
CITY OF GAINESVILLE, FLORIDA

**Not to Exceed
\$130,000,000
Utilities System Revenue Bonds,
2021 Series A**

and

**Not to Exceed
\$70,000,000
Utilities System Revenue Bonds,
2021 Series B**

**RESOLUTION NO. 210088
THIRTY-FIFTH SUPPLEMENTAL UTILITIES SYSTEM
REVENUE BOND RESOLUTION**

Adopted June 17, 2021

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A	Purchase Contract
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D	Continuing Disclosure Certificate
E	Escrow Deposit Agreement
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RESOLUTION NO. 210088

**THIRTY-FIFTH 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 \$130,000,000 OF THE CITY OF GAINESVILLE, FLORIDA UTILITIES SYSTEM REVENUE BONDS, 2021 SERIES A IN ORDER TO FINANCE ALL OR A PORTION OF THE COST OF THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE UTILITY SYSTEM, CAPITALIZING INTEREST, AND TO PAY THE COSTS OF ISSUANCE THEREOF, INCLUDING PAYMENT OF A BOND INSURANCE PREMIUM, IF ANY, AND \$70,000,000 OF THE CITY OF GAINESVILLE, FLORIDA UTILITIES SYSTEM REVENUE BONDS, 2021 SERIES B (COLLECTIVELY, THE "SERIES 2021 BONDS") IN ORDER TO CURRENTLY REFUND A PORTION OF THE OUTSTANDING UTILITIES SYSTEM REVENUE BONDS, 2012 SERIES A, AND TO PAY THE COSTS OF ISSUANCE THEREOF, INCLUDING PAYMENT OF A BOND INSURANCE PREMIUM, IF ANY; AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE NEGOTIATED SALE OF SUCH SERIES 2021 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 2021 BONDS; AUTHORIZING THE AUTHENTICATION AND DELIVERY OF THE SERIES 2021 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 2021 BONDS; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A FORWARD BOND PURCHASE AGREEMENT AND CONTINUING COVENANT AGREEMENT EACH WITH RESPECT TO THE REFUNDING OF A PORTION OF THE OUTSTANDING UTILITIES SYSTEM REVENUE BONDS, 2012 SERIES A AS PROVIDED HEREIN; DELEGATING AUTHORITY TO ENTER INTO NEGOTIATIONS WITH NATIONALLY RECOGNIZED MUNICIPAL BOND INSURANCE COMPANIES AND APPROVING THE PAYMENT OF THE RELATED PREMIUMS AND TO ENTER INTO AGREEMENTS RELATED TO SUCH BOND INSURANCE POLICY; 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 2021 BONDS, 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

SECTION 1.01 Supplemental Resolution. This Resolution (this "Resolution" or this "Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution") is enacted pursuant to the Act, including Article VIII, Section 2 of the Constitution of the State of Florida, Section 159.11, Florida Statutes and Chapter 166, Florida Statutes. This Thirty-Fifth Supplemental Utilities System Revenue Bond 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 (the "Master Resolution"). The Master Resolution as supplemented is hereinafter referred to as the "Bond Resolution."

SECTION 1.02 Definitions. Except as provided by this Resolution, all terms which are defined in Section 101 of the Master Resolution shall have the same meanings, respectively, in this Resolution, as such terms are given in said Section 101 of the Master Resolution and 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" means the "Authorized Officers of the City," as defined in the Bond Resolution.

"2012 Bonds" means the Utilities System Revenue Bonds, 2012 Series A maturing on and after October 1, 2023.

"Breakage Fee" has the meaning given in the Forward Bond Purchase Agreement.

"Business Day" means 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.

"Chief Financial Officer" means the Chief Financial Officer for Utilities as designated by the City from time to time.

"City" means the City of Gainesville, Florida.

"City Attorney" means the City Attorney or such other assistant City Attorney as designated by the City Attorney.

"City Clerk" means the Clerk of the City or any Deputy Clerk.

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

"Continuing Covenant Agreement" means the Continuing Covenant Agreement applicable to the Direct Placement Bonds, between the City and the Initial Purchaser, as amended and supplemented from time to time, in substantially the form attached hereto as "Exhibit G."

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2021 Bonds.

"Default Rate" has the meaning given in the Direct Placement Bonds.

"Delivery Date" means the date of the initial issuance and delivery of each of 2021 Series A Bonds and 2021 Series B Bonds, as applicable.

"Direct Placement Bonds" means the 2021 Series B Bonds that are sold to the Initial Purchaser pursuant to the Forward Bond Purchase Agreement.

"DTC" means The Depository Trust Company, New York, New York, or its successors.

"Escrow Agent" means U.S. Bank National Association in its capacity as escrow agent under the Escrow Deposit Agreement.

"Escrow Deposit Agreement" means each Escrow Deposit Agreement to be entered into between the City and the Escrow Agent in connection with the refunding of the Refunded Bonds.

"Forward Bond Purchase Agreement" means the Forward Bond Purchase Agreement related to the Direct Placement Bonds between the City and the Initial Purchaser, substantially in the form attached as Exhibit "F" hereto.

"General Manager" means the General Manager for Utilities, as designated by the City from time to time.

"Initial Purchaser" means Bank of America, N.A. or an affiliate thereof.

"Mayor" means the Mayor or Mayor-Commissioner Pro Tempore.

"Official Statement" shall mean the Official Statement of the City relating to the Series 2021 Bonds referred to in Section 3.03 hereof.

"Preliminary Official Statement" means the Preliminary Official Statement of the City relating to the Series 2021 Bonds referred to in Section 3.04 hereof.

"Purchase Contract" means the Bond Purchase Contract to be entered into between the City and the Underwriters in connection with the sale of the 2021 Series A Bonds and 2021 Series B Bonds and such other Series of Bonds issued hereunder.

"Purchase Date" means a date not more than 90 days prior to the Redemption Date.

"Rebate Amount" means 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.

"Redemption Date" means October 1, 2022.

"Refunded Bonds" means the portion of the 2012 Bonds refunded with proceeds of the 2021 Series B Bonds.

"Resolution" means this Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution.

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

"Series 2021 Bonds" means collectively the 2021 Series A Bonds and the 2021 Series B Bonds.

"Series 2021 Publicly Issued Bonds" means collectively, the 2021 Series A Bonds and the 2021 Series B Bonds that are not Direct Placement Bonds.

"Subseries A-1 Bonds" means the subseries of the 2021 Series A Bonds designated as "green bonds" as provided herein.

"2021 Series A Bonds" means the City's Utilities System Revenue Bonds, 2021 Series A, authorized by Article II of this Resolution, or such other series and subseries designation as permitted herein.

"2021 Series B Bonds" means the City's Utilities System Revenue Bonds, 2021 Series B, authorized by Article II of this Resolution or such other series designation as permitted herein.

"Tax-Exempt Bonds" means 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" means Bonds authorized pursuant to Article II of this Resolution which are not Tax-Exempt Bonds.

"Taxable Rate" has the meaning given in the Direct Placement Bond.

"Underwriters" means any or all of the following Barclays Capital Inc., on behalf of itself, and BofA Securities Inc., Citigroup Global Markets Inc., Wells Fargo Securities and Goldman Sachs & Co LLC, 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.

SECTION 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.

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

1. Pursuant to the Master Resolution, the City may issue Bonds from time to time for the purpose of, among others, or refunding the Refunded Bonds, paying all or a portion of the Cost of Acquisition and Construction of the System.

2. The City deems it necessary and in its best interest to issue and sell the 2021 Series A Bonds for the purpose of providing funds for the payment of all or a portion of the Cost of Acquisition and Construction of the 2021 Series A Project, more particularly described on Exhibit B, together with such other projects hereafter authorized by the City (the "2021 Series A Project"), funding necessary reserves, capitalizing interest on a portion of the 2021 Series A Bonds and paying costs of issuance related thereto, including, without limitation the premium for a bond insurance policy, if any.

3. The City deems it necessary and in its best interest to issue and sell the 2021 Series B Bonds for the purpose of refunding the Refunded Bonds in order to achieve debt service savings, funding necessary reserves, and paying costs of issuance related thereto, including, without limitation the premium for a bond insurance policy, if any.

4. The Initial Purchaser has expressed an interest in submitting an offer to purchase the Direct Placement Bonds by negotiated sale pursuant to the terms as provided in the Term Sheet from the Initial Purchaser attached as Exhibit "H" hereto and the Forward Bond Purchase Agreement in substantially the form attached hereto as Exhibit "F" pursuant to which the City will agree to issue and sell to the Initial Purchaser and the Initial Purchaser will agree to purchase on the Purchase Date, the Direct Placement Bonds having the terms set forth herein and therein.

5. Because of the characteristics of the Series 2021 Bonds (including, without limitation, the fact the proceeds may be utilized for a "forward refunding" of the Refunded Bonds), prevailing and anticipated volatile market conditions, and savings and benefits to be realized from an expeditious sale of the Series 2021 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 2021 Bonds hereinafter described, it shall be in the best interest of the City to accept the offer of the Underwriters or the Initial Purchaser, with respect to the 2021 Series B Bonds, subject to the

conditions set forth herein, to purchase the Series 2021 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 2021 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.

ARTICLE II AUTHORIZATION OF SERIES 2021 Bonds

SECTION 2.01 Principal Amount, Designation of Series and Description of Series 2021 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 \$130,000,000 and shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Utilities System Revenue Bonds, 2021 Series A" with such additional identifying information as the General Manager or the Chief Financial Officer or such other Authorized Officer 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 \$70,000,000 and shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Utilities System Revenue Bonds, 2021 Series B" with such additional identifying information as the General Manager or the Chief Financial Officer or such other Authorized Officer may determine, including whether such Bonds are Taxable Bonds. The General Manager or the Chief Financial Officer or such other Authorized Officer may authorize the modification of the name or series designation of the Series 2021 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 2021 Bonds may be changed by the addition of a letter or letters or a numeral or numerals to reflect the issuance of the 2021 Series A Bonds and/or 2021 Series B Bonds in more than one series, if applicable, or to reflect the year of issuance (including, without limitation, with respect to the issuance of Direct Placement Bonds) or to reflect that interest of such Series of Bonds is or is not excludable from the gross income of the holder thereof. The series designation of the 2021 Series A Bonds may also be changed to add a series designation to reflect that such 2021 Series A Bonds are "green bonds" as having met such criteria as set forth by the City or such other third-party as selected by the General Manager, the Chief Financial Officer or any other Authorized Officer, to certify to such designation. If only a portion of the 2021 Series A Bonds shall be designated "green bonds", one or more subseries of the 2021 Series A Bonds may designated which shall for all purposes of this resolution be part of the 2021 Series A Bonds and the name of such subseries of 2021 Series A Bonds may include such designation and the series designation of the Series 2021 Bonds may be changed by the addition of a letter or letters or a numeral or numerals to reflect the issuance of such subseries. The General Manager, the Chief Financial Officer or any other Authorized Officer is authorized to designate all or a portion of the 2021 Series Bonds as "green bonds" based on such criteria as determined by such officer and set forth herein.

If both Series of Bonds are issued as Tax-Exempt Bonds and Series 2021 Publicly Issued 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 2021

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.

The Series 2021 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 2021 Bonds, shall be conclusively deemed to have agreed that such Series 2021 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Florida.

SECTION 2.02 Purpose. The 2021 Series A Bonds are being issued for the purposes of (1) providing for the payment of a portion of the Cost of Acquisition and Construction of the System constituting the 2021 Series A Project, including necessary reserves and deposits related thereto, capitalizing interest on a portion of the 2021 Series A Bonds, and (2) providing for the payment of the costs of issuance related to the 2021 Series A Bonds, including, without limitation the premium for a bond insurance policy, if any. The 2021 Series B Bonds are being issued for the purposes of (1) refunding the Refunded Bonds, and (2) providing for the payment of the costs of issuance related to the 2021 Series B Bonds, including, without limitation the premium for a bond insurance policy, if any.

The providing of a notice of redemption relating to the redemption of the Refunded Bonds, which redemption shall occur on the Redemption Date and the payment of the Refunded Bonds maturing on the Redemption Date, is hereby authorized in accordance with the terms of the Bond Resolution, such notice to be given at such time as will comply with the terms of the Refunded Bonds and the Bond Resolution. Each Authorized Officer is hereby authorized to take the necessary actions and to execute the necessary documents to provide for the giving of such notice in accordance with the terms of the Bond Resolution.

SECTION 2.03 Maturities and Interest; Certain Determinations with Respect to the Series 2021 Bonds. The Series 2021 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 2021 Bonds shall bear interest from the respective Delivery Dates, or, if one or more payments of interest on the Series 2021 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 2021 Series A Bonds shall be issued as Tax-Exempt Bonds. The 2021 Series B 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 the Purchase Contract or the Forward Bond Purchase Agreement, as applicable, as provided herein shall be conclusive evidence of such approval and the determination for Direct Placement Bonds may be made on the Purchase Date.

The Direct Placement Bonds, if determined to be issued upon the conditions set forth herein, shall bear interest at the interest rate, established on or prior to the execution and delivery of the Forward Bond Purchase Agreement (subject to additional adjustment as provided herein

and in the form of the Direct Placement Bonds), payable on each interest payment date. Upon the occurrence of a Determination of Taxability and so long as the Default Rate shall not be in effect, the interest rate on the Direct Placement Bonds will be adjusted, retroactive to the date interest was included in the gross income of the Holder of the Direct Placement Bonds for Federal income tax purposes (net of any interest paid on the Direct Placement Bonds during such period), to the Taxable Rate in accordance with the Direct Placement Bonds. Upon an Event of Default under the Bond Resolution or under the Continuing Covenant Agreement the Direct Placement Bonds shall bear interest at the Default Rate.

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 2021 Series A Bonds to the Underwriters and to approve the terms of the 2021 Series A Bonds, including, without limitation, the date thereof, the aggregate principal amount thereof, the interest rate or rates with respect thereto, whether such 2021 Series A 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 final maturity dates thereof and the redemption terms (including, without limitation, optional and mandatory) with respect thereto, all such terms to be set forth in the Purchase Contract; 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 aggregate principal amount of the 2021 Series A Bonds (without regard to net original issue premium or discount) shall not exceed \$130,000,000;

(b) The final maturity of the 2021 Series A Bonds shall not be later than October 1, 2051;

(c) If the 2021 Series A 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 2021 Series A Bonds may be so redeemed shall be not greater than 100% of the principal amount thereof, plus accrued interest to the date of redemption.

(d) the purchase price for the 2021 Series A 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);

(e) the interest rate on the 2021 Series A Bonds shall not exceed the lesser of a true interest cost rate of 5.00% or the maximum rate permitted by law;

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 2021 Series B Bonds to the Underwriters or to the Initial Purchaser, as provided for herein and to approve the terms of the 2021 Series B Bonds, including, without limitation, the date thereof, the aggregate principal amount thereof, the interest rate or rates with respect

thereto, the Taxable Rate with respect to the Direct Placement Bonds, whether such 2021 Series B 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 final maturity date 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 or the Forward Bond Purchase Agreement with respect to the Direct Placement Bonds and to determine in consultation with the Financial Advisor, whether to issue the 2021 Series B Bonds through a public issue and awarded to the Underwriters or Direct Placement Bonds and awarded to the Initial Purchase and the particular amounts and maturities of the 2012 Bonds to be refunded; provided, however, the Purchase Contract or Forward Bond Purchase Agreement, as applicable 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 aggregate principal amount of the 2021 Series B Bonds shall not exceed \$70,000,000 (excluding original issue discount and original issue premium, if any);

(b) The final maturity of the 2021 Series B Bonds shall not be later than the final maturity of the Refunded Bonds being refunded thereby;

(c) The 2021 Series B Bonds may be subject to make-whole redemption as set forth in the respective form of 2021 Series B Bond herein and with respect to Make-Whole Bonds (as hereinafter defined), at a spread over the Treasury Rate (as defined in the form of the 2021 Series B Bonds) of not greater than 1.00% (100 basis points) ("Make-Whole Redemption");

(d) (i) the purchase price for the 2021 Series B Bonds not issued as Direct Placement 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 2021 Series B Bonds issued as Direct Placement Bonds to be paid by the Initial Purchaser pursuant to the applicable Forward Bond Purchase Agreement shall not less than the original principal amount thereof; and

(e) the overall net present value savings achieved by refunding the Refunded Bonds selected to be refunded shall be no less than 5.00% of the par amount of such Refunded Bond; provided, however, if on the Purchase Date the Direct Placement Bonds cannot be issued as Tax-Exempt Bonds the General Manager or the Chief Financial Officer, or such other Authorized Officer, in reliance upon advice of the financial advisor to the System, may issue the Direct Placement Bonds as Taxable Bond, so long as the net present value savings achieved by refunding the Refunded Bonds selected to be refunded shall be greater than the Breakage Fee or else is authorized to pay the Breakage Fee in accordance with the terms of the Forward Bond Purchase Agreement.

Upon satisfaction of the preceding conditions, the 2021 Series B Bonds shall be issued as Direct Placement Bonds unless, based on the advice of the Financial Advisor the overall net

present value savings estimated to be achieved by refunding the Refunded Bonds by awarding the sale of the 2021 Series B Bonds to the Underwriters instead of the Initial Purchaser would be greater, the execution of the Purchase Contract shall be conclusive evidence of such determination.

The Purchase Contract or Forward Purchase Agreement, as applicable, shall expressly identify which Refunded Bonds shall be defeased, execution of the Purchase Contract or Forward Purchase Agreement, as applicable, shall be conclusive evidence of such determination. The 2021 Series A Bonds and 2021 Series B Bonds may be issued on the same or different days and one Series of Bonds can be issued without the issuance of the other Series.

SECTION 2.04 Redemption Provisions for Series 2021 Bonds.

1. The following provisions shall apply only to Series 2021 Publicly Issued Bonds:

A. The Series 2021 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 2021 Bonds and in the Purchase Contract, in accordance with Section 2.03 hereof.

B. Except as otherwise provided by the Series 2021 Bonds with respect to such Series of Bonds, if fewer than all of a Series of Series 2021 Bonds subject to optional redemption are called for optional redemption, such Series of Series 2021 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 2021 Bonds of a maturity or a Sinking Fund Installment shall be called for redemption, such Series 2021 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 portion of Series 2021 Bonds to be redeemed in part shall be in principal amounts of \$5,000 or any integral multiple thereof.

C. The Series 2021 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 2021 Bonds will match the mandatory redemption requirements for term bonds as set forth in the Purchase Contract.

