

OFFICIAL STATEMENT DATED APRIL 19, 2019

**NEW ISSUE - BOOK-ENTRY ONLY**

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

**\$67,355,000**  
**CITY OF GAINESVILLE, FLORIDA**  
**Variable Rate**  
**Utilities System Revenue Bonds,**  
**2019 Series C**  
(CUSIP No. 362848 US0)  
Price: 100%



**RATINGS: See "RATINGS" herein**

**Dated: Date of Delivery**

**Due: October 1, 2047**

The City of Gainesville, Florida (the "City") is issuing its Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019 Series C Bonds") as fully registered bonds and, when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2019 Series C Bonds. Purchases of the 2019 Series C Bonds may be made in book-entry form only, in the Authorized Denominations referred to herein. See "INTRODUCTORY STATEMENT—Book-Entry Only System" herein. U.S. Bank National Association, New York, New York is Trustee, Paying Agent and Registrar under the Resolution (as defined herein) and has been appointed by the City as the initial Tender Agent for the 2019 Series C Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") has been appointed by the City as the initial Remarketing Agent for the 2019 Series C Bonds.

The 2019 Series C 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-First Supplemental Utilities System Revenue Bond Resolution No. 180818 adopted by the City on March 21, 2019, as amended by Amendment to Thirty-First Supplemental Utilities System Revenue Bond Resolution adopted by the City on April 18, 2019 (collectively, the "Thirty-First Supplemental Bond Resolution") authorizing the 2019 Series C Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. See "APPENDIX C – Copy of the Resolution and Thirty-First Supplemental Bond Resolution and Amendment to Thirty-First Supplemental Bond Resolution" attached hereto.

The 2019 Series C Bonds bear interest at variable rates, as more fully described herein. Initially, the 2019 Series C Bonds will bear interest at the Daily Rates (as defined herein). While the 2019 Series C Bonds bear interest at the Daily Rates, interest will be payable on the first Business Day (as defined herein) of each calendar month. As more fully described herein, the Interest Mode (as defined herein) applicable to the 2019 Series C Bonds may be changed at the election of the City.

This Official Statement describes the 2019 Series C Bonds only while the 2019 Series C Bonds bear interest at Weekly Rates or Daily Rates and are secured by the Initial Letter of Credit. **Prospective purchasers of the 2019 Series C Bonds bearing interest at rates other than Weekly Rates or Daily Rates should not rely on this Official Statement.**

The 2019 Series C Bonds are subject to optional and mandatory redemption prior to maturity and to optional and mandatory tender for purchase as set forth herein.

Payment of the principal and Purchase Price of and interest on the 2019 Series C Bonds will be secured by a Letter of Credit (the "Initial Letter of Credit") issued by Bank of America, N.A. (the "Bank") pursuant to which the Trustee will be permitted to draw up to (i) an amount equal to the aggregate principal amount of the 2019 Series C Bonds outstanding for the payment of the unpaid principal amount of, or portion of the Purchase Price corresponding to the principal of, the 2019 Series C Bonds, plus (ii) an amount equal to accrued and unpaid interest on the 2019 Series C Bonds for 35 days (computed at an assumed rate of 12% per annum) for the payment of accrued but unpaid interest on the 2019 Series C Bonds, or portion of the Purchase Price representing accrued interest on the 2019 Series C Bonds, all as further described herein.



The Initial Letter of Credit will terminate on April 25, 2022, unless extended as provided in the Initial Letter of Credit and Reimbursement Agreement (the "Initial Reimbursement Agreement"), dated April 26, 2019, between the City and the Bank, or earlier terminated upon happening of certain events of default described therein, at which time the 2019 Series C Bonds will be subject to mandatory tender. The Initial Letter of Credit shall be and constitute both a "Credit Facility" and a "Liquidity Facility" for the 2019 Series C Bonds within the meaning of the Thirty-First Supplemental Bond Resolution.

The 2019 Series C Bonds are being issued by the City to (i) refund (a) \$18,515,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2005 Series C, (b) \$13,905,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2006 Series A, (c) \$8,430,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2007 Series A, (d) \$14,200,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2008 Series B, and (e) \$1,860,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2012 Series B (collectively, the "Refunded Bonds"), (ii) provide for the payment of a portion of the Cost of Acquisition and Construction of the 2019 Series C Project as more particularly described herein and (iii) pay the costs of issuance related to the 2019 Series C Bonds. See "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein.

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

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

*The 2019 Series C Bonds are offered when, as, and if issued and received by the Underwriter, 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 Nicole M. Shalley, Esq., City Attorney and Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel to the City and for the Underwriter by Nixon Peabody LLP, New York, New York, Counsel to the Underwriter. Certain legal matters will be passed upon by Mark E. Raymond, Esq., Palm Beach Gardens, Florida, Counsel to the Bank. PFM Financial Advisors LLC, Charlotte, North Carolina is Financial Advisor to the City in regard to the issuance of the 2019 Series C Bonds. It is expected that the 2019 Series C Bonds in definitive form will be available for delivery to the Underwriter in New York, New York at the facilities of DTC on or about April 26, 2019.*

**BofA Merrill Lynch**

CITY OF GAINESVILLE, FLORIDA

CITY OFFICIALS

Lauren Poe\* ..... Mayor (At Large)  
 Adrian Hayes-Santos\* ..... Mayor-Commissioner Pro-Tem (District 4)  
 David Arreola ..... Commissioner (District 3)  
 Gail Johnson ..... Commissioner (At Large)  
 Gigi Simmons ..... Commissioner (District 1)  
 Harvey Ward ..... Commissioner (District 2)  
 Helen K. Warren ..... Commissioner (At Large)

CHARTER OFFICERS

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

UTILITIES SYSTEM

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

BOND COUNSEL

Holland & Knight LLP  
 Lakeland, Florida

DISCLOSURE COUNSEL

Bryant Miller Olive P.A.  
 Tampa, Florida

FINANCIAL ADVISOR

PFM Financial Advisors LLC  
 Charlotte, North Carolina

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\*On March 19, 2019, Mayor Poe and Mayor-Commissioner Pro-Tem Hayes-Santos were both reelected. While their current term expires in May 2019, since reelected, their new terms once commenced will expire in January 2023.

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

\*\*\*Also a Charter Officer.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations in connection with the 2019 Series C Bonds, other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2019 Series C 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, the Bank and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the City with respect to any information provided by others. The Bank has not reviewed and has no responsibility for any information in this Official Statement other than the information under the captions "THE INITIAL LETTER OF CREDIT" and "THE BANK." 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 Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. This Official Statement is submitted in connection with the sale of the 2019 Series C Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 SERIES C BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

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

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

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

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**OFFICIAL STATEMENT  
RELATING TO  
\$67,355,000  
CITY OF GAINESVILLE, FLORIDA**

**VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS,  
2019 SERIES C**

**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 \$67,355,000 in aggregate principal amount of Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019 Series C Bonds"). Definitive copies of all reports and documents not reproduced in this Official Statement may be obtained from the Utilities Administration Building, 301 SE 4th Avenue, Gainesville, Florida 32601. The City can be contacted by telephone at (352) 334-5000. The City, located in Alachua County in north-central Florida (the "County"), is a municipal corporation of the State of Florida (the "State"), organized and existing under the laws of the State including the Chapter 90-394, Laws of Florida, 1990, as amended (the "Charter"). The City-owned utilities do business as Gainesville Regional Utilities ("Gainesville Regional Utilities" or "GRU").

The 2019 Series C 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-First Supplemental Utilities System Revenue Bond Resolution No. 180818 adopted by the City on March 21, 2019, as amended by Amendment to Thirty-First Supplemental Utilities System Revenue Bond Resolution adopted by the City on April 18, 2019 (collectively, the "Thirty-First Supplemental Bond Resolution"), authorizing the 2019 Series C Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. U.S. Bank National Association, is the initial Trustee, Tender Agent, Paying Agent and Registrar under the Resolution.

The 2019 Series C Bonds are being issued by the City to (i) refund (a) \$18,515,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2005 Series C, (b) \$13,905,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2006 Series A, (c) \$8,430,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2007 Series A, (d) \$14,200,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2008 Series B, and (e) \$1,860,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2012 Series B (collectively, the "Refunded Bonds"), (ii) provide for the payment of a portion of the Cost of Acquisition and Construction of the 2019 Series C Project as more particularly described herein and (iii) pay the costs of issuance related to the 2019 Series C Bonds. See "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein.

The 2019 Series C Bonds will constitute "Bonds" within the meaning of the Resolution. The 2019 Series C 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 are referred to herein

collectively as the "Bonds." The Resolution provides for the issuance of additional Bonds in accordance with the terms of the Resolution. For a discussion of additional Bonds which may be issued in the future, see "APPENDIX C – Copy of the Resolution and Thirty-First Supplemental Bond Resolution and Amendment to Thirty-First Supplemental Bond Resolution – Additional Bonds", and "THE SYSTEM - Additional Financing Requirements" herein. As of the date of this Official Statement, there were \$1,676,825,000 aggregate principal amount of Outstanding Bonds under the Resolution, which does not include the 2019 Series C Bonds.

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

For a more detailed discussion of the City's outstanding debt and its plan of financing, see "OUTSTANDING DEBT," "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" and "THE SYSTEM – Funding the Capital Improvement Program – Additional Financing Requirements" herein. APPENDIX D hereto shows total debt service requirements on all Bonds Outstanding as of the date of this Official Statement and does not include debt service on the STI Loan. 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 and Thirty-First Supplemental Bond Resolution and Amendment to Thirty-First Supplemental Bond Resolution – Additional Bonds" and "THE SYSTEM - Additional Financing Requirements" herein.

The purchase price for the 2019 Series C Bonds tendered or deemed tendered for purchase (see "THE 2019 SERIES C BONDS – Optional Tender for Purchase", "- Mandatory Tender for Purchase" and "- Remarketing and Purchase Price" herein) is payable solely from the sources described herein, and is not payable from any funds of the City.

Payment of the principal and Purchase Price of and interest on the 2019 Series C Bonds will be secured by a Letter of Credit (the "Initial Letter of Credit") issued by Bank of America, N.A. (the "Bank") pursuant to which the Trustee will be permitted to draw up to (i) an amount equal to the aggregate principal amount of the 2019 Series C Bonds outstanding for the payment of the unpaid principal amount of, or portion of the Purchase Price corresponding to the principal of, the 2019 Series C Bonds, plus (ii) an amount equal to accrued and unpaid interest on the 2019 Series C Bonds for 35 days (computed at an assumed rate of 12% per annum) for the payment of accrued but unpaid interest on the 2019 Series C Bonds, or portion of the Purchase Price representing accrued interest on the 2019 Series C Bonds, all as further described herein. The Initial Letter of Credit will terminate on April 25, 2022, unless extended as provided in the Initial Letter of Credit and Reimbursement Agreement (the "Initial Reimbursement



Agreement"), dated April 26, 2019, between the City and the Bank, or earlier terminated upon happening of certain events of default described therein, at which time the 2019 Series C Bonds will be subject to mandatory tender. The Initial Letter of Credit shall be and constitute both a "Credit Facility" and a "Liquidity Facility" for the 2019 Series C Bonds within the meaning of the Thirty-First Supplemental Bond Resolution.

This Official Statement describes the 2019 Series C Bonds only while the 2019 Series C Bonds bear interest at Weekly Rates or Daily Rates and are secured by the Initial Letter of Credit. **Prospective purchasers of the 2019 Series C Bonds bearing interest at rates other than Weekly Rates or Daily Rates should not rely on this Official Statement.**

With respect to the 2019 Series C Bonds, the Thirty-First Supplemental Bond Resolution contains provisions for obtaining a Substitute Liquidity Facility (as defined in APPENDIX C hereto) in substitution for the Liquidity Facility then in effect. See "THE 2019 SERIES C BONDS – Substitution of Liquidity Facility" herein.

### **Remarketing Agent**

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), will serve as the initial remarketing agent for the 2019 Series C Bonds pursuant to a remarketing agreement, dated as of April 1, 2019, between Merrill Lynch and the City, as amended from time to time (the "Remarketing Agreement").

### **Tender Agent**

U.S. Bank National Association, New York, New York ("U.S. Bank"), is the tender agent for the 2019 Series C Bonds (in such capacity, the "Tender Agent"). U.S. Bank has entered into a tender agency agreement with the City, dated as of April 1, 2019, with respect to the 2019 Series C Bonds, as amended from time to time (the "Tender Agency Agreement").

### **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.

### **Book-Entry Only System**

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2019 SERIES C BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE 2019 SERIES C BONDHOLDERS OR REGISTERED OWNERS OF THE 2019 SERIES C BONDS SHALL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2019 SERIES C BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT

TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2019 SERIES C BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE 2019 SERIES C BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE 2019 SERIES C BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2019 SERIES C BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE 2019 SERIES C BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

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

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

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

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

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

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

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

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

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

## 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 and Thirty-First Supplemental Bond Resolution and Amendment to Thirty-First Supplemental Bond Resolution" attached hereto.

There follows in this Official Statement brief descriptions of the security for the Bonds, the 2019 Series C Bonds, the Initial Letter of Credit, the Bank, the System, the City, 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 "INTRODUCTORY STATEMENT – General" herein.

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

#### **The Project**

The 2019 Series C Project includes, but is not limited to, the acquisition, construction and equipping of certain capital improvements to the Murphree Water Treatment Plant Wellfield Projects, Murphree Water Treatment Plant Pumping Equipment, and Murphree Water Treatment Plant Electrical Upgrade.

#### **Plan of Refunding**

In addition to financing the 2019 Series C Project described above, the 2019 Series C Bonds are being issued to restructure a portion of its currently outstanding variable rate debt with both hedged and unhedged variable rate debt by providing a portion of funds required to refund the Refunded Bonds that were originally issued to finance improvements to the System. Based on a conditional and revocable notice sent to Refunded Bondholders on March 25, 2019, the Refunded Bonds will be redeemed prior to their maturity on the date of closing of the 2019 Series C Bonds in the principal amounts and at the Redemption Prices described below:

#### **2005 Series C Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Price</u>
10/01/2026	\$18,515,000	100%

The sinking fund installments of such 2005 Series C Bonds to be redeemed are as follows:

10/1/2019	\$3,710,000
10/1/2020	3,835,000
10/1/2021	3,975,000
10/1/2022	4,105,000
10/1/2023	1,420,000
10/1/2024	1,470,000

**2006 Series A Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Price</u>
10/01/2026	\$13,905,000	100%

The sinking fund installments of such 2006 Series A Bonds to be redeemed are as follows:

10/1/2019	\$655,000
10/1/2020	2,645,000
10/1/2021	3,840,000
10/1/2022	3,975,000
10/1/2023	1,375,000
10/1/2024	1,415,000

**2007 Series A Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Price</u>
10/01/2036	\$8,430,000	100%

The sinking fund installments of such 2007 Series A Bonds to be redeemed are as follows:

10/1/2019	\$385,000
10/1/2020	1,775,000
10/1/2021	1,850,000
10/1/2022	1,925,000
10/1/2023	400,000
10/1/2024	2,095,000

**2008 Series B Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Price</u>
10/01/2038	\$14,200,000	100%

The sinking fund installments of such 2008 Series B Bonds to be redeemed are as follows:

10/1/2022	\$900,000
10/1/2023	6,500,000
10/1/2024	6,800,000

**2012 Series B Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Price</u>
10/01/2042	\$1,860,000	100%

The sinking fund installments of such 2012 Series B Bonds to be redeemed are as follows:

10/1/2021	\$1,620,000
10/1/2022	140,000
10/1/2023	100,000

As more fully described in "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", the City previously entered into a swap transactions relating to the Refunded Bonds. Such swap transaction will remain in place as a partial hedge against interest rates to be borne by such other variable rate Bonds which remain outstanding.

### **Plan of Finance and Budgetary Considerations**

On April 12, 2019, the City issued its \$153,820,000 Utilities System Revenue Bonds, 2019 Series A (the "2019 Series A Bonds") and its \$26,665,000 Utilities System Revenue Bonds, 2019 Series B (Federally Taxable) (the "2019 Series B Bonds," and together with the 2019 Series A Bonds, the "2019 Bonds") to finance various improvements to the System (the "2019 A/B Projects") and to refinance CP Notes on a long-term, fixed rate basis to move towards more of a fixed interest rate portfolio of indebtedness, and to refinance the City's Utilities System Revenue Bonds, 2005 Series B (Federally Taxable) to restructure principal related to debt more consistent with the useful life of the assets financed thereby to create financial flexibility in the near term in exchange for increasing debt payments in fiscal years beyond September 30, 2025.

As a result of financing the costs of the 2019A/B Projects and the 2019 Series C Project (as described above), there will be increased reserves in the Utility Plant Improvement Fund. Issuance of the 2019 Series C Bonds further restructures some of its currently outstanding variable rate debt with both hedged and unhedged variable rate debt more consistent with the useful life of the assets financed thereby to create financial flexibility in the near term in exchange for increasing debt payments in fiscal years beyond September 30, 2025. These restructurings are similar to the debt restructuring in 2012.

The issuance of the 2019 Bonds and the 2019 Series C Bonds is part of GRU's debt restructuring plan, the overall result of which is expected to create financial flexibility and provide stability to the debt service coverage ratio after the acquisition of a biomass plant, formerly known as Gainesville Renewable Energy Center and now known as Deerhaven Renewable Biomass Plant (the "DHR Biomass Plant"), due to the debt necessary to finance the costs of such acquisition (which debt payments replaced previous payments required pursuant to the long-term power purchase agreement in effect prior to such acquisition described herein and referred to hereafter as the "PPA," with the prior owners of the DHR Biomass Plant).

GRU expects to remain in compliance with the covenants under the Resolution, including those related to debt service coverage, upon the issuance of the 2019 Series C Bonds.

In order to further create financial flexibility, GRU anticipates at least annual 2-3% rate increases in each of the next five years or possibly longer. In addition, GRU and the City Commission are re-addressing the formula for calculating the amount of the General Fund transfer for the System, which formula is set to expire on September 30, 2019. See "THE SYSTEM-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.

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

This Official Statement contains forward-looking statements. Forward-looking statements include, among other things, statements concerning sales, customer growth, economic recovery, current and proposed environmental regulations and related estimated expenditures, access to sources of capital,

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

- the impact of recent and future federal and state regulatory changes or judicial opinions, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the 2005 Energy Policy Act (hereinafter defined), the Clean Power Plan ("CPP") (as hereinafter defined), environmental laws and regulations affecting water quality, coal combustion byproducts, and emissions of sulfur dioxide, nitrogen oxides, greenhouse gases ("GHG"), particulate matter and hazardous air pollutants including mercury, financial reform legislation, and also changes in tax and other laws and regulations to which the System is subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries;
- the effects, extent, and timing of the entry of additional competition in the markets in which the System operates;
- variations in demand for products and services of the System, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), and the effects of energy and resource conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities, including those relating to unanticipated conditions encountered during construction, risks of non-performance or delay by contractors and subcontractors and potential contract disputes;
- investment performance of the System's invested funds;
- advances in technology;
- the ability of counterparties of the City to make payments as and when due and to perform as required;
- the direct or indirect effect on the System's business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including the System's credit ratings;

- the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general;
- the ability of the System to obtain additional capacity at competitive prices;
- the ability of the System to dispose of surplus capacity at competitive prices;
- the ability of the System to mitigate the cost impacts associated with integrating additional generating capacity into the System's energy supply portfolio;
- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;
- the direct or indirect effects on the System's business resulting from incidents affecting the U.S. electric grid or operation of generating resources; and
- the effect of accounting pronouncements issued periodically by standard-setting bodies.

The City expressly disclaims any obligation to update any forward-looking statements. Prospective purchasers of the 2019 Series C Bonds should make a decision to purchase the 2019 Series C 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.

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## OUTSTANDING DEBT

The following table sets forth the outstanding debt of the City issued for the System as of October 1, 2018.

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

Description	As of October 1, 2018		
	Interest Rates	Due Dates (October 1)	Principal Outstanding <sup>(1)</sup>
Utilities System Revenue Bonds:			
2005 Series A	4.75%	2029 – 2036	\$405,000
2005 Series B (Federally Taxable) <sup>(9)</sup>	5.31% <sup>(2)(3)</sup>	2019 – 2021	10,115,000
2005 Series C <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2026	21,605,000
2006 Series A <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2026	16,890,000
2007 Series A <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2036	136,180,000
2008 Series A (Federally Taxable)	5.27% <sup>(2)(3)</sup>	2019 – 2020	11,615,000
2008 Series B <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2038	90,000,000
2009 Series B (Federally Taxable) <sup>(7)</sup>	4.697 – 5.655%	2019 – 2039	143,280,000
2010 Series A (Federally Taxable) <sup>(7)</sup>	5.874%	2027 – 2030	12,930,000
2010 Series B (Federally Taxable) <sup>(7)</sup>	6.024%	2034 – 2040	132,445,000
2010 Series C	5.00 – 5.25%	2019 – 2034	11,795,000
2012 Series A	2.50 – 5.00%	2021 – 2028	81,860,000
2012 Series B <sup>(10)</sup>	Variable <sup>(4)</sup>	2042	100,470,000
2014 Series A	2.50 – 5.00%	2021 – 2044	37,835,000
2014 Series B	3.125 – 5.00%	2019 – 2036	21,110,000
2017 Series A	4.00 – 5.00%	2019 – 2040	412,920,000
2017 Series B	Variable <sup>(2)</sup>	2044	150,000,000
2017 Series C	Variable <sup>(2)</sup>	2047	115,000,000
Total Utilities System Revenue Bonds			\$1,506,455,000
Subordinate Utilities System Revenue Bonds:			
2018 Series A	Variable <sup>(8)</sup>	2021	\$0
Total Subordinated Utilities System Revenue Bonds			\$0
Utilities System Commercial Paper Notes <sup>(9)</sup> :			
Series C	Variable	<sup>(5)</sup>	\$85,000,000
Series D	Variable	<sup>(6)</sup>	8,000,000
Total Subordinated Bonds			\$93,000,000

[Footnotes appear on following page]

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- (1) Does not include the 2019 Bonds or the 2019 Series C Bonds.
  - (2) See Note 8 to the audited financial statements of the System for the fiscal year ending September 30, 2018 included as APPENDIX B to this Official Statement for a discussion of the various risks borne by the City relating to interest rate swap transactions.
  - (3) See "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions" herein for a discussion of the related interest rate swap.
  - (4) The interest rates on the 2012 Series B Bonds are hedged, in part, by the 2005 Series C Swap Transaction and the 2006 Series A Swap Transaction. See "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions" herein.
  - (5) These CP Notes were refunded on April 12, 2019 through the issuance of the 2019 Bonds. If re-issued in the future, CP Notes will mature no more than 270 days from their date of issuance, but in no event later than October 5, 2048, unless such outside maturity date is amended.
  - (6) These CP Notes were refunded on April 12, 2019 through the issuance of the 2019 Bonds. If re-issued in the future, CP Notes will mature no more than 270 days from their date of issuance, but in no event later than June 14, 2030, unless such outside maturity date is amended.
  - (7) These bonds were issued as "Build America Bonds." The City received subsidy payments equal to a percentage of interest payments from the United States Treasury. No assurance can be provided that the City will continue to receive such subsidy payments or that future legislation, clarification or amendments to the Code will not reduce or eliminate such subsidy payments expected to be received by the City.
  - (8) As part of the Contract of Purchase executed on August 3, 2018, the STI Loan was issued in the principal amount outstanding not to exceed of \$25,000,000 and maturing on August 3, 2021. The STI Loan is subject to optional redemption at any time and mandatory tender on February 3, 2020, unless modified as described in Resolution No. 171089 of the City adopted on May 17, 2018, authorizing the issuance of the STI Loan. The City previously drew \$50,000 on the loan, however such amount was paid by the City and there is currently no amount outstanding. The STI Loan is Subordinated Indebtedness under the Resolution.
  - (9) All of these bonds and notes were refunded with proceeds of the 2019 Bonds on April 12, 2019. See "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" above.
  - (10) It is expected that a portion of these bonds which amortize through and including October 1, 2024 will be refunded with proceeds of the 2019 Series C Bonds. See "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" above.

APPENDIX D attached hereto shows total debt service requirements on all Bonds Outstanding as of October 1, 2018.

## ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of the proceeds of the 2019 Series C Bonds are estimated to be as follows:

### SOURCES OF FUNDS

Principal Amount	<u>\$67,355,000.00</u>
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TOTAL SOURCES	\$67,355,000.00
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### USES OF FUNDS

Deposit to 2019C Project Account	\$10,000,000.00
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Redemption of the Refunded Bonds	56,910,000.00
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Costs of Issuance <sup>(1)</sup>	<u>445,000.00</u>
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TOTAL USES	\$67,355,000.00
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<sup>(1)</sup> Includes legal and financial advisory fees, Underwriter's discount, printing costs, costs related to the Credit Facility, rating agency fees and other costs of issuance of the 2019 Series C Bonds.

## SECURITY FOR THE BONDS

### Pledge Under the Resolution

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

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

## **Rates, Fees and Charges**

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

No free service or service otherwise than in accordance with the established rates, fees and charges shall be furnished by the System or as otherwise required by law, which rates, fees and charges shall not permit the granting of preferential rates, fees or charges among the users of the same class of customers provided, however, the City may dispose without charge reclaimed water for irrigation or any other purpose if it is deemed by the City to be an efficient use of such reclaimed water. If and to whatever extent the City receives the services and facilities of the System, it shall pay for such services and facilities according to the City's established rate schedule, and the amounts so paid shall be included in the amount of Revenues.

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

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

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

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

- (a) The amount of Revenues, as determined under standard auditing procedures but adjusted as hereinafter provided (the "Adjusted Gross Revenues"), for, at the option of the City, any twelve (12) consecutive months out of the twenty-four (24) consecutive months immediately preceding the date of issue of the proposed additional

Bonds or the most recently completed audited Fiscal Year (the "Audit Period") and amount of the Operation and Maintenance Expenses for the Audit Period, as determined under standard auditing procedures but adjusted as hereinafter provided (the "Adjusted Operation and Maintenance Expenses").

(b) In determining the amount of Adjusted Gross Revenues for the Audit Period, such Authorized Officer of the City may take into account the amount by which Revenues would have increased if or as a result of: (i) the number of customers served by the System during the Audit Period had included the number of new customers of the System attributable to a privately-owned or publicly-owned existing electric system, water system, wastewater system, natural gas system, telecommunications system or other utility system to be acquired with the proceeds of such additional Bonds, had the acquisition occurred at the beginning of the Audit Period, (ii) the number of customers served by the System during the Audit Period had included the average number of new customers of the System that by ordinance, agreement, law or regulation will be required to connect to the System during the first full Fiscal Year following the Fiscal Year in which such proposed additional Bonds are issued, which amount may be based on projections of an Independent Consultant (the "Applicable Bond Year"), or the first full Fiscal Year after completion of such project if the such project will not be completed prior to the commencement of the applicable Fiscal Year, (iii) any changes in the rate schedules for customers and users of the System which the City shall then have in effect, or has enacted by ordinance or resolution on or before the date of such certificate and which the City has covenanted to put into effect during the Applicable Bond Year, had such rate changes been effective on the first day of the Audit Period, and (iv) the amount required to be paid by a public body on an annual basis in connection with a contract with a duration at least equal to the term of the proposed additional Bonds, pursuant to which contract the City shall agree to furnish water or electric power, or to furnish services for the collection, treatment or disposal of sewage or agreed to furnish other services in connection with any other utility system for such public body, as if such contract had been in effect on the first day of the Audit Period. If any adjustments permitted by clauses (i), (ii) or (iv) of the preceding sentence shall be made, in determining the amount of the Adjusted Operation and Maintenance Expenses, such Authorized Officer shall take into account the estimated amount by which the Operation and Maintenance Expenses for the Audit Period would have increased had the Project to be financed with the proceeds of such additional Bonds been in operation from the beginning of the Audit Period, provided, however, it may take into account any adjustments necessary to reflect government ownership of any projects acquired from private owners. In projecting numbers of new customers for the purposes of clause (ii) of this paragraph, there shall be taken into account only dwellings, buildings or other structures in existence on the date of such projections.

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

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

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

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

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

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

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

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

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

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

authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution.

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

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

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

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

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

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

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

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

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

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

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

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



## THE 2019 SERIES C BONDS

### General

The 2019 Series C Bonds will be dated the date of delivery thereof. The 2019 Series C Bonds will mature on October 1, 2047, unless redeemed earlier. Upon initial issuance, the 2019 Series C Bonds will be subject to the Daily Mode and will bear interest at the Daily Rates.

As described under the caption "Change in Interest Modes" below, at the option of the City, and upon the satisfaction of certain conditions, the 2019 Series C Bonds may be changed from time to time to another Interest Mode. As more fully described under the caption "Interest Rates and Interest Modes; Determination of Interest Rates" below, (a) while the 2019 Series C Bonds are in the Daily Mode, such Bonds will bear interest at Daily Rates, and (b) while the 2019 Series C Bonds are in the Weekly Mode, such Bonds will bear interest at Weekly Rates. The Thirty-First Supplemental Bond Resolution also provides that the 2019 Series C Bonds may be changed to the Flexible Mode, the Term Mode, the Fixed Mode and the Auction Mode. The provisions of such modes are not described in this Official Statement. Instead, it is anticipated that, should the 2019 Series C Bonds be changed to any of such modes, a remarketing memorandum or remarketing circular will be distributed describing the 2019 Series C Bonds during such modes.

The 2019 Series C Bonds are issuable only in fully registered form in the Authorized Denominations. "Authorized Denominations" means for the 2019 Series C Bonds bearing interest at a Daily Rate or a Weekly Rate, \$100,000 or any integral multiple of \$5,000 in excess thereof. The 2019 Series C Bonds are being issued in book-entry only form and are registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See "INTRODUCTORY STATEMENT - Book-Entry Only System" herein.

As more fully described under the captions "Optional Tender for Purchase" and "Mandatory Tender for Purchase" below, the 2019 Series C Bonds (or, for so long as the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, beneficial ownership interests therein) are subject to optional tender for purchase and, under certain circumstances, mandatory tender for purchase. The Purchase Price for the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered for purchase is payable solely from the sources described under the caption "Remarketing and Purchase Price" below, and is not payable from any funds of the City.

Except as described below, the principal or Redemption Price of the 2019 Series C Bonds is payable at the principal office of the Paying Agent. Except as described below, interest on the 2019 Series C Bonds is payable 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 Registrar or by wire transfer in immediately available funds to any owner of 2019 Series C Bonds in the denomination of \$1,000,000 or any Authorized Denomination in excess of such amount at such wire transfer address as such owner shall specify if such owner shall provide written notice to the Paying Agent not less than five (5) days prior to the Record Date relating to such Interest Payment Date in which request for wire transfer payment is made and the wire transfer address is specified. So long as the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, all payments with respect to the principal or Redemption Price of, and interest on, the 2019 Series C Bonds will be made to DTC.

Merrill Lynch is the initial remarketing agent (the "Remarketing Agent") for the 2019 Series C Bonds. Subject to the terms of the Remarketing Agreement, the Remarketing Agent will determine the interest rates on the 2019 Series C Bonds and will market 2019 Series C Bonds tendered or required to be tendered for purchase on a best efforts basis. The Remarketing Agent may resign upon thirty (30) days' notice or be removed at any time by the City upon thirty (30) days' notice.

U.S. Bank National Association, New York, New York has been appointed as the Tender Agent for the 2019 Series C Bonds by the City. The Tender Agent may be removed or replaced by the City.

For definitions of certain terms applicable to the 2019 Series C Bonds that are not otherwise defined herein, see "Copy of the Resolution and Thirty-First Supplemental Bond Resolution and Amendment to Thirty-First Supplemental Bond Resolution" attached hereto as APPENDIX C hereto.

### **Interest on the 2019 Series C Bonds**

Interest on the 2019 Series C Bonds accruing during each Interest Accrual Period is payable on each Interest Payment Date immediately following the end of such Interest Accrual Period. Holders of the 2019 Series C Bonds other than the Bank will be paid interest for the applicable Interest Accrual Period only in the amount that would have accrued thereon at the 2019 Series C Bond Rate or Rates in effect during such Interest Accrual Period, regardless of whether any of such 2019 Series C Bonds was a 2019 Series C Bank Bond during any portion of such Interest Accrual Period.

The Interest Payment Dates with respect to each 2019 Series C Bond (except any 2019 Series C Bank Bond) are as follows: (a) each date on which the 2019 Series C Bonds are subject to mandatory tender for purchase (see "Mandatory Tender for Purchase" below); (b) for 2019 Series C Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month; provided, however, that if such first date occurs less than three months after such conversion, the first Interest Payment Date will be on the second such date following such conversion; and (c) the maturity or redemption date thereof.

An "Interest Accrual Period" is the period from and including each Interest Payment Date to but excluding the next Interest Payment Date. The initial Interest Accrual Period for the 2019 Series C Bonds shall begin on (and include) the Delivery Date. The final Interest Accrual Period for any 2019 Series C Bond shall end on the day next preceding the maturity or redemption date of such 2019 Series C Bond.

Interest is payable to the Person in whose name the 2019 Series C Bond is registered at the Record Date. The "Record Date" (a) except as provided in clause (b) below, with respect to an Interest Payment Date for 2019 Series C Bonds in the Daily Mode or the Weekly Mode and 2019 Series C Bank Bonds, the close of business on the Business Day immediately preceding such Interest Payment Date; and (b) in the case of any Interest Payment Date described in clause (a) of the definition thereof, the close of business on the Business Day immediately preceding such Interest Payment Date.

The maximum rate of interest (the "Maximum Rate") permitted to be borne by 2019 Series C Bonds (other than 2019 Series C Bank Bonds) is the lesser of (i) the maximum rate permitted by law and (ii) 12% per annum, or such higher rate as shall be approved by the City if (a) an Opinion of Bond Counsel shall have been delivered to the Notice Parties to the effect that any such change in the Maximum Rate (i) is authorized or permitted by the Resolution and the Act and (ii) will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes and (b) if the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, the Credit Facility and/or Liquidity Facility is modified (if necessary) so that its stated amount or the aggregate commitment

of the Liquidity Provider(s) and/or Credit Facility Provider thereunder, as the case may be, is increased to give effect to the increased Maximum Rate.

Interest on the 2019 Series C Bonds in the Daily or Weekly Mode will be computed on the basis of a 365- or 366-day year, as applicable, for actual days elapsed.

### **Interest Rates and Interest Modes; Determination of Interest Rates**

The 2019 Series C Bonds initially will be in the Daily Mode and will bear interest at Daily Rates until such time (if any) as the 2019 Series C Bonds are changed to a different Interest Mode. The interest rate to be in effect with respect to a particular 2019 Series C Bond (or beneficial ownership interest therein) for a particular period of time as described below (an "Interest Period") will be determined by the Remarketing Agent as the minimum interest rate necessary in its judgment to be borne by such 2019 Series C Bond (or beneficial ownership interest therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2019 Series C Bond (or beneficial ownership interest therein) on the Rate Adjustment Date therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof (each such rate being referred to as a "Market Rate"), provided, however, that in no event shall any rate so determined exceed the Maximum Rate. The time and date as of which an interest rate is determined for any 2019 Series C Bond in accordance with the Thirty-First Supplemental Bond Resolution is referred to as a "Rate Determination Date."

If there shall be no Remarketing Agent to establish a Daily Rate for any Business Day, then the Daily Rate with respect to 2019 Series C Bond in the Daily Mode for such Business Day shall be the Maximum Rate. If there shall be a Remarketing Agent and for any reason it fails to establish a Daily Rate for any Business Day for such 2019 Series C Bond in the Daily Mode, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Rate or (B) the seventh day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven days as described in clause (B) of the immediately preceding sentence (for any reason other than there not having been a Remarketing Agent), the interest rate for such Business Day shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by such Remarketing Agent.

If there shall be no Remarketing Agent to establish a Weekly Rate for any week, then the Weekly Rate with respect to 2019 Series C Bond in the Weekly Mode for such week shall be the Maximum Rate. If there shall be a Remarketing Agent and it fails to establish a Weekly Rate for any week then the Weekly Rate with respect to for such 2019 Series C Bond in the Weekly Mode for such week shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent (for any reason other than there not having been a Remarketing Agent), or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial

paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Rate would otherwise be determined as provided herein for such Interest Period.

The Daily Rates and the Weekly Rates for the 2019 Series C Bonds will be determined as follows, and will be effective for the periods described below:

Weekly Rate. While in the Weekly Mode, the 2019 Series C Bonds will bear interest at Weekly Rates determined by the Remarketing Agent as the Market Rate for each Interest Period during such Mode. Each Interest Period during the Weekly Mode will commence on a Wednesday and extend through Tuesday of the following week. The Weekly Rate for each such Interest Period will be determined by the Remarketing Agent not later than 5:00 p.m., New York City time, on Tuesday of each week, or if such day is not a Business Day for the Remarketing Agent, on the next preceding Business Day (or such other day as may be specified by the Remarketing Agent after notice to the Tender Agent and the Holders of the 2019 Series C Bonds).

Daily Rate. While in the Daily Mode, the 2019 Series C Bonds will bear interest at Daily Rates determined by the Remarketing Agent as the Market Rate therefor not later than 11:00 a.m., New York City time, on each Business Day. Each Daily Rate will remain in effect for the Interest Period beginning on the Business Day of its determination and ending on the day preceding the next succeeding Business Day.

**Each determination of a Daily Rate or a Weekly Rate shall be conclusive and binding on the City, the Trustee, the Tender Agent, the Remarketing Agent, the Bank, the Liquidity Provider(s) (if any) and the Credit Facility Issuer(s) (if any), and the holders of the 2019 Series C Bonds.** The interest rates in effect for the 2019 Series C Bonds from time to time will be available to each Holder of the 2019 Series C Bonds who requests such information, by telephone or in writing (including by facsimile or other electronic means), if the 2019 Series C Bonds are in the Daily Mode or the Weekly Mode from the Remarketing Agent.

### **Change in Interest Modes**

If the 2019 Series C Bonds are in the Weekly Mode or the Daily Mode, the City may cause the 2019 Series C Bonds to be changed to a different Interest Mode. Such change may be made on any Interest Payment Date. The 2019 Series C Bonds will be subject to mandatory tender for purchase on the date on which the proposed change is to occur (see "Mandatory Tender for Purchase" below). Any date on which a change to a different Interest Mode is proposed to occur is referred to as a "Mode Adjustment Date."

Any change in an Interest Mode is subject to (a) receipt by the Tender Agent, the Remarketing Agent and the Agent Bank on the first day of such Interest Mode, an Opinion of Bond Counsel to the effect that the change in Interest Mode will not adversely affect the exclusion of interest on any 2019 Series C Bond from gross income for federal income tax purposes and is authorized by applicable law; (b) if the Liquidity Facility is to remain in effect following the change in Interest Mode, a written consent of the Agent Bank (if any) to such change in Interest Mode; and (c) the Liquidity Facility and Credit Facility, as applicable, shall be in amount at least equal to the Facility Requirement applicable to the Interest Mode to become effective. If any of the above conditions is not met, then the 2019 Series C Bonds will remain in the Interest Mode which they are then in. All 2019 Series C Bonds shall be in the same Interest Mode and have the same Interest Rate Period.

When a change in Interest Mode is to be made, the Tender Agent is required to give notice of the proposed change to the Holders of the 2019 Series C Bonds if the 2019 Series C Bonds are then in the Daily Mode or the Weekly Mode, not less than fifteen (15) nor more than sixty (60) days prior to the proposed Mode Adjustment Date. Such notice will state, among other things, that the 2019 Series C Bonds will be subject to mandatory tender for purchase on the proposed Mode Adjustment Date.

### **Optional Tender for Purchase**

2019 Series C Bonds in the Daily Mode or the Weekly Mode (or portions thereof or beneficial ownership interests therein in a principal amount equal to, and leaving untendered, an Authorized Denomination) are subject to tender for purchase at the option of the Holder thereof (or, if the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, at the option of the Beneficial Owner (as defined in "Book-Entry Only System" herein) thereof), from and to the extent of the funds described under the caption "Remarketing and Purchase Price" below, at the Purchase Price therefor, on the following dates (each such date being referred to herein as a "Purchase Date"):

Weekly Mode. 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) in the Weekly Mode may be tendered for purchase on any Business Day, upon irrevocable notice of tender given to the Tender Agent as described below in writing (including by facsimile or other electronic means) no later than 5:00 p.m., New York City time, on a Business Day at least seven (7) calendar days prior to the Purchase Date.

Daily Mode. 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) in the Daily Mode may be tendered for purchase on any Business Day, upon irrevocable notice of tender given to the Tender Agent as described below by telephone, facsimile or other electronic means no later than 11:00 a.m., New York City time, on the Purchase Date.

Each notice of exercise of the election to have a 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) purchased will be irrevocable and effective upon receipt, and must specify the principal amount of the 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) to be purchased, the Purchase Date and the name of the Holder of the 2019 Series C Bond (or, if the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, the name and number of the account to which such beneficial ownership interest is credited by DTC) and must be given by the Holder thereof or such Holder's attorney-in-fact duly authorized in writing (or, if the 2019 Series C Bonds are subject to such book-entry only system of registration and transfer, by the Beneficial Owner thereof or such Beneficial Owner's attorney-in-fact duly authorized in writing).

The delivery of such optional tender notice shall automatically constitute (a) an irrevocable offer to sell the 2019 Series C Bonds or beneficial interest (or portion thereof) to which the notice relates on the purchase date at the Purchase Price, (b) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2019 Series C Bonds (or portion thereof) upon payment of the purchase price to the Paying Agent on the purchase date, (c) an agreement of such owner (or beneficial owner through its participation in the Securities Depository) to make arrangements to deliver and transfer such 2019 Series C Bonds or beneficial interest being tendered, with all necessary endorsements for transfer and signature guarantees, by delivery to the Paying Agent at its designated payment office in accordance with the terms of the Thirty-First Supplemental Bond Resolution, on the purchase date, or by causing its Direct Participant to transfer its interest in the 2019 Series C Bonds equal to such beneficial owner's interest on the records of the Securities Depository to the participant account of the Paying Agent or its agent with

the Securities Depository, and (d) an acknowledgment that such owner will have no further rights with respect to such 2019 Series C Bonds (or portion thereof) upon payment of the Purchase Price thereof to the Paying Agent on the purchase date, except for the right of such owner to receive such Purchase Price upon delivery of such 2019 Series C Bonds to the Paying Agent, and that after the purchase date such owner will hold any undelivered bond certificate as agent for the Paying Agent.

Holders (or, if the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, Beneficial Owners) of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) that have elected to require purchase as described above will be deemed, by such election, to have agreed irrevocably to sell the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) to any purchaser determined in accordance with the provisions of the Thirty-First Supplemental Bond Resolution on the Purchase Date at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, in each such case, endorsed in blank (or accompanied by a bond power executed in blank). See "Remarketing and Purchase Price" below.

So long as any Liquidity Facility, which is not a Letter of Credit, is in effect with the respect to the 2019 Series C Bonds, notwithstanding anything to the contrary herein, so long as the 2019 Series C Bonds are rated by S&P, if the long term rating of the 2019 Series C Bonds is reduced to below "BBB-" by S&P, the right of holders to tender 2019 Series C Bonds for remarketing shall be suspended until such time as the long term rating on such 2019 Series C Bonds is at least "BBB-" by S&P.

#### **Mandatory Tender for Purchase**

The 2019 Series C Bonds must be tendered for purchase, from and to the extent of the funds described under the caption "Remarketing and Purchase Price" below, at the Purchase Price therefor, on the following dates (each such date being referred to herein as a "Purchase Date"):

Expiration of Liquidity Facility or Credit Facility: on the fifth Business Day prior to the Facility Expiration Date.

Substitution of Liquidity Facility or Credit Facility: on the Substitution Date; *provided, however,* that if the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to Thirty-First Supplemental Bond Resolution, written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility or the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect, the proposed Alternate Credit Facility or the substitution of one or more Credit Facility Issuers for one or more of the Credit Facility Issuers that are party to the Credit Facility then in effect, as the case may be, and that such substitution will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on the 2019 Series C Bonds, then the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on the Substitution Date,

Interest Mode or Interest Period Changes: on any Mode Adjustment Date designated by an authorized officer of the City pursuant to the provisions of the Thirty-First Supplemental Bond Resolution whether or not such change to a new Interest Mode or Interest Period, as applicable, is effected,

Amendment to the Thirty-First Supplemental Bond Resolution or the Resolution: on any Business Day while the 2019 Series C Bonds are in the Daily Mode or Weekly Mode at least fifteen (15)

days following delivery to the Notice Parties of a certificate of an authorized officer of the City to the effect that the City is causing the 2019 Series C Bonds to become subject to mandatory tender in order to enable any Supplemental Resolution amending the Thirty-First Supplemental Bond Resolution or the Resolution to take effect; provided, however, that such certificate is accompanied by (i) an Opinion of Bond Counsel to the effect that such amendments are authorized or permitted by the Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes and (ii) the written consent of the Agent Bank to the 2019 Series C Bonds being so subject to mandatory tender on such date.

Liquidity Facility Default: on the fifteenth (15<sup>th</sup>) day (or if such day is not a Business Day, on the next preceding Business Day) after receipt by the Tender Agent of notice from the Agent Bank to the effect that an "event of default" (or similar event) on the part of the City has occurred and is continuing under the Liquidity Facility that entitles the Liquidity Provider(s) party thereto to terminate the Liquidity Facility (or the commitment thereunder of the Liquidity Provider(s) to purchase 2019 Series C Bonds) following the honoring by the Liquidity Provider(s) of a final demand for payment thereunder to purchase all of the 2019 Series C Bonds upon the resultant mandatory tender for purchase thereof and directing the mandatory tender thereof,

Credit Facility Default: on the fifteenth (15<sup>th</sup>) day (or if such day shall not be a Business Day, on the next preceding Business Day) after receipt by the Tender Agent therefor of notice from the Agent Bank therefor to the effect that an "event of default" (or similar provision) on the part of the City has occurred and is continuing under the Credit Facility therefor, and directing such Tender Agent to make a draw or request for funding, as the case may be, under such Credit Facility to effect a mandatory tender of all of the 2019 Series C Bonds of such series, and

Upon Purchase in Lieu of Prepayment: The 2019 Series C Bonds shall, upon the written consent of the Liquidity Provider, be subject to mandatory tender for purchase if in accordance with the Thirty-First Supplemental Bond Resolution, the City gives written direction to the Tender Agent not less than ten (10) days prior to a prepayment date under the Thirty-First Supplemental Bond Resolution (other than scheduled Sinking Fund Installments), to purchase the 2019 Series C Bonds rather than redeem them on such date and such purchase shall be made on the date the 2019 Series C Bonds are otherwise scheduled to be redeemed and upon such purchase such 2019 Series C Bonds shall not be required to be cancelled by the Trustee.

Except in the case of a mandatory tender described under "Liquidity Facility Default" above, the Tender Agent will give notice of mandatory tender for purchase to each Holder of the 2019 Series C Bonds by mail, first-class postage prepaid, (i) if the 2019 Series C Bonds are then in the Daily Mode or the Weekly Mode, not less than fifteen (15) nor more than sixty (60) days prior to the Purchase Date. In the case of a mandatory tender described under "Liquidity Facility Default" above, the Tender Agent will give notice of mandatory tender for purchase to each Holder of the 2019 Series C Bonds by mail, first-class postage prepaid, as promptly as practicable following receipt by it of the notice from the Bank referred to under "Liquidity Facility Default" above. While the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, such notice will be given only to DTC.

Holder(s) (or, if applicable, Beneficial Owner(s)) of 2019 Series C Bonds (or beneficial ownership interests therein) will be deemed to have agreed irrevocably to sell 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) subject to mandatory tender for purchase to any purchaser determined in accordance with the provisions of the Thirty-First Supplemental Bond

Resolution on the date fixed for purchase at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, endorsed in blank (or accompanied by a bond power executed in blank). See "Remarketing and Purchase Price" below.

### **Remarketing and Purchase Price**

In the event that notice is received of any optional tender of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) or if the 2019 Series C Bonds become subject to mandatory tender for purchase, except in the case of a mandatory tender (a) in connection with the expiration of the Liquidity Facility then in effect and (b) upon a default on the part of the City under the Liquidity Facility or Credit Facility (unless consented to by the Agent Bank) then in effect, the Remarketing Agent shall offer for sale for the account of the respective owners thereof and will use its best efforts to sell an aggregate principal amount of 2019 Series C Bonds equal to the aggregate principal amount of 2019 Series C Bonds which are required to be tendered for purchase at a price equal to the Purchase Price therefor, on the Purchase Date of such 2019 Series C Bonds or as soon thereafter as possible, without selling any such 2019 Series C Bonds at a discount or a premium; provided, however, the Remarketing Agent shall not remarket 2019 Series C Bonds (i) to the City, or (ii) upon a mandatory tender pursuant to Section 3.06(c)(i) of the Thirty-First Supplemental Bond Resolution or (vii) of the Thirty-First Supplemental Bond Resolution, or unless consented to by the Agent Bank, under Section 3.06(c)(viii) of the Thirty-First Supplemental Bond Resolution.

The Purchase Price of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered for purchase is payable, first, from proceeds of the remarketing of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) deposited to the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund and, if such remarketing proceeds are insufficient, from amounts drawn under or derived from the Liquidity Facility. The obligation of the Bank to purchase 2019 Series C Bonds under the Initial Letter of Credit is subject to certain conditions, and such obligation may be terminated without prior notice or payment thereunder under certain circumstances. See "THE INITIAL LETTER OF CREDIT" herein.

**Except with respect to a 2019 Series C Bank Bonds in accordance with the Liquidity Facility Agreement or Reimbursement Agreement, the City shall not be obligated to provide funds for the payment of the Purchase Price of 2019 Series C Bonds upon any tender.**

Upon tender for purchase of any 2019 Series C Bond (or portion thereof) on the Purchase Date therefor or of any Untendered 2019 Series C Bond (hereinafter defined) on or after the Purchase Date therefor at the office of the Tender Agent, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, the Tender Agent will pay to the Holder of such 2019 Series C Bond (or portion thereof) or such Untendered 2019 Series C Bond, as the case may be, the Purchase Price therefor on behalf of the purchaser thereof from funds available for such purchase held in the applicable account in the 2019 Series C Bond Purchase Fund (as defined in APPENDIX C hereto), in each such case, by 5:00 p.m., New York City time, on the date of payment.

While the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, to the extent permitted pursuant to the procedures of DTC, any beneficial ownership interest in such 2019 Series C Bonds will be deemed tendered to the Tender Agent endorsed in blank when DTC or any Direct Participant or Indirect Participant (as such terms are defined in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein) which owns such beneficial ownership interest as nominee for the Beneficial



Owner thereof has received sufficient instructions from the person to whose account at DTC such beneficial ownership interest is credited to transfer such beneficial ownership interest to the account of the Tender Agent and such transfer is effected, and payment of the Purchase Price of such beneficial ownership interest will be deemed to be made when the Tender Agent gives sufficient instructions to (while maintaining sufficient funds at or delivering such funds to) DTC or such Participant to credit such Purchase Price to the account of such Person at DTC or such Participant.

### **Untendered 2019 Series C Bonds**

With respect to any 2019 Series C Bond (or portion thereof) (a) for which notice of tender was given in connection with an optional tender but which is not tendered for purchase by 12:00 p.m., New York City time, on the applicable Purchase Date or (b) which is required to be tendered in connection with a mandatory tender and which is not tendered for purchase by the applicable time, on the applicable Purchase Date (such 2019 Series C Bonds (or portions thereof) being referred to herein as "Untendered 2019 Series C Bonds"), such 2019 Series C Bond (or portion thereof) will, upon deposit in the applicable account in the 2019 Series C Bond Purchase Fund of an amount sufficient to pay the Purchase Price of such 2019 Series C Bond (or portion thereof) on such Purchase Date, be deemed to have been tendered and sold on such Purchase Date to the Person specified and thereafter, the person who has failed to deliver such 2019 Series C Bond (or portion thereof) will not be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than the Purchase Price for such 2019 Series C Bond (or portion thereof) and, unless such Purchase Price includes accrued interest to such Purchase Date, such accrued interest, and such Untendered 2019 Series C Bond will no longer be entitled to the benefit of the Resolution, except for the purpose of payment of the Purchase Price therefor and such accrued interest, if any.

### **2019 Series C Bank Bonds**

Any 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) purchased by the Liquidity Provider(s) (or a nominee or nominees thereof) which has been tendered or deemed tendered for purchase on a Purchase Date to the extent the Purchase Price therefor is paid from amounts drawn under or derived from the Liquidity Facility will be and constitute a 2019 Series C Bank Bond under the Thirty-First Supplemental Bond Resolution. Each 2019 Series C Bank Bond will bear interest from and including the date on which such 2019 Series C Bond was so purchased (the "Bank Purchase Date") but not including the earliest of (a) the date (if any) on which such 2019 Series C Bank Bond is remarketed as provided in the Thirty-First Supplemental Bond Resolution, (b) the date (if any) on which such 2019 Series C Bank Bond ceases to be a 2019 Series C Bank Bond as provided in the Thirty-First Supplemental Bond Resolution, and (c) the maturity or redemption date thereof, at an annual rate equal to the Bank Rate or Rates in effect from time to time during such period computed on the basis of a 360 day year for the actual number of days elapsed.

In addition to being subject to redemption at the election of the City, as described in the Thirty-First Supplemental Bond Resolution, any 2019 Series C Bond that is a 2019 Series C Bank Bond will be subject to mandatory redemption through sinking fund installments as follows: For the purposes of this paragraph, each portion of the 2019 Series C Bonds that becomes a 2019 Series C Bank Bond as a result of a purchase on a distinct Liquidity Provider Purchase Date will be deemed to constitute a separate 2019 Series C Bank Bond (referred to as a "Separate 2019 Series C Bank Bond"). Each Separate 2019 Series C Bank Bond outstanding will be redeemed during the period commencing with a date which is 180 days after the Liquidity Provider Purchase Date (or, if the purchase was made in the circumstances referred to in clause (c)(vii) or (viii) of Section 3.06 of the Thirty-First Supplemental Bond Resolution, on the date that

is 180 days after the Liquidity Provider Purchase Date) applicable to such Separate 2019 Series C Bonds (the "Term-Out Date") and extending to the earlier of (a) the date that is the fifth anniversary of such Liquidity Provider Purchase Date or (b) the maturity date of the 2019 Series C Bonds, in ten equal semi-annual installments of principal, payable on the Term-Out Date and at the end of each six-month period thereafter. In order to provide for such retirement, the Sinking Fund Installments were established pursuant to the Thirty-First Supplemental Bond Resolution with respect to each such Separate 2019 Series C Bank Bond, which Sinking Fund Installments will be due in semi-annual installments, on the Term-Out Date applicable to such Separate 2019 Series C Bonds and at the end of each six-month period thereafter with respect to each such Separate 2019 Series C Bank Bond. For purposes of the two preceding sentences, each semi-annual payment date or due date, as the case may be, hereunder will be the date that numerically corresponds with the Term-Out Date or, if there is no such numerically corresponding date in the applicable month, on the last day of such month (or, if such day is not a Business Day, the next succeeding Business Day). The Agent Bank shall determine the amount of principal due on each Separate 2019 Series C Bank Bond on each payment date and shall notify the Trustee and the Issuer of such amount at least three (3) Business Days prior to such payment date. The Redemption Price will be the principal amount of the 2019 Series C Bank Bonds to be redeemed plus accrued interest thereon to the date of redemption. In the event that the principal amount of 2019 Series C Bank Bonds to be redeemed on any such redemption date is not equal to an Authorized Denomination, the principal amount of 2019 Series C Bank Bonds to be redeemed will be rounded to the next higher Authorized Denomination. In accordance with the provisions of Section 511 of the Resolution, the 2019 Series C Bank Bonds optionally redeemed by the City shall be applied against the next succeeding Sinking Fund Installment(s) pursuant to this paragraph. When 2019 Series C Bonds are redeemed pursuant to mandatory Sinking Fund Installments, 2019 Series C Bonds redeemed shall be applied against the next succeeding Sinking Fund Installments under this paragraph in the order of the due dates thereof.

The Thirty-First Supplemental Bond Resolution also provides that each 2019 Series C Bank Bond will constitute an "Option Bond" within the meaning of the Resolution and, as such, may be tendered or deemed tendered to the City for payment upon the occurrence of certain "events of default" on the part of the City under the Initial Letter of Credit. See "THE INITIAL LETTER OF CREDIT" herein. Upon any such tender or deemed tender for purchase, the 2019 Series C Bank Bonds so tendered or deemed tendered will be due and payable immediately.

#### **Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent**

No representation is made by the City as to the accuracy, completeness or adequacy of such information to the extent this section reflects the internal practices and procedures of the Remarketing Agent.

The Remarketing Agent is Paid by the City. The Remarketing Agent's responsibilities include determining the interest rates borne by the 2019 Series C Bonds from time to time and remarketing 2019 Series C Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Thirty-First Supplemental Bond Resolution and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing owners and potential purchasers of 2019 Series C Bonds.

The Remarketing Agent Routinely Purchases Variable Rate Demand Obligations for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account in order to

achieve a successful remarketing of such obligations (i.e., because there otherwise are not enough buyers to purchase such obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, in its sole discretion, to purchase tendered 2019 Series C Bonds for its own account. However, the Remarketing Agent is not obligated to purchase 2019 Series C Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2019 Series C Bonds by routinely purchasing and selling 2019 Series C Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at prices at or below par. However, the Remarketing Agent is not required to make a market in the 2019 Series C Bonds. The Remarketing Agent may also sell any 2019 Series C Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2019 Series C Bonds. The purchase of 2019 Series C Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the 2019 Series C Bonds in the market than is actually the case. The practices described above also may result in fewer 2019 Series C Bonds being tendered in a remarketing.

2019 Series C Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Thirty-First Supplemental Bond Resolution and the Remarketing Agreement, on each Rate Determination Date, the Remarketing Agent is required to determine the 2019 Series C Bond Rate, which shall be the rate of interest that, in the Remarketing Agent's judgment, is the minimum interest rate necessary to be borne by the affected 2019 Series C Bonds (or beneficial ownership interests therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2019 Series C Bonds (or beneficial ownership interests therein) on the Rate Determination Date therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; provided, however, that in no event shall any rate so determined exceed the Maximum Rate. The interest rate will reflect, among other factors, the level of market demand for the 2019 Series C Bonds (including whether the Remarketing Agent is willing to purchase 2019 Series C Bonds for its own account). There may or may not be 2019 Series C Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2019 Series C Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2019 Series C Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the 2019 Series C Bonds at the remarketing price. In the event the Remarketing Agent owns any 2019 Series C Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer 2019 Series C Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2019 Series C Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell 2019 Series C Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require owners that wish to tender their 2019 Series C Bonds (or beneficial ownership interests therein) to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2019 Series C Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2019 Series C Bonds other than by tendering the 2019 Series C Bonds (or beneficial ownership interests therein) in accordance with the tender process.

Under certain circumstances, pursuant to the Liquidity Facility the Bank is not obligated to purchase tendered 2019 Series C Bonds. In addition, the Bank may fail to purchase tendered 2019 Series C Bonds even when it is obligated to do so. In both cases, tendered 2019 Series C Bonds would be returned to the holders thereof and bear interest at an interest rate established by the Remarketing Agent that will not exceed the Maximum Rate (or, in the event that the Remarketing Agent fails to determine the

interest rate, such 2019 Series C Bond will bear interest at a rate equal to 100% of the SIFMA Index (as defined in APPENDIX C hereto) most recently announced on or prior to each Rate Determination Date). It is not certain that following a failure to purchase 2019 Series C Bonds a secondary market for the 2019 Series C Bonds will develop.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2019 Series C Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Thirty-First Supplemental Bond Resolution and the Remarketing Agreement. In the event that the Remarketing Agent is removed or resigns without a successor having been named or the Remarketing Agent ceases its remarketing efforts as aforesaid, the only source of funds for payment of the Purchase Price of 2019 Series C Bonds (or beneficial ownership interests therein) tendered or deemed tendered for purchase would be amounts drawn under the Liquidity Facility then in effect. See "Remarketing and Purchase Price" above. In addition, if for any reason the Remarketing Agent fails to determine the Market Rate for any 2019 Series C Bond (or beneficial ownership interest therein) on a Rate Determination Date, the interest rate to be borne by such 2019 Series C Bond (or beneficial ownership interest therein) shall be determined in the manner described in the second paragraph under "Interest Rates and Interest Modes; Determination of Interest Rates" above.

## **Redemption Provisions**

### Optional Redemption

The 2019 Series C Bonds in the Daily Mode or the Weekly Mode are subject to redemption prior to maturity at the election of the City on any Business Day, in whole or in part, at a Redemption Price of 100% of the principal amount thereof together with accrued interest, if any, to the redemption date.

During the period the Letter of Credit or any Alternate Credit Facility consisting of a direct-pay letter of credit is in effect and the 2019 Series C Bonds are in the Weekly Mode or Daily Mode, there may be no defeasance of the 2019 Series C Bonds or 2019 Series C Bank Bonds pursuant to the Resolution.

## **Sinking Fund Redemption**

The 2019 Series C Bonds are 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 thereof, together with accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2041	\$8,855,000	2045	\$9,870,000
2042	9,100,000	2046	10,150,000
2043	9,350,000	2047*	10,425,000
2044	9,605,000		

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\*Final maturity.

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

Participants will determine the particular ownership interests of 2019 Series C Bonds to be redeemed through mandatory sinking fund installments.

In determining the amount of 2019 Series C Bonds to be redeemed with any sinking fund installment, there will be deducted the principal amount of any 2019 Series C Bonds which have been purchased, to the extent permitted by the Resolution, with amounts in the Debt Service Account (exclusive of amounts deposited from proceeds of Bonds). In addition, if there is any redemption or purchase of any 2019 Series C Bonds with amounts other than moneys on deposit in the Debt Service Account, such 2019 Series C Bonds may be credited against any future sinking fund installment established for the 2019 Series C Bonds as specified by the City at any time, except as described in the penultimate paragraph under "2019 Series C Bank Bonds" above.

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

If fewer than all of the 2019 Series C Bonds of like maturity or interest rate within a maturity of any Series shall be called for prior redemption, the particular 2019 Series C Bonds or portions of 2019 Series C Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that for any Bond of a denomination of more than the minimum denomination for such Series, the portion of such Bond to be redeemed shall, unless otherwise specified in the Supplemental Resolution relating to such Series, be in a principal amount equal to such minimum denomination or an integral multiple thereof, and that, in selecting portions of such 2019 Series C Bonds for redemption, the Trustee shall treat each such Bond as representing that number of 2019 Series C Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of such minimum denomination.

### **Notice of Redemption**

The Trustee shall give notice, in the name of the City, of the redemption of such 2019 Series C Bonds, which notice shall specify the Series and maturities and interest rates within maturities, if any, of the 2019 Series C Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if fewer than all of the 2019 Series C Bonds of any like and maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such 2019 Series C Bonds so to be redeemed, and, in the case of 2019 Series C Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall be mailed by first class mail, postage prepaid, or electronically, not less than thirty (30) nor more than sixty (60) days before the redemption date, to the Registered Owners of any 2019 Series C Bonds or portions of 2019 Series C Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure to give notice by mail, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of 2019 Series C 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.

### **Substitution of Liquidity Facility**

At any time prior to the giving by the Tender Agent of notice of the mandatory tender of the 2019 Series C Bonds as a result of the expiration of the Liquidity Facility then in effect (see "Mandatory Tender for Purchase – Expiration of Liquidity Facility" above), the City may deliver to the Tender Agent a

Substitute Liquidity Facility in substitution for the Liquidity Facility then in effect. In the event of any such substitution, 2019 Series C Bonds in the Daily Mode or the Weekly Mode will be subject to mandatory tender for purchase on the Substitution Date unless the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to the Thirty-First Supplemental Bond Resolution, written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on the 2019 Series C Bonds. See "Mandatory Tender for Purchase – Substitution of Liquidity Facility" above.

A Substitute Liquidity Facility supporting the 2019 Series C Bonds shall be in an amount at least equal to the Facility Requirement for the 2019 Series C Bonds. Any Substitute Liquidity Facility shall become effective with respect to the 2019 Series C Bonds on the Substitution Date therefor established pursuant to the Thirty-First Supplemental Bond Resolution (see the definition of "Substitution Date" in APPENDIX C hereto); provided, however, that the City furnishes to the Tender Agent (i) an Opinion of Bond Counsel to the effect that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect is authorized or permitted by the Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes; (ii) either (A) written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and stating the ratings of the 2019 Series C Bonds after substitution of such Substitute Liquidity Facility or (B) a statement of an authorized officer of the City that no ratings have been obtained; (iii) if such Substitute Liquidity Facility is other than a Letter of Credit issued by a domestic commercial bank, an opinion of counsel to the effect that no registration of the 2019 Series C Bonds or such Substitute Liquidity Facility is required under the Securities Act of 1933, as amended; (iv) an opinion of counsel satisfactory to an authorized officer of the City to the effect that such Substitute Liquidity Facility is a valid and enforceable obligation of the issuer or provider thereof; and (v) all information required to give the notice of mandatory tender for purchase of the 2019 Series C Bonds, if required by the Thirty-First Supplemental Bond Resolution.

In the event that the 2019 Series C Bonds are in the Daily Mode or the Weekly Mode, if, in connection with the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, the 2019 Series C Bonds are not subject to mandatory tender for purchase on a Substitution Date (see "Mandatory Tender for Purchase – Substitution of Liquidity Facility" above), the Tender Agent will give notice as hereinafter described to the Holders of such 2019 Series C Bonds by mail, first-class postage prepaid, not less than fifteen (15) and not more than sixty (60) days preceding such Substitution Date. Such notice will (a) state the Substitution Date on which such substitution is expected to become effective; (b) contain a description of such Substitute Liquidity Facility and the bank that is the issuer or provider thereof; and (c) state that if any Holder of a 2019 Series C Bond (or, if the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, any Beneficial Owner thereof) does not desire to continue to hold such 2019 Series C Bond (or beneficial ownership interest therein) following such substitution, such Holder (or Beneficial Owner) must give notice of the tender of such 2019 Series C Bond (or beneficial ownership interest therein) by the time and in the manner described under the caption "Optional Tender for Purchase" above.

### **Registration and Transfer; Payment**

The 2019 Series C Bonds may be transferred only on the books of the City held at the principal corporate trust office of the Trustee, as Registrar. Neither the City nor the Registrar will be required to

transfer or exchange 2019 Series C Bonds (a) to transfer or exchange any 2019 Series C Bond for the period next preceding any Interest Payment Date for the 2019 Series C Bonds beginning with the regular Record Date for such interest payment date and ending on such Interest Payment Date, or for the period next preceding any date for the proposed payment of Defaulted Interest with respect to such 2019 Series C Bond beginning with the Special Record Date for the date of such proposed payment and ending on the date of such proposed payment, (b) to transfer or exchange 2019 Series C Bonds for a period beginning 15 days before the first mailing of any notice of redemption and ending on the day of such mailing, or (c) to transfer, exchange or register any 2019 Series C Bonds called for redemption. Interest on any 2019 Series C Bonds will be paid to the person in whose name such 2019 Series C Bond is registered on the applicable Record Date. At such time, if any, as the 2019 Series C Bonds no longer shall be subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, interest on the 2019 Series C Bonds will be payable by check or draft of the Trustee, as Paying Agent, mailed to the registered owners by first-class mail (or, to the extent permitted by the Resolution, by wire transfer (see "General" above)). At such time, if any, as the 2019 Series C Bonds no longer shall be subject to such book-entry only system of registration and transfer, the principal of all 2019 Series C Bonds will be payable on the date of maturity or redemption or acceleration thereof upon presentation and surrender at the principal corporate trust office of the Paying Agent.

For so long as a book-entry system is used for determining beneficial ownership of the 2019 Series C Bonds, such principal and interest shall be payable to DTC or its nominee. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the 2019 Series C Bonds is the responsibility of the Direct Participants or the Indirect Participants. See "INTRODUCTORY STATEMENT - Book-Entry Only System" herein.

## **THE INITIAL LETTER OF CREDIT**

### **General**

The following summarizes certain provisions of the Initial Letter of Credit and Initial Reimbursement Agreement. The Initial Letter of Credit and Initial Reimbursement Agreement contain various provisions, covenants and conditions, certain of which are summarized below. Certain words or terms used in the following summary are defined under "Definitions" below. Capitalized words or terms used in the following summary that are not defined under "Definitions" below shall have the meanings ascribed to them elsewhere in this Official Statement, the Resolution or in the Thirty-First Supplemental Bond Resolution.

### **The Initial Letter of Credit**

The Initial Letter of Credit is an irrevocable, direct-pay obligation of the Bank to pay to the Trustee, upon request and in accordance with the terms thereof, up to (i) an amount sufficient to pay up to \$67,355,000 of principal of the 2019 Series C Bonds (or that portion of the Purchase Price of the 2019 Series C Bonds corresponding to principal) when due, at maturity or upon acceleration, redemption, purchase pursuant to a tender, defeasance or otherwise plus (ii) an amount equal to 35 days' interest, computed at a maximum interest rate of 12% per annum (based on a year of 365 days), on the 2019 Series C Bonds to pay interest thereon (or that portion of the purchase price of the 2019 Series C Bonds corresponding to interest).

The Initial Letter of Credit will terminate at 5:00 p.m. local time in Scranton, Pennsylvania ("Local Time") on the earliest of (the "Termination Date"): (a) April 25, 2022, or, if such date is not a Business Day, then on the first succeeding Business Day thereafter (as such date may be extended by the

Bank from time to time, the "Stated Termination Date"); (b) the date the Bank has honored a Drawing in the form of Annex D to the Initial Letter of Credit ("Drawing for Total Unpaid Principal and Interest on All Bonds"); and (c) twenty-five days after the Trustee has received notice from the Bank stating that an Event of Default has occurred under the Initial Reimbursement Agreement and requesting the mandatory tender of the 2019 Series C Bonds.

The Trustee is directed under the Thirty-First Supplemental Bond Resolution to draw upon the Initial Letter of Credit (i) to enable the Trustee to pay principal of and interest on the 2019 Series C Bonds other than Excluded Bonds when due and (ii) to enable the Trustee to pay the Purchase Price of 2019 Series C Bonds other than Excluded Bonds tendered for purchase, in all cases to the extent that other moneys permitted by the Thirty-first Supplemental Bond Resolution to be applied for such purposes are not available.

Except as described below, under the Initial Letter of Credit if a drawing for payment is presented by the Trustee prior to 12:00 noon Local Time, on a Business Day and provided that such drawing and the documents presented in connection therewith conform to the terms and conditions of the Initial Letter of Credit, payment will be made to the Trustee of the amount specified, in immediately available funds, not later than 12:00 noon, Local Time, on the following Business Day. If a drawing for payment is presented by the Trustee under the Initial Letter of Credit after the time specified in the preceding sentence on a Business Day, and provided that such drawing and the documents presented in connection therewith conform to the terms and conditions of the Initial Letter of Credit, payment will be made to the Trustee of the amount specified, in immediately available funds, not later than 12:00 noon, Local Time, on the second Business Day thereafter. Notwithstanding the foregoing, certain draws on the Initial Letter of Credit required to pay optional and mandatory tenders of the 2019 Series C Bonds will be paid by 2:30 p.m., Local Time, on the same Business Day of the drawing if such drawing is received not later than 12:30 p.m., Local Time, on that day. If such a drawing is presented by the Trustee for payment after the time specified in the preceding sentence on a Business Day, payment will be made not later than 2:30 p.m., Local Time, on the following Business Day.

The obligation of the Bank under the Initial Letter of Credit with respect to the payment of interest and principal on the 2019 Series C Bonds will be reduced to the extent of any drawing thereunder, subject to reinstatement with respect to interest drawings as described in the immediately succeeding paragraph. With respect to a drawing by the Trustee solely to pay the Purchase Price of 2019 Series C Bonds tendered or required to be tendered for purchase pursuant to the Thirty-First Supplemental Bond Resolution, the amount available for payment of principal under the Initial Letter of Credit will be reduced by an amount equal to the principal amount of the 2019 Series C Bonds tendered and the amount available for payment of interest under the Initial Letter of Credit will be reduced by an amount equal to 35 days of accrued interest on the principal amount of the tendered 2019 Series C Bonds (computed at a maximum interest rate on such tendered 2019 Series C Bonds of 12% per annum, based on a year of 365 days), subject to reinstatement as described in the second succeeding paragraph.

After a drawing with respect to the payment of interest on the 2019 Series C Bonds, the obligation of the Bank to honor demands for payment under the Initial Letter of Credit with respect to the payment of interest on the 2019 Series C Bonds will be reinstated by an amount equal to such drawing (subject to any subsequent reductions of the amount of the Initial Letter of Credit); provided, that no portion of an interest drawing applied to interest on the principal amount of 2019 Series C Bonds that has been paid shall be reinstated.



After a drawing with respect to the payment or provision for payment of the Purchase Price of 2019 Series C Bonds tendered or required to be tendered for purchase pursuant to the Thirty-First Supplemental Bond Resolution, the obligation of the Bank to honor demands under the Initial Letter of Credit with respect to such payments will be reinstated by the amount equal to the sum of (i) the principal amount of those 2019 Series C Bonds previously purchased with the proceeds of such drawing which have been resold by the Remarketing Agent plus (ii) the amount equal to 35 days' of accrued interest on the principal amount of such 2019 Series C Bonds (computed at the maximum interest rate on such 2019 Series C Bonds of 12% per annum, based on a year of 365 days), upon delivery of the proceeds of such remarketing or an equivalent amount or such reimbursement payment to the Bank in immediately available funds.

### **The Initial Reimbursement Agreement**

Pursuant to the Initial Reimbursement Agreement, the City will agree to pay to the Bank certain fees and expenses and will agree to certain affirmative and negative covenants. Fees and expenses payable by the City to the Bank pursuant to the Initial Reimbursement Agreement will be payable as Operation and Maintenance Expenses.

### **THE BANK**

*The information relating to the Bank set forth below has been furnished by the Bank for inclusion in this Official Statement. No representation is made herein by the City as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The City has not made any independent investigation of the Bank.*

The Bank is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2018, the Bank had consolidated assets of \$1.783 trillion, consolidated deposits of \$1.457 trillion and stockholder's equity of \$207.728 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

The SEC maintains a website at [www.sec.gov](http://www.sec.gov) which contains the filings that the Corporation files with the SEC such as reports, proxy statements and other documentation. The reports, proxy statements and other information the Corporation files with the SEC are also available at its website, [www.bankofamerica.com](http://www.bankofamerica.com).

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Letter of Credit has been issued by the Bank. As of March 19, 2019, the Bank's senior debt ratings were as follows:

<u>AGENCY</u>	<u>LONG-TERM DEBT</u>	<u>SHORT TERM DEBT</u>	<u>OUTLOOK</u>
Moody's Investors Service (" <i>Moody's</i> ")	Aa2	P-1	Stable
Standard & Poor's (" <i>S&amp;P</i> ")	A+	A-1	Stable
Fitch Ratings (" <i>Fitch</i> ")	AA-	F1+	Stable

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case, as filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications  
Office of the Corporate Secretary/Shareholder Relations  
Hearst Tower, 214 North Tryon Street  
NC1-027-18-05  
Charlotte, North Carolina 28255

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this section is correct as of any time subsequent to the referenced date.

## THE CITY

### General

The City, home of the University of Florida, is located in North Central Florida midway between Florida's Gulf and the Atlantic coast. The City is approximately 125 miles north of Tampa, approximately 110 miles northwest of Orlando and approximately 75 miles southwest of Jacksonville. The Bureau of Economic and Business Research at the University of Florida estimated a 2018 population of 263,291 in the County with an estimated 131,217 persons resided within the City limits as of January 2019. The economic base of Gainesville consists primarily of light industrial, commercial, health care and educational activities. The University of Florida is the State's oldest university and, with approximately 56,000 students, is one of the largest universities in the nation.

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

**Government**

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

The following are the current members of the City Commission:

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

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\*On March 19, 2019, Mayor Poe and Mayor-Commissioner Pro-Tem Hayes-Santos were both reelected. While their current term expires in May 2019, since reelected, their new terms once commenced will expire in January 2023.

**THE SYSTEM**

**General**

Under its home rule powers and pursuant to the Charter, the City owns and operates the System, which provides the City and certain unincorporated areas of the County with electric, natural gas, water, wastewater, and telecommunications service (including certain utility services to the University of Florida). The System provides wholesale wastewater service to the City of Waldo. Natural gas service is also provided to retail customers within the corporate limits of the City of Alachua, Florida ("Alachua"), and the City of High Springs, Florida ("High Springs"). All facilities of the System are owned and operated by the City. The System is governed by the City Commission.

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

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

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

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

#### Utility Advisory Board

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

#### Legislative Matters Affecting the City

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

#### Management of the System

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

*Mr. Edward J. Bielarski, Jr., General Manager for Utilities*, joined the System as a Charter Officer and General Manager in June of 2015. Mr. Bielarski has over 20 years of experience in the utility industry, having worked with Constellation Energy Group (Maryland) as a Project General Manager and a Project Chief Financial Officer, and Lehigh County Authority (Pennsylvania) as a Chief Operating Officer and Chief Financial Officer. As a Charter Officer, he reports directly to the seven-member City Commission and to the Utilities Advisory Board. Mr. Bielarski currently serves on the Board of Directors for The Energy Authority, Inc. ("TEA") and the Florida Reliability Coordinating Council (the "FRCC"). In his role

as General Manager, Mr. Bielarski oversees all operations of the combined electric, natural gas, water, wastewater and telecommunications utilities. Principal responsibilities include management for all planning, administration, customer service, engineering, organizational development, construction and operations for all utility responsibility areas in accordance with City policies. Additionally, he oversees the preparation and administration of the annual budget and is responsible for policy development and the implementation of policies adopted by the City Commission.

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

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

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

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

Wastewater Department. He directs the design, construction, operation and maintenance of all the water and wastewater systems to deliver safe, reliable, and competitively priced services.

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

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

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

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

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

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

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

#### Labor Relations

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

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

#### Permits, Licenses and Approvals

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

### **The Electric System**

#### Service Area

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

#### Customers

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

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

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

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

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

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

### Energy Sales

#### *The Energy Authority*

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

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



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

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

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

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

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

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

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

### Retail and Wholesale Energy Sales

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

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

#### **Retail and Wholesale Energy Sales**

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

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

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

### Interchange and Economy Wholesale Sales

The System has participated in short-term power sales to other utilities through TEA when market opportunities exist. Due to new natural gas-fired generation in the market, and low and stable

natural gas prices, these opportunities are limited. In recent years, net revenues from interchange sales as reflected in the following table have been modest.

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

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

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

Interchange and Economy Wholesale Purchases

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

Renewable Energy

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

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

1. Termination of the PPA, which was set to expire in 2043 (see "–Operating Flexibility" below for a description of resulting operational flexibility);
2. An immediate one-time reduction of electric bills of approximately 8% for residential and 10% for commercial addressing the City's policy for rate competitiveness (GRU also then anticipated subsequent annual 2-3% rate increases over the next five years);
3. The realization of future annual cash flow savings from the elimination of the minimum annual fixed payments under the PPA, compared to the annual debt service on the Utilities System Revenue Bonds, 2017 Series A, Variable Rate Utilities System Revenue Bonds, 2017 Series B and Variable Rate Utilities System Revenue Bonds, 2017 Series C;

4. The flexibility to operate the DHR Biomass Plant as a strategic reliability hedge, based on the market cost of power, cost of fuel, and operating and maintenance requirements of the DHR Biomass Plant;
5. A reduction of long-term contractual capitalized obligations on GRU's balance sheet of approximately \$1 billion in exchange for adding \$680,920,000 of long-term debt; and
6. The final resolution of all on-going arbitration between the City and Gainesville Renewable Energy Center, LLC ("GREC LLC").

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

1. GRU no longer has to coordinate for the planned dispatch of the DHR Biomass Plant as was mandated by the PPA. Rather, GRU can optimize the mix of generating resources and market purchases to meet the necessary demand in the most cost-effective manner.
2. Prior to the termination of the PPA, GRU was required to dispatch the plant at