22,146,145	96.9
2013	23,068,205	22,259,404	96.5	93,905	22,353,309	96.9
2014	23,449,920	22,573,803	96.3	133,066	22,706,869	96.8
2015	25,292,699	24,342,225	96.2	69,006	24,411,231	96.5
2016	25,854,421	24,924,172	96.4	44,837	24,969,009	96.6
2017	26,996,390	26,030,596	96.4	20,629	26,051,225	99.5
2018	30,885,614	29,766,402	96.4	N/A	29,766,402	96.4

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 <u>Year</u>	Tax <u>Year</u>	City of Gainesville Direct <u>Rate</u>	Alachua County School <u>County</u>	Overlapping Rates		Alachua County Library <u>District</u>	Total Direct & Overlapping <u>Rates</u>
				St. Johns Water Management <u>District</u>	Alachua County Library <u>District</u>		
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
2018	2017	4.7474	8.2829	7.2640	0.2562	1.2303	21.7808

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, 2018.

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

<u>Taxing Authority</u>	<u>Taxable Property Value<sup>(2)</sup></u>	<u>General Obligatio n Bonded Debt<sup>(3)</sup></u>	<u>Percent of Debt Applicable to City<sup>(4)</sup></u>	<u>City's Share of General Obligation Debt<sup>(5)</sup></u>
City of Gainesville	\$6,109,547,544	\$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, 2018**

<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, 2018**

	<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
--	--------------

<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 2018

<u>Owner/Taxpayer</u>	Total <u>Assessed</u>	Percentage of Total Taxable <u>Assessed</u>
Gainesville Renewable Energy Center Inc.	\$301,247,900	4.93%
Argos Cement LLC	151,760,610	2.48
Oaks Mall Gainesville LTD	137,760,630	2.25
Wal-Mart Stores East LP	98,911,970	1.62
HCA Health Services of Florida, Inc.	82,134,250	1.34
Duke Energy Florida Inc	77,893,413	1.27
AT&T Mobility LLC	67,961,543	1.11
Stanley Robert E	66,068,500	1.08
Bellsouth Telecommunications	63,788,606	N/A
North Florida Regional Medical Center Inc.	<u>59,142,690</u>	<u>0.97</u>
TOTAL PRINCIPAL TAXPAYERS	\$1,106,670,112	17.07%

Source: Finance Department, City of Gainesville, Florida.

## LIABILITIES OF THE CITY

### Insurance Considerations Affecting the City

#### Risk Management

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 maintains a General Insurance Fund (an Internal Service Fund) to account for some of its uninsured risk of loss. Under the current program, the City is self-insured 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 the 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. There have been no significant reductions in insurance coverage from that in the prior year and settlements have not exceeded insurance coverage for the past three fiscal years. 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 2018 were paid from current year's revenues.

Changes in the Utility Fund's claims liability for the last two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2017-2018	\$3,337,000	\$1,729,406	\$(1,729,406)	\$3,337,000
2016-2017	3,337,000	2,253,000	(2,253,000)	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 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>
2017-2018	\$6,854,000	\$3,861,445	\$(3,861,445)	\$6,854,000
2016-2017	6,854,000	2,466,244	(2,466,244)	6,854,000

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 that 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>
2017-2018	\$1,310,671	\$23,412,606	\$(23,412,606)	\$1,310,671
2016-2017	1,310,671	21,883,325	(21,883,325)	1,310,671

These claims liability amounts are all considered to be due within one year and are classified as current liabilities in the accompanying financial statements.

### **Other Post-Employment Benefits Plan**

#### Plan Description.

By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), a single-employer defined benefit postemployment health care plan that covers eligible retired employees. RHCP, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical coverage as a participant in the City's plan. Administrative costs are financed through investment earnings.

The City 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>
Annual OPEB cost	<u>\$2,481,058</u>
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>
Net OPEB obligation (asset), end of year	<u>\$(18,049,285)</u>

<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, 2018. 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, 2018]</u>
Revenue Bonds: <sup>(1)</sup>		
Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994	\$15,892,220	
Taxable Pension Obligation Bonds, Series 2003A (Employees' Plan)	40,042,953	
Taxable Pension Obligation Bonds, Series 2003B (Consolidated Plan)	49,851,806	
Capital Improvement Revenue Bonds, Series 2010	3,036,907	
Capital Improvement Revenue Bonds, Series 2014	<u>12,535,000</u>	
Total Revenue Bonds <sup>(2)</sup>	\$121,358,886	
Loans: <sup>(3)</sup>		
Capital Improvement Revenue Note, Series 2009	\$11,500,000	
Refunding Revenue Note, Series 2011	6,230,000	
Capital Improvement Revenue Note, Series 2011A	3,730,000	
Refunding Revenue Note, Series 2014	14,715,000	
Revenue Refunding Note, Series 2016A	11,970,000	
Capital Improvement Revenue Note, Series 2016B	6,630,000	
Capital Improvement Revenue Note, Series 2017	<u>10,365,000</u>	
Total Loans	\$65,140,000	
Total Debt	<u>\$186,498,886</u>	

(1) The City's outstanding Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 is 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 Refunded CP Notes or STI 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.

- Employees' Pension Plan (Employees' Plan)
- 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 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, 2018, the following employees were covered by the benefit terms:

Active employees	1,514
Inactive employees:	
Retirees and beneficiaries currently receiving benefits	1,316
Terminated Members and survivors of deceased members entitled to benefits but not yet receiving benefits	<u>441</u>
Total	3,271

*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 2018 was 18.41% 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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017.

The components of the net pension liability at September 30, 2018 were as follows:

Components of Net Pension Liability

Total pension liability	\$556,402,274
Plan fiduciary net position	<u>(432,508,135)</u>
City's net pension liability	<u>\$123,894,139</u>
 Plan fiduciary net position as a percentage of the total pension liability	 77.73%

*Significant Actuarial Assumptions.* The total pension liability as of September 30, 2018 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2017 actuarial valuation to the pension plan's fiscal year end of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

Inflation	3.75%
Salary Increases	Service Based
Investment Rate of Return	8.00%
Discount Rate	8.00%

Mortality Rate:

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected generationally with Mortality Improvement Scale BB.

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. For 2018, the inflation rate assumption of the investment advisor was 2.50%. These ranges 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 Employees' Plan target asset allocation are summarized in the following table:

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	47.00%	7.50%
International Equity	28.00	8.50
Broad Market Fixed Income	8.00	2.50
Real Estate	12.00	4.50
Alternatives	<u>5.00</u>	7.00
Total	100.00%	

Discount Rate:

The discount rate used to measure the total pension liability were 8.00%. 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.

[Remainder of page intentionally left blank]

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 10/01/2017	\$537,712,710	\$396,313,562	\$141,399,148
Changes for the year:			
Service cost	8,196,544	-	8,196,544
Interest	42,877,827	-	42,877,827
Differences between expected and actual experience	(5,088,593)	-	(5,088,593)
Changes to assumptions	5,721,214	-	5,721,214
Contributions – Buy Back	89,300	89,300	-
Benefit payments, including refunds of employee contributions	(33,106,728)	(33,106,728)	-
Contributions – Employer	-	16,372,689	(16,372,689)
Contributions – Employee	-	4,317,403	(4,317,403)
Net investment income	-	49,219,793	(49,219,793)
Administrative expense	-	(697,884)	697,884
Net changes	<u>18,689,564</u>	<u>36,194,573</u>	<u>(17,505,009)</u>
Balances at 09/30/2018	<u>\$556,402,274</u>	<u>\$432,508,135</u>	<u>\$123,894,139</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 (8.00%), 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 (7.00%) or 1 percentage-point higher (9.00%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.001%)</u>
Net pension liability	\$186,848,559	\$123,894,139	\$71,089,691

*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, 2018, the City recognized pension expense for the Employees' Plan of \$20,343,413. At September 30, 2018, 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	\$5,598,683	\$4,028,469
Changes to assumptions	24,099,243	-
Net difference between projected and actual earnings on pension plan investments	-	<u>30,795,642</u>
Total	<u>\$29,697,926</u>	<u>\$34,824,111</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>	<u>Net Deferred Outflows/(Inflows) of Resources</u>
2019	\$4,462,439
2020	(2,015,017)
2021	(4,149,860)
2022	(3,423,747)
2023	-
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.

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 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, 2018, the following employees were covered by the benefit terms:

Active employees	396
Inactive employees:	
Retirees and beneficiaries currently receiving benefits	20
Retirees and beneficiaries receiving benefits	<u>447</u>
Total	863

*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 2018 was 16.75% of covered payroll for police personnel and 21.45% for fire personnel. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003B. In addition, State contributions, which totaled \$1,366,304, 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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017. This reflects a change in methodology from the September 30, 2017 financial statements, which recorded the net pension liability for the Consolidated Plan based on a prior year measurement date.

The components of the net pension liability at September 30, 2018, were as follows:

Components of Net Pension Liability

Total pension liability	\$285,979,686
Plan fiduciary net position	<u>(253,221,825)</u>
City's net pension liability	<u>\$32,757,861</u>
Plan fiduciary net position as a percentage of the total pension liability	88.55%

*Significant Actuarial Assumptions.* The total pension liability was determined based on entry age normal liabilities using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

Inflation	3.00%
Salary Increases	Service Based
Investment rate of return	8.00%
Discount Rate	8.00%

Mortality Rate:

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected generationally with Mortality Improvement Scale BB.

Other Assumptions:

The actuarial assumptions used as of September 30, 2017 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 can be determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. For 2018 the inflation rate assumption of the investment advisor was 2.20%. These ranges 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 geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Development of Long Term Discount Rate – Arithmetic

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Large Cap Equity	35.00%	6.60%
Small Cap Equity	15.00	6.40
International Equity	15.00	6.90
Securitized Credit	6.00	4.50
High Yield	4.50	4.40
EMD Sovereign	4.50	4.00
Private Markets	5.00	5.50
Real Estate	10.00	5.60
TIPS	2.50	3.10
Intermediate Government	<u>2.50</u>	3.40
Total	100.00%	

Discount Rate:

The discount rate used to measure the total pension liability was 8.00%. 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 Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 10/01/2017	\$277,576,074	\$241,763,801	\$35,812,273
Changes for the year:			
Service cost	3,682,078	-	3,682,078
Interest	21,993,597	-	21,993,597
Differences between expected and actual experience	(2,419,821)	-	(2,419,821)
Changes to assumptions	4,612,282	-	4,612,282
Contributions – Buy Back	-	-	-
Benefit payments, including refunds of employee contributions	(19,464,524)	(19,464,524)	
Contributions – Employer	-	4,507,892	(4,507,892)
Contributions – State	-	1,366,304	(1,366,304)
Contributions – Employee	-	1,963,471	(1,963,471)
Net investment income	-	24,056,126	(24,056,126)
Administrative expense	-	(699,346)	699,346
Net changes	<u>8,403,612</u>	<u>11,729,923</u>	<u>(3,326,311)</u>
Adjustment to beginning of year	-	(271,899)	271,899
Balances at 09/30/2018	<u>\$285,979,686</u>	<u>\$253,221,825</u>	<u>\$32,757,861</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 8.00%, 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 (7.00%) or 1 percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$66,361,485	\$32,757,861	\$4,917,902

*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, 2018, the City recognized pension expense for the Consolidated Plan of 3,133,105. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the Consolidated Plan from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflow <u>of Resources</u>
Difference between expected and actual experience	\$1,439,353	\$4,593,511
Changes in assumptions	6,851,349	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>11,389,514</u>
Total	<u>\$8,290,702</u>	<u>\$15,983,025</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	Net Deferred Outflows/(Inflows) <u>of Resources</u>
2019	\$(395,418)
2020	(4,292,530)
2021	(2,790,582)
2022	(298,119)
2023	84,326
Thereafter	0

**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 D**  
**CONTINUING DISCLOSURE CERTIFICATE**



## APPENDIX F

### FORM OF 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 D and \$\_\_\_\_\_ Utilities System Revenue Bonds, 2019 Series E (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 by the Thirty-Second 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 securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity or credit facilities).

"Participating Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the MSRB, which currently accepts continuing disclosure submissions through EMMA.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

### SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by not later than April 30<sup>th</sup> following the end of the prior fiscal year, beginning with the fiscal year ending September 30, 2018 with respect to the report for the 2017-2018 fiscal year, provide to any Repository in electronic format as prescribed by such Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If on the fifteenth (15<sup>th</sup>) day prior to the annual filing date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 3(a). Upon such reminder, the Issuer shall either (i) provide the

Dissemination Agent with an electronic copy of the Annual Report no later than two (2) business days prior to the annual filing date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a failure to file has occurred and to immediately send a notice to the Repository in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

- (c) The Dissemination Agent shall:
  - (i) determine each year prior to the date for providing the Annual Report the name and address of any Repository;
  - (ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing any Repository to which it was provided; and
  - (iii) if the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the annual filing date (or, if such annual filing date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a failure to file shall have occurred and the Issuer irrevocably directs the Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated \_\_\_\_\_, \_\_\_\_ (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates to the financial information and operating data contained in "THE SYSTEM" section of the Official Statement under the captions entitled:

- (i) "The Electric System – Customers", "- Retail and Wholesale Energy Sales", "- Generating Facilities" and "- Capital Improvement Program";
- (ii) "The Natural Gas System – Customers" and "- Capital Improvement Program";
- (iii) "The Water System – Customers" and "- Capital Improvement Program";
- (iv) "The Wastewater System – Customers" and "- Capital Improvement Program";

- (v) "Rates"; and
- (vi) "Summary of Combined Net Revenues" (fiscal year only).

The information provided under Section 4(b) may be included by specific reference to documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the Repository's Internet Web site or filed with the Securities and Exchange Commission.

The Issuer reserves the right to modify from time to time the specific types of information provided in its Annual Report or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

#### SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds. Such notice shall be given in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the exception of the event described in number 17 below, which notice shall be given in a timely manner:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. ratings changes;
12. an Event of Bankruptcy or similar event of an Obligated Person;

13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties; and
17. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof.

(b) The notice required to be given in paragraph 5(a) above shall be filed with any Repository, in electronic format as prescribed by such Repository.

SECTION 6. IDENTIFYING INFORMATION. In accordance with the Rule, all disclosure filings submitted pursuant to this Disclosure Certificate to any Repository must be accompanied by identifying information as prescribed by the Repository. Such information may include, but not be limited to:

- (a) the category of information being provided;
- (b) the period covered by any annual financial information, financial statement or other financial information or operation data;
- (c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);
- (d) the name of any Obligated Person other than the Issuer;
- (e) the name and date of the document being submitted; and
- (f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, so long as there is no remaining liability of the Issuer, or if the Rule is repealed or no longer in effect. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Digital Assurance Certification, LLC.

SECTION 9. AMENDMENT. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate provided that the following conditions are satisfied:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does (i) does not materially impair the interests of the holders, as determined either by parties unaffiliated with the Issuer (such as the trustee or bond counsel), or by approving vote of bondholders pursuant to the terms of the governing instrument at the time of the amendment.

In the event of any amendment of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. The continuing disclosure obligations of the Issuer set forth herein constitute a contract with the holders of the Bonds. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to

comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party.

SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of \_\_\_\_\_, \_\_\_\_\_

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Chief Financial Officer,

Gainesville Regional Utilities

ACKNOWLEDGED BY:

DIGITAL ASSURANCE CERTIFICATION L.L.C.,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Gainesville, Florida  
Name of Bond Issue: Utilities System Revenue Bonds, 2019 Series D  
Utilities System Revenue Bonds, 2019 Series E  
Date of Issuance: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate between the Issuer and Digital Assurance Certification, L.L.C., as Dissemination Agent. The Issuer has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by\_\_\_\_\_.

Dated:\_\_\_\_\_

Digital Assurance Certification, L.L.C., as Dissemination Agent, on behalf of the Issuer

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Title:\_\_\_\_\_

Date: \_\_\_\_\_



**EXHIBIT B**  
**EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

---

Issuer's Six-Digit CUSIP Number:

---

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

---

Number of pages attached: \_\_\_\_\_

\_\_\_\_ Description of Notice Events (Check One):

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform;"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. \_\_\_\_\_ "Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material;" and
17. \_\_\_\_\_ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties."

\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.

390 N. Orange Avenue

Suite 1750

Orlando, FL 32801

407-515-1100

Date: \_\_\_\_\_

**EXHIBIT E**  
**ESCROW DEPOSIT AGREEMENT**

## ESCROW DEPOSIT AGREEMENT

This is an Escrow Deposit Agreement dated as of \_\_\_\_\_, 2019, by and between **CITY OF GAINESVILLE, FLORIDA** (the "Issuer"), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association and a member of the Federal Deposit Insurance Corporation, organized and existing under the laws of the United States of America and having its designated corporate trust office in which its duties hereunder are to be performed in New York, New York, as the escrow agent and as paying agent with respect to the Refunded Bonds, as hereinafter defined (the "Escrow Agent"):

### WITNESSETH:

**WHEREAS**, the Issuer has previously issued its Utilities System Revenue Bonds, Series \_\_\_\_ (the "\_\_\_\_ Bonds"), of which \$\_\_\_\_\_ in aggregate principal amount remain outstanding prior to the date hereof; and

**WHEREAS**, the Issuer wishes to make provision for the payment of the outstanding \_\_\_\_ Bonds (the "Refunded Bonds") by irrevocably depositing in escrow moneys in an amount which, together with investment earnings thereon will be sufficient to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds as the same become due or are called for redemption as herein provided; and

**WHEREAS**, in order to deposit such amount of money in trust, the Issuer has authorized and issued its Utilities System Revenue Refunding Bonds, Series 2019\_\_ (collectively, the "Refunding Bonds") in the aggregate principal amount of \$\_\_\_\_\_, and has made available certain proceeds of such Refunding Bonds (including net original issue premium thereon, if any); and

**WHEREAS**, upon deposit in escrow as herein contemplated, a portion of the proceeds derived from the sale of the Refunding Bonds will be applied to the purchase of certain noncallable direct obligations of the United States of America ("Government Obligations"), the principal of which, together with investment earnings thereon and a cash deposit, will be sufficient to pay when due, or when called for redemption, the principal of and interest and redemption premiums, if any, on the Refunded Bonds; and

**WHEREAS**, in order to provide for the proper and timely application of the moneys deposited in said escrow to the payment of the Refunded Bonds, it is necessary to enter into this Escrow Deposit Agreement with the Escrow Agent on behalf of the holders from time to time of the Refunded Bonds.

**NOW, THEREFORE**, in consideration of the foregoing and the mutual covenants herein set forth and in order to secure the payment of the principal of, interest and redemption premiums, if any, on the Refunded Bonds according to

their tenor and effect, the Issuer does hereby deliver to and give, grant, mortgage, assign and pledge to the Escrow Agent, and to its successors and its assigns forever, all and singular the property hereinafter described:

I.

All right, title and interest of the Issuer in and to \$\_\_\_\_\_ derived from the proceeds of the Refunding Bonds and \$\_\_\_\_\_ from the debt service fund allocable to the Refunded Bonds.

II.

All right, title and interest of the Issuer in and to the Government Obligations purchased from the moneys described in Clause I above and more particularly described in Schedule "A" hereto.

III.

All right, title and interest of the Issuer in and to all cash balances held from time to time hereunder and all income and earnings derived from or accruing to the Government Obligations described in Clause II above and more particularly described in Schedule "A" attached hereto and made a part hereof, and all proceeds of any of the foregoing.

IV.

All property which is by the express provisions of this Agreement required to be subject to the pledge hereof and any additional property of every kind and nature that may, from time to time hereafter, by delivery or by writing of any kind, be conveyed, pledged, assigned, or transferred as and for additional security hereunder or to be subject to the pledge hereof, by the Issuer or by anyone in its behalf, and the Escrow Agent is hereby authorized to receive the same at any time as additional security hereunder.

**TO HAVE AND TO HOLD**, all the same, including all additional property which by the terms hereof has or may become subject to the encumbrances of this Agreement given, granted, pledged and assigned or agreed or intended so to be, with all privileges and appurtenances hereby to the Escrow Agent, and its successors and assigns, forever;

**IN ESCROW NEVERTHELESS**, upon the terms herein set forth, for the equal and proportionate benefit, security and protection, as herein described, of the holders or owners from time to time of the Refunded Bonds in the manner herein provided; but if the Refunded Bonds shall be fully and promptly paid when due or redeemed in accordance with the terms thereof, then this Agreement shall be and become null and void and of no further force and effect, otherwise the same shall

remain in full force and effect, and subject to the covenants and conditions hereinafter set forth.

## ARTICLE I

### DEFINITIONS

**SECTION 1.01. Definitions.** Words used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Resolution (defined below). In addition to words and terms elsewhere defined in this Agreement, as used herein, unless some other meaning is plainly intended, the following terms and phrases shall have the following meanings:

**"Agreement"** means this Escrow Deposit Agreement between the Issuer and the Escrow Agent.

**"Chief Financial Officer"** shall mean the Chief Financial Officer for Utilities including, any interim officer.

**"City Attorney"** shall mean the City Attorney, the Utilities Attorney or such other assistant City Attorney as designated by the City Attorney.

**"Escrow Funds"** shall mean the funds deposited by the Issuer pursuant to Section 201(b).

**"Escrow Agent"** means U.S. Bank National Association, a national banking association and a member of the Federal Deposit Insurance Corporation, organized and existing under and by virtue of the laws of the United States of America and being duly qualified to accept and administer the escrow hereby created, and its successors in such capacity.

**"Escrow Deposit Fund"** means the fund so designated and established under Section 2.01(a) of this Agreement and entitled "Escrow Deposit Fund."

**"Fiscal Year"** means that period of time commencing on October 1 and continuing to and including the next succeeding September 30, or such other annual period as may be prescribed by law.

**"General Manager"** shall mean the General Manager for Utilities, as designated by the Issuer from time to time.

**"Government Obligations"** means the noncallable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America described in Schedule "A" attached hereto in which the Escrow Agent is instructed to invest pursuant to Section 201(c).

**"Issuer"** means City of Gainesville, Florida.

"**Paying Agent**" means U.S. Bank National Association, and its successors as paying agent for the Refunded Bonds.

"**Redemption Date**" shall mean \_\_\_\_\_, 20\_\_.

"**Refunded Bonds**" means the outstanding City of Gainesville, Florida Utilities System Revenue Bonds, Series \_\_\_\_\_.

"**Refunding Bonds**" means the \$\_\_\_\_\_ Utility System Revenue Refunding Bonds, Series 2019\_\_\_\_, dated \_\_\_\_\_, 2019.

"**Resolution**" means the Issuer's Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended, as supplemented by the Thirty-Second Supplemental Utilities System Revenue Bond Resolution adopted on \_\_\_\_\_, 2019.

"**Written Request**" with respect to the Issuer means a request in writing signed by the General Manager, Chief Financial Officer or any other officer or official of the Issuer duly authorized by the Issuer to execute such request and satisfactory to the Escrow Agent.

**SECTION 1.02. Uses of Phrases.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa. The word "person" shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate. Reference to a person other than a natural person shall include its successors.

## ARTICLE II

### ESTABLISHMENT OF FUNDS; FLOW OF FUNDS

#### SECTION 2.01. Creation of Escrow Deposit Fund.

(a) There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated the "Escrow Deposit Fund" to be held in the custody of the Escrow Agent separate and apart from other funds of the Issuer or of the Escrow Agent.

(b) Concurrently with the execution of this Agreement, the Issuer hereby deposits or has caused to be deposited with the Escrow Agent, and the Escrow Agent acknowledges receipt of, immediately available moneys in the amount of \$\_\_\_\_\_ from the proceeds of the Refunding Bonds and \$\_\_\_\_\_ from the debt service fund allocable to the Refunded Bonds, for a total of \$\_\_\_\_\_ to be deposited in the Escrow Deposit Fund.

(c) The Escrow Funds deposited in the Escrow Deposit Fund pursuant to subsection (b) above shall be immediately invested by the Escrow Agent in the noncallable Government Obligations described in Schedule "A" hereto, except \$\_\_\_\_\_ of the Escrow Funds shall be initially held uninvested as a cash balance and the Escrow Agent hereby acknowledges its receipt of such Government Obligations. The Issuer hereby represents and warrants that the Government Obligations described in Schedule "A" together with the earnings to be received thereon, and the initial cash balance, will provide sufficient funds to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds as the same become due or are called for redemption on the Redemption Date. The total aggregate receipts from such investments pursuant to Schedule "A" is shown on Schedule "B" attached hereto. The debt service on the Refunded Bonds, including the redemption premium, if any, is shown on Schedule "C" hereto.

**SECTION 2.02. Irrevocable Escrow Created.** Except as provided in Section 4.01 hereof with respect to certain amendments, the deposit of Escrow Funds in the Escrow Deposit Fund and the investments as described in Schedule "A" shall constitute an irrevocable escrow fund deposit of said moneys and Government Obligations for the benefit of the registered owners of the Refunded Bonds and such registered owners shall have an express lien on all moneys and the principal of and interest on all such Government Obligations and all cash balances therein, until used and applied according to this Escrow Deposit Agreement. Such moneys and investments, and the matured principal of the Government Obligations and the interest thereon, shall be held in escrow by the Escrow Agent in the Escrow Deposit Fund created hereunder for the benefit of the registered owners of the Refunded Bonds as herein provided, and shall be kept separate and distinct from all other funds of the Issuer and the Escrow Agent and used only for the purposes and in the manner provided in this Escrow Deposit Agreement.

**SECTION 2.03. Purchase of Government Obligations.** The Escrow Agent is hereby directed to immediately purchase the Government Obligations listed on Schedule "A" hereto solely from the moneys deposited in the Escrow Deposit Fund as hereinabove described and to retain the initial cash balance of \$\_\_\_\_\_ uninvested in the Escrow Deposit Fund. Except as otherwise provided below, cash balances received from the Government Obligations as described in Schedule "A" as shown on Schedule "B" shall be held uninvested until applied in accordance with the terms hereof.

**SECTION 2.04. Redemption of Bonds; Use of Moneys in the Escrow Deposit Fund.**

(a) The Issuer hereby irrevocably instructs the Escrow Agent to instruct the Paying Agent to call the Refunded Bonds for redemption on the Redemption Date in accordance with the terms of the Resolution and to provide a timely notice of redemption in compliance with the requirements of the Resolution, substantially in the form attached hereto as Exhibit One and is further instructed to file such



notice of redemption on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

(b) As any principal of and interest on the Government Obligations set forth in Schedule "A" shall mature and is received as shown on Schedule "B," the Escrow Agent shall no later than the principal and interest payment dates and the redemption date with respect to the Refunded Bonds (unless any such date shall not be a business day, in which case, the next succeeding date which is a business day), transfer from the Escrow Deposit Fund to the respective Paying Agents for the Refunded Bonds amounts sufficient to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds on the next principal and interest payment date and redemption payment date, as shown on Schedule "C." Such amounts shall be applied by the Paying Agents to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds. Except as otherwise provided herein, all cash balances remaining from time to time in the Escrow Deposit Fund, as described in Schedule "B," shall be held uninvested until needed for the purposes hereof.

(c) Any moneys remaining after payment in full of the Refunded Bonds shall also be transferred to the Issuer as contemplated in Section 2.06 below.

**SECTION 2.05. Investment of Moneys remaining in Escrow Deposit Fund.** The Escrow Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of the Government Obligations held hereunder or to sell, transfer or otherwise dispose of the Government Obligations acquired hereunder except as provided in this Agreement. At the Written Request of the Issuer, the Escrow Agent shall invest and reinvest any moneys remaining from time to time in the Escrow Deposit Fund until such time that they are needed in direct obligations of the United States of America maturing at such time and bearing interest at such rates as, in the opinion of Holland & Knight LLP or other nationally recognized bond counsel, based upon an independent verification by a nationally recognized independent certified public accounting firm (which such verification report shall also be delivered to the Escrow Agent), will not, under the statutes, rules and regulations then in force and applicable to the Refunding Bonds cause the interest on such Refunding Bonds not to be excluded from gross income for federal income tax purposes. The Escrow Agent will not make any investments or reinvestments not expressly contemplated herein and in the Schedules hereto without such an opinion and verification report. Any interest income resulting from reinvestment of moneys pursuant to this Section 2.05 shall be transferred to the Issuer, at the Written Request of the Issuer, and used by the Issuer for any lawful purpose, unless the opinion referred to above shall dictate otherwise.

**SECTION 2.06. Transfer of Funds after all Payments Required by this Agreement are Made.** After all of the transfers by the Escrow Agent to the Paying Agent for payment of the principal of and interest and redemption premiums, if any, on the Refunded Bonds on the Redemption Date have been made,

all remaining moneys and Government Obligations, together with any income and interest thereon, in the Escrow Deposit Fund shall be transferred to the Issuer by the Escrow Agent pursuant to the Issuer's written direction and (i) deposited into the Debt Service Fund created under the Resolution and used to pay interest on the Refunding Bonds or (ii) used by the Issuer for any lawful purpose which, in the opinion of Holland & Knight LLP or other nationally recognized bond counsel, will not cause the interest on the Refunded Bonds or the Refunding Bonds not to be excluded from gross income for federal income tax purposes and applied to the payment of Bonds (as defined in the Resolution); provided, however, that no such transfer (except transfers made in accordance with Sections 2.04C, 2.05 and 4.01 hereof) to the Issuer shall be made until all of the principal of and interest and redemption premium, if any, on the Refunded Bonds have been paid.

### ARTICLE III

#### CONCERNING THE ESCROW AGENT

**SECTION 3.01. Appointment of Escrow Agent.** The Issuer hereby appoints U.S. Bank National Association, as Escrow Agent under this Agreement.

**SECTION 3.02. Acceptance by Escrow Agent.** By execution of this Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder for the fee set forth on Exhibit Two hereto. The Escrow Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute this Escrow Agreement. The Issuer shall pay the Escrow Agent's fees and expenses for services rendered hereunder described on Exhibit Two hereto and reasonable expenses from funds of the Issuer other than those held hereunder. If the Escrow Agent is required by a governmental agency or court proceeding initiated by a third party to undertake efforts beyond that which is set forth herein but related thereto (other than due to the Escrow Agent's negligence or willful misconduct), the Escrow Agent shall notify the Issuer of the same in writing and the Issuer shall promptly pay the Escrow Agent for such extraordinary fees, costs and expenses reasonably incurred in connection therewith. The Escrow Agent shall have no lien whatsoever upon any of the moneys or investments in either the Escrow Deposit Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Agreement. To the extent authorized under applicable law, the Issuer shall indemnify and hold harmless Escrow Agent and each director, officer, employee and affiliate of Escrow Agent (each, an "Indemnified Party") upon demand against any and all claims, actions and proceedings (whether asserted or commenced by Issuer or any other person or entity and whether or not valid), losses, damages, liabilities, penalties, costs and expenses of any kind or nature (including without limitation reasonable attorneys' fees and costs incurred in the enforcement of Issuer's obligations hereunder) (collectively, "Losses") arising from this Agreement or Escrow Agent's actions hereunder, except to the extent such Losses are finally determined by a court of competent jurisdiction, which determination is

not subject to appeal, to have been directly caused solely by the negligence or willful misconduct of such Indemnified Party.

**SECTION 3.03. Liability of Escrow Agent.** The Escrow Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to the terms and provisions of this Agreement.

The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of moneys and of the principal amount of the Government Obligations, and the earnings thereon to pay the Refunded Bonds. In the event of the Escrow Agent's failure to account for any of the Government Obligations, or moneys received by it hereunder, said Government Obligations, or moneys shall be and remain the property of the Issuer in escrow for payments of its obligations to the holders of the Refunded Bonds, as herein provided.

**SECTION 3.04. Permitted Acts.** The Escrow Agent and its affiliates may become the owner of or may deal in any obligations of the Issuer described herein as fully and with the same rights as if it were not the Escrow Agent.

**SECTION 3.05. Resignation of Escrow Agent.** The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the escrow hereby created by giving not less than sixty (60) days' advance written notice to the Issuer, but no such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the holders of the Refunded Bonds or by the Issuer or otherwise as hereinafter provided and such successor Escrow Agent shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent, and the transfer to such successor Escrow Agent of the funds and accounts held by the Escrow Agent hereunder.

**SECTION 3.06. Removal of Escrow Agent.**

(a) The Escrow Agent may be removed by Issuer at any time if the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding file a request for removal in writing with the Issuer, but the Escrow Agent shall remain in office until the appointment and taking office of a successor Escrow Agent in accordance with the provisions of this Agreement. A copy of such request shall be delivered by the Issuer to the Escrow Agent.

(b) The Escrow Agent may also be removed at any time for any violation of this Agreement either by the Issuer or by a court of competent jurisdiction upon the application of the Issuer or the holders of not less than five percent (5%) in aggregate principal amount of the Refunded Bonds then outstanding.

(c) The Escrow Agent shall be deemed to have been removed if it is dissolved, becomes incapable of exercising the powers necessary to carry out its obligations hereunder or is taken over by any governmental action.

**SECTION 3.07. Successor Escrow Agent.**

(a) When the position of the Escrow Agent becomes or is about to become vacant, the Issuer shall appoint a successor Escrow Agent to fill such vacancy.

(b) If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section within sixty (60) days of (i) the date of the resignation of the Escrow Agent or (ii) the date the vacancy occurs, the Issuer shall, or the holder of any Refunded Bond then outstanding, or any Escrow Agent retiring or being removed from office may, apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Upon the deposit by the retiring or removed Escrow Agent of all funds and securities held by it under the provisions hereof into the registry of such court, such retiring or removed Escrow Agent shall be relieved of all future duties hereunder.

**SECTION 3.08. Receipt of Proceedings.** Receipt of true and correct copies of the proceedings of the Issuer authorizing the issuance of the Refunded Bonds and the proceedings of the Issuer authorizing the issuance of the Refunding Bonds are hereby acknowledged by the Escrow Agent, and reference herein to or citation herein of any provision of said documents shall be deemed to incorporate the same as a part thereof in the same manner and with the same effect as if they were fully set forth herein but only to the extent that such incorporation shall be necessary to the performance by the Escrow Agent of its duties and obligations set forth herein. Except as otherwise provided in the preceding sentence, no such incorporation shall be deemed or construed to place upon the Escrow Agent any duties or obligations not otherwise expressly set forth herein.

**SECTION 3.09. Responsibilities of Escrow Agent.**

(a) The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the acceptance of the funds and securities deposited in the Escrow Deposit Fund, the purchase of the Government Obligations in accordance with the terms hereof, the establishment of the Escrow Deposit Fund, the retention of the Government Obligations or the proceeds thereof or any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any act, omission or error of the Escrow Agent made in good faith in the conduct of its duties except to the extent that a court of competent jurisdiction determines that such act, omission or error constituted negligence or willful misconduct. In no event will Escrow Agent be liable for (i) acting in accordance with or conclusively relying upon any Written Request, instruction,

notice, demand, certificate or document believed by Escrow Agent to have been created by or on behalf of the Issuer or (ii) incidental, indirect, special, consequential or punitive damages or penalties of any kind (including, but not limited to lost profits), provided, however, notwithstanding the foregoing does not limit liability for losses directly suffered by holders of the Refunded Bonds or the Refunding Bonds to the extent solely caused by the negligence of the Escrow Agent that results in the interest on the Refunded Bonds or the Refunding Bonds to not be excludable from the gross income of the holders thereof or amounts payable pursuant to a settlement agreement reasonably entered into by the Issuer with the Internal Revenue Service as a direct result of such negligence in order to preserve the excludability of interest income on Refunded Bonds or the Refunding Bonds for federal income tax purposes. The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement and no implied covenants or obligations should be read into this Agreement against the Escrow Agent. Escrow Agent has no fiduciary or discretionary duties of any kind. Escrow Agent's permissive rights will not be construed as duties.

(b) Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer. The Escrow Agent may conclusively rely, as to the correctness of statements, conclusions and opinions therein, upon any certificate, report, opinion or other document furnished to the Escrow Agent pursuant to any provision of this Agreement; the Escrow Agent shall be fully protected and shall not be liable for acting or proceeding in good faith upon such reliance; and the Escrow Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. The Escrow Agent may consult with counsel, who may be counsel to the Issuer or independent counsel, with regard to legal questions, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance herewith. The Escrow Agent may act through its agents and attorneys and shall not be responsible for any misconduct or negligence on the part of any such person so appointed with due care. Any payment obligation of the Escrow Agent hereunder shall be paid from, and is limited to funds available, established and maintained hereunder; the Escrow Agent shall not be required to expend its own funds for the performance of its duties hereunder.

## **ARTICLE IV**

### **MISCELLANEOUS**

**SECTION 4.01. Amendments to this Agreement.** This Agreement is made for the benefit of the Issuer and the holders from time to time of the Refunded Bonds. The Issuer warrants that it will take no action to repeal, revoke, alter or amend this Agreement without the written consent of all holders of the Refunded

Bonds and the Escrow Agent; provided, however, that the Issuer further warrants that the Issuer and the Escrow Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement that, as the Issuer determines, shall not adversely affect the rights of such holders and not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Refunded Bonds, additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Holland & Knight LLP or other nationally recognized attorneys on the subject of municipal bonds and the exclusion of the interest thereon from gross income for federal income tax purposes with respect to compliance with this section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Notwithstanding the foregoing or any other provision of this Agreement, at the Written Request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of the Government Obligations held hereunder and to substitute therefor noncallable direct obligations of, or obligations the principal of and interest on which is fully guaranteed by the United States of America, subject to the condition that such moneys or securities held by the Escrow Agent shall be sufficient to timely pay the principal of, interest on and redemption premium, if any, with respect to the Refunded Bonds in accordance with the schedules attached hereto. The Issuer hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Escrow Agent shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Government Obligations held hereunder or from other moneys available in accordance with the written directions of the Issuer. The transactions may be effected only if there shall have been obtained: (1) an independent verification by a nationally recognized

independent certified public accounting firm acceptable to the Escrow Agent concerning the adequacy of such substituted securities with respect to principal and the interest thereon and redemption premiums, if any, with respect thereto and any other moneys or securities held for such purpose to meet the principal, applicable redemption premiums, if any, and interest when due of the Refunded Bonds as contemplated by the schedules hereto; and (2) an opinion from Holland & Knight LLP or other nationally recognized bond counsel to the Issuer and the Escrow Agent to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable, to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on such Refunding Bonds not to be excluded from gross income for Federal income tax purposes.

If Schedules "D-1" and "D-2" have been attached hereto at the time of execution hereof, the noncallable Government Obligations described in Schedule "A" (the "Substituted Securities") have been provided to the Issuer by the supplier thereof (the "Supplier") under a contract pursuant to which (i) the Supplier may at any time substitute the Government Obligations listed in Schedule "D-1" (the "Original Securities"), for the Substituted Securities without cost or expense to either party and (ii) the Supplier is entitled to amounts received on the Substituted Securities in excess of the amounts that would have been received on the Original Securities, to the extent not needed to pay principal of and interest and redemption premiums on the Refunded Bonds at the time and the manner contemplated by the terms of this Escrow Agreement. Under such circumstances, the Escrow Agent shall deliver to the Supplier amounts received on the Substituted Securities that, as certified by the Issuer to the Escrow Agent are in excess of the amounts that would have been received on the Original Securities, to the extent not needed to pay principal of and interest and redemption premiums on the Refunded Bonds. In addition, if the Escrow Agent receives delivery from the Supplier of the Original Securities in substitution for the Substituted Securities, the Escrow Agent shall promptly deliver to the Supplier the Substituted Securities in exchange for the Original Securities without regard to the market value thereof at the time of substitution, provided that no payment of any principal of or interest on the Original Securities or the Substituted Securities has been made to the Escrow Agent. Immediately upon such substitution, Schedules "D-1" and "D-2" shall be substituted for Schedule "A" and "B," respectively, for all purposes hereof.

If securities are substituted pursuant to this Section 4.01, any surplus moneys resulting from the sale, transfer, other disposition or redemption of the Government Obligations held hereunder and the substitutions therefor of noncallable direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States of America, shall be released from the Escrow Deposit Fund and shall be transferred to the Issuer pursuant to the Issuer's written direction and may be used by the Issuer for any lawful purpose which, in the opinion of Holland & Knight LLP or other nationally recognized bond

counsel, will not cause the interest on the Refunding Bonds not to be excluded from gross income for federal income tax purposes.

Prior to any repeal, revocation, alteration or amendment of this Agreement, the Issuer shall provide written notice of such proposed repeal, revocation, alteration or amendment, if the Refunded Bonds are then rated by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Service ("S&P") or Fitch Ratings ("Fitch"), to Moody's, S&P and Fitch, as applicable, at the following addresses, respectively:

Moody's Investors Service, Inc.  
99 Church Street  
New York, New York 10007  
Attn: Municipal Rating Desk/Refunded Bonds

Standard & Poor's Ratings Service  
55 Water Street  
New York, New York 10041

Fitch Ratings  
One State Street Plaza  
New York, New York 10004

**SECTION 4.02. Severability.** If any one or more of the covenants or agreements provided in this Agreement should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed to be separate and shall in no way affect the validity of the remaining provisions of this Agreement.

**SECTION 4.03. Agreement Binding.** All the covenants, promises and agreements in this Agreement contained by or on behalf of the Issuer or by or on behalf of the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, and shall be for the benefit of the holders of the Refunded Bonds and the Refunding Bonds, whether so expressed or not.

**SECTION 4.04. Termination.** This Agreement shall terminate when all transfers and payments required to be made by the Escrow Agent under the provisions hereof shall have been made.

**SECTION 4.05. Governing Law.** This Agreement shall be governed by the applicable laws of the State of Florida without regard to conflict of law principles.

**SECTION 4.06. Execution by Counterparts.** This Agreement may be executed in several counterparts, each of which shall be regarded for all purposes as an original, and all of which, together, shall constitute and be but one and the same instrument.



**SECTION 4.07. Notices.** All notices and communications required to be delivered pursuant to this Agreement shall be given in writing, or by telegram, telex, or cable or first class mail, postage prepaid, addressed to the following parties, at the following addresses:

The Issuer: City of Gainesville, Florida  
200 East University Avenue, Suite 425  
Gainesville, Florida 32601  
Attention: City Attorney

The Escrow Agent: U.S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department

[Signature page follows]

**IN WITNESS WHEREOF**, the Issuer and the Escrow Agent have duly executed this Agreement as of the \_\_\_\_ day of \_\_\_\_\_, 2019.

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
Chief Financial Officer

Attested and countersigned:

By: \_\_\_\_\_  
City Attorney

U.S. BANK NATIONAL ASSOCIATION, as  
Escrow Agent

By: \_\_\_\_\_  
Authorized Signatory

#69913866\_v3 136433.00020

## EXHIBIT ONE

### NOTICE OF REDEMPTION

City of Gainesville, Florida  
Utilities System Revenue Bonds,  
Series \_\_\_\_

---

Notice is hereby given to the holders of the outstanding City of Gainesville, Florida Utilities System Revenue Bonds, Series \_\_\_\_, originally issued on and dated \_\_\_\_\_, \_\_\_\_, that all of said Bonds (the "Refunded Bonds"), have been called for redemption prior to maturity, on \_\_\_\_\_, 20\_\_ (the "Redemption Date"), at a redemption price equal to 100% of the principal amount of each bond to be redeemed and without premium (the "Redemption Price").

The Refunded Bonds are more particularly described below:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP No.*</u>
--	-----------------------------------	--------------------------------	-------------------

The Redemption Price of and accrued interest on such Refunded Bonds shall be due and payable on the Redemption Date, and on and after the Redemption Date, interest on the principal amount of Refunded Bonds called for redemption will cease to accrue. In accordance with the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003, the Paying Agent may be required to withhold 28% of the payment upon redemption to certain bondholders who have failed to furnish the Paying Agent with a completed Internal Revenue Service Form W-9, entitled "Payer's Request for Taxpayer Identification Number." Therefore, Bondholders should furnish a correctly completed Form W-9 when presenting Refunded Bonds for redemption to avoid any such withholding or penalties.

Bonds held in book-entry form need not be presented. The holders of such Bonds will receive payment of the Redemption Price and accrued interest to which they are entitled upon presentation and surrender thereof at the principal office of U.S. Bank National Association (as successor to U.S. Bank Trust National Association):

**By Hand or Overnight Mail:**  
U.S. Bank Trust National Association  
Corporate Trust Services  
111 Fillmore Avenue East  
St. Paul, MN 55107-1402  
**1-800-934-6802**

---

\* The CUSIP number is included solely for the convenience of the Bondholders. Neither City of Gainesville, Florida nor the Paying Agent shall be responsible for the selection or the use of the CUSIP number, nor is any representation made as to its correctness on the securities or as indicated on any redemption notice.

Dated this \_\_\_ day of \_\_\_\_\_, 20\_\_.

U.S. BANK NATIONAL  
ASSOCIATION, as Paying Agent

EXHIBIT TWO

SCHEDULE A  
GOVERNMENT OBLIGATIONS

SCHEDULE B  
TOTAL AGGREGATE RECEIPTS

SCHEDULE C  
DEBT SERVICE ON REFUNDED BONDS



**EXHIBIT F**

**SWAP DOCUMENTS**

(Multicurrency—Cross Border)



International Swap Dealers Association, Inc.

## MASTER AGREEMENT

dated as of \_\_\_\_\_, 2019

[NAME OF PARTY]  
("PARTY A")

and

CITY OF GAINESVILLE, FLORIDA  
d/b/a GAINESVILLE REGIONAL  
UTILITIES  
("PARTY B")

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:—

### 1. Interpretation

(a) **Definitions.** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

### 2. Obligations

(a) **General Conditions.**

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:—

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) **Deduction or Withholding for Tax.**

(i) **Gross-Up.** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any

relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party (“X”) will:—

- (1) promptly notify the other party (“Y”) of such requirement;
- (2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and
- (4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—
  - (A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or
  - (B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) Liability. If:—

- (1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);
- (2) X does not so deduct or withhold; and
- (3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

### 3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:—

(a) **Basic Representations.**

(i) **Status.** It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorize such execution, delivery and performance;

(iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) **Payer Tax Representation.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) **Payee Tax Representations.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

#### 4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate

(so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorizations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) **Tax Agreement.** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) **Payment of Stamp Tax.** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located (“Stamp Tax Jurisdiction”) and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party’s execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

## 5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an “Event of Default”) with respect to such party:—

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this

Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) ***Credit Support Default.***

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) ***Misrepresentation.*** A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) ***Default under Specified Transaction.*** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) ***Cross Default.*** If “Cross Default” is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted



in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:—

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Tax Event.** Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) ***Tax Event Upon Merger.*** The party (the “Burdened Party”) on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) ***Credit Event Upon Merger.*** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) ***Additional Termination Event.*** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) ***Event of Default and Illegality.*** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

## **6. Early Termination**

(a) ***Right to Terminate Following Event of Default.*** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days’ notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) ***Right to Terminate Following Termination Event.***

(i) ***Notice.*** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) ***Transfer to Avoid Termination Event.*** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) ***Two Affected Parties.*** If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) ***Right to Terminate.*** If:—

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20

days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) ***Effect of Designation.***

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) ***Calculations.***

(i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) ***Payment Date.*** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:—

(1) *First Method and Market Quotation.* If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) *First Method and Loss.* If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) *Second Method and Market Quotation.* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss.* If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) **Termination Events.** If the Early Termination Date results from a Termination Event:—

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties:—

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount (“X”) and the Settlement Amount of the party with the lower Settlement Amount (“Y”) and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss (“X”) and the Loss of the party with the lower Loss (“Y”).

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because “Automatic Early Termination” applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

## 7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

## **8. Contractual Currency**

(a) ***Payment in the Contractual Currency.*** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the “Contractual Currency”). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) ***Judgments.*** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term “rate of exchange” includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) ***Separate Indemnities.*** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.



(d) **Evidence of Loss.** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

## 9. Miscellaneous

(a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) **Counterparts and Confirmations.**

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

## 10. Offices; Multibranch Parties

If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organization of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

## 11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

## 12. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;
- (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);
- (iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or
- (v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

### 13. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement (“Proceedings”), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Service of Process.** Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party’s Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit,

(ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

#### 14. Definitions

As used in this Agreement:—

**“Additional Termination Event”** has the meaning specified in Section 5(b).

**“Affected Party”** has the meaning specified in Section 5(b).

**“Affected Transactions”** means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

**“Affiliate”** means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person.

**“Applicable Rate”** means:—

in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

in all other cases, the Termination Rate.

**“Burdened Party”** has the meaning specified in Section 5(b).

**“Change in Tax Law”** means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

**“consent”** includes a consent, approval, action, authorization, exemption, notice, filing, registration or exchange control consent.

**“Credit Event Upon Merger”** has the meaning specified in Section 5(b).

**“Credit Support Document”** means any agreement or instrument that is specified as such in this Agreement.

**“Credit Support Provider”** has the meaning specified in the Schedule.

**“Default Rate”** means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

**“Defaulting Party”** has the meaning specified in Section 6(a).

**“Early Termination Date”** means the date determined in accordance with Section 6(a) or 6(b)(iv).

**“Event of Default”** has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

**“Illegality”** has the meaning specified in Section 5(b).

**“Indemnifiable Tax”** means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organized, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

**“law”** includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and **“lawful”** and **“unlawful”** will be construed accordingly.

**“Local Business Day”** means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

**“Loss”** means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of

Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

**“Market Quotation”** means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the “Replacement Transaction”) that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

**“Non-default Rate”** means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

**“Non-defaulting Party”** has the meaning specified in Section 6(a).

**“Office”** means a branch or office of a party, which may be such party’s head or home office.

**“Potential Event of Default”** means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

**“Reference Market-makers”** means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

**“Relevant Jurisdiction”** means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organized, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

**“Scheduled Payment Date”** means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

**“Set-off”** means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

**“Settlement Amount”** means, with respect to a party and any Early Termination Date, the sum of:—

the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

such party’s Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

**“Specified Entity”** has the meaning specified in the Schedule.

**“Specified Indebtedness”** means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

**“Specified Transaction”** means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap,

equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

**“Stamp Tax”** means any stamp, registration, documentation or similar tax.

**“Tax”** means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

**“Tax Event”** has the meaning specified in Section 5(b).

**“Tax Event Upon Merger”** has the meaning specified in Section 5(b).

**“Terminated Transactions”** means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if “Automatic Early Termination” applies, immediately before that Early Termination Date).

**“Termination Currency”** has the meaning specified in the Schedule.

**“Termination Currency Equivalent”** means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the “Other Currency”), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

**“Termination Event”** means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

**“Termination Rate”** means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.



**“Unpaid Amounts”** owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

**[NAME OF PARTY]**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

**CITY OF GAINESVILLE, FLORIDA  
 d/b/a GAINESVILLE REGIONAL  
 UTILITIES**

Approve as to Form and Legality

By: \_\_\_\_\_  
 City Attorney

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

9/30/2019

**This Schedule  
is part of and  
is hereby incorporated  
into the  
Master Agreement**

dated as of \_\_\_\_\_, 2019

between

\_\_\_\_\_  
("PROVIDER")

and

**CITY OF GAINESVILLE, FLORIDA  
d/b/a GAINESVILLE REGIONAL  
UTILITIES (the "CITY")**

**Part 1**

**Termination Provisions**

In this Agreement:

1. "**Specified Entity**" means (a) in relation to the City, not applicable, and (b) in relation to Provider, not applicable.
2. "**Specified Transaction.**" The term "Specified Transaction" will have the meaning specified in Section 12 of this Agreement; provided that Specified Transactions shall only include interest rate transactions entered into to hedge floating rate risk with respect to the City's Senior Lien Revenue Bonds.
3. The "**Cross Default**" provisions of Section 5(a)(vi) of this Agreement will apply to Provider and the City and, for such purpose:
  - (a) Section 5(a)(vi) of this Agreement is hereby amended by deleting in the seventh line thereof the words ", or becoming capable at such time of being declared;" and (ii) inserting the following language at the end thereof: "Notwithstanding the foregoing, a default under subsection (2) hereof shall not constitute an Event of Default if (i) the default was caused solely by error or omission of an administrative or operational nature; (ii) funds were available to enable the party to make the payment when due; and (iii) the payment is made within two Local Business Days of such party's receipt of written notice of its failure to pay."
  - (b) "**Specified Indebtedness**" will have the meaning specified in Section 12 of this Agreement, except that such term shall not include obligations in respect of deposits received in the ordinary course of a party's banking business; and

- (c) **“Threshold Amount”** means (i) with respect to Provider, an amount equal to 3% of its stockholder’s equity as shown on its most recent consolidated annual audited financial statements and (ii) with respect to the City, an amount equal to \$50,000,000.
4. Section 5(a)(vii) of this Agreement is hereby amended by: (i) adding in Clause (1) thereof (third line) (A) after the word “amalgamation” the word “, succession,” and (B) after the word “merger” and before the closing parenthetical the words “or, in the case of Provider, any Credit Support Provider of Provider, or any applicable Specified Entity of Provider (as the case may be), reconstitution, reformation or reincorporation”; (ii) adding in Clause (5) thereof (fourteenth line) (A) after the word “amalgamation” the word “, succession,” and (B) after the word “merger” and before the closing parenthetical the words “or, in the case of Provider, any Credit Support Provider of Provider, or any applicable Specified Entity of Provider (as the case may be), reconstitution, reformation or reincorporation”; and (iii) deleting Clause (6) thereof in its entirety and replacing it with following:
- “(6) (A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian, or other similar official for it or for all or substantially all its assets, or (B) in the case of a Government Entity, (I) there is appointed or designated with respect to it an entity such as an organization, board, commission, authority, agency, or body to monitor, review, oversee, recommend, or declare a financial emergency or similar state of financial distress with respect to it, or (II) there is declared by it or any legislative or regulatory body or authority with competent jurisdiction over it the existence of a state of financial emergency or similar state of financial distress in respect of it;”.
5. (a) The “Credit Event Upon Merger” provisions of Section 5(b)(ii) of this Agreement will apply to Provider and to the City.
- (b) Section 5(b)(ii) of this Agreement is hereby amended by deleting it in its entirety and replacing it with the following:
- “(ii) Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X, or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or, in the case of the City, all or substantially all of the project, program or other enterprise from which the funds specified in Part 3, Section 4 of this Schedule are derived in whole or in part) to, or reorganizes, incorporates, reincorporates, reconstitutes, or reforms into or as, or receives all or substantially all of the assets and/or liabilities or obligations of, another entity, or X, such Credit Support Provider, or such Specified Entity (as the case may be) effects a

recapitalization, liquidating dividend, leveraged buy-out, other similar highly-leveraged transaction, or stock buy-back or similar call on equity (or, without limiting the foregoing, with respect to the City, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, the City or any Credit Support Provider of the City generally, or with respect to the project, program or other enterprise from which the funds specified in Part 3, Section 4 of this Schedule are derived in whole or in part), and such action does not constitute the Additional Termination Event described in Part 1, Section 9(a) of the Schedule but the creditworthiness of X, such Credit Support Provider, or such Specified Entity (as the case may be) or any resulting, surviving transferee, reorganized, reconstituted, reformed, recapitalized or successor entity is materially weaker than that of X, such Credit Support Provider, or such Specified Entity (as the case may be) immediately prior to such action (and, in such event, X or any resulting, surviving, transferee, reorganized, reconstituted, reformed, recapitalized, or successor entity, as appropriate, will be the Affected Party); or”

6. The “Automatic Early Termination” provisions of Section 6(a) of this Agreement shall not apply to the City and Provider.
7. For purposes of Section 6(e) of this Agreement:
  - (i) Market Quotation will apply; and
  - (ii) The Second Method will apply.
8. Section 5(a) of this Agreement is hereby amended to delete therefrom clause (viii).
9. (a) It shall constitute an Additional Termination Event under Section 5(b)(iii) of this Agreement with respect to a party (which will be the Affected Party) if at any time such party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or, in the case of the City, all or substantially all of the System) to, or reorganizes, incorporates, reincorporates, reconstitutes, or reforms into or as, another entity (or, without limiting the foregoing, with respect to the City, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, the City or any Credit Support Provider of the City generally, or with respect to the funds specified in Part 3, Section 5(b) of this Schedule or the System) and, at the time of such consolidation, amalgamation, merger, transfer, reorganization, incorporation, reincorporation, reconstitution, reformation, or succession:

- (1) such party, such Credit Support Provider, or the resulting, surviving, transferee, or successor entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or
  - (2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such party, Credit Support Provider, or resulting, surviving, transferee, or successor entity of its obligations under this Agreement; or
  - (3) in the case of the City, the sources of payment for the obligations of the City as set forth in this Schedule are no longer available for the satisfaction of such party's, Credit Support Provider's, or resulting, surviving, transferee, or successor entity's obligations to Provider.
- (b) It shall constitute an Additional Termination Event under Section 5(b)(iii) of this Agreement with respect to Provider (which will be the Affected Party) if at any time (A) the rating of the long-term, unsecured, unenhanced senior debt (not taking into account any third party credit enhancement) of the Provider is withdrawn, suspended or falls below (1) Baa2 as determined by Moody's, or (2) BBB as determined by S&P or (B) the Provider fails to have any long-term, unsecured, unenhanced senior debt (not taking into account any third party credit enhancement) rated by S&P or Moody's.
- (c) It shall constitute an Additional Termination Event under Section 5(b)(iii) of this Agreement with respect to the City (which will be the Affected Party) if at any time (A) the long-term rating of the City's Senior Lien Revenue Bonds (not taking into account any third party credit enhancement) is withdrawn, suspended or falls below (1) Baa2 as determined by Moody's, or (2) BBB as determined by S&P or (B) the City fails to have a long-term Senior Lien Revenue Bonds (not taking into account any third party credit enhancement) rated by S&P or Moody's.

## **Part 2**

### **Documents to be delivered**

For the purpose of Section 4(a) of this Agreement:

1. Provider and the City shall deliver dated the date of execution and delivery hereof:
  - (a) in the case of Provider, an opinion of counsel to Provider in the form of Exhibit B hereto;
  - (b) in the case of the City, an opinion of the Office of the City Attorney of the City, counsel to the City; and in the case of Provider an opinion of \_\_\_\_\_ in the form of Exhibit D hereto.

- (c) in the case of the City, certified copies of the Bond Resolution and the Subordinated Bond Resolution;
  - (d) in the case of the City, certified copies of all action taken by it to authorize the execution, delivery and performance of this Agreement and the Confirmations;
  - (e) in the case of each party, a certificate of a duly authorized officer of the party as to the incumbency, and setting forth a specimen signature, of each of the persons (i) who has signed this Agreement on behalf of the party, and (ii) who will, until replaced by other persons duly authorized for that purpose, sign Confirmations on behalf of the party, or a signature book, secretary's certificate and incumbency certificate reasonably satisfactory in form and substance to the other party; and
  - (f) in the case of each Party, the Credit Support Annex attached hereto, dated the date hereof and executed by Provider and the City, which will constitute a Credit Support Document of each respective party for purposes of this Agreement.
2. The City agrees to furnish to Provider upon its request the City's audited financial statements within 180 days following the end of the City's fiscal year, or such later date as the City, after reasonable diligence, receives publicly available copies of the same from its accountants, and Provider agrees to furnish to the City Provider's audited annual balance sheet upon request by the City, to the extent not otherwise available on its public website. The financial statements furnished pursuant to this Section shall be "Specified Information" for purposes of Section 3(d) of this Agreement; provided, however, that Section 3(d) is hereby amended by adding in the third line thereof after the word "respect" and before the period, the phrase "or, in the case of audited or unaudited financial statements, a fair presentation of the financial condition of the relevant person."

### **Part 3**

#### **Miscellaneous**

1. **Definitions.**

***"Approval Date"*** means the date, if any, on which this Agreement is designated in writing to the Trustee by an Authorized Officer of the City as a Qualified Hedging Contract (as such terms are defined in the Bond Resolution).

***"Authorizing Law"*** means Chapter 90-394, Laws of Florida, 1990, as amended, being the Charter of the City, Chapter 166, Part II, Florida Statutes, as amended, and other applicable provisions of law.

***"Bond Resolution"*** means the Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended and supplemented from time to time in accordance with the terms thereof.

***"Covered Document"*** means the Bond Resolution.

**“Fitch”** means Fitch Ratings, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency jointly agreed to in good faith by both parties.

**“Government Entity”** means the City.

**“Incipient Illegality”** means (a) the enactment by the State or the City of legislation which, if adopted as law, would render unlawful (i) the performance by the City of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by the City with any other material provisions of this Agreement relating to such Transaction or (ii) the performance by the City or a Credit Support Provider of the City of any contingent or other obligation which the City (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction, (b) any assertion in any suit, action, proceeding, or forum by the City in respect of the City to the effect that performance under this Agreement or similar agreements is unlawful, or (c) the occurrence with respect to the City or any Credit Support Provider of the City of any event that constitutes an Illegality.

**“Junior Lien Revenue Bonds”** means any debt of the City having a second lien on the Revenues, subject only to (1) the prior payment of the Operation and Maintenance Expenses and (2) the lien on such Revenues pledged as security for the payment of the Senior Lien Revenue Bonds and Parity Hedging Contract Obligations, and shall include, without limitation, the Subordinated Bonds issued and to be issued by the City pursuant to (and as defined in) the Subordinated Bond Resolution.

**“Moody’s”** means Moody’s Investors Service, Inc., its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency jointly agreed to in good faith by both parties.

**“Operation and Maintenance Expenses”** shall have the meaning ascribed to such term in the Bond Resolution.

**“Revenues”** shall have the meaning ascribed to such term in the Bond Resolution.

**“S&P”** means Standard & Poor’s Credit Market Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if such division shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency jointly agreed to in good faith by both parties.

**“Senior Lien Revenue Bonds”** means any unenhanced, unguaranteed debt of the City having a first and prior lien on the Revenues, subject only to the prior payment of the Operation and Maintenance Expenses, and shall include, without limitation, the Bonds issued and to be issued by the City pursuant to (and as defined in) the Bond Resolution.

**“State”** means the State of Florida.

“**Subordinated Bond Resolution**” means the resolution adopted by the City on December 8, 2003 entitled “Amended and Restated Subordinated Utilities System Revenue Bond Resolution,” as amended from time to time.

“**Swap Authorizing Resolution**” means Resolution No. \_\_\_\_\_ of the City Commission of the City, approved on \_\_\_\_\_ authorizing, among other things, the execution and delivery of this Agreement by the City and the entering into by the City of certain Transactions hereunder.

“**System**” shall have the meaning ascribed to such term in the Bond Resolution.

2. Governing Law; Jurisdiction; Sovereign Immunity.

(a) This Agreement will be governed by and construed in accordance with New York law without reference to choice of law doctrine except that the capacity, power and authority of the City to enter into this Agreement and any issue relating to the interpretation of (a) the Swap Authorizing Resolution, (b) the Bond Resolution or (c) any other security agreement, resolution or instrument of the City, heretofore or hereafter incurred, will be governed by and construed in accordance with the laws of the State.

(b) Section 11(b)(i) of this Agreement is hereby amended by deleting the phrase “the courts of the State of New York and”.

(c) Section 11(c) of this Agreement is hereby amended to read in its entirety as follows:

“(c) **Sovereign Immunity.** The defense of sovereign immunity is not available to the City in any proceedings by Provider to enforce any of the City’s obligations under this Agreement, except to the extent any such proceeding seeks enforcement on tort or similar claim and in such case such defense is only available to the extent set forth under Florida Statutes Section 768.28 or other similar applicable provision of law, and, to the extent permitted by applicable law, the City consents to the initiation of any such proceedings in any court of competent jurisdiction and agrees not to assert the defense of sovereign immunity in any such proceedings.”

3. Notices.

(a) In connection with Section 10(a) of this Agreement, all notices to Provider shall, with respect to any particular Transaction, be sent to the address or telecopy number specified in the relevant Confirmation and any notice for purposes of Section 6 of this Agreement shall be sent to the address or telecopy number specified below:



Address:

Attention:

Telex No.:

Facsimile No.:

Telephone No.:

With a copy to:

Address:

Attention:

Telex No.:

Facsimile No.:

Telephone No.:

- (b) In connection with Section 10(a) of this Agreement, all notices to the City shall, with respect to any particular Transaction, be sent to the address or telecopy number specified in the relevant Confirmation and any notice for purposes of Section 6 of this Agreement shall be sent to the address or telecopy number specified below:

Address:	301 S.E. 4 <sup>th</sup> Avenue Gainesville, Florida 32614-7117
Attention:	Utility Chief Financial Officer
Facsimile No.:	(352) 334-2774
Telephone No.:	(352) 393-1312

4. Credit Support Document; Nature of City's Obligation; No Personal Recourse.

- (a) Credit Support Document. In relation to the Provider, the Credit Support Annex attached hereto as Exhibit A shall be deemed a Credit Support Document; and in relation to the City, the Credit Support Annex and the Bond Resolution shall be deemed Credit Support Documents.
- (b) Nature of City's Obligation; Amendments to Bond Resolution. The City shall (i) cause this Agreement to constitute a Qualified Hedging Contract and to cause the obligations of the City to make monthly payments under interest rate hedging transactions entered into pursuant to this Agreement to constitute a Parity Hedging Contract Obligation under the Bond Resolution, and shall deliver to Provider evidence thereof, and (ii) cause the obligation of the City to make any termination payments under this Agreement to constitute a Subordinated Hedging Contract Obligation under the Bond Resolution. The City's obligations hereunder shall be payable solely from "Revenues" in the manner and to the extent described therein and not from any assets or other revenue sources (including ad valorem taxes) that might be available to the City. Pursuant to the Swap Authorizing Resolution, the City has pledged its Revenues (i) under the Bond Resolution to secure its obligations hereunder, to the extent they constitute Parity Hedging Contract

Obligations, and (ii) under the Swap Authorizing Resolution to secure its termination payment obligations hereunder on a parity with its Junior Lien Revenue Bonds and Subordinated Indebtedness, to the extent they otherwise constitute Subordinated Hedging Contract Obligations.

The City hereby covenants that it will not amend, modify or restate the terms of the Bond Resolution in a manner that would adversely affect Provider's rights under the Bond Resolution, without the prior written consent of Provider. For the avoidance of doubt, amendments set forth in Resolution No. \_\_, incorporating by reference amendments reflected in the Second Amended and Restated Bond Resolution attached thereto, and amendments made pursuant to Sections 1001 and 1002 of the Bond Resolution, in each case, will not be deemed to adversely affect the Provider's rights hereunder and no further consent by Provider with respect to such amendments or modifications will be required.

The City agrees to deliver to Provider copies of all proposed amendments or modifications to the Bond Resolution to which Provider's consent is not required at least five (5) Local Business Days prior to their effective date other than any supplement or modification of the Bond Resolution, the sole purposes of which is to authorize the issuance additional Bonds or Parity Contract Hedging Obligations (collectively, "Debt") in accordance with the terms thereof. The City further agrees that it will provide the Provider with a copy of any executed amendment or modification of the Bond Resolution (other than those solely related to the issuance of Debt thereunder) promptly following the execution thereof.

- (c) No Personal Recourse. Neither the members of the City Commission of the City nor the officers or employees of the City nor any person executing this Agreement or any Confirmation on behalf of the City shall be liable personally thereon or by reason of the delivery thereof, and no recourse shall be had for the payment of amounts due pursuant to this Agreement or any Confirmation or for any claim based hereon or on the Swap Authorizing Resolution against any member of the City Commission of the City or officer or employee of the City or any person executing this Agreement or any Confirmation.
5. Additional Provision Relating to Interest Rate Caps, Collars, Floors and Options. The condition precedent in Section 2(a)(iii) of this Agreement does not apply to a payment or delivery owing by a party if the other party shall have satisfied in full its payment or delivery obligations under this Agreement (including any Credit Support Annex) and shall at the relevant time have no future payment or delivery obligations, whether absolute or contingent, under this Agreement (including any Credit Support Annex).
6. General Conditions. Section 2(a)(iii) of this Agreement is hereby amended by: (i) deleting in the second line thereof the word "or" and replacing it with a comma; and (ii) adding in the second line thereof after the words "Potential Event of Default" the words ", or Incipient Illegality".

7. Powers. Section 3(a)(ii) of this Agreement is hereby amended by: (i) adding in the first line thereof after the word “power” the words “(in the case of the City, pursuant to the Authorizing Law)”; (ii) adding in the fifth line thereof after the word “action” the words “and has made all necessary determinations and findings”; and (iii) adding in the fifth line thereof after the word “performance” and before the semicolon the words “, the individual(s) executing and delivering this Agreement and any other documentation (including any Credit Support Document) relating to this Agreement to which it is a party or that it is required to deliver are duly empowered and authorized to do so, and it has duly executed and delivered this Agreement and any Credit Support Document to which it is a party”.

8. Agreements.

(a) The introductory clause of Section 4 of this Agreement is hereby deleted in its entirety and replaced by the following:

“Each party agrees with the other (and, in the case of Section 4(d), the Government Entity agrees with the other party) that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party: -”

(b) Section 4 of this Agreement is hereby amended by adding the following additional Subsection:

“(d) *Notice of Incipient Illegality.* If an Incipient Illegality occurs, the Government Entity will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require.”

9. Reference Market-makers. The definition of “Reference Market-makers” in Section 12 of this Agreement is hereby amended by adding in the fourth line thereof after the word “credit” the words “or to enter into transactions similar in nature to Transactions”.
10. Netting of Payments. Subparagraph (ii) of Section 2(c) will apply to Transactions with effect from the date of this Agreement.
11. Affiliates. “Affiliate” will have the meaning specified in Section 12.
12. Settlement Amount. The definition of “Settlement Amount” in Section 12 of this Agreement is hereby amended by deleting in the third and fourth lines of Subparagraph (b) thereof the words “or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.”

## **Part 4**

### **Other Provisions**

1. 2006 ISDA Definitions. Reference is hereby made to the 2006 ISDA Definitions (the “2006 Definitions”) published by the International Swaps and Derivatives Association, Inc., as amended from time to time, which is hereby incorporated by reference herein. Any terms used and not otherwise defined herein which are contained in the 2006 Definitions shall have the respective meanings set forth therein.
2. Inconsistency. In the event of any inconsistency between the provisions of this Schedule, the printed form of Agreement of which it is a part or the 2006 Definitions, the provisions set forth in this Schedule will prevail, and in the event of any inconsistency between the provisions of a Confirmation and this Schedule, the printed form of Agreement or the 2006 Definitions, the provisions set forth in the Confirmation will prevail for the purpose of the relevant Transaction.
3. Calculation Agent. The Calculation Agent will be Provider, unless Provider is a Defaulting Party and such Event of Default is continuing, in which case the Calculation Agent will be a Reference Market-Maker selected by the City.
4. Representations.
  - (a) Section 3 of this Agreement is amended to add the following clauses (e), (f), (g), (h), (i), (j), (k) and (l) at the end thereof:
    - (e) ***Non-Reliance.*** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the

terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. It has not received from the other party any assurance or guarantee as to the expected results of that Transaction.

**(f) *Evaluation and Understanding.*** It is capable of assessing the merits of and evaluating and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the financial and other risks of that Transaction.

**(g) *Status of Parties.*** The other party is not acting as a fiduciary for or an advisor to it in respect of that Transaction.

**(h) *Eligible Contract Participant.*** It constitutes an “eligible contract participant” as such term is defined in Section 1(a)(18) of the Commodity Exchange Act, as amended.

**(i) *Non-Speculation.*** In the case of the City, this Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for the purposes of managing its borrowings or investments and not for purposes of speculation.

**(j) *Standardization, Creditworthiness, and Transferability.*** The economic terms of this Agreement, any Credit Support Document to which it is a party, and each Transaction have been individually tailored and negotiated by it; it has received and reviewed financial information concerning the other party and has had a reasonable opportunity to ask questions of and receive answers and information from the other party concerning such other party, this Agreement, such Credit Support Document, and such Transaction; the creditworthiness of the other party was a material consideration in its entering into or determining the terms of this Agreement, such Credit Support Document, and such Transaction; and the transferability of this Agreement, such Credit Support Document, and such Transaction is restricted as provided herein and therein.

**(k) *Termination Payments.*** Each party acknowledges that, insofar as the Second Method is applicable, if an Early Termination Date is designated or deemed to occur due to an Event of Default it may owe a payment to the other party upon early termination in respect of the Settlement Amount even if such Early Termination Date is the result of an Event of Default with respect to such other party.

5. Additional Representations of the City. The City hereby further represents to Provider (which representations will be deemed to be repeated by the City at all times until the termination of this Agreement) that:
  - (a) **Valid Purpose.** The execution and delivery by the City of this Agreement, each Confirmation and any other documentation relating hereto, and the performance by the City of its obligations hereunder and thereunder, are in furtherance, and not in violation, of the public purposes for which the City is organized pursuant to the laws of the State.
  - (b) **Nature of Obligations.** The obligations of the City to make payments to Provider under this Agreement and each Transaction do not (1) constitute any kind of indebtedness of the City or (2) create any kind of lien on or security interest in any property or revenues of the City which, in either case (1) or (2), is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which the City (or any of its officials in their respective capacities as such) or its property is subject.
  - (c) **No Agency.** It is entering into this Agreement and each Transaction as principal (and not as agent or in any other capacity, fiduciary or otherwise).
6. Transfer. The following amendments are hereby made to Section 7: (i) in the third line, insert the words “which consent will not be arbitrarily withheld or delayed,” immediately before the word “except”; and (ii) in clause (a), insert the words “or reorganization, incorporation, reincorporation, or reconstitution into or as,” immediately before the word “another”.
7. Form of Confirmation. Attached hereto as Exhibit A is a form of the confirmation to be executed by the parties in connection with each Transaction. Such form is attached hereto for reference only, and the parties agree that the actual Confirmations to be executed by the parties may contain such variations and omissions therefrom and additions thereto as the parties may agree.
8. Severability. If any term, provision, covenant, or condition of this Agreement, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable (in whole or in part) for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid or unenforceable portion eliminated, so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Agreement and the deletion of such portion of this Agreement will not substantially impair the respective benefits or expectations of the parties hereto; *provided, however*, that this severability provision will not be applicable if any provision of Section 2, 5, 6, or 11 (or any definition or provision in Section 12 to the extent it relates to, or is used in or in connection with, any such section) is held to be invalid or unenforceable.

9. WAIVER OF JURY TRIAL. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY PROCEEDING.
10. Consent to Recording. Each party consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties, with or without the use of a warning tone, and their Affiliates in connection with this Agreement or any potential Transaction.
11. Section 6 Early Termination is hereby amended by adding the following:
- “(f) **Set-off.** Any amount (the “Early Termination Amount”) payable to one party (the Payee) by the other party (the Payer) under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5(b)(ii) has occurred, will, at the option of the party (“X”) other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by its set-off against any amount(s) (the “Other Agreement Amount”) payable at such time by the Payee to the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off so effected under this Section 6(f).
- For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.
- Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).”
12. Reorganization of GRU. Any lawful reorganization of the governmental structure of the City, including a merger or consolidation of the City with another public body or the transfer of assets or a public function of the City to another public body (in either case, the “Governmental Successor”), shall not constitute a Credit Event Upon Merger under Section 5(b)(ii), and any transfer of this Agreement or any transaction hereunder shall be deemed a permitted transfer under Section 7(a) without the consent of Provider; provided in either case that (i) substantially all of the assets of the System are transferred to the Governmental Successor, (ii) the System shall be continued as a single enterprise and (iii) the Governmental Successor shall assume all rights, powers, obligations, duties and liabilities of the City under Bond Resolution and this Agreement.

*[Remainder of page intentionally left blank]*



Please confirm your agreement to the terms of the foregoing Schedule by signing below:

PROVIDER

By: \_\_\_\_\_  
Name:  
Title:  
Date:

Approved as to Form and Legality:

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
City Attorney

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: General Manager for Utilities  
Date:

(Bilateral Form)

(ISDA Agreements Subject to New York Law Only)

# ISDA®

International Swaps and Derivatives Association, Inc.

## CREDIT SUPPORT ANNEX

to the Schedule to the

### ISDA 1992 MASTER AGREEMENT

dated as of [                      ], 2019

between

\_\_\_\_\_ (“Party A”)

and

**CITY OF GAINESVILLE, FLORIDA**  
**d/b/a GAINESVILLE REGIONAL UTILITIES (“PARTY B”)**

This Annex supplements, forms part of, and is subject to, the ISDA Master Agreement referred to above (this “Agreement”), is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows: -

#### **Paragraphs 1 - 12. Incorporation**

Paragraphs 1 through 12 inclusive of the ISDA Credit Support Annex (Bilateral Form) (ISDA Agreements Subject to New York Law Only) published in 1994 by the International Swaps and Derivatives Association, Inc. are incorporated herein by reference and made a part hereof, as amended.

**Secured Party and Pledgor Redefined.** Paragraph 1(b) is hereby amended in its entirety to read as follows:

“(b) **Secured Party and Pledgor.** Notwithstanding anything contained in this Annex to the contrary, (i) all references in this Annex to the “Secured Party”, all references in Paragraphs 2 and 9 of this Annex to “other party ” and references in Paragraph 11(b) of this Annex to “a party” and “that party”, will be to Party A exclusively, and (ii) all references in this Annex to the “Pledgor”, all references in Paragraphs 2 and 9 of this Annex to “Each party” or “a party”, and the reference in Paragraph 11(b) of this Annex to “other party”, will be to Party B exclusively.”

**Paragraph 13. Elections and Variables**

(a) **Security Interest for “Obligations”.** The term “*Obligations*” as used in this Annex includes no obligations of Secured Party and no additional obligations with respect to Pledgor.

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount.**

(A) “*Delivery Amount*” has the meaning specified in Paragraph 3(a).

(B) “*Return Amount*” has the meaning specified in Paragraph 3(b).

(C) “*Credit Support Amount*” has the meaning specified in Paragraph 3.

(ii) **Eligible Collateral.** Subject to the provisions of this Annex, each of the following items will qualify as “Eligible Collateral”, provided that the Secured Party shall be entitled not to accept as Eligible Collateral any of the following which constitute Ineligible Securities as defined below:

		<b>Party B</b>	<b>Valuation Percentage</b>
(A)	<i>Cash</i> : immediately available cash funds that are denominated in U.S. Dollars.	YES	100%
(B)	<i>Treasury Bills</i> : a security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of Treasury, having a remaining maturity of less than one year.	YES	98%
(C)	<i>Treasury Notes</i> : a security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of Treasury, having a remaining maturity of one year or more but not more than 5 years.	YES	98%
(D)	<i>Treasury Bonds</i> : a security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of Treasury, having a remaining maturity of more than 5 years but not more than 30 years.	YES	96%

(iii) **Other Eligible Support.** Not applicable.

(iv) **Thresholds.**

(A) “*Independent Amount*” means for Party A: Not applicable

“*Independent Amount*” means for Party B: zero.

(B) “*Threshold*” means for Secured Party: Infinity

“**Threshold**” means for Pledgor: Infinity; provided, however, that upon the occurrence of a Collateral Event, the Threshold will be zero.

- (C) “**Minimum Transfer Amount**” means with respect to Secured Party: \$250,000  
“**Minimum Transfer Amount**” means with respect to Pledgor: \$250,000

*provided* that if an Event of Default or an Additional Termination Event has occurred and is continuing with respect to a party, the Minimum Transfer Amount for that party shall be zero, *provided further* that if the Secured Party is holding Posted Collateral and the Credit Support Amount required to be maintained by the Pledgor is, or is deemed to be, zero for any day, then for purposes of Paragraph 3(b), the Secured Party’s Minimum Transfer Amount for that day will be deemed to be zero with respect to that Posted Collateral.

- (D) **Rounding.** The Delivery Amount and the Return Amount will be rounded up and down respectively to the nearest integral multiple of \$10,000.

(c) **Valuation and Timing.**

- (i) “**Valuation Agent**” means Party A, provided it is acknowledged that the function of the Valuation Agent hereunder is administrative in nature, Party A is not acting as Party B’s agent, advisor or fiduciary for such purpose, and Party B shall remain responsible for making its own demands for a Delivery Amount or Return Amount based on the Valuation Agent’s calculations of Value and Exposure provided to Party B for the relevant Valuation Date. As specified in the definition of Exposure in Paragraph 12, any calculation of Exposure will be a mid-market estimate, and therefore will not show an actual market price at which an offer would be made for unwinding any Transaction. Instead, it will show a mathematical approximation of a market value derived from proprietary models as of a given date based on certain assumptions regarding past, present and future market conditions. All such models and assumptions are subject to change and shall remain the Valuation Agent’s proprietary and confidential property.
- (ii) “**Valuation Date**” means any Local Business Day, which in relation to a demand under Paragraph 3 shall be the Local Business Day immediately preceding the day of demand.
- (iii) “**Valuation Time**” means the close of business in New York City on the Valuation Date or date of calculation, as applicable; *provided* that the calculations of Value and Exposure will be made as of approximately the same time on the same date.
- (iv) “**Notification Time**” means 10:00 a.m., New York time, on a Local Business Day.
- (v) For purposes of Paragraph 8(b)(iv)(B), “Value” shall have its meaning as defined in Paragraph 12 of this Annex, except the words "multiplied by the applicable Valuation Percentage, if any" shall be disregarded.

- (d) **Conditions Precedent and Secured Party’s Rights and Remedies.** The following Termination Events will be a “**Specified Condition**” for the party specified (that party being the Affected Party if the Termination Event occurs with respect to that party):

	<b>Pledgor</b>
Additional Termination Events	YES

(e) **Substitution.**

- (i) **“Substitution Date”** has the meaning specified in Paragraph 4(d)(ii).
  - (ii) **Consent.** The Pledgor is not required to obtain the Secured Party’s consent for any substitution pursuant to Paragraph 4(d).
- (f) **Dispute Resolution.**
- (i) **“Resolution Time”** means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.
  - (ii) **Alternative.** The provisions of Paragraph 5 will apply
- (g) **Holding and Using Posted Collateral.**
- (i) **Eligibility to Hold Posted Collateral; Custodians.**
  - (A) Subject to paragraph 6(c), the Secured Party will be entitled to hold Posted Collateral itself or through a Custodian pursuant to Paragraph 6(b).
  - (ii) **Use of Posted Collateral.** The provisions of Paragraph 6(c) will apply.
- (h) **Distributions and Interest Amount.**
- (i) **Interest Rate.** The **“Interest Rate”** in respect of Cash in the form of U.S. Dollars for any day will be the Federal Funds (Effective) rate published in N.Y. Federal Reserve Statistical Release H.15(519) for that day (or if that day is not a New York Business Day, then for the next preceding New York Business Day).
- For the purpose of computing the Interest Amount, the amount of interest computed for each day of the Interest Period shall be compounded daily.
- (ii) **Transfer of Positive Interest Amount or AV Negative Interest Amount.** The Transfer of the amount of a positive Interest Amount will be made on the first Local Business Day of each calendar month; and the Transfer of an AV Negative Interest Amount will be made on the first Local Business Day of each calendar month.
- The foregoing specified timing for the Transfer of Interest Amounts shall remain in effect in respect of Interest Amounts which are positive but shall also apply for the Transfer of AV Negative Interest Amounts, so that the Transfer of a positive Interest Amount and the Transfer of an AV Negative Interest Amount, as applicable, shall be made as provided herein, regardless of whether the amount to be transferred on any date is a positive Interest Amount or an AV Negative Interest Amount.
- (iii) **Alternative to Positive Interest Amount or AV Negative Interest Amount.** The provisions of Paragraph 6(d)(ii) will apply.
  - (iv) **ISDA 2014 Collateral Agreement Negative Interest Protocol Amendments.** This Annex is hereby amended by incorporating the amendments specified for a “Protocol Covered Collateral Agreement” that is a “1994 New York Law CSA” appearing in Paragraphs 1(i) through (ix) of the Attachment to the ISDA 2014 Collateral Agreement Negative Interest Protocol as published by the International Swaps and Derivatives Association, Inc. on May 12, 2014.

- (i) **Additional Representation(s).** Not applicable.
- (j) **Other Eligible Support and Other Posted Support.** Not applicable.
- (k) **Demands and Notices.** All demands, specifications and notices under this Annex will be made to a party as follows unless otherwise specified from time to time by that party for purposes of this Annex in a written notice given to the other party:

**To Party A:**

*[To come]*

**To Party B:**

**CITY OF GAINESVILLE, FLORIDA  
d/b/a GAINESVILLE REGIONAL UTILITIES (the “CITY”)**

*[To Come]*

- (l) **Addresses for Transfers.**
  - (i) For each Transfer hereunder to Party A, instructions will be provided by Party A for that specific Transfer.
  - (ii) For each Transfer hereunder to Party B, instructions will be provided by Party B for that specific Transfer.
- (m) **Other Provisions.**
  - (i) **Exposure.** All calculations of “Exposure” under this Annex shall include all Transactions (whether or not evidenced by a Confirmation).
  - (ii) **Grace Period.** Clause (i) of Paragraph 7 is hereby amended by deleting the words “two Local Business Days” and substituting therefor “one Local Business Day”.

**[SIGNATURE PAGE FOLLOWS THIS PAGE]**

**IN WITNESS WHEREOF** the parties have executed this Credit Support Annex as of the date hereof.

\_\_\_\_\_, **Party A**

By: \_\_\_\_\_  
Name:  
Title:

**CITY OF GAINESVILLE, FLORIDA**  
**d/b/a GAINESVILLE REGIONAL UTILITIES, Party B**

By: \_\_\_\_\_  
Name:  
Title:

Approved as to Form and Legality

By: \_\_\_\_\_  
City Attorney

#70190671\_v2 136433.00020

**CSA TERM SHEET**

The parties anticipate entering into a bilateral Credit Support Annex (New York Law Form, 1994) as a Credit Support Document, with paragraph 13 thereof containing substantially the following terms (among others):

1. **Eligible Collateral.** The following items will qualify as "**Eligible Collateral**" for the party specified:

	<u>Party A</u>	<u>Party B</u>	<u>Valuation Percentage</u>
<u>USD-Cash</u>	[X]	[X]	100.0
<u>Treasury Securities having a remaining maturity on such date of one year or less</u>	[X]	[X]	99%
<u>Treasury Securities having a remaining maturity on such date greater than one year up to and including five years</u>	[X]	[X]	97%
<u>Treasury Securities having a remaining maturity on such date greater than five years up to and including 10 years</u>	[X]	[X]	94.5%

"*Treasury Securities*" means Obligations having ICAD codes of US-CASH, US-TBILL, US-TNOTE and US-BOND as set forth in the 2003 ISDA Collateral Asset Definitions.

2. **Independent Amount - \$-0-**
3. "**Threshold**" means, with respect to Party A and Party B, the amounts determined on the basis of the lower of the Credit Ratings of such Party's long term unsecured and unenhanced debt ratings (or in the case of Party B, its credit ratings on its Senior Lien Revenue Bonds) set forth in the following table, provided, however, that if such Party (i) has no Credit Rating, or (ii) such Credit Rating has been suspended or withdrawn, or (iii) an Event of Default has occurred and is continuing with respect to such Party, that Party's Threshold shall be U.S. \$0:

<b>CREDIT RATING (S&amp;P / Moody's)</b>	<b>THRESHOLD</b>
AA-/Aa3 or higher	US\$50,000,000
A-/A3 to A+/A1	US\$35,000,000
BBB+/Baa1	US\$15,000,000
BBB-/Baa3 to BBB/Baa2	US \$15,000,000
Below BBB-/Baa3	US \$0

4. **Minimum Transfer Amount:** \$250,000
5. **Holding and Using Posted Collateral.**



(A) Party A will be entitled to hold Posted Collateral pursuant to Paragraph 6(b), provided that the following conditions applicable to it are satisfied:

Party A is not a Defaulting Party.

(B) Party B will be entitled to hold Posted Collateral pursuant to Paragraph 6(b), provided that the following conditions applicable to it are satisfied:

Party B is not a Defaulting Party.

(ii) **Use of Posted Collateral.** The provisions of Paragraph 6(c) will apply to either party.

**6. Negative interest rate protocol** or the equivalent will apply.

#70190745\_v2 136433.00020

**Schedule 1**  
**Fixed Rate Refunded Bonds**

Utilities System Revenue Bonds, 2005 Series A

Utilities System Revenue Bonds, 2009 Series B (Federally Taxable – Issuer Subsidy – Build America Bonds)

Utilities System Revenue Bonds, 2010 Series C

Utilities System Revenue Bonds, 2012 Series A

Utilities System Revenue Bonds, 2014 Series A

Utilities System Revenue Bonds, 2014 Series B

Utilities System Revenue Bonds, 2017 Series A

Utilities System Revenue Bonds, 2019 Series A

**Schedule 2**  
**Variable Rate Refunded Bonds**

Variable Rate Utilities System Revenue Bonds, 2005 Series C  
Variable Rate Utilities System Revenue Bonds, 2006 Series A  
Variable Rate Utilities System Revenue Bonds, 2007 Series A  
Variable Rate Utilities System Revenue Bonds, 2008 Series B  
Variable Rate Utilities System Revenue Bonds, 2012 Series B  
Variable Rate Utilities System Revenue Bonds, 2017 Series B  
Variable Rate Utilities System Revenue Bonds, 2017 Series C  
Variable Rate Utilities System Revenue Bonds, 2019 Series C

**Schedule 3**  
**Cash Defeased Bonds**

Utilities System Revenue Bonds, 2005 Series A

Utilities System Revenue Bonds, 2010 Series C

Utilities System Revenue Bonds, 2012 Series A

Utilities System Revenue Bonds, 2014 Series A

Utilities System Revenue Bonds, 2014 Series B

**Schedule 4**  
**Synthetic Fixed Rate Bonds**

Variable Rate Utilities System Revenue Bonds, 2012 Series B

Variable Rate Utilities System Revenue Bonds, 2017 Series C