D. Notwithstanding Section 405 of the Master Resolution, notice of redemption of the Series 2021 Bonds, may be given not more than sixty (60) days or less than twenty (20) days prior to the redemption date of the Series 2021 Bonds, and such notice may be given electronically.

2. The following provisions shall apply only to the Direct Placement Bonds:

A. The Direct Placement 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 the Direct Placement Bonds and the Forward Bond Purchase Agreement, in accordance with Section 2.03 hereof.

B. Notwithstanding anything to the contrary herein, if fewer than all of such Direct Placement Bonds are called for optional redemption, such prepayment shall be applied in inverse order of maturity (treating Sinking Fund Installments as maturities). The portion of such Direct Placement Bonds to be redeemed in part shall be in principal amounts of \$250,000 or any multiple of \$5,000 in excess thereof.

C. The Direct Placement 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 Direct Placement Bonds will match the mandatory redemption requirements for term bonds as set forth in the Forward Bond Purchase Agreement.

D. Notwithstanding Section 405 of the Bond Resolution, notice of redemption of the 2021 Series B Bond, may be given not more than sixty (60) days or less than five (5) Business Days prior to the redemption date of the 2021 Series B Bond, and such notice shall be given by electronic mail (email), telefacsimile or physical delivery.

3. 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.

4. Notwithstanding any provision contained in the Bond Resolution to the contrary, the City shall have the option to cause the Series 2021 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 2021 Bonds) on or prior to the Business Day preceding the redemption date of a written notice of the City specifying that the Series 2021 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 2021 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.

SECTION 2.05 Application of Proceeds of 2021 Series A Bonds. In accordance with subsections (4), (7) and (9) of paragraph 1 of Section 202 and paragraph 2 of Section 203, the net proceeds of the 2021 Series A 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) An amount sufficient to pay costs of issuance of the 2021 Series A Bonds shall be applied by the City to pay such costs, including, without limitation, the premium for the 2012 Bond Insurance Policy, if any (any of which costs may be paid directly by the Underwriters).

(B) The remaining proceeds shall be deposited into the 2021 Project Account hereafter created and shall be used to pay the Cost of Acquisition and Construction of the 2021 Series A Project, in accordance with the provisions of Section 503 of the Master Resolution and Section 2.07 below, and to fund such other reserves and deposits related thereto, including capitalized interest on a portion of the 2021 Series A Bonds, all as provided in a certificate of the General Manager or Chief Financial Officer or such other Authorized Officer.

No proceeds of the 2021 Series A Bonds shall be deposited into the Rate Stabilization Fund, the Debt Service Reserve Account or any subaccount therein.

SECTION 2.06 Application of Proceeds of 2021 Series B Bonds. In accordance with subsection (7) of paragraph 1 of Section 202 and Section 204 of the Master Resolution, the net proceeds of the 2021 Series B 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 that, together with investment earnings thereon and, to the extent applicable, other legally available funds of the City, shall be sufficient to pay debt service on the Refunded Bonds as provided herein, as the same shall come due, shall be deposited and held under the Escrow Deposit Agreement in connection with the refunding of such Refunded Bonds.

(B) An amount sufficient to pay costs of issuance of the 2021 Series B Bonds shall be applied by the City to pay such costs, including, without limitation, the premium for the 2012 Bond Insurance Policy, if any (any of which costs may be paid directly by the Underwriters).

No proceeds of the 2021 Series B Bonds shall be deposited into the Rate Stabilization Fund, the Debt Service Reserve Account or any subaccount therein.

SECTION 2.07 2021 Project Account. There is hereby created and established in the Construction Fund an account to be held by the City to be designated the "2021 Project Account" (the "2021 Project Account"). The 2021 Project Account shall be kept separate and apart from all other funds and accounts of the City and the moneys on deposit therein shall be withdrawn, and applied by the City solely for the payment of the Cost of Acquisition and Construction related to the 2021 Series A Project and the costs of issuance of the 2021 Series A Bonds. Any funds on deposit in the 2021 Project Account that, in the opinion of the City, are not immediately necessary for expenditure, as herein provided, may be invested and reinvested in Investments Securities in accordance with Section 603 of the Bond Resolution. All income derived from investment of funds in the 2021 Project Account shall be deposited therein and shall be used for the payment of the Cost of Acquisition and Construction related to the 2021 Series A Project. Any liquidated damages or settlement payments received by the City as a result of the breach by any contractor, subcontractor or supplier working on or supplying goods related to the 2021 Series A Project of any representation, warranty or performance guaranty

shall be deposited therein and shall be used to pay costs associated with the 2021 Series A Project. Upon completion of the 2021 Series A Project, notwithstanding anything in the Master Resolution to the contrary, any amounts then remaining in the 2021 Project Account and not reserved by the City for the payment of any remaining Cost of Acquisition and Construction related to the 2021 Series A Project may be deposited into the Debt Service Account and used to pay debt service on the 2021 Series A Bonds next coming due, or to purchase or redeem 2021 Series A Bonds in the manner that the 2021 Series A Bonds are permitted to be purchased or redeemed under the terms of the Master Resolution, or may be used for any other lawful purpose to the extent the City receives an opinion of Bond Counsel that such use shall not, in and of itself, cause interest on the 2021 Series A Bonds to be includable in gross income for federal income tax purposes. Notwithstanding anything herein or in the Master Resolution to the contrary, a portion of the amounts deposited into the 2021 Project Account, allocable to the Customer Information System and Advanced Metering Infrastructure System, may be deposited into the Debt Service Account and used to pay a portion of the interest on the 2021 Series A Bonds through April 1, 2024.

SECTION 2.08 Green Project Account. There is hereby created and established in the Construction Fund an account to be held by the City to be designated the "2021 Green Project Account" (the "Green Project Account"). The Green Project Account shall be kept separate and apart from all other funds and accounts of the City and the moneys on deposit therein shall be withdrawn, and applied by the City solely for the payment of the Cost of Acquisition and Construction related to the portion of the 2021 Series A Project financed by the Subseries A-1 Bonds (the "Green Project") and the costs of issuance of the Subseries A-1 Bonds. Any funds on deposit in the Green Project Account that, in the opinion of the City, are not immediately necessary for expenditure, as herein provided, may be invested and reinvested in Investments Securities in accordance with Section 603 of the Bond Resolution. All income derived from investment of funds in the Green Project Account shall be deposited therein and shall be used for the payment of the Cost of Acquisition and Construction related to the Green Project. Any liquidated damages or settlement payments received by the City as a result of the breach by any contractor, subcontractor or supplier working on or supplying goods related to the Green Project of any representation, warranty or performance guaranty shall be deposited therein and shall be used to pay costs associated with the Green Project. Upon completion of the Green Project, notwithstanding anything in the Master Resolution to the contrary, any amounts then remaining in the Green Project Account and not reserved by the City for the payment of any remaining Cost of Acquisition and Construction related to the Green Project may be deposited into the Debt Service Account and used to pay debt service on the Subseries A-1 Bonds next coming due, or to purchase or redeem Subseries A-1 Bonds in the manner that the Subseries A-1 Bonds are permitted to be purchased or redeemed under the terms of the Master Resolution, or may be used for any other lawful purpose to the extent the City receives an opinion of Bond Counsel that such use shall not, in and of itself, cause interest on the Subseries A-1 Bonds to be includable in gross income for federal income tax purposes. Notwithstanding anything herein or in the Master Resolution to the contrary, a portion of the amounts deposited into the Green Project Account, allocable to the Customer Information System and Advanced Metering Infrastructure System, may be deposited into the Debt Service Account and used to pay a portion of the interest on the Subseries A-1 Bonds through April 1, 2024. Amounts on deposit in the 2021 Project Account may be deposited into the Green Project Account to the extent such proceeds will be used to finance Green Projects.

ARTICLE III APPROVAL OF DOCUMENTS

SECTION 3.01 Authorization and Approval of Negotiated Sale of the Series 2021 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 2021 Publicly Issued 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.

SECTION 3.02 Authorization and Approval of Negotiated Sale of the Direct Placement Bonds and Execution of the Forward Bond Purchase Agreement and Continuing Covenant Agreement; Delegation of Authority to Determine Certain Matters in Connection Therewith. The forms of the Forward Bond Purchase Agreement and Continuing Covenant Agreement substantially in the forms attached hereto as Exhibit F and Exhibit G, respectively, are hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein, as may be approved and made in such Forward Bond Purchase Agreement and Continuing Covenant Agreement 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 Initial Purchaser 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 Initial Purchaser to purchase the Direct Placement Bonds, upon the terms, conditions and redemption provisions set forth in the Term Sheet from the Initial Purchaser attached as Exhibit "H" hereto, the Forward Bond Purchase Agreement and Continuing Covenant Agreement. Subject to the provisions set forth herein, the General Manager, the Chief Financial Officer or such other Authorized Officer, is hereby authorized to execute the Forward Bond Purchase Agreement and Continuing Covenant Agreement for and on behalf of the City pursuant to the terms hereof and of such Forward Bond Purchase Agreement and Continuing Covenant Agreement and the Clerk is hereby authorized to attest such signature to the extent required by the forms of such Forward

Bond Purchase Agreement and Continuing Covenant Agreement, subject to the approval of the City Attorney as to form and legality. Notwithstanding anything to the contrary herein, the Term Sheet shall not control any provisions of the of Direct Placement Bonds and is provided for informational purposes only as to the proposed loan terms of the Initial Purchaser and such final loan terms shall be as set forth herein and in the Forward Bond Purchase Agreement, Continuing Covenant Agreement and the Direct Placement Bonds.

SECTION 3.03 Authorization of Authentication. U.S. Bank National Association, as Trustee under the Bond Resolution, is hereby requested and authorized to authenticate the Series 2021 Bonds in the aggregate principal amounts determined as provided in Section 2.03 hereof, and to deliver such Series 2021 Bonds to or on behalf of the Underwriters and/ or the Initial Purchaser, as applicable, upon payment for the account of the City of the sum specified in each such Purchase Contract and/ or Forward Bond Purchase Agreement pursuant to the terms of the Bond Resolution and each such Purchase Contract and/ or Forward Bond Purchase Agreement.

SECTION 3.04 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 2021 Publicly Issued 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 2021 Publicly Issued 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. There shall be no offering statement delivered in connection with the private placement of the Direct Placement Bonds.

SECTION 3.05 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 2021 Publicly Issued 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.

SECTION 3.06 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 the Series 2021 Publicly Issued 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 2021 Publicly Issued Bonds 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 3.06 and the Continuing Disclosure Certificate applicable to such Series. For purposes of this Section 3.06, "Series 2021 Publicly Issued Bonds 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 2021 Publicly Issued Bonds (including persons holding Series 2021 Publicly Issued Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any Series 2021 Bond for federal income tax purposes.

SECTION 3.07 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 Refunded 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 Refunded Bonds, each Authorized Officer is hereby authorized to cause proceeds of the 2021 Series B 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 Refunded Bonds 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.

SECTION 3.08 Execution and Delivery of Series 2021 Bonds and Related Documents; Approval of Municipal Bond Insurance. The Mayor of the City is hereby authorized to execute the Series 2021 Bonds on behalf of the City, subject to the approval of the City Attorney as to form and legality; *provided, however*, that the Series 2021 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, Forward Bond Purchase Agreement, the Continuing Covenant Agreement 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 2021 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, Forward Bond Purchase Agreement, the Continuing Covenant Agreement or Escrow Deposit Agreement or desirable or consistent with the requirements of the Bond Resolution, each Official Statement, Escrow Deposit Agreement, Purchase Contract, Forward Bond Purchase Agreement or the Continuing Covenant Agreement for the full punctual and complete performance of all the terms, covenants and agreements contained herein or in each Series of Series 2021 Bonds, the Bond Resolution, each Official Statement, Escrow Deposit Agreement, Purchase Contract, Forward Bond Purchase Agreement and the Continuing Covenant Agreement, including without limitation as applicable to the designation of "green bonds" as provided in Section 2.01 hereof and payment of costs related thereto, if any, 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.

The General Manager, the Chief Financial Officer or such other Authorized Officer, is authorized to enter into negotiations with one or more nationally recognized municipal bond insurance companies for the issuance of a municipal bond insurance policy related to all or a portion of the Series 2021 Publicly Issued Bonds. If, after consultation with the Financial Advisor, it is determined to be economically advantageous to the City, the General Manager, the Chief Financial Officer or such other Authorized Officer, subject to the approval of the City Attorney as to form and legality, is authorized to enter into an agreement with any such bond insurer (the "Insurance Agreement") and to pay the premium for such municipal bond insurance policy with proceeds of the insured Series 2021 Publicly Issued Bonds, and other legally

available funds 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 Insurance Agreement or desirable or consistent with the requirements of the Bond Resolution and Insurance Agreement for the full punctual and complete performance of all the terms, covenants and agreements contained herein or in the Insurance Agreement 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 terms of the Insurance Agreement. Any municipal bond insurance policy securing the Series 2021 Publicly Issued Bonds shall pursuant to the Bond Resolution be "Credit Enhancement" and the provider of such policy shall be a "Credit Enhancer" for all purposes of the Bond Resolution.

SECTION 3.09 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, Escrow Deposit Agreement, Forward Bond Purchase Agreement, the Continuing Covenant Agreement, Insurance 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 2021 Bonds, and the use of each Preliminary Official Statement and each Official Statement.

ARTICLE IV ADDITIONAL PROVISIONS RELATING TO THE SERIES 2021 BONDS

SECTION 4.01 Minimum Denominations, Dates, Numbers and Letters. The Series 2021 Bonds shall be dated as of their date of issuance, shall be issued in the form of fully registered Bonds, 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, including as provided in Section 2.01 hereof, 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 2021 Bonds will be computed on the basis of a 360-day year consisting of twelve-30 day months. The Series 2021 Publicly Issued Bonds shall be issued in the denomination of \$5,000 principal amount or any integral multiple thereof and the Direct Placement Bonds shall be issued in the denomination of \$250,000 principal amount or any multiple of \$5,000 in excess thereof.

SECTION 4.02 Designation of the Series 2021 Publicly Issued Bonds as Book Entry Bonds; Appointment of Securities Depository for the Series 2021 Publicly Issued Bonds. The Following shall apply only to the Series 2021 Publicly Issued Bonds:

1. Except as provided in paragraph 4 below, the Series 2021 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 2021 Bonds.

3. The Series 2021 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 2021 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 2021 Bonds, the registered holder of all Series 2021 Bonds shall be, and each of the Series 2021 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 2021 Bonds is registered in the name of Cede, as nominee of DTC in its capacity as Securities Depository for the Series 2021 Bonds, all payments with respect to the principal or Redemption Price of, and interest on, such Series 2021 Bond and all notices with respect to such Series 2021 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 2021 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 2021 Bonds, (B) the delivery to any Participant or any other person other than a Series 2021 Bondholder, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Series 2021 Bonds, including any notice of redemption, or (C) the payment to any Participant or any other person, other than a Series 2021 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 2021 Bonds. The City and the Bond Registrar may treat and consider the person in whose name each Series 2021 Bond is registered in the registration books kept by the Bond Registrar as the Holder and absolute owner of such Series 2021 Bond for the purpose of payment of principal, interest or redemption premium, if any, with respect to such Series 2021 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2021 Bond, for the purpose of registering transfers with respect to such Series 2021 Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal, interest or redemption premium, if any, of the Series 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 Bonds and (ii) the Bond Registrar shall notify the Paying Agents that the Series 2021 Bonds no longer are restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository.

SECTION 4.03 Place of Payment and Paying Agents.

1. The following shall apply to Series 2021 Publicly Issued Bonds: Except as provided in Section 309 of the Master Resolution and Section 4.02 hereof, the principal and Redemption Price of the Series 2021 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 2021 Bonds. Except as provided in Section 309 of the Master Resolution and Section 4.02 hereof, the principal and Redemption Price of the Series 2021 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 2021 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.

2. The following shall apply to the Direct Placement Bonds: Amounts payable on the Direct Placement Bonds shall be paid (i) by wire transfer in immediately available funds at such wire transfer address as the owner shall specify by written notice to the Paying Agent not less than 15 days prior to the payment date, or (ii) if such written notice shall not be provided in accordance with clause (i), by check payable to the order of the persons entitled thereto and mailed by first class mail, postage prepaid, to the addresses of such persons as they shall appear on the books of the City kept at the office of the Bond Registrar, or (iii) in such other manner as agreed to in writing by the Bondholder and the Trustee, with the consent of an Authorized Officer of the City.

3. Notwithstanding anything in the Master Resolution to the contrary, principal and interest on the Direct Placement Bonds shall be paid in the manner set forth herein and in the Direct Placement Bonds. Upon each principal payment, other than final maturity, the principal amount of the Direct Placement Bonds shall be paid in the same manner as interest payments and shall be deemed to be correspondingly reduced without the necessity of delivery of a new Direct Placement Bond; provided, however, upon final maturity the Bondholder shall provide a copy marked as cancelled and shall not be required to deliver the original Direct Placement Bonds as a condition to payment, but the Bondholder shall promptly following payment thereof, deliver the Direct Placement Bonds to the City marked "paid in full."

SECTION 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 three 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 SERIES 2021 BONDS

SECTION 5.01 Form of Series 2021 Publicly Issued Bonds; Trustee's Certificate of Authentication. Subject to the provisions of the Bond Resolution, the form of the Series 2021 Publicly Issued 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,
2021 SERIES [A][B] [(FEDERALLY TAXABLE)]**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
-----------------------------	-----------------------------	-----------------------------------	---------------------

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, 2021 Series [A][B] [(Federally Taxable)]" (herein sometimes called the "2021 Series [A][B] 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 2021 Series [A][B] 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 2021 Series [A][B] 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]

[2021 Series A Bonds Only] [The 2021 Series A Bonds [maturing on and after _____ 1, 20__] 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 2021 Series A Bonds of like maturity are to be redeemed, the particular 2021 Series A Bonds or portions of such Bonds of such maturity (or Sinking Fund Installment) shall be selected by the Trustee in accordance with the Resolution.]

[2021 Series B Bonds Only] [The 2021 Series B Bonds of each maturity [maturing on and before October 1, 20__] 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 2021 Series B 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 2021 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued unpaid as of the date on which the 2021 Series B Bonds are to be redeemed, discounted to the date on which the 2021 Series B 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 2021 Series B Bonds to be redeemed to but not including the redemption date.

"Treasury Rate" means, as of any redemption date for a 2021 Series B 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 2021 Series B 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 2021 Series B Bonds to be redeemed pursuant to the make whole optional redemption provision described above will be determined by Calculation Agent. The Trustee and the City may conclusively rely on such determination of redemption price by such Calculation Agent 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 2021 Series B 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 2021 Series B Bonds to be redeemed pursuant to the make whole redemption provisions and the maturity date.

If less than all of the 2021 Series B Bonds are to be so redeemed, the Trustee will select the 2021 Series B Bonds to be redeemed from the outstanding 2021 Series B Bonds on a pro-rata pass through distribution of principal basis, provided that, so long as the 2021 Series B 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 2021 Series B Bonds will be selected for redemption, in accordance with DTC procedures, by lot. The portion of any 2021 Series B 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 2021 Series A Bonds [maturing on and after _____ 1, 20__] are [also] 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 2021 Series A Bonds of like maturity are to be redeemed, the particular 2021 Series A Bonds or portions of such Bonds of such maturity (or Sinking Fund Installment) shall be selected by the Trustee in accordance with the Resolution.]

The 2021 Series [A][B] 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 2021 Series [A][B] 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 2021 Series [A][B] Bond will not affect the validity of the proceedings for the redemption of any other 2021 Series [A][B] Bonds. If notice of redemption shall have been given as aforesaid and shall not have been rescinded or ceased to be in effect, the 2021 Series [A][B] 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 2021 Series [A][B] 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 2021 Series [A][B] 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 City Clerk.

THE CITY OF GAINESVILLE, FLORIDA

Mayor

Dated: June 17, 2021

Attested:

City Clerk

Approved as to Form and Legality:

City Attorney

**[FORM OF CERTIFICATE OF AUTHENTICATION
ON SERIES 2021 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

SECTION 5.02 Form of Direct Placement Bonds; Trustee's Certificate of Authentication. Subject to the provisions of the Bond Resolution, the form of the Direct Placement Bond and the Trustee's certificate of authentication shall be of substantially the following form 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, including, without limitation to change the series designation and to reflect the year of issuance:

THIS BOND IS SUBJECT TO TRANSFER RESTRICTIONS, MORE FULLY DESCRIBED IN THE SUPPLEMENTAL RESOLUTION REFERRED TO HEREIN, AND MAY NOT BE TRANSFERRED EXCEPT TO AN AFFILIATE OF THE BONDHOLDER, TO A TRUST OR CUSTODIAL ARRANGEMENT ESTABLISHED BY THE BONDHOLDER

OR A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A
PROMULGATED UNDER THE SECURITIES ACT OF 1933.

REGISTERED
NO. R[]-1

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
CITY OF GAINESVILLE
UTILITIES SYSTEM REVENUE BOND,
202__ SERIES [] **[FEDERALLY TAXABLE]**

INTEREST
RATE
_____%*
(subject to adjustment
as provided herein)

MATURITY
DATE
_____, 20__

ORIGINAL
ISSUE DATE
July __, 2022

REGISTERED OWNER: BANK OF AMERICA, N.A.

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 (except as herein provided) 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, from the most recent interest payment date to which interest has been paid, payable on each April 1 and October 1 commencing October 1, 20__ (each an "Interest Payment Date"), at a rate per annum equal initially to the Interest Rate as adjusted from time to time and such other rates of interest all as determined pursuant to the Supplemental Resolution hereinafter referred to, until the City's obligation with respect to the payment of such Principal Amount shall be discharged.

Principal, Prepayment Fee, if any, and interest on this Bond shall be paid (i) by wire transfer in immediately available funds at such wire transfer address as the owner shall specify by written notice to the Paying Agent not less than 15 days prior to the payment date, or (ii) if such written notice shall not be provided in accordance with clause (i), by check payable to the order of the persons entitled thereto and mailed by first class mail, postage prepaid, to the addresses of such persons as they shall appear on the books of the City kept at the office of the Bond Registrar, or (iii) in such other manner as agreed to in writing by the Bondholder and the Trustee, with the consent of an Authorized Officer of the City.

This bond is designated by the City as its "Utilities System Revenue Bond, 2021 Series B" (herein sometimes called the "202_ Series B Bond"), in the 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 supplemented by the Thirty-Fifth Supplemental Bond Resolution adopted by the City on _____, 2021 (the "Supplemental Resolution" and together 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 Bond 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.

Upon the occurrence of a Determination of Taxability, and so long as the Default Rate shall not be in effect, the interest rate otherwise borne by this Bond shall be increased to [___%] (the "Taxable Rate"), as of and from the Taxable Date with respect to this Bond; and (i) the City shall on the next Interest Payment Date (or if this Bond shall have matured, within 30 days after demand by the Registered Owner) pay to the Registered Owner from the sources provided in the Bond Resolution an amount equal to the sum of (1) the difference between (A) the total interest that would have accrued on this Bond at the Taxable Rate from the Taxable Date to such next Interest Payment Date (or maturity date), and (B) the actual interest paid by the City on this Bond from the Taxable Date to such next Interest Payment Date (or maturity date), and (2) any

interest and penalties required to be paid as a result of any additional federal income taxes imposed upon such Registered Owner arising as a result of such Determination of Taxability; and (ii) from and after such next interest payment date, this Bond shall continue to bear interest at the Taxable Rate for the period such determination continues to be applicable with respect to this Bond. The provisions set forth in this paragraph shall survive payment of this Bond until such time as the federal statute of limitations under which the interest on this Bond could be declared taxable has expired.

"Determination of Taxability" means a final decree or judgment of any Federal court or a final action of the Internal Revenue Service determining that as a result of an action or inaction of the City interest paid or payable on this Bond is includable in the gross income of the Registered Owner for Federal income tax purposes; provided, no Determination of Taxability shall be deemed to occur unless the City has been given written notice of such occurrence and, to the extent permitted by law, an opportunity to participate in and seek, at the City's own expense, a final administrative determination by the Internal Revenue Service or determination by a court of competent jurisdiction (from which no further right of appeal exists) as to the occurrence of such Determination of Taxability.

"Taxable Date" means the date on which interest on this Bond is first includable in gross income of a Bondholder (including, without limitation, any previous Bondholder) thereof as a result of a Determination of Taxability.

Upon the occurrence and continuance of (i) an Event of Default under the Resolution or (ii) an Event of Default under the Continuing Covenant Agreement, the interest rate on this Bond shall become the lesser of 12% or the maximum rate permitted by law (the "Default Rate"); provided, however, such Default Rate shall not apply as a result of a default solely to a breach of the covenants contained in Section 4.04 of the Supplemental Resolution.

The interest rate borne by this Bond will be calculated on the basis of a 360-day year consisting of twelve 30-day months. If the date for the payment of principal of, or premium, if any, or interest on this Bond 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, provided that interest shall continue to accrue on principal until the payment is received by the Registered Owner and such additional interest shall be included in the interest due on such succeeding Business Day.

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.

This Bond is payable upon redemption at the above-mentioned office of the Paying Agent. Notice of redemption, setting forth the place of payment, shall be given in accordance with the Supplemental Resolution. If notice of redemption or tender shall have been given as aforesaid and shall not have been rescinded or ceased to be in effect, the 202_ Series B Bond or portions thereof specified in said notice shall become due and payable on the redemption date or tender date, as applicable therein fixed, and if, on the redemption date or tender date, as applicable, moneys for the redemption of all the 202_ Series B Bond and portions thereof to be redeemed or tendered, as applicable, together with interest to the redemption date or tender date, as applicable, shall be available for such payment on said date, then from and after the redemption date interest on such 202_ Series B Bond or portions thereof so called for redemption or tender shall cease to accrue and be payable.

This Bond is issuable in the form of a fully registered bond in the denominations of \$250,000 or any multiple of \$5,000 in excess thereof.

This Bond is subject to optional redemption prior to maturity at the election of the City only in accordance with the Supplemental Resolution and only at the amount of principal of the 202_ Series B Bond being prepaid, plus interest accrued on such amount being prepaid to the date of prepayment plus a Prepayment Fee, as described below. If less than all of the 202_ Series B Bond is to be redeemed, the portions of such 202_ Series B Bond (or Sinking Fund Installment) shall be applied in inverse order of maturity (treating Sinking Fund Installments as maturities).

The Prepayment Fee will be equal to the present value (discounted by the Reinvestment Rate) of the difference, if positive, between:

(a) the sum of the interest payments that would have accrued on each prepaid installment of principal of the 202_ Series B Bond at a fixed interest rate for such installment equal to ___%, as if the prepayment had not been made, less

(b) the sum of the interest payments that would have accrued on each prepaid installment of principal at a fixed interest rate for such installment equal to the Reinvestment Rate, as if the prepayment had not been made.

The following definitions will apply to the calculation of the Prepayment Fee:

"Reinvestment Rate" means with respect to each prepaid installment of principal, the Swap Rate on the date the Prepayment Fee is calculated by the Bondholder for a term corresponding to the period of time remaining until such principal installment was scheduled to be paid, interpolated on a linear basis, if necessary, and

"Swap Rate" means, as of any date, the offered U.S. Dollar interest rate swap rate that a fixed rate receiver would receive in return for paying a floating rate equal to the three month Libor (or a comparable or successor rate that is selected by the Bondholder) determined by the Bondholder on such date by reference to the Bloomberg service or such other similar data source then used by the Bondholder for determining such rate.

The 202__ Series B Bond is subject to mandatory Sinking Fund Installments in part, by lot, on October 1, 20__ and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

Date (October 1)	Principal Amount
---------------------	---------------------

* Final Maturity

The City and the Registered Owner, by acceptance of this Bond, hereby knowingly, voluntarily, intentionally, and irrevocably waive, to the fullest extent permitted by applicable law, the right either of them may have to a trial by jury in respect to any litigation, whether in contract or tort, at law or in equity, based hereon or arising out of, under or in connection with this Bond and any other document or instrument contemplated to be executed in conjunction with this Bond, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of any party hereto. This provision is a material inducement for the City and the Registered Owner entering into or accepting this Bond.

This Bond and the Bond Resolution as supplemented and amended by the Supplemental Resolution shall be governed by applicable federal law and the internal laws of the State of Florida. The City agrees that certain material events and occurrences relating to this Bond bear a reasonable relationship to the laws of Florida and the validity, terms, performance and enforcement of this Bond shall be governed by the internal laws of Florida which are applicable to agreements which are negotiated, executed, delivered and performed solely in Florida. Unless applicable law provides otherwise, in the event of any legal proceeding arising out of or related to this Bond, the City consents to the jurisdiction and venue of any court located or having jurisdiction over Alachua County, Florida.

This Bond is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Florida.

This Bond has been designated by the City as a Bond and a Refunding Bond as provided by the Bond Resolution.

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:

City Clerk

Approved as to Form and Legality:

City Attorney

[FORM OF CERTIFICATE OF AUTHENTICATION ON 202__ SERIES B 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

* The 202_ Series B Bond may be issued as a Tax-Exempt Bond bearing interest at the rate of [_____%] per annum (the "Tax-Exempt Rate"), or, if the 202_ Series B Bond is issued as a taxable bond (i) because the interest thereon is not excludable from gross income solely due to an amendment to the Internal Revenue Code enacted after _____, 2022 and on or before the Purchase Date, then as a taxable bond bearing interest at a rate equal to the Tax-Exempt Rate plus 0.25% or (ii) for any reason other than such an amendment, then at a rate of interest equal to 127% of the Tax-Exempt Rate (the "Taxable Rate").

** These bracketed paragraphs are only to be included if the 202_ Series B Bond is issued as a Tax-Exempt Bond.

ARTICLE VI PROVISIONS APPLICABLE TO DIRECT PLACEMENT BONDS

SECTION 6.01 Registration and Transfer of Direct Placement Bonds. The registration of the Direct Placement Bonds may be transferred only as provided in Article III of the Master Resolution. The Direct Placement Bonds may only be sold, assigned or otherwise transferred in accordance with the Continuing Covenant Agreement.

1. The Bond Registrar will transfer the ownership of the Direct Placement Bonds, upon written request of the Bondholder to the Trustee specifying the name, address and taxpayer identification number of the transferee(s) (the "Transferee"). The Transferee in whose name the Direct Placement Bonds shall be registered shall be deemed and regarded the absolute owner thereof for all purposes, and payment of principal and interest on such Direct Placement Bonds shall be made only to or upon the written order of such Transferee. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Direct Placement Bonds to the extent of the sum or sums so paid.

2. The Continuing Covenant Agreement shall be for the benefit of and enforceable by only the holders of the Direct Placement Bonds and no other Bondholder shall be a third party beneficiary thereof. A Transferee of the Direct Placement Bonds, by acceptance of the Direct Placement Bonds, will be subject to the provisions of the Continuing Covenant Agreement.


ARTICLE VII MISCELLANEOUS PROVISIONS

SECTION 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 2021 Bonds.

SECTION 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-Fifth Supplemental Utilities System Revenue Bond Resolution approved and adopted June 17, 2021.

CITY OF GAINESVILLE, FLORIDA



Mayor

ATTESTED:



City Clerk

Approved as to Form and Legality:



City Attorney

#83996580_v8

EXHIBIT A
PURCHASE CONTRACT

[\$[2021 SERIES A PAR]
CITY OF GAINESVILLE, FLORIDA
UTILITIES SYSTEM REVENUE BONDS
2021 SERIES A

Consisting of

[\$[SUBSERIES A-1 PAR]
2021 SUBSERIES A-1

[\$[SUBSERIES A-2 PAR]
2021 SUBSERIES A-2 (GREEN BONDS)

CONTRACT OF PURCHASE

[SALE DATE], 2021

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

Honorable Mayor and Commissioners:

The undersigned, Barclays Capital Inc., acting for and on behalf of ourselves and BofA Securities, Inc., Citigroup Global Markets Inc., Wells Fargo Bank, National Association, and Goldman Sachs & Co. LLC, (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. Barclays Capital 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 2021 Series A 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 \$[2021 SERIES A PAR] Utilities System Revenue Bonds, 2021 Series A, consisting of (a) \$[SUBSERIES A-1 PAR] Utilities System Revenue Bonds, 2021 Subseries A-1 (the “2021A-1 Bonds”) and (b) \$[SUBSERIES A-2 PAR] Utilities System Revenue Bonds, 2021 Subseries A-2 (Green Bonds) (the “2021A-2 Bonds” and together with the 2021A-1 Bonds, the “2021 Series A Bonds”). The 2021 Series A 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 2021 Series A Bonds, representing a par amount of \$[2021 SERIES A PAR].00, plus [net] original issue premium of \$[OIP], less the Underwriters’ discount of \$[UWD], shall be \$[PURCHASE PRICE].

(b) The 2021 Series A 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, as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019 (collectively, the “Bond Resolution”) and as supplemented by Resolution No. [RESO NO.], entitled Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on [RESO DATE], 2021 (the “Thirty-Fifth Supplemental Resolution”), authorizing the 2021 Series A Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the “Resolution”). The 2021 Series A 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 2021 Series A 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 2021 Series A Bonds are being issued by the City for the primary purpose of (i) paying the costs of the acquisition, construction and equipping of certain capital improvements of the System, (ii) funding necessary reserves, (iii) capitalizing interest on a portion of the 2021 Series A Bonds and (iv) paying costs of issuance related thereto.

(d) The Preliminary Official Statement of the City, dated [POS DATE], 2021 (including all appendices thereto, and as it may be supplemented or amended) relating to the 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 City has consulted its own legal, accounting, tax, financial and other advisors to the extent it has deemed appropriate; and (iii) 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 2021 Series A 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 2021 Series A Bonds. Subject to Section 3 herein, the Underwriters may offer and sell the 2021 Series A Bonds to certain dealers (including dealers depositing the 2021 Series A Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Final Official Statement. Subject to Section 3 herein, the Underwriters also reserve the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the 2021 Series A Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

(j) The Representative has wire transferred to the City at or prior to the execution hereof by the City \$[GF DEPOSIT] (the "Good Faith Deposit") as security for the performance by the Underwriters of their obligations to accept delivery of and pay for the 2021 Series A 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 2021 Series A Bonds. In the event the City does not accept this offer, or upon the City's failure to deliver the 2021 Series A 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 2021 Series A 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, and are no more than 1.00% of the par amount of the 2021 Series A Bonds. 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 2021 Series A 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 [CLOSING DATE], 2021 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 2021 Series A Bonds in definitive form (all 2021 Series A 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 2021 Series A Bonds as set forth in paragraph (a) of this Section 1 by wire transfer of federal funds for the purchase of the 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds or the validity thereof, the validity or adoption of the Resolution, or the execution and delivery of the 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds, or the validity thereof, the validity or adoption of the Resolution, or the execution and delivery of the 2021 Series A 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 2021 Series A 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 2021 Series A Bonds;

(f) The 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds or the application of the proceeds of the 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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, 2020 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds. All actions to be taken by the City under this section to establish the issue price of the 2021 Series A 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 2021 Series A 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 2021 Series A Bonds. If at that time the 10% test has not been satisfied as to any maturity of the 2021 Series A Bonds, the Representative agrees to promptly report to the City and the City's municipal advisor the prices at which 2021 Series A Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the 2021 Series A Bonds of that maturity or until all 2021 Series A Bonds of that maturity have been sold to the public.

(c) [The Representative confirms that the Underwriters have offered the 2021 Series A 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 2021 Series A 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 2021 Series A Bonds, the Underwriters will neither offer nor sell unsold 2021 Series A 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 2021 Series A Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the City when the Underwriters have sold 10% of that maturity of the 2021 Series A Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds of that maturity or all 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds of that maturity or all 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds to the public),

(iii) a purchaser of any of the 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds, or obligations of the general character of the 2021 Series A 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 (excluding the COVID-19 pandemic) 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 2021 Series A Bonds or obligations of the general character of the 2021 Series A 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, or the establishment of minimum or maximum prices on the New York Stock Exchange or any other national securities exchange;

(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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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, 2020 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A 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 2021 Series A Bonds; fees charged by the rating agencies for rating the 2021 Series A Bonds; and any other expenses not specifically enumerated in paragraph (b) of this Section incurred in connection with issuance of the 2021 Series A Bonds. The City shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the 2021 Series A 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, as a component of Underwriters' discount, 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 2021 Series A 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 2021 Series A Bonds not specifically enumerated in paragraph (a) of this Section, including the fees and disbursements of their counsel.

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 Barclays Capital Inc., 745 7th Avenue, 19th Floor, New York, New York 10019, Attention: Brian Middlebrook, Director.

7. Immunity of Officers and Employees. No recourse may be had for the payment of the principal, premium, if any, or interest on the 2021 Series A 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 2021 Series A 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 2021 Series A 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 \$[2021 SERIES A PAR] of 2021 Series A Bonds for the purposes of (i) paying the costs of the acquisition, construction and equipping of certain capital improvements of the System, (ii) funding necessary reserves, (iii) capitalizing interest on a portion of the 2021 Series A Bonds and (iv) 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,

BARCLAYS CAPITAL INC.
BOFA SECURITIES, INC.
CITIGROUP GLOBAL MARKETS INC.
WELLS FARGO BANK, NATIONAL
ASSOCIATION
GOLDMAN SACHS & CO. LLC

By: BARCLAYS CAPITAL INC.

By: _____

Brian Middlebrook
Director

Accepted [SALE DATE], 2021

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

\$[SUBSERIES A-1 PAR]

**Utilities System Revenue Bonds,
2021 Subseries A-1**

Maturity (October 1)	Amount	Interest Rate	Yield	Price	CUSIP (362848)
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\$ _____ . ____ % Term Bond due on October 1, 20__ Yield ____ % Price ____ *

CUSIP 362848 ____ **

\$ _____ . ____ % Term Bond due on October 1, 20__ Yield ____ % Price ____ *

CUSIP 362848 ____ **

\$[SUBSERIES A-2 PAR]

**Utilities System Revenue Bonds,
2021 Subseries A-2**

* 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.

Redemption Provisions for the 2021 Series A Bonds

Optional Redemption of 2021 Series A Bonds. The 2021 Series A Bonds maturing prior to October 1, 20__ are not subject to redemption at the option of the City. The 2021 Series A Bonds maturing on and after October 1, 20__ 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 2021 Series A 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 2021 Series A Bonds to be redeemed plus accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Amount</u>
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* Maturity.

Sinking Fund Redemption. The 2021 Series A 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 2021 Series A Bonds to be redeemed plus accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Final Maturity.

FORM OF ISSUE PRICE CERTIFICATE

\$[2021 SERIES A PAR]
 CITY OF GAINESVILLE, FLORIDA
 UTILITIES SYSTEM REVENUE BONDS
 2021 SERIES A

Consisting of

\$[SUBSERIES A-1 PAR]
 2021 SUBSERIES A-1

\$[SUBSERIES A-2 PAR]
 2021 SUBSERIES A-2 (GREEN BONDS)

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Barclays Capital Inc. (the “Representative”), on behalf of itself and BofA Securities, Inc., Citigroup Global Markets Inc., Wells Fargo Bank, National Association, and Goldman Sachs & Co. LLC, (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 B.
 - (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 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 ([SALE DATE], 2021), 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 [SALE DATE], 2021.
- (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 Representative had no reason to believe that any of the Initial Offering Prices of the Bonds exceeded the expected fair market value of the Bonds as of the Sale Date.

4. 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.

BARCLAYS CAPITAL INC.

By: _____

Name: _____

Dated: [CLOSING DATE], 2021

SCHEDULE A

Sale Prices of the [Bonds/General Rule Maturities]

2021A-1 Bonds.

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>(362848)</u>
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* Priced to the first optional redemption date of October 1, 20__.

2021A-2 Bonds.

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>(362848)</u>
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* Priced to the first optional redemption date of October 1, 20__.

SCHEDULE B

Pricing Wire or Equivalent

FORM OF BOND COUNSEL SUPPLEMENTAL OPINION

[CLOSING DATE], 2021

Barclays Capital Inc.,
as Representative of the Underwriters

Re: \$[2021 SERIES A PAR] City of Gainesville, Florida Utilities System
Revenue Bonds, 2021 Series A, consisting of \$[SUBSERIES A-1 PAR]
City of Gainesville, Florida Utilities System Revenue Bonds, 2021
Subseries A-1 and \$[SUBSERIES A-2 PAR] City of Gainesville, Florida
Utilities System Revenue Bonds, 2021 Subseries A-2 (Green Bonds)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Gainesville, Florida (the “Issuer”), of its \$[2021 SERIES A PAR] Utilities System Revenue Bonds, 2021 Series A, consisting of \$[SUBSERIES A-1 PAR] Utilities System Revenue Bonds, 2021 Subseries A-1 (the “2021A-1 Bonds”) and its \$[SUBSERIES A-2 PAR] Utilities System Revenue Bonds, 2021 Subseries A-2 (Green Bonds) (the “2021A-2 Bonds” and together with the 2021A-1 Bonds, the “2021 Series A Bonds”). At your request, we render this supplemental opinion to you.

All terms used herein in capitalized form and not otherwise defined herein shall have the same meanings as ascribed to them under 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 by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019 (collectively, the “Bond Resolution”) and as supplemented by Resolution No. [RESO NO.], entitled Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on [RESO DATE], 2021 (the “Thirty-Fifth Supplemental Resolution”), authorizing the 2021 Series A Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the “Resolution”).

The opinions expressed herein are supplemental to and are subject to all qualifications and limitations contained in our Bond Counsel Opinion rendered to the Issuer as of the date hereof pertaining to the 2021 Series A Bonds (the “Bond Counsel Opinion”) except as they are inconsistent herewith. You are hereby entitled to rely on the Bond Counsel Opinion as though such opinion were addressed to you.

We have reviewed the statements contained in the final Official Statement relating to the 2021 Series A Bonds dated [SALE DATE], 2021, and included in the closing transcript with

respect thereto, under the sections captioned "SECURITY FOR THE BONDS," and "THE 2021A BONDS" (excluding the information under the sub-caption "Book-Entry Only System"), and are of the opinion that insofar as such statements purport to summarize portions of the Bond Resolution and the 2021 Series A Bonds, such statements constitute fair summaries of those portions of the Bond Resolution and the 2021 Series A Bonds purported to be summarized therein. We have also reviewed the statements contained in the section captioned "TAX MATTERS" and are of the opinion that the statements contained therein are accurate. We have not reviewed any electronic version of the Official Statement and have assumed for purposes of this letter that any such revision is identical in all respects to the printed version.

Other than as set forth above, we express no opinion with respect to the accuracy, completeness, fairness or sufficiency of the Official Statement referred to above or to the statistical or financial data contained therein, or any exhibits or attachments thereto.

This letter is furnished by us solely for your benefit in connection with the provisions of the Purchase Contract and may not be relied upon by any other persons.

No attorney client relationship has existed or exists between our firm and any other parties involved in the transaction related to the issuance of the 2021 Series A Bonds or by virtue of this letter.

Sincerely yours,

HOLLAND & KNIGHT LLP

FORM OF DISCLOSURE COUNSEL OPINION

[CLOSING DATE], 2021

City of Gainesville, Florida
Gainesville, Florida

Re: \$[2021 SERIES A PAR] City of Gainesville, Florida
 Utilities System Revenue Bonds, 2021 Series A, consisting of
 \$[SUBSERIES A-1 PAR] City of Gainesville, Florida
 Utilities System Revenue Bonds, 2021 Subseries A-1 (the “2021A-1 Bonds”) and
 \$[SUBSERIES A-2 PAR] City of Gainesville, Florida
 Utilities System Revenue Bonds, 2021 Subseries A-2 (Green Bonds) (the
 “2021A-2 Bonds” and together with the 2021A-1 Bonds, the “2021 Series A
 Bonds”)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of Gainesville, Florida (the “Issuer”) in connection with the issuance of the above-captioned obligations which are today being delivered to Barclays Capital Inc., on behalf of itself, BofA Securities, Inc., Citigroup Global Markets Inc., Wells Fargo Bank, National Association, and Goldman Sachs & Co. LLC, (collectively, the “Underwriters”). In such capacity, we have reviewed such proceedings, records, certificates, documents and questions of law as we have considered necessary to enable us to render this opinion.

To the extent that the opinions expressed herein relate to or are dependent upon the determination that (i) the proceedings and actions relating to the authorization, execution, issuance, delivery and sale of the 2021 Series A Bonds are lawful and valid under the Constitution and laws of the State of Florida, including Chapter 166, Part II, Florida Statutes, the municipal charter of the Issuer and other applicable provisions of law 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, as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019 (collectively, the “Bond Resolution”) and as supplemented by Resolution No. [RESO NO.], entitled Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on [RESO DATE], 2021 (the “Thirty-Fifth Supplemental Resolution”), authorizing the 2021 Series A Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the “Resolution”), (ii) the 2021 Series A Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with their terms, or (iii) interest on the 2021 Series A Bonds is excluded from the gross income of the owners of the 2021 Series A Bonds for federal income tax purposes, or other tax consequences of owning the 2021 Series A Bonds, we understand that you are relying upon

the opinions delivered to you on the date hereof of Nicolle M. Shalley, Esq., as Issuer's Counsel ("Issuer's Counsel") and Holland & Knight LLP, as Bond Counsel ("Bond Counsel"), and, with your permission, we have assumed the accuracy of such opinions, have made no independent determination thereof and no opinion is expressed herein as to such matters.

Because the primary purpose of our professional engagement as your counsel was not to establish factual matters and because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Preliminary Official Statement dated [POS DATE], 2021 related to the 2021 Series A Bonds (the "Preliminary Official Statement") and the Official Statement dated [SALE DATE], 2021 related to the 2021 Series A Bonds (the "Official Statement"), we are not passing on and do not assume any responsibility for, except as set forth below, the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement (including any appendices, schedules and exhibits thereto) and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Our engagement has necessarily involved a review of certain demographic, financial, statistical and operating data or information; however, we express no opinion regarding the accuracy and completeness of any such information.

We have generally reviewed information furnished to us by, and have participated in telephone conferences and meetings with, representatives of the Issuer, the Issuer's Counsel, Bond Counsel, the financial advisor to the Issuer, the Underwriters, and others, in which such contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. We have reviewed information concerning the Issuer's audited financial statements with respect to the System and meeting minutes and other materials we deemed relevant. With your permission, we have relied upon certificates of officials of the Issuer and others, and upon certain other opinions, certificates and/or letters delivered in connection with the issuance of the 2021 Series A Bonds, including, without limitation, those received from Bond Counsel and Issuer's Counsel. In addition, we have reviewed such proceedings, records, certificates, documents and questions of law as we have considered necessary to enable us to render this opinion.

Based on the foregoing assumptions and reliances, and subject to the qualifications stated herein, we are of the opinion that:

1. Based solely upon our review and discussions noted above, and in reliance upon the accuracy of the information contained in the aforementioned certificates, letters and opinions, but without having undertaken any independent investigation or verification of such information, nothing has come to the attention of the attorneys in our firm rendering legal services in accordance with this representation which leads us to believe that the Preliminary Official Statement (as of its date) or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that we express no opinion regarding historical or projected financial information, demographic, statistical or operating data or information included in the Preliminary Official Statement or the Official Statement, including but not limited to appendices, schedules and exhibits thereto, or any information about The Depository Trust Company and its book-entry system of registration. Further, with respect to the Preliminary Official Statement, we note that

the Preliminary Official Statement does not include and our opinion set forth in this paragraph is expressly qualified as to the exclusion of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, any other terms or provisions to be determined in connection with the pricing of the 2021 Series A Bonds and other terms of the securities depending on such matters.

2. The 2021 Series A Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.

The opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof or of any subsequent events or developments which might affect the opinions expressed herein. The opinions expressed herein represent professional judgment, and are not a guarantee of result.

The opinions expressed herein are limited to the laws of the State of Florida and the United States of America.

This opinion letter may be relied upon by you only and only in connection with the transaction to which reference is made above and may not be used or relied upon by any other person for any purposes whatsoever without our prior written consent. This opinion letter is not rendered to, and may not be relied upon by, holders or owners of the 2021 Series A Bonds. The opinions expressed herein are limited to the matters set forth herein, and to the documents referred to herein and do not extend to any other agreements, documents or instruments executed by the Issuer, and no other opinion should be inferred beyond the matters expressly stated herein.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

FORM OF UNDERWRITERS' COUNSEL OPINION

[CLOSING DATE], 2021

Barclays Capital Inc.,
as the representative of the
Underwriters named in the Contract
of Purchase, dated [SALE DATE], 2021,
between the City of Gainesville,
Florida and said Underwriters
745 7th Avenue, 19th Floor
New York, New York 10019

Ladies and Gentlemen:

This opinion is being rendered pursuant to Section 4(c)(6) of the Contract of Purchase, dated [SALE DATE], 2021 (the "Purchase Contract"), between the City of Gainesville, Florida (the "City") and Barclays Capital Inc., as representative of the underwriters named in the Purchase Contract (the "Underwriters") for \$[2021 SERIES A PAR] Utilities System Revenue Bonds, 2021 Series A, consisting of \$[SUBSERIES A-1 PAR] Utilities System Revenue Bonds, 2021 Subseries A-1 (the "2021A-1 Bonds") and \$[SUBSERIES A-2 PAR] Utilities System Revenue Bonds, 2021 Subseries A-2 (Green Bonds) (the "2021A-2 Bonds" and together with the 2021A-1 Bonds, the "2021 Series A 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 2021 Series A 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, as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019 (collectively, the "Bond Resolution") and as supplemented by Resolution No. [RESO NO.], entitled Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on [RESO DATE], 2021 (the "Thirty-Fifth Supplemental Resolution"), authorizing the 2021 Series A 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 [POS DATE], 2021, relating to the 2021 Series A Bonds (the "Preliminary Official Statement");

(d) the Official Statement of the City, dated [SALE DATE], 2021, relating to the 2021 Series A Bonds (the “Official Statement”);

(d) the Continuing Disclosure Certificate of the City, dated [CLOSING DATE], 2021, relating to the 2021 Series A 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 2021 Series A 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 2021 Series A Bonds, the 2021 Series A 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 2021 Series A 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 2021 Series A Bonds in connection with an Offering (as said term is defined in the Rule) of the 2021 Series A 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 2021 Series A 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 2021 Series A Bonds) without our prior consent.

Very truly yours,

EXHIBIT B

2021 SERIES A PROJECT

Electric System

Kelly Plant CT4 gas turbine

Kelly Plant K8 steam turbine

Deerhaven – DH2 boiler

DHR – DHR boiler

Substation & Relay Engineering – Solar interconnection tap station

Water System

Murphree water treatment equipment

Murphree wellfield projects

Pumping equipment

Water distribution mains – system improvements

Wastewater System

Main Street Plant treatment & disposal projects

Kanapaha Plant treatment & disposal projects

Gravity system improvement projects

Wetlands projects

Reclaimed water mains projects

Multiple systems

Customer Information System (CIS)

Advanced Metering Infrastructure System (AMI)

Other eligible utility system capital projects on the Capital Improvement Plan.

EXHIBIT C
PRELIMINARY OFFICIAL STATEMENT

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 2021A 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 individuals. Holders of 2021A Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. See "TAX MATTERS" herein.

\$ _____ *
City of Gainesville, Florida
Utilities System Revenue Bonds,
2021 Series A



Dated: Date of Delivery

Due: October 1, as shown on the inside cover page

The City of Gainesville, Florida (the "City") is issuing its Utilities System Revenue Bonds, 2021 Series A (the "2021A 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 2021A Bonds (the "Beneficial Owners") will not receive physical delivery of the 2021A Bonds. Transfer of beneficial ownership in the 2021A 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 2021A 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 as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019 (collectively, the "Resolution"), and as supplemented by the Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution No. _____ adopted by the City on July 17, 2021 (the "Thirty-Fifth Supplemental Resolution"), authorizing the 2021A Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. See "APPENDIX C – Copy of the Resolution" attached hereto.

The 2021A Bonds are being issued by the City for the primary purpose of (i) paying the costs of the acquisition, construction and equipping of certain capital improvements to the System as more particularly described herein, (ii) capitalizing interest and (iii) paying the costs of issuance related thereto.

Based on an independent assessment of the Series 2021 Project and of the City conducted by Kestrel Verifiers, applying environmental, social and governance criteria, the City has designated a portion of the Series 2021 Project as a "Green Project" and has designated a subseries of the Series 2021 Bonds maturing on _____ through _____ (the "Subseries A-1 Bonds") as "Green Bonds." See "THE SERIES 2021 PROJECT" and "INDEPENDENT SECOND PARTY OPINION LETTER" herein and APPENDIX G attached hereto for more information.

The 2021A Bonds will bear interest from their dated date payable each April 1 and October 1, commencing _____ 1, 20____. Principal of the 2021A 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 2021A Bonds shall be payable in lawful money of the United States of America.

Certain of the 2021A Bonds will be subject to redemption prior to maturity as described herein.

THE 2021A 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 2021A 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 2021A BONDS OR THE MAKING OF ANY PAYMENTS UNDER THE RESOLUTION. THE 2021A BONDS AND THE OBLIGATIONS EVIDENCED THEREBY WILL NOT CONSTITUTE A LIEN ON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE TRUST ESTATE.

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 2021A 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 Nixon Peabody LLP, New York, New York, as Counsel to the Underwriters. PFM Financial Advisors LLC, Charlotte, North Carolina is Financial Advisor to the City in regard to the issuance of the 2021A Bonds. It is expected that the 2021A 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 _____, 2021.

Barclays

BofA Securities

Citigroup

Wells Fargo Securities

Goldman Sachs & Co LLC

Dated: _____, 2021

*Preliminary, subject to change.

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

\$ _____ *
**Utilities System Revenue Bonds,
2021 Series A**

\$ _____ * 2021A Serial Bonds

<u>Maturity</u> <u>(October 1)*</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>Initial</u> <u>CUSIP</u> <u>Number**</u>
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\$ _____ * _____ % Term Bonds due on October 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 2021A 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)
Gail Johnson..... Mayor-Commissioner Pro-Tem (At Large)
David Arreola Commissioner (District 3)
Desmon Duncan-Walker..... Commissioner (District 1)
Adrian Hayes-Santos Commissioner (District 4)
Reina Saco, At Large..... Commissioner (At Large)
Harvey Ward Commissioner (District 2)

CHARTER OFFICERS

Lee R. Feldman, ICMA-CM 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 City Clerk
Virgina Bigbie, CPA, CFE City Auditor
Sylvia Warren Interim 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
Kinn'zon Hutchinson..... Interim Chief Customer Officer
Cheryl F. McBride Chief People Officer
S. Yvette Carter..... Chief Inclusion 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 2021A 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 2021A 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 2021A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 2021A 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 2021A 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 2021A 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 2021A 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 2021A BONDS.

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**OFFICIAL STATEMENT
relating to**

\$ _____ *

**City of Gainesville, Florida
Utilities System Revenue Bonds,
2021 Series A**

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, 2021 Series A (the "2021A 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 2021A 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 as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019 (collectively, the "Resolution"), and as supplemented by the Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution No. _____ adopted by the City on July 17, 2021 (the "Thirty-Fifth Supplemental Resolution"), authorizing the 2021A Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. See "APPENDIX C- Copy of the Resolution" attached hereto.

The 2021A Bonds are being issued by the City for the primary purpose of (i) paying the costs of the acquisition, construction and equipping of certain capital improvements to the System as more particularly described under "THE 2021 PROJECT" below (the "2021 Project"), (ii) capitalizing interest and (iii) paying costs of issuance related thereto.

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

The 2021A Bonds will constitute "Bonds" within the meaning of the Resolution. The 2021A 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 \$1,637,880,000 aggregate principal amount of Bonds Outstanding (as defined herein) under the Resolution, which does not include of the 2021A Bonds.

In addition, the City entered into two direct placement revolving line of credit transactions, the first in a not to exceed amount of \$25 million with STI Institutional & Government, Inc. (the "STI Loan"),

and the second in a not to exceed amount of \$50 million with Truist Bank (the "Truist Loan" and together with the STI Loan, the "Line of Credit Loans"). As of the date hereof, the City does not have any amount outstanding under the Line of Credit Loans. The Line of Credit Loans 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. 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.

Green Bonds Designation

Based on an independent assessment of the Series 2021 Project and of the City conducted by Kestrel Verifiers, applying environmental, social and governance criteria, the City has designated a portion of the Series 2021 Project as a "Green Project" and has designated a subseries of the Series 2021 Bonds (the "Subseries A-1 Bonds") as "Green Bonds." See "THE SERIES 2021 PROJECT" and "INDEPENDENT SECOND PARTY OPINION LETTER" herein and APPENDIX G attached hereto for more information.

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 2021A 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.

THE 2021 PROJECT

The 2021 Project includes, but is not limited to, the following:

Electric System

- JRK CT4 gas turbine
- JRK K8 steam turbine
- Deerhaven – DH2 boiler
- DHR – DHR boiler
- Substation & Relay Engineering – Solar interconnection tap station

Water System

- Murphree water treatment equipment
- Murphree wellfield projects
- Pumping equipment
- Water distribution mains – system improvements

Wastewater System

- Main Street Plant treatment & disposal projects
- Kanapaha Plant treatment & disposal projects
- Gravity system improvement projects
- Wetlands projects
- Reclaimed water mains projects

Multiple systems

- Customer Information System (CIS)
- Advanced Metering Infrastructure System (AMI)

The portion of the 2021 Project that qualifies as green projects funded with the Subseries A-1 Bonds, includes, but is not limited to:

1. Water Distribution Renewal and Replacement – these projects promote water conservation by primarily replacing aging infrastructure and thereby reducing leaks and water loss. These projects support a sustainable water supply for the community.
2. Wastewater Collection Renewal and Replacement– these projects primarily focus on replacing aging infrastructure in order to reduce the release of wastewater into the environment and public.
3. Reclaimed Water Recharge – these projects are focused on recharging the Floridan aquifer with high quality reclaimed water in order to support sustainable water supply in north Florida. The remaining smaller projects are replacement of aging infrastructure to reduce leaks and breaks.

PLAN OF FINANCE

GRU [has entered] into a forward bond purchase agreement with Bank of America, N.A. for a bank loan to refund the outstanding Utilities System Revenue Bonds, 2012 Series A on a forward delivery basis.

The closing of such forward delivery bank loan and the closing of the 2021A Bonds are not contingent upon one another.

BONDHOLDER RISKS AND 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.
- The State is naturally susceptible to the effects of extreme weather events and natural disasters—including floods, droughts, and hurricanes, which could result in negative economic impacts on coastal communities such as the City. Such effects can be exacerbated by change in climate. The occurrence of such extreme weather events could damage the local infrastructure that provides essential services to the City. The economic impacts resulting from such extreme weather events could include a loss of property values, a decline in revenue base, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially impair the financial condition of the City and the System.
- 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. The City, like many other governmental entities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant.
- The City's financial results could be harmed by a national or localized outbreak of a highly contagious, epidemic or pandemic disease. Specifically, there can be no assurances that the spread of the novel strain of coronavirus called COVID-19, or other highly contagious or epidemic or pandemic diseases, will not adversely impact any of the City's finances and/or its financial position, including pension funding and property tax valuations. The impact of COVID-19 has had a negative financial impact on local, state and national economies, in a manner that has adversely affected the amount of certain revenue sources received by the City as well as the amount of property taxes received by the City.

COVID-19, a respiratory virus was first reported in China and thereafter spread around the world, including the United States, is considered a Public Health Emergency of International Concern by the World Health Organization. This led to quarantine and other "social distancing" measures throughout the United States. These measures included recommendations and warnings to limit non-essential travel and promote telecommuting. As a result of the spread of COVID-19, the Governor of Florida declared a state of emergency on March 9, 2020. Additionally, the Governor executed various other executive orders which, among other things, (i) closed bars and restaurants to dine-in customers, (ii) suspended vacation rentals and (iii) issued a mandatory "safer at home" order for the entire State effective April 3, 2020 through April 30, 2020. On April 29, 2020, the Governor announced the first phase of reopening businesses which began on May 4, 2020 and allowed for certain businesses to open at 25% capacity. On May 15, 2020, the Governor announced an expanded phase one opening and on June 3, 2020, the Governor announced most of the State would enter phase two of reopening effective June 5, 2020. On September 25, 2020,

the Governor announced the State would enter phase three of reopening effective immediately which effectively lifted all COVID-19 restrictions on restaurants and other businesses. In December, 2020, COVID-19 vaccines were approved and began to be administered under emergency use authorizations.

As a result of COVID-19, GRU implemented the following policies for customers:

1. GRU lowered all customer fuel charges in February 2020 and again in April 2020. GRU extended those reductions through September 2020 and estimated these actions saved customers 17% on fuel charges over the six month period.
2. GRU suspended late fees for all customers through July 20, 2020.
3. GRU suspended disconnections for all customers through July 20, 2020.
4. Prior to July 20, 2020, any customers who were not able to pay their bills were enrolled in a payment plan. Currently, customers can be placed on a payment plan but have to request such payment plan which is no longer automatic.

While many of the effects of COVID-19 may be temporary, it has altered the behavior of businesses and people in a manner resulting in negative impacts on global and local economies. The continued existence or spread of COVID-19, and measures taken to prevent or reduce it, have adversely impacted State, national and global economic activities and, accordingly, could adversely impact the financial condition, performance and credit ratings of GRU. See "RATINGS" herein and "APPENDIX B – AUDITED FINANCIAL STATEMENTS" attached hereto.

- 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, including renewables, 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.
- 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 2021A Bonds should make a decision to purchase the 2021A 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.

OUTSTANDING DEBT

The following table sets forth the outstanding debt of the City issued for the System as of October 1, 2020.

Outstanding Debt of the City Issued for the System

Description	As of October 1, 2020		
	Interest Rates	Due Dates (October 1)	Principal Outstanding
Utilities System Revenue Bonds:			
2005 Series C	Variable ⁽¹⁾⁽²⁾	2026	3,090,000
2006 Series A	Variable ⁽¹⁾⁽²⁾	2026	2,985,000
2007 Series A	Variable ⁽¹⁾⁽²⁾	2036	127,750,000
2008 Series B	Variable ⁽¹⁾⁽²⁾	2038	75,800,000
2009 Series B (Federally Taxable) ⁽⁴⁾	5.147 – 5.655%	2021 – 2039	133,605,000
2010 Series A (Federally Taxable) ⁽⁴⁾	5.874%	2027 – 2030	12,930,000
2010 Series B (Federally Taxable) ⁽⁴⁾	6.024%	2034 – 2040	132,445,000
2012 Series A	2.50 – 5.00%	2021 – 2028	81,860,000
2012 Series B	Variable ⁽³⁾	2042	98,610,000
2014 Series A	2.50 – 5.00%	2021 – 2044	37,835,000
2014 Series B	3.125 – 5.00%	2029 – 2036	12,085,000
2017 Series A	4.00 – 5.00%	2021 – 2040	395,340,000
2017 Series B	Variable ⁽¹⁾	2044	150,000,000
2017 Series C	Variable ⁽¹⁾	2047	115,000,000
2019 Series A	5.00%	2047	153,820,000
2019 Series B	3.875%	2047	26,665,000
2019 Series C	Variable ⁽¹⁾	2047	67,355,000
2020 Series A	2.06%	2021-2034	10,705,000
Total Utilities System Revenue Bonds			<u>\$1,637,880,000</u>
Subordinate Utilities System Revenue Bonds:			
2018 Series A	Variable ⁽⁵⁾	2021	<u>\$0</u>
Total Subordinated Utilities System Revenue Bonds			<u>\$0</u>

[Footnotes appear on following page]

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- (1) See Note 7 to the audited financial statements of the System for the fiscal year ending September 30, 2020 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.
- (2) 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.
- (3) 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.
- (4) These bonds were issued as "Build America Bonds." The City receives 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.
- (5) The Line of Credit Loans were issued in the principal amount outstanding not to exceed of \$25,000,000 for the STI Loan and \$50,000,000 for the Truist Loan, and mature on August 3, 2021 and April 29, 2022, respectively. The Line of Credit Loans are subject to optional redemption at any time. There is currently no amount outstanding under the Line of Credit Loans and such loans are Subordinated Indebtedness under the Resolution.

APPENDIX D attached hereto shows total debt service requirements on all Bonds Outstanding as of October 1, 2020.

FINANCIAL AND BUDGETARY CONSIDERATIONS

Three significant factors impacting GRU are an uncompetitive renewable energy resource, a significant General Fund transfer, and a City Commission unfunded mandate to reach a goal of net-zero carbon emissions by 2045. GRU has historically held a diverse power supply. Prior to the fiscal year ending September 30, 2013, GRU, under the direction of the City Commission, was directed to enter into a power purchase agreement ("PPA") for the DHR Biomass Plant to support renewable energy. While GRU has invested in renewable resources more than other similarly situated public electric utilities in the Southeast US, the largest renewable energy investment in biomass is currently uncompetitive when compared to current natural gas pricing in conjunction with the debt service related to the purchase of DHR Biomass Plant. See "THE SYSTEM – The Electrical System – Renewable Energy" herein for more information.

GRU makes a significant annual General Fund transfer to support General Government City provided services. A large portion of the City is exempt from ad valorem taxation (the City is home to the University of Florida which owns a significant portion of property not on the tax rolls) which creates a reliance on the General Fund transfer from the Utility to fund the gap in revenues necessary to provide City services. The transfer has increasingly been funded out of reserves, not current GRU earnings. GRU has been working with the City Commission and General Government of the City to determine a solution that would reduce the amount of the General Fund transfer to be at or below the System's earnings since December 2018. See "THE SYSTEM - Management's Discussion of System Operations – Transfers to the General Fund" herein for more information.

Finally, the City Commission has demonstrated an intent to reach a goal of net-zero carbon emission by 2045; however, that mandate is unfunded. These factors have resulted in relatively high rates and debt service with expectations that both could increase significantly in the future, combined with a rate base that has the following characteristics: low growth, conservation oriented and below average median household incomes relative to other areas in Florida.

After a review of these factors, recently, one of the ratings on GRU debt was downgraded by S&P Global to below those of peer group utilities based on the above-described factors, which is expected to increase interest costs and the costs of credit support and has increased the potential for interest rate swap collateral postings.

In response, on June 7, 2021, the City Commission approved a multifaceted approach to stabilize GRU. This consisted of the following: a significant rate increase for fiscal year 2022 in the Electric system of 7% and 5% in the Wastewater system; direction to increase rates in the electric and wastewater systems each year over the next 5 years of 3% and 5 %, respectively, through a rate ordinance; and direction for a resolution to reduce the General Fund transfer by \$2 million a year through the fiscal year ending September 30, 2027. These actions are expected to provide near term and intermediate-term financial support to GRU, maintain historical debt service coverage levels, and provide necessary capital funding and service levels. While GRU continues to face long-term limited financial flexibility, GRU believes that these actions will be viewed favorably by the rating agencies.

In an ongoing attempt to create more financial flexibility, GRU continually evaluates refunding opportunities (market dependent), legal defeasance opportunities (market dependent), optimal levels of service, appropriate level of cash reserves, and appropriate balance between pay-go and debt funding of capital needs in the System. While GRU constantly examines potential transactions to create more financial flexibility, each are market dependent, and GRU can give no assurances that some, all or none of the remaining approved transactions will be executed. GRU continues to remain in compliance with the covenants required by the Resolution, including those related to debt service coverage. For more information, see within "THE SYSTEM" section the following subsections: "--The Electric System", "--Rates", and "--Management's Discussion of System Operations-Transfer to General Fund," "--Management's Discussion of System Operations-Liquidity Position," and "--Management's Discussion of System Operations-Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition." Also, see "RATINGS" herein.

On June 7, 2021, the City Commission voted to accept GRU's recommendations of:

1. A 7% increase in electric rates for the fiscal year ending September 30, 2022.
2. A 5% increase in wastewater rates for the fiscal year ending September 30, 2022.
3. Conceptual approval of an annual General Fund transfer of approximately \$2 million less than such transfer in the fiscal year ended September 30, 2021, each year through and including the fiscal year ending September 30, 2027, expected to be formally adopted by the City Commission by September 2021.
4. Approval to bring back a rate ordinance for further rate increases through the fiscal year ending September 30, 2027 (potentially 3% annual increase in electric rates and 5% annual increase in wastewater rates), expected to be formally adopted by the City Commission by September 2021.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the 2021A Bonds are as follows:

SOURCES OF FUNDS

Principal Amount	\$
[Net] Original Issue Premium/Discount	

TOTAL SOURCES	\$
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USES OF FUNDS

Deposit to 2021 Project Accounts	\$
Deposit to 2021 Green Project Accounts	
Deposit to Interest Account ⁽¹⁾	
Costs of Issuance ⁽²⁾	

TOTAL USES	\$
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⁽¹⁾ Capitalized interest.

⁽²⁾ Includes legal and financial advisory fees, Underwriters' discount, printing costs, rating agency fees and other costs of issuance of the 2021A Bonds.

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The following table shows debt service on the 2021A Bonds issued pursuant to the Resolution:

DEBT SERVICE SCHEDULE FOR 2021A BONDS

Bond Year Ended <u>October 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
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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 2021A Bonds.

SECURITY FOR THE BONDS

Pledge Under the Resolution

All Bonds issued under the Resolution, including the 2021A 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.

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 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 2021A BONDS

General

The 2021A 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, 20____, 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 2021A 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 2021A BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE 2021A BONDHOLDERS OR REGISTERED OWNERS OF THE 2021A BONDS SHALL MEAN CEDE & CO. AND WILL NOT MEAN

THE BENEFICIAL OWNERS OF THE 2021A BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2021A BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE 2021A BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE 2021A BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2021A BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE 2021A 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 2021A Bonds. The 2021A 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 2021A Bond certificate will be issued for each maturity of each series of the 2021A 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.

Purchases of 2021A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021A 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 2021A 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 2021A Bonds, except in the event that use of the book-entry system for the 2021A Bonds is discontinued.

To facilitate subsequent transfers, all 2021A 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 2021A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021A 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 2021A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2021A Bonds may wish to ascertain that the nominee holding the 2021A 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 2021A 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 2021A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest on the 2021A 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 2021A 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 2021A 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, 2021A Bonds certificates will be printed and delivered to DTC.

Redemption Provisions

Optional Redemption of 2021A Bonds. The 2021A Bonds maturing after October 1, ____ 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 2021A 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 2021A Bonds to be redeemed plus accrued interest, if any, to the redemption date:

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

*Final Maturity.

The 2021A 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 2021A Bonds to be Redeemed" below. So long as a book-entry system is used for determining ownership of the 2021A Bonds, DTC or its successor and Direct Participants and Indirect Participants will determine the particular ownership interests of 2021A Bonds maturing October 1, ____ and ____ to be redeemed through mandatory sinking fund installments.

In determining the amount of 2021A 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 2021A 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 2021A 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.

Notice of Redemption

The Trustee shall give notice, in the name of the City, of the redemption of such 2021A Bonds, which notice shall specify the Series and maturities and interest rates within maturities, if any, of the 2021A 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 2021A 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 2021A Bonds so to be redeemed, and, in the case of 2021A 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 2021A Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of 2021A 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 2021A Bonds or portions of 2021A 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 2021A 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 2021A 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 2021A Bonds) on or prior to the Business Day preceding the redemption date of a written notice of the City specifying that the 2021A 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 2021A 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 2021A Bonds to be Redeemed

If fewer than all of a Series of 2021A Bonds subject to optional redemption are called for optional redemption, such Series of 2021A 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 if less than all of a Series of 2021A Bonds of a maturity or a Sinking Fund Installment shall be called for redemption, such Series of 2021A Bonds or Sinking Fund Installment to be redeemed shall be selected by lot within such maturity. In any event, the portion of 2021A Bonds to be redeemed in part shall be in principal amounts of \$5,000 or any integral multiple thereof.

Negotiability, Transfer and Registry

The 2021A 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 2021A Bond the City shall issue in the name of the transferee a new 2021A Bond of the same aggregate principal amount and Series, maturity and interest rate as the surrendered 2021A Bond.

The City and each Fiduciary may deem and treat the person in whose name any 2021A Bond shall be registered upon the books of the City as the absolute owner of such 2021A Bond, whether such 2021A 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 2021A 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 2021A 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 2021A Bonds; Interest Rights Reserved

Interest on any 2021A 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 2021A 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 2021A Bond, is the 15th day of the calendar month next preceding such interest payment date.

Any interest on any 2021A 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 2021A 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 2021A 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 2021A Bondholder at such 2021A 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 2021A Bond delivered under the Resolution upon transfer of or in exchange for or in lieu of any other 2021A Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other 2021A 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 2020 population of 271,588 in the County with an estimated 135,097 persons residing within the City limits. The economic base of Gainesville consists primarily of light industrial, commercial, health care and educational activities. The University of Florida is the State's oldest university and, with approximately 56,500 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 Gail Johnson, At Large	November 2024
Commissioner David Arreola, District 3.....	November 2022
Commissioner Desmon Duncan-Walker, District 1	November 2024
Commissioner Adrian Hayes-Santos, District 4	November 2022
Commissioner Reina Saco, At Large	November 2024
Commissioner Harvey Ward, District 2.....	November 2022

Charter Review Commission

Pursuant to Section 5.01 of the City Charter, the City is required to convene a City Charter Review Commission ("CCRC") every 10 years to consider recommending amendments to the City's Charter. In May 2019, the City Commission appointed members to the CCRC and they began a series of meetings in which they proposed Charter amendments. On May 11, 2020, the City Commission approved the following CCRC proposed Charter amendment that affects the System to appear on the November 2020 ballot:

"The City Commission may not, in any manner, dispose of or agree to dispose of the following City Utility Systems, or any part thereof, so as to materially reduce the capacity of that system to produce, distribute or treat:

- (1) Electric System;
- (2) Water System;
- (3) Natural Gas System

- (4) Wastewater System; or
- (5) Telecommunications System.

Unless the City Commission first adopts an ordinance approving of the disposition and submits that ordinance to referendum vote and such referendum is approved by a majority vote of the qualified electors of the City voting at the election for the purpose of approving the ordinance."

The citizens approved the amendment on November 3, 2020 and it became effective 90 days after the vote.

State Audit of the City

By letter dated October 24, 2019, State Senator Keith Perry and State Representative Chuck Clemons requested "that the Joint Legislative Auditing Committee direct the Auditor General to conduct a comprehensive and in-depth audit of the operational practices and managerial oversight of the City." At its meeting on November 14, 2019, the Joint Legislative Auditing Committee approved that request as reflected in the official meeting summary: "Representative Caruso moved that the Committee direct the Auditor General to perform an operational audit of the City. The Auditor General, pursuant to the authority provided in Section 11.45(3), Florida Statutes, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Senator Perry and Representative Clemons, as included in their request letter and the staff analysis, are considered. Motion passed unanimously." The objectives of the audit are to obtain an understanding and evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste or abuse and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements and other guidance. The field work for the audit is ongoing.

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 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 99,200 customers (11,322 of which were commercial and industrial customers) in the fiscal year ended September 30, 2020, and having a maximum net summer generating capacity of 631 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 73,704 and 65,797 customers, respectively, in the fiscal year ended September 30, 2020. In the fiscal year ended September 30, 2020, the water system had an average annual daily flow ("AADF") of 22.5 million gallons per day ("Mgd") and the wastewater system had an AADF of 17.2 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 35,982 customers in the fiscal year ended September 30, 2020.

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 350 internet access customer connections with 47 Multiple Dwelling Unit communities in the fiscal year ended September 30, 2020.

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. There are two non-voting members, one appointed by the Alachua County Board of County Commissioners and one appointed by the Alachua County School Board. 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.

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 seven 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, Certified Public Finance Officer, and Certified Government Finance Officer. Ms. Rasnick oversees the operations of the Budget, Finance, and Accounting divisions and works closely with the Executive and Leadership teams regarding strategic planning, long range capital infrastructure forecasting, and for all financial matters. She directs the preparation and submission of the annual budget process to the City Commission, the preparation and submission of all debt related transactions to the City Commission, directs the overall System's complex debt portfolio, the annual audit process, and other financial matters. She serves on the Finance and Audit Committee for The Energy Authority.

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.

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.

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.

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. 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. 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. Kinn'zon Hutchinson, Interim Chief Customer Officer, has been an integral part of GRU and the City of Gainesville for the past decade, progressing from an energy analyst/program manager to his current position. Throughout his tenure, Mr. Hutchinson has established relationships throughout the

utility while helping to build a people-centered environment that focuses on providing world-class service to GRU's customers. In addition to his work at GRU and with General Government, Kinn'zon brings several years of private-sector experience. Mr. Hutchinson is currently responsible for customer service, billing, collections, mail services, quality control, facilities, purchasing, stores & warehouses, cashiers, energy and business services and new services.

S. Yvette Carter, Chief Inclusion Officer, joined the System in January 2012 and has more than 22 years of experience with community outreach, community partnerships, and diversity work. Before her current appointment, Ms. Carter served progressively as a Community Relations Coordinator, Community Relations Director, and Community and Government Relations Officer. Ms. Carter leads GRU's inclusion and cultural competency initiatives and works closely with the City of Gainesville's Equal Opportunity office on equity efforts. Ms. Carter graduated from the University of Florida with a Bachelor of Science degree in Family, Youth and Community Sciences with a concentration in Community Development, and a minor in Education. Additionally, Ms. Carter is responsible for the utility's community outreach, community partnerships, and community investments.

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. She is a Charter Officer.

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 883 persons. All personnel are City employees and are solely under the management of the City. Florida law prohibits public employees from striking.

Management believes that the City's labor relations with respect to the System are excellent. Approximately 586 of the System's employees are represented by Local No. 3170 of the Communications Workers of America (the "CWA"). The City's collective bargaining agreement with the CWA expires on December 31, 2021. Negotiations commenced on May 24, 2021, and both parties are confident a new three-year agreement will be presented to the CWA members for ratification in late 2021.

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 37% 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 had a territorial agreement with Clay which expired in 2017.

Customers

The System has experienced modest growth in customers averaging 0.98% per year since 2016. The following tabulation shows the average number of electric customers for the fiscal years ended September 30, 2016, through and including September 30, 2020.

	Fiscal Years ended September 30,				
	2016	2017	2018	2019	2020
Retail Customers (Average):					
Residential	84,069	85,229	86,952	86,917	87,878
Commercial and Industrial	10,726	11,043	11,220	11,244	11,322
Total	94,795	96,272	98,172	98,161	99,200

Of the 99,200 customers in the fiscal year ended September 30, 2020, 11,322 commercial and industrial customers provided approximately 53% of revenues from retail energy sales.

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	2.8%
2	Shands Teaching Hospital and Clinics, Inc.	2.2
3	Alachua County Public Schools	2.1
4	VA Medical Center	1.7
5	City of Gainesville	1.7
6	North FL Regional Medical Center	1.7
7	Publix Super Markets, Inc.	1.7
8	University of Florida	1.5
9	Alachua County Board of Commissioners	1.2
10	Sivance, LLC	0.7
	Top 10 Electric Customers	17.3%
	Fiscal Year 2020 Electric Revenue* (000)	\$274,426

*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, Inc. 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, 2020 and 2019. The System's aggregate obligation for TEA's natural gas marketing transactions, under similar agreements and executed guaranties as of September 30, 2020 and 2019, was \$9.9 million and \$7.3 million, respectively.

For a discussion of the System's investment in TEA and its commitments to TEA as of September 30, 2020 and 2019, 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 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.

Retail and Wholesale Energy Sales

In the fiscal year ended September 30, 2020, the System sold 1,932,536 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, 2016 through and including September 30, 2020. Year-to-year variability is due primarily to the effects of weather on heating and cooling loads. For the fiscal year ended September 30, 2020, there was a 2.02% decrease 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, 2020, the System sold 132,004 MWh to Alachua and received \$7,699,949 in revenue from those sales, which represented approximately 6.83% of total energy sales (excluding interchange sales) and 2.95% of total sales revenues.

Retail and Wholesale Energy Sales

	Fiscal Years ended September 30,				
	2016	2017	2018	2019	2020
Energy Sales–MWh:					
Residential	819,431	796,851	821,821	843,879	847,562
General Service, Large					
Power and Other	977,797	963,123	989,213	993,756	952,970
Firm Wholesale ⁽¹⁾	220,890	218,732	221,309	156,824	132,004
Total	<u>2,018,118</u>	<u>1,978,706</u>	<u>2,032,343</u>	<u>1,994,459</u>	<u>1,932,536</u>
Average Annual Use per Customer–kWh:					
Residential	9,747	9,350	9,451	9,709	9,645
General Service, Large					
Power and Other	91,161	87,216	88,163	86,357	84,170

⁽¹⁾ Sales to the City of Winter Park, Florida began January 1, 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⁽¹⁾ **(Fiscal Years ended September 30)** **(dollars in thousands)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Revenues (Loss)	\$ 3,151	\$ 3,128	\$ 4,947	\$4,489	\$ 3,806
Percent of Total Electric System Net Revenues	3.81%	3.81%	10.6%	4.14%	3.23%

⁽¹⁾ 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, 2020, 0.20% 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 103 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 (the City Commission approved electric system revenue rate increases of 2% effective October 1, 2018 and 6.41% effective October 1, 2019 and anticipates at least annual 7% rate increases for the fiscal year ending September 30, 2022 and 3% increases in each of the fiscal years ending September 30, 2021 and 2024, respectively);
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. 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.

100% Renewable Power Generation by 2045

On October 18, 2018, the City Commission resolved to reach net zero community-wide greenhouse gas emissions by 2045. This will require the City to retire and/or place in cold backup mode GRU's fossil fuel plants, many of which are at or near the end of their useful lives (GRU has five plants over 38 years of age), and develop replacement renewable energy generation capabilities which comes at a high cost. Approximately one-third of GRU's current electric generation comes from renewable resources, which is substantially higher than any other Florida municipally-owned electric utility. Several proposals have been explored to mitigate these expenses.

In the fiscal year ending September 30, 2021, GRU will add 50 MW of solar through a power purchase agreement with Origis Energy which also includes possible future development of additional and supplemental solar power. However, future development is subject to the availability of affordable storage capacity which will help address the inherently inconsistent production of solar electricity due to intermittent cloud cover. In the fiscal year ending September 30, 2021, GRU has moved forward with a project to provide full dual fuel (coal and/or natural gas) operation of the Deerhaven coal plant. The timing of any such projects, in part, depends upon when cost-effective technological development and/or willing partnerships can be undertaken. GRU continues to explore cost-effective implementation of cleaner energy while also attempting to maintain affordable rates. Being an early adopter of renewable technology, such

as solar FIT and the biomass PPA, has been expensive for GRU and has consequently created upward pressure on electric rates. See "FINANCIAL AND BUDGETARY CHALLENGES" herein for more information.

Energy Supply System

Generating Facilities

The DHR Biomass Plant is an approximately 103 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 635 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.

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The generating facilities are set forth in the following table and described herein.

Existing Generating Facilities		Fuels		Net Summer Capacity (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
				108
<u>Deerhaven Generating Station</u>				
	Steam Unit 2	Bituminous Coal	—	228
	Steam Unit 1	Natural Gas	Residual Fuel Oil	75
	Combustion Turbine 3	Natural Gas	Distillate Fuel Oil	71
	Combustion Turbine 2	Natural Gas	Distillate Fuel Oil	17.5
	Combustion Turbine 1	Natural Gas	Distillate Fuel Oil	17.5
				409
<u>South Energy Center</u>				
	SEC-1	Natural Gas	—	3.8
	SEC-2	Natural Gas	—	7.4
				11.2
<u>DHR Biomass Plant</u>				
		Biomass	—	103
<u>Total Owned Resources</u>				
				631.2
<u>Baseline Landfill</u>				
		Landfill Gas	—	3.7
Total Available Capacity				
				634.9

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. The JRK Station is a combined cycle plant with a combustion turbine (CT4) that was put in service in 2001, and is coupled with a steam turbine (Unit #8) commissioned in 1964. This steam turbine was repowered from a previous generating unit, and through lifetime assessment was determined to be at the end of its life by 2022. **[In the fiscal year ending September 30, 2021, this steam turbine (Unit #8) will be replaced, and associated generator will allow continued operation of CC1 as GRU's most cost effective unit.]** Upon commissioning of the new Unit #8, GRU will be conducting performance test in summer/fall of 2021 to determine new operating capacity. 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. DH2 is being converted to a natural gas fired unit in the fiscal year ending September 30, 2021, and once commissioned on natural gas, GRU will conduct performance test to determine the unit capacity on 100% natural gas. DH2 gasification project will retain the capability to burn coal, therefore it will be a dual fuel capable unit. Two combustion turbines are rated at 17.5 MW each and the third combustion turbine is rated at 71 MW. All three combustion turbines have natural gas as their primary fuel and 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. 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"). Most fly ash is transported to external customers for manufacturing cement and the scrubber by-product is reused in the land neutralization process. DH 2 has an AQCS consisting of an electrostatic precipitator and fabric filter for particulate control, a dry circulating scrubber for sulfur dioxide ("SO₂"), acid gas, and mercury ("Hg") reduction, and a selective catalytic reduction ("SCR") system for reduction of the oxides of nitrogen ("NO_x") 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 ensure 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.]**

Such facilities are nearing the end of their useful lives over the next six years will require constructing replacement power generation in the near future (specifically, DH 1 will be decommissioned as early as 2023, two of the three Deerhaven combustible turbines will be decommissioned as early as 2027 and DH 2 will be decommissioned as early as 2032).

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.

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 2020, the South Energy Center provided 1.76% 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 Shands Teaching Hospital and Clinics, Inc. (Shands and its affiliates and certain components of the University of Florida Health Science Center use the name "UF Health" for marketing and branding of its health system). 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_x and fabric filters for particulate control. The type of fuel to be employed makes it unnecessary to control SO₂ 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 30-103 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 2020, net energy for load ("NEL") was served as follows: natural gas 60.6%, biomass 19.0%, coal 10.9%, landfill gas 1.0%, and solar 1.0%. 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 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 had a long-term transportation contract for coal with CSX Transportation that expired December 31, 2019. **[The System currently has coal inventory on hand and staff is 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 2020, the System consumed 12,311,657 million British thermal units ("MMBtu") of natural gas in electric generation and 2,045,027 MMBtu for the gas distribution system. The average cost of gas delivered to the System was \$2.35/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 2020, fuel oil accounted for a negligible amount 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. 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 \$204 million in capital expenditures between fiscal years ended September 30, 2021 through and including 2025 which includes the DHR Biomass Plant. The five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2020 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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
\$79,852,466	\$31,684,613	\$29,863,757	\$29,796,717	\$32,393,436	\$203,590,989

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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) ⁽¹⁾	Firm Interchange Sales (MW)	Peak Load (MW) ⁽²⁾	Actual / Projected Planning Reserve Margin	
				MW	Percent
Historical					
2016	631	0	428	203	47%
2017	627	0	418	209	50
2018	635	0	408	227	56
2019	635	0	429	206	48
2020	635	0	425	210	49
Projected					
2021	635	0	425	210	49
2022 ⁽³⁾	635	0	398	237	60
2023	587	0	399	188	47
2024	584	0	401	183	46
2025	584	0	403	181	45

(1) Based upon summer ratings. Imported firm capacity has been adjusted for losses in the table above. The DHR Biomass Plant is 103 MW and is included in projected values. Does not include Solar FIT.

(2) Source: GRU 2021 Ten Year Site Plan, Schedule 7.1.

(3) 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 potentially 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, 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 coal transportation contract expired December 31, 2019. **[Any update/new contract?]** 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 units, 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 continuously works with TEA to update the IRP with current data, including looking at adding a portion of a solar farm. The IRP recommends 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. GRU intends to conduct another IRP Study in 2023 once the performance data for the DH2 gasification project becomes available, and after a new turbine and generator for Kelly Unit #8 are integrated.

In the fall of 2016, GRU applied for a Point-to-Point Transmission Service Request ("TSR") with Duke Energy Florida ("DEF") and 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 8.8 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, 15 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 18.5 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 73% 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 water customer growth of 0.78% 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, 2016 through and including 2020.

	Fiscal Years ended September 30,				
	2016	2017	2018	2019	2020
Customers (Average)	71,546	72,136	73,043	73,078	73,704

Most of the System's individual water customers are residential. Commercial and industrial customers comprised approximately 8.6% of the 73,704 average customers in the fiscal year ended September 30, 2020, and 62% of all water sales revenues were from residential customers.

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	5.4%
2	GRU	1.4
3	North FL Regional Medical Center	0.8
4	City of Gainesville	0.6
5	Shands Teaching Hospital and Clinics, Inc.	0.6
6	Alachua County Public Schools	0.6
7	VA Medical Center	0.6
8	Celebration Pointe Holdings, LLC	0.5
9	Alachua County Board of Commissioners	0.5
10	Sivance, LLC	0.4
Top 10 Water Customers		11.3%
Fiscal Year 2020 Water Revenue* (000)		\$37,355

*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 15 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 is replacing the original large electrical equipment, generator, conductors, and constructing 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 was substantially completed in fiscal year 2020.]**

Raw water requirements for the water system are supplied by fifteen (15) 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 fifteen (15) 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 29 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 \$66.6 million in capital expenditures for the fiscal years of September 30, 2021 through and including 2025. The five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2020 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,					
<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
\$19,936,447	\$12,127,680	\$10,922,117	\$11,852,500	\$11,777,500	\$66,616,244

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, 2020, the AADF was 17.2 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 wastewater customer growth of a 0.52% average 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, 2016 through and including 2020.

	Fiscal Years ended September 30,				
	2016	2017	2018	2019	2020
Customers (Average)	64,781	65,591	66,483	66,638	65,797

The composition of the System's wastewater customers is predominantly residential. Commercial and industrial customers comprised approximately 6.7% of the 65,797 average customers in the fiscal year ended September 30, 2020, and residential customers were the source of 68% of all the wastewater system's revenues in the fiscal year ended September 30, 2020.

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.

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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	1.0%
2	North FL Regional Medical Center	0.9
3	Sivance LLC	0.7
4	Shands Teaching Hospital and Clinics, Inc.	0.7
5	Alachua County Board of Commissioners	0.6
6	City of Gainesville	0.6
7	State of FL, Department of Children & Family Services	0.5
8	Beazer East Incorporated	0.5
9	Celebration Pointe Holdings, LLC	0.4
10	Cabot Carbon Oper Jumpstart	0.4
Top 10 Wastewater Customers		6.3%
Fiscal Year 2020 Wastewater Revenue* (000)		\$45,503

* 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 meets permitted capacity for 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 is a 7.5 Mgd AADF advanced secondary activated sludge domestic wastewater treatment facility. The plant includes pretreatment processes comprising of mechanical bar screens, grit removal units and odor control. The biological treatment process consists of three aeration basins and 11 surface aerators. The facility has three secondary clarifiers, sand filtration systems, and disinfection. Biosolids from the plant are treated via aerobic digestion, are thickened and are hauled to the KWRF facility where it is combined with KWRF biosolids for beneficial reuse and/or disposal in accordance with State and local 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 April 15, 2025.

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. Reclaimed water is also provided for cooling at the System's Innovation Energy Center chilled water facility (see "- Management's Discussion of System Operations – Competition" herein). The System provides reclaimed water for irrigation at Depot Park (MGP remediation site) (see "- The Natural Gas System – Manufactured Gas Plant" below), the RTS Bus Station, South Main Street landscaping, and the Innovation Square Complex. The

MSWRF is permitted to provide reclaimed water for future irrigation and cooling uses that develop near the pipeline corridor.

The MSWRF capacity and renewal upgrade projects are scheduled to be completed over the next 5-10 years at an estimated cost of \$50 million, and is part of the five-year capital improvements program. The MSWRF began treating wastewater in the 1920's and has undergone numerous expansions and upgrades. The plant currently is in need of replacing the aging infrastructure and adding treatment capacity for the future. The MSWRF capacity and renewal upgrade will address most of the treatment processes at the facility with multiple equipment and capacity upgrades. Headworks will be replaced with new structures including improved screening, grit removal, and flow transfer and management. The east aeration process will be replaced with new technology and the existing technology will be upgraded in the center and west aeration basins to achieve better treatment including increased phosphorus removal. Improvements will be made as needed to clarification, filtration, and disinfection to allow the plant to meet an annual average capacity of 10 MGD. Upgrades to the electrical primary and secondary will be coordinated with GRU's Energy Delivery department. Secondary electrical upgrades will also include whole-plant generation that will power the facility in the event of an energy transmission issue.

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. **[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. 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 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. The KWRF NPDES permit is a 5-year permit that expired December 17, 2020. The State provided an administrative extension for the current permit to allow for additional review time. **[The intent to issue the permit was published on March 8, 2021 and the final permit should be issued by FDEP on April 7, 2021. This permit will have a 5-year duration.]**

The KWRF is permitted to discharge 10 Mgd AADF into a Class G-II groundwater in the Floridan aquifer. This discharge is permitted as groundwater recharge. The remaining treated effluent is permitted for slow-rate public access reuse. 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. The KWRF is permitted for emergency discharge to Lake Kanapaha.

All of the water treated by the MSWRF and the KWRF are beneficially reused. In fiscal year 2020, the System beneficially reused over 6 billion gallons of 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.

In the fiscal years ended September 30, 2020 and 2019, the System delivered approximately 4.3 Mgd AADF and 3.9 Mgd AADF, respectively, of reclaimed water for irrigation, industrial cooling and aquifer recharge projects. 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 lining, in which a cured in place fiberglass sleeve is installed in the pipe. The System performs lining using its own crews. In addition, the System routinely utilizes contractors to perform lining of longer segments of piping. As a result of the use of lining, infiltration and inflow to the System are reduced. 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 176 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 \$139 million in capital expenditures for the fiscal years ending September 30, 2021 through and including 2025. The five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2020 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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
\$31,307,711	\$25,516,492	\$29,908,552	\$28,172,000	\$24,226,000	\$139,130,755

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 120 square miles and provides service to 29% 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 6% of total retail gas sales of the System. 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. A franchise agreement was entered into with Alachua in _____. A new agreement is being negotiated with Alachua and with Newberry.

Customers

The following tabulation shows the average number of natural gas customers for the fiscal years ended September 30, 2016 through and including 2020. 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,				
	2016	2017	2018	2019	2020
Customers (Average)	34,496	34,942	35,389	35,622	35,982

The composition of the System's natural gas customers is predominantly residential. Commercial and industrial customers comprised approximately 4.7% of the 35,982 average customers served in the fiscal year ended September 30, 2020 while approximately 95.3% were residential customers. Residential customers accounted for approximately 47% of the natural gas system's revenues in the fiscal year ended September 30, 2020.

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	7.1%
2	VA Medical Center	3.2
3	North FL Regional Medical Center	2.7
4	WCA of Florida, LLC	2.1
5	Alachua County Board of Commissioners	1.4
6	Florida Power Corporation	1.4
7	Sivance LLC	1.2
8	Shands Teaching Hospital and Clinics, Inc.	1.2
9	Preferred Materials, Inc.	1.1
10	Ology Bioservices, Inc.	1.1
Top 10 Gas Customers		22.5%
Fiscal Year 2020 Gas Revenue* (000)		\$24,819

*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, 2020 was \$3.94/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 818 miles of gas distribution mains. The predominant and standard pipe materials in service are polyethylene (625 miles) and coated steel (190 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. All of the cast iron pipe has been replaced and the remaining approximately 3 miles of older materials are scheduled for replacement under GRU's Distribution Integrity Management Program by the end of 2021. The replacement program reduces operation and maintenance costs associated with leak repairs. Typically, GRU's unaccounted for gas (gas bought versus gas sold) is less than 1% indicating a very tight system and good measurement.

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, 2020 and 2019, expenditures which reduced the liability balance were approximately \$1.1 million and 1.2 million each year, respectively. The reserve balance at September 30, 2020 and 2019 was approximately \$841,000 and \$980,000, 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, 2020 and 2019, customer billings were \$1.1 million and \$1.2 million each year, respectively. The regulatory asset balance was \$9.8 million and \$11 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 \$24.6 million in capital expenditures during the fiscal years ended September 30, 2021 through and including 2025. The five-year capital improvement program is outlined below and reflects the approved

program from the fiscal year 2020 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,					
<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
<u>\$10,239,566</u>	<u>\$4,490,414</u>	<u>\$3,195,132</u>	<u>\$3,146,139</u>	<u>\$3,502,900</u>	<u>\$24,574,151</u>

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 GATOR_NET 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 13 trunked voice frequencies at six Antenna sites. 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, 2020, GRU had approximately 6,500 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, 2020, GRUCom had a total of 448 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, 2020, GRUCom had 350 Business Internet access customer connections and bulk residential Internet agreements with 47 MDU communities. GRUCom tower space leasing services are used primarily by wireless providers, which include cellular telephone and PCS companies. As of September 30, 2020, 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. As of September 30, 2020, the public safety radio system had 2,359 subscriber units in service.

<u>GRUCom Projected Revenue and Customer Count</u>					
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Telecom and Data Service Sales	\$7,216,966	\$7,460,180	\$7,665,394	\$7,953,822	\$8,244,389
TRS Sales	2,684,778	2,744,485	2,788,613	2,833,258	2,878,927
Tower Leasing Sales	1,986,101	2,039,213	2,093,855	2,109,895	2,083,763
Non-Standard Sales (Non-Recurring)	35,000	35,000	35,000	35,000	35,000
Total Revenue	<u>\$11,922,844</u>	<u>\$12,278,878</u>	<u>\$12,582,863</u>	<u>\$12,931,975</u>	<u>\$13,242,079</u>

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	Alachua County Board of Commissioners	9.6%
2	GRU	9.0
3	City of Gainesville	7.1
4	Verizon Wireless Personal Communications, LP	6.9
5	Alachua County Public Schools	6.9
6	AT&T Wireless	5.1
7	T-Mobile USA, INC	4.4
8	Interstate Fibernet, Inc.	2.8
9	Florida Phone Systems	2.3
10	Accelerationnet	2.0
Top 10 GRUCom Customers		56.1%
Fiscal Year 2020 GRUCom Revenue* (000)		\$13,363

*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, 2020, GRUCom had 559 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 13 simulcast voice and two additional mutual aid channels.

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 \$9 million in capital expenditures for years ended September 30, 2021 through and including 2025. The five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2020 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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
\$1,563,810	\$1,180,801	\$1,110,442	\$2,032,644	\$3,100,164	\$8,987,861

Potential Transfer or Changes to GRUCom

GRU has been reviewing the financial viability and the advantages and disadvantages of continuing to own and operate GRUCom as a stand-alone system. GRUCom is operating at a financial loss each year and is projected to operate at a loss going forward. However, a large portion of GRUCom's infrastructure and operations is necessary for total System operations. Consideration and analysis about any transfer of ownership or changes are preliminary and speculative at this time. If any transfer or changes to GRUCom are considered in the future, such transfer or change must be made in accordance with the requirements of the Bond Resolution, and GRUCom and the related revenues, expenses and capital funding requirements would no longer be part of the System following such transfer or change. At this time, it is unclear whether any transfer may occur and, if it occurs, under what terms and conditions such transfer would occur under. For more information regarding transfer of assets of the System, see APPENDIX C attached hereto.

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. In order to further create financial flexibility (the City Commission approved a 7% increase in electric rates for the fiscal year ending September 30, 2022 and a 5% increase in wastewater rates for the fiscal year ending September 30, 2022):

	Fiscal Year Ending September 30,					
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Electric	7.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Water	0.00	0.00	0.00	0.00	0.00	0.00
Wastewater	5.00	5.00	5.00	5.00	5.00	5.00
Gas	0.00	0.00	0.00	0.00	0.00	0.00

In addition, the General Fund transfer formula was due for renegotiation during budget hearings in Summer 2020, however, as outlined below, the City Commission voted to leave the transfer amount for the fiscal years ending September 30, 2020 and 2021 equal to the level transferred in the fiscal year ended September 30, 2019. GRU anticipates that the General Fund transfer will be reduced each year by \$2 million beginning in the fiscal year ending September 30, 2022 through and including the fiscal year ending September 30, 2027, based on City Commission approval on June 7, 2021. Final approval of the General Fund transfer, reducing the amount by \$2 million per year through fiscal year 2027, is expected by September 2021. See "FINANCIAL AND BUDGETARY CHALLENGES" and "—Management's Discussion

of System Operations-Transfer to General Fund" herein for more information. GRU also continues to evaluate the optimal levels of service, the appropriate level of cash reserves, and the appropriate balance as between pay-go and debt funding of capital needs in the System.

Additionally, on June 7, 2020, the City Commission voted to accept GRU's recommendation to investigate a low income assistance program. At the City Commission's July 17, 2021 meeting, GRU will present the City Commission with additional details about the recommended program including eligibility requirements and guidelines for the program which will be designed to mitigate negative impacts to those most impacted by recommended rate increases.

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 2015 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⁽⁴⁾

	Percentage Base Rate Revenue Requirements <u>Increase/(Decrease)⁽¹⁾</u>	Percentage Fuel and Purchased Power Adjustment <u>Increase/(Decrease)⁽²⁾</u>	Total Residential Bill Percentage <u>Increase/(Decrease)⁽³⁾</u>
Historical (Fiscal Year Beginning):			
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 ⁽⁴⁾	31.40	(50.00)	(8.02)
October 1, 2018	2.00	0.00	1.55
October 1, 2019	6.41	10.00	7.13
October 1, 2020	0.00	(22.10)	(6.46)
Projected (Fiscal Year Projected (Fiscal Year Beginning): ⁽⁵⁾			
October 1, 2021	7.00	2.00	5.78
October 1, 2022	3.00	2.00	2.76
October 1, 2023	3.00	2.00	2.76
October 1, 2024	3.00	2.00	1.77
October 1, 2025	3.00	2.00	1.77

- (1) 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.
- (2) Historical change in weighted average retail fuel adjustment.
- (3) Based on residential monthly bill at 1,000 kWh.
- (4) Changes resulting from the acquisition of the DHR Biomass Plant.
- (5) 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, 2020, was \$7,762,392 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, 2020, 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	\$15.00
First 850 kWh, Total charge per kWh	\$0.0745
All kWh per month over 850, Total charge per kWh	\$0.0987

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	\$31.00
First 1,500 kWh per month, Total charge per kWh	\$0.0984
All kWh per month over 1,500, Total charge per kWh	\$0.1309

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	\$10.15
Total Energy charge, per kWh	\$0.0653

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	\$10.30
Total Energy charge, per kWh.....	\$0.0611

Customers in all classes are charged a fuel and purchased power adjustment. Chapter 203, Florida Statutes, imposes a tax at the rate of 2.56% 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.

Comparison with Other Utilities

The table below shows the average monthly bills for electric service for certain selected Florida electric utilities, including the System for the month of January 2021. Residential bills are commonly compared at 1,000 kWh in Florida, however GRU's customers typically average closer to 800 kWh per month.

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Comparison of Monthly Electric Bills⁽¹⁾

	Residential <u>1,000 kWh</u>	General Service		
		Non- Demand <u>1,500 kWh</u>	Demand 30,000 kWh <u>75 kW</u>	Large Power 430,000 kWh <u>1,000 kW</u>
Kissimmee Utility Authority	\$94.99	\$155.10	\$2,617.39	\$35,785.42
Lakeland Electric	\$99.87	\$145.04	\$2,388.17	\$33,030.39
Orlando Utilities Commission	\$109.50	\$168.02	\$2,515.40	\$34,160.00
Florida Power & Light Company	\$100.35	\$151.37	\$2,314.88	\$32,398.50
JEA	\$108.50	\$155.64	\$2,715.10	\$37,297.40
Tampa Electric Company	\$104.60	\$163.76	\$2,660.95	\$36,498.41
City of Tallahassee	\$110.50	\$141.31	\$2,675.22	\$36,210.54
Clay Electric Cooperative, Inc.	\$111.90	\$169.55	\$2,698.25	\$35,376.00
Ft. Pierce Utilities Authority	\$108.84	\$172.43	\$2,930.85	\$43,927.20
Ocala Electric Authority	\$120.64	\$177.16	\$2,867.19	\$40,890.42
Gainesville Regional Utilities	\$123.13	\$223.60	\$3,720.25	\$49,823.00
Duke (Energy Florida)	\$123.46	\$194.31	\$2,764.89	\$38,667.21
Gulf Power Company	\$136.73	\$206.51	\$2,903.37	\$40,385.80

⁽¹⁾ Rates in effect for January 2021 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 2015 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.

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Water System
Revenue Requirement and Total Bill Changes

	Percentage Revenue Requirement Increase ⁽¹⁾	Total Bill Increase ⁽²⁾
Historical		
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
October 1, 2019	0.44	0.46
October 1, 2020	0.00	0.00
Projected ⁽³⁾		
October 1, 2021	0.00	0.00
October 1, 2022	0.00	0.00
October 1, 2023	0.00	0.00
October 1, 2024	0.00	0.00
October 1, 2025	0.00	0.00

⁽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 2015 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 ⁽¹⁾	Total Bill Increase ⁽²⁾
Historical		
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
October 1, 2019	0.42	0.39
October 1, 2020	0.00	0.00
Projected ⁽³⁾		
October 1, 2021	5.00	5.06
October 1, 2022	5.00	4.97
October 1, 2023	5.00	5.01
October 1, 2024	5.00	5.04
October 1, 2025	5.00	5.05

⁽¹⁾ 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.

⁽²⁾ Based on monthly bill at 7 Kgal.

⁽³⁾ 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 became effective October 1, 2020.

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

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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	\$2.47 per 1,000 gallons
5,000 to 16,000 gallons	\$3.77 per 1,000 gallons
17,000 or more gallons.....	\$6.04 per 1,000 gallons

Commercial

Customer Billing Charge	Based on meter size
Consumption Rate	\$3.87 per 1,000 gallons

University of Florida

Customer Billing Charge	Based on meter size
Consumption Rate:	
On-campus facilities	\$2.65 per 1,000 gallons
Off-campus facilities.....	\$3.23 per 1,000 gallons

City of Alachua⁽¹⁾

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 ⁽²⁾	\$6.33 per 1,000 gallons

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

⁽²⁾ 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.

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Comparison with Other Cities

The System's average water and wastewater charges are compared to those other Florida cities for the month of January 2021 in the table below.

**Comparison of Monthly Residential Water
and Wastewater⁽¹⁾**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Ocala	\$17.12	\$45.84	\$62.96
Orlando	15.98	56.69	72.67
Tampa	25.29	49.79	75.08
Lakeland	26.43	50.10	76.53
Jacksonville	23.37	52.35	75.72
Gainesville Regional Utilities	30.64	53.41	84.05
Pensacola (ECUA)	30.90	53.86	84.76
Tallahassee	28.52	66.03	94.55
Ft. Pierce	41.64	56.29	97.93

⁽¹⁾ Comparisons are based on 7,000 gallons of metered water and 7,000 gallons of wastewater treated and rates in effect for January 2021. 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, 2020, transmission and distribution/collection system connection charges for individual lots are \$479 to connect to the water system and \$796 to connect to the wastewater system. Water and wastewater plant connection charges for individual lots are \$722 and \$2,732, respectively. The water meter installation charge is \$723 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 \$1,924 for new water service and the total wastewater connection charges are \$3,528 for new wastewater service. Total water and wastewater connection charges for a typical single family dwelling are \$5,452. Additionally, effective in the fiscal year ended September 30, 2020, 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 \$1,504 and the total wastewater connection charge is \$2,293. 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 \$1.28 million in water system improvements and \$4.69 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 and Ordinance No. 200129 on September 24, 2020 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 2015 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) ⁽¹⁾	Percentage Purchased Gas Adjustment Revenue Increase/(Decrease) ⁽²⁾	Total Bill Increase/(Decrease) ⁽³⁾
Historical			
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
October 1, 2019	0.57	9.68	2.45
October 1, 2020	0.00	(32.35)	(13.38)
Projected ⁽⁴⁾			
October 1, 2021	0.00	2.00	0.37
October 1, 2022	0.00	2.00	0.38
October 1, 2023	0.00	2.00	1.15
October 1, 2024	0.00	2.00	1.16
October 1, 2025	0.00	2.00	1.16

- ⁽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, 2020, are provided below by class of service:

Residential Service Rate	
Customer Charge	\$9.75 per month
Non-Fuel Energy Charge	\$0.634 per therm
Small Commercial Rate	
Customer Charge.....	\$20.00 per month
Non-Fuel Energy Charge.....	\$0.6237 per therm
General Firm Service Rate	
Customer Charge	\$45.00 per month
Non-Fuel Energy Charge	\$0.4426 per therm
Large Volume Interruptible Rate	
Customer Charge	\$400.00 per month
Non-Fuel Energy Charge	\$0.2712 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.

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Comparison with Other Utilities

The System's average natural gas charges are compared to those for eleven other municipal and private natural gas companies in the following table for the month of January 2021. The System's gas rates are among the lowest in the State.

Comparison of Monthly Natural Gas Bills⁽¹⁾

	Residential <u>25 therms</u>	General Firm <u>300 therms</u>	Large Volume <u>30,000 therms</u>
Gainesville Regional Utilities	\$32.74	\$263.46	\$17,104.00
Okaloosa Gas District	\$43.08	\$356.39	\$24,776.78
Tallahassee	\$35.16	\$333.06	\$20,045.01
Clearwater	\$38.75	\$340.00	\$23,350.00
City of Sunrise	\$46.66	\$394.79	\$20,040.02
Ft. Pierce	\$46.19	\$306.68	\$20,791.19
Kissimmee	\$56.25	\$417.70	\$33,411.40
Lakeland	\$56.25	\$417.70	\$33,411.40
Orlando	\$56.25	\$417.70	\$33,411.40
Tampa	\$56.25	\$417.70	\$33,411.40
Central Florida Gas	\$63.76	\$526.82	\$38,544.00
Pensacola	\$64.84	\$648.79	\$32,704.70

(1) Rates in effect for January 2021 applied to noted billing volume (excludes all taxes).

(2) 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.

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**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 January 2021, 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⁽¹⁾

	Based Upon Typical Average Usage by Residential Customers of the System ⁽²⁾	Based Upon Standard Industry Usage Benchmarks ⁽³⁾
Tampa	\$184.74	\$235.94
Kissimmee	\$186.80	\$227.78
Orlando	\$195.11	\$238.42
Lakeland	\$190.85	\$232.65
Gainesville Regional Utilities	\$184.26	\$239.92
Jacksonville	\$192.26	\$240.47
Tallahassee	\$189.76	\$240.22
Ocala	\$201.39	\$239.85
Clay County	\$201.70	\$241.42
Ft. Pierce	\$199.49	\$252.96
Pensacola	\$223.01	\$286.33

(1) Based upon rates in effect for January 2021 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.

(2) Monthly costs of service have been calculated based upon typical average annual usage by residential customers of the System 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.

(3) 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 2016, 2017, 2018, 2019 and 2020. 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, 2016, 2017, 2018, 2019 and 2020, referenced in APPENDIX B attached hereto or in prior audited financial statements.

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Fiscal Years Ended September 30, (in thousands)					
	2016	2017	2018	2019	2020
Revenues:					
Electric	\$308,071	\$317,644	\$285,720	\$287,070	\$274,426
Water	33,818	35,091	36,868	36,800	37,355
Wastewater	42,346	44,185	46,155	43,275	45,503
Gas	24,325	21,925	21,279	31,396	24,819
GRUCom	11,744	11,450	11,210	11,663	13,362
Total Revenues	<u>\$420,304</u>	<u>\$430,295</u>	<u>\$401,232</u>	<u>\$410,204</u>	<u>\$395,465</u>
Operation and Maintenance Expenses ⁽¹⁾ :					
Electric	\$225,290	\$235,525	\$177,687	\$178,700	\$156,485
Water	14,827	15,463	16,242	17,745	18,130
Wastewater	17,388	19,052	20,213	20,536	21,654
Gas	14,577	12,902	12,993	15,167	11,562
GRUCom	7,422	7,109	6,503	7,389	8,782
Total Operation and Maintenance Expenses	<u>\$279,504</u>	<u>\$290,051</u>	<u>\$233,638</u>	<u>\$239,537</u>	<u>\$216,613</u>
Net Revenues:					
Electric	\$82,781	\$82,119	\$108,034	\$108,370	\$117,941
Water	18,991	19,627	20,625	19,055	19,225
Wastewater	24,958	25,133	25,942	22,739	23,849
Gas	9,748	9,023	8,286	16,228	13,257
GRUCom	4,322	4,341	4,708	4,273	4,580
Total Net Revenues	<u>\$140,800</u>	<u>\$140,243</u>	<u>\$167,595</u>	<u>\$170,665</u>	<u>\$178,85</u>
Aggregate Debt Service on Bonds	\$55,822	\$55,989	\$89,236	\$90,191	\$96,710
Debt Service Coverage Ratio for Bonds	2.52x	2.50x	1.88x	1.89x	1.85x
Debt Service on Subordinated Indebtedness	<u>\$6,205</u>	<u>\$6,583</u>	<u>\$859</u>	<u>\$905</u>	<u>\$0</u>
Total Debt Service on Bonds and Subordinated Indebtedness ⁽²⁾	\$62,027	\$62,572	\$90,095	\$91,096	\$96,710
Debt Service Coverage Ratio for Bonds and Subordinated Indebtedness ⁽³⁾	2.27x	2.24x	1.86x	1.87x	1.85x

[Footnotes appear on following page]

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- (1) Includes administrative expenses. Excludes depreciation and amortization.
- (2) Maximum annual debt service is expected to increase to approximately \$99 million beginning in the fiscal year ending September 30, 2028. See APPENDIX D attached hereto.
- (3) 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 Series A Bonds, 2017 Series B Bonds and 2017 Series C 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.

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 7 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 was unchanged through the fiscal years ended September 30, 2016 and 2017. For fiscal years ended September 30, 2018 and 2019, revenue requirements increased by 2% each year as reflected in base rate charges. The electric system base rate revenue requirement increased by 6.41% for the fiscal year ended September 30, 2020 then was unchanged

at October 1, 2020. For the fiscal year ended September 30, 2016, 2017, 2018 and 2019, the electric system withdrew \$1.0 million, \$15.5 million, \$7.5 million and \$1.2 million, respectively, from the Rate Stabilization Fund. For the fiscal year ended September 30, 2020, the electric system withdrew approximately \$2.9 million from the Rate Stabilization Fund.

Energy sales (in MWh) to retail customers increased .66% per year from the fiscal year ended September 30, 2016 to the fiscal year ended September 30, 2020. The number of electric customers increased at an average annual rate of 0.98% for the fiscal years ended September 30, 2016 through and including 2020. Native load fuel costs for the electric system between the fiscal years ended September 30, 2015 and 2016 decreased by approximately \$10.2 million (7%). 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, 2017 to the fiscal year ended September 30, 2019 fuel costs decreased by approximately \$76 million (47%). From the fiscal year ended September 30, 2019 to the fiscal year ended September 2020, fuel costs decreased by approximately \$19 million (22%).

For the fiscal years ended September 30, 2016 through and including 2020, natural gas sales decreased by 1.37% per year. The number of gas customers increased at an annual rate of approximately 1.05% between fiscal years ended September 30, 2016 and 2020.

The natural gas system base rate revenue requirement for the fiscal year ended September 30, 2016, increased by 4.75%. For the fiscal year ended September 30, 2017, the base rate revenue requirements increased by 9.0%. Base rates were not changed for the fiscal years ended September 30, 2018 and 2019. The natural gas base rate increased slightly by .57% for the fiscal year ending September 30, 2020 and remained unchanged at October 1, 2020. 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. For the fiscal year ended September 30, 2018, the natural gas system deposited \$3.9 million to the Rate Stabilization Fund. For the fiscal year ended September 30, 2019, the natural gas system withdrew approximately \$6.9 million from the Rate Stabilization Fund. For the fiscal year ended September 30, 2020, the natural gas system withdrew approximately \$1.9 million from 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 therms 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 \$9.8 million in the fiscal year ended September 30, 2020. See "-- The Natural Gas System – Manufactured Gas Plant" above. The MGP has billed at a rate of \$0.0556 per therms since October 1, 2014. Natural gas fuel cost decreased by approximately \$2.6 million (21%) between the fiscal years ended September 30, 2015 and 2016. Fuel costs increased by approximately \$1.4 million (17.8%) between the fiscal years ended September 30, 2016 and 2019 and decreased approximately \$2 million (26%) in the fiscal year ending September 30, 2020. 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, 2016 through and including 2020, sales increased by an average annual rate of 3.01% and customers grew 0.78%. Revenues from water sales increased by approximately \$3,536,222 for the fiscal year ended September 30, 2016 through and including 2020. 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 3.75% in the fiscal years ended September 30, 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 September 30, 2019 and there was a slight increase of .44% for the fiscal year ended September 30, 2020. The water base rate revenue requirement was unchanged at October 1, 2020. For the fiscal years ended September 30, 2016 and 2017, the water system contributed approximately \$3.3 million, and \$2.5 million, respectively, to the Rate Stabilization Fund. For the fiscal years ended September 30, 2018 and 2019, the water system contributed approximately \$400 thousand and \$1.4 million, respectively, to the Rate Stabilization Fund. For the fiscal year ended September 30, 2020, the water system contributed approximately \$2.7 million to the Rate Stabilization Fund.

Wastewater system billings generally track water system sales. From the fiscal year ended September 30, 2016 to 2020, the wastewater system billing volumes increased 2.06% per year. Revenues during this same period increased 7.46% due to the combination of billing volumes and base rate revenue requirement increases. Approximately 1.1% wastewater revenue was billed for the fiscal years ended September 30, 2019 and 2020.

Wastewater base rate revenue requirements were increased by 4.85% in the fiscal year ended September 30, 2016. For the fiscal years ending September 30, 2017 the requirement increased 3.0%. For the fiscal years ending September 30, 2018 and 2019 the base rate revenue requirement remained unchanged and there was a slight increase of .42% for the fiscal year ended September 30, 2020. The wastewater base rate revenue requirement was unchanged at October 1, 2020. For the fiscal years ended September 30, 2016 and 2017, the wastewater system deposited approximately \$2.1 million and \$850 thousand, respectively, to the Rate Stabilization Fund. For the fiscal years ended September 30, 2018 and 2019, the wastewater system contributed approximately \$1.1 million and \$2.2 million, respectively, to the Rate Stabilization Fund. For the fiscal year ended September 30, 2020, the wastewater system contributed approximately \$2.7 million to the Rate Stabilization Fund.

GRUCom's sales have changed from \$10.9 million in fiscal year ended September 30, 2015 to \$11.5 million in fiscal year ended September 30, 2020. This is a 3.09% increase in sales over this 6 year time period. Sales were \$10.9 million, \$11.7 million and \$11.2 million in fiscal years ended September 30, 2015, 2016 and 2017, respectively. Sales were \$11.4 million, \$11.2 million and \$11.5 million in fiscal years ended September 30, 2018, 2019 and 2020, respectively. For the fiscal year ended September 30, 2016, GRUCom contributed approximately \$7,400 to the Rate Stabilization Fund. For the fiscal years ended September 30, 2017, GRUCom withdrew approximately \$585 thousand from the Rate Stabilization Fund. For the fiscal year ended September 30, 2018, GRUCom contributed approximately \$138 thousand to the Rate Stabilization Fund. For the fiscal years ended September 30, 2019 and 2020, GRUCom withdrew approximately \$471 thousand and \$1.8 million, respectively, from the Rate Stabilization Fund. GRUCom has been operating at a financial loss and is projected to continue operating at a loss. As of September 30, 2020, GRUCom held a loan from other systems of \$4.8 million and is projected to incur additional loans of \$14 million to \$18 million through fiscal year ending September 30, 2027. GRU is currently analyzing the viability of GRUCom as a stand-alone system as a large portion of the infrastructure and operations of GRUCom are necessary for total System operations.

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 the fiscal years ended September 30, 2016 through and including 2020.

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 Line of Credit Loans that can be used to meet this liquidity target:

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Cash Reserve Targets:	\$75,800,000	\$78,100,000	\$80,400,000
Operating Cash	4,584,256	4,584,256	4,584,256
Rate Stabilization Fund	62,945,910	61,842,655	63,880,571
Utilities Plant			
Improvement Fund for			
Reserves	<u>51,667,909</u>	<u>38,187,802</u>	<u>18,335,880</u>
Total Cash Reserves	\$119,198,075	\$104,614,713	\$86,809,707
Line of Credit Loans ⁽¹⁾	75,000,000	75,000,000	75,000,000
Tax-Exempt CP Lines ⁽²⁾	125,000,000	125,000,000	125,000,000
Taxable CP Lines ⁽²⁾	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Total Liquidity and Lines	\$344,198,075	\$329,614,713	\$311,800,707
Over(Under) Target	\$268,398,075	\$251,514,713	\$231,400,707

(1) The expiration date of the STI Loan is August 3, 2021 and the Truist Loan is April 29, 2022.

(2) GRU maintains full capacity under each commercial paper program at least until the respective credit facility expiration dates of November 30, 2021 and June 30, 2025, 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 previously established a General Fund transfer formula for the System for fiscal year ended September 30, 2015 through and including 2019 pursuant to Resolution Number 140166, adopted on July 23, 2014, which formula expired on September 30, 2019. 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 increased each fiscal year over the period between fiscal year 2016 through fiscal year 2019 by 1.5%. The General Fund transfer was equal to 9.0% and 9.2% of the System's operating revenue for the fiscal years

ended September 30, 2018 and September 30, 2019, respectively. As of September 30, 2020 fiscal year end, the General Fund transfer was equal to 9.8% of the System's operating revenue.

The General Fund transfer formula was due for renegotiation during budget hearings in Summer 2020, however, as outlined below, the City Commission voted to leave the transfer amount for the fiscal years ending September 30, 2020 and 2021 equal to the level transferred in the fiscal year ended September 30, 2019. GRU anticipates that the General Fund transfer will be reduced each year by approximately \$2 million beginning in the fiscal year ending September 30, 2022 through and including the fiscal year ending September 30, 2027, based on City Commission approval on June 7, 2021. Final approval of the General Fund transfer is scheduled for September 2021. Also see "FINANCIAL AND BUDGETARY CHALLENGES" herein.

The transfer amount may be paid from any part of the System's revenue or a combination thereof.

The transfers to the General Fund made in the fiscal years ended September 30, 2012 through and including 2021 were/are as follows:

Fiscal Years ended September 30,	Transfers to General Fund	
	<u>Amount⁽¹⁾</u>	<u>% Increase/(Decrease)</u>
2012	\$36,004,958	2.20%
2013	36,656,458	1.80
2014	37,316,841	1.50
2015	34,892,425	(7.10)
2016	34,994,591	0.03
2017	35,814,010	2.30
2018	36,379,079	1.60
2019	38,285,000	1.10
2020	38,285,000	0.00
2021	38,285,000	0.00

⁽¹⁾ The City Commission voted to leave the transfer amount for the fiscal year ending September 30, 2021 equal to the level of \$38,285,000 of September 30, 2020.

Source: Prepared by the Finance Department of the System.

The projected transfers to the General Fund made in the fiscal year ending September 30, 2022:

Fiscal Year ending September 30,	Projected Transfers to General Fund	
	<u>Amount</u>	<u>% Increase/(Decrease)</u>
2022	\$36,283,000	(5.23%)

Source: Prepared by the Finance Department of the System.

ConnectFree Program

The City's ConnectFree program provides financial assistance to help eligible owners of property inside the GRU service area with the cost of extending and connecting to City water and/or sewer. Eligible properties include existing residential property that is owner occupied or being rented out, and existing nonresidential property, non-profit or government that serves a special needs population. While it is not

required to be low-income or have property in a low-income area, priority is given to low-income households and property owners with property located in low-income areas. Priority is also given to property owners with public health and safety issues related to well water and/or septic tanks.

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). The System has contracted with PFM Asset Management LLC to review and update its current investment policy.

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.

Independent Consultant Report

GRU is in the process of hiring an independent consultant to review financial metrics and benchmarks and make recommendations to GRU based upon its observations of the System. Such report is not expected to be available until late calendar year 2021.

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, on May 3, 2021, S&P downgraded the System's rating from "AA-" to "A." While 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. See "RATINGS" herein.

Liquidity/Credit Support for the System's Variable Rate Bonds

The City 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	Barclays Bank PLC	May 17, 2024
2006A	Barclays Bank PLC	May 17, 2024
2007A	State Street Bank and Trust Company	June 30, 2025
2008B	Barclays Bank PLC	May 17, 2024
2012B	Barclays Bank PLC	May 17, 2024

The City has entered into a letter of credit and reimbursement agreement with a commercial bank in order to provide credit support in connection with the 2019 Series C Bonds. The following details the bank providing the credit support and the termination date of the current letter of credit:

<u>Series</u>	<u>Bank</u>	<u>Expiration</u>
2019C	Bank of America, N.A.	April 25, 2022

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 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 provides that it is an "event of default" on the part of the System thereunder if any rating on the 2008 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.

For the 2019 Series C Bonds, the City has entered into a letter of credit and reimbursement agreement with Bank of America, N.A., for a three year term, maturing on April 25, 2022. The letter of credit and reimbursement agreement relating to the 2019 Series C Bonds provides that it is an "event of

default" thereunder if any ratings assigned to the 2019 Series C Bonds or any Parity Debt (which is defined in the letter of credit and reimbursement agreement as (i) all indebtedness of the City evidenced by bonds (excluding the 2019 Series C Bonds), debentures, notes securities or other similar instruments now or hereafter outstanding, provided that such indebtedness is secured by a Lien on the Trust Estate that is on parity with the 2019 Series C Bonds as to security and sources of payment, including, without limitation, Parity 2019 Series C Bonds, Parity Commercial Paper Notes and Parity Medium-Term Notes; (ii) Parity Hedging Contract Obligations, but only with respect to Parity Hedging Contract Obligations that provide interest rate support and constitute regularly scheduled payments that relate to Parity Debt as described in clause (i) or clause (iii) of this definition; and (iii) Parity Reimbursement Obligations) is withdrawn or suspended, in either case, for credit related reasons or is reduced below investment grade.

Additionally, an event of default under the above-described agreements could be triggered if a final unappealable judgment is entered into for more than \$10 million or if a claims bill is signed into law by the Governor for more than \$10 million. For more information about pending litigation see "LITIGATION" herein.

Liquidity Support for the System's Commercial Paper Program

The City also has entered into separate credit agreements with certain commercial banks in order to provide liquidity support for its commercial paper program (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 June 30, 2025, 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 three different lenders under agreements with respect to the 2017 Series B Bonds, 2017 Series C Bonds, and the 2020 Series A 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 Bond, and the 2020 Series A 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 1, 2023. During the term of the transaction, the City will pay to the lender, a rate equal to 80% of the one-month LIBOR rate and an applicable spread of 0.50 basis points. Should the City's credit rating fall below "A1/A+" 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.

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 1, 2023. During the term of the transaction, the City will pay to the lender, a rate equal to 80% of the one-month LIBOR rate and an applicable spread of 69 basis points. Should the City's credit rating fall below "A1/A+" 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. It is an "event of default" if any ratings to any Parity Debt (as defined in the 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. At such time, the interest rate shall be the Default Rate (as defined in the continuing covenant agreement) until such time as the event of default has been cured.

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. It expires approximately three years from the date of issuance which expiration date is 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.

The City entered into a direct placement revolving line of credit transaction in a not to exceed amount of \$50 million with Truist Bank. It was extended expires approximately two years from the date of issuance which expiration date is April 29, 2022. During the term of the transaction, the City will pay the lender a rate equal to equal to LIBOR Rate plus 1.85%, and subject to adjustment to reflect changes in the LIBOR Rate.

The City entered into a forward bond purchase agreement with Bank of America, N.A. whereby on July 7, 2020, the City delivered the \$10,715,000 Utilities System Revenue Bond 2020 Series A (the "2020 Series A Bond") to Bank of America, N.A. The 2020 Series A Bond refunded the outstanding 2010 Series C Bonds and has a maturity date of October 1, 2034. Additionally, the City entered into a continuing covenant agreement relating to the 2020 Series A Bond with Bank of America, N.A. The continuing covenant agreement provides 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 any liquidity or credit enhancement) is withdrawn or suspended by the applicable rating agency for credit related reasons or is below investment grade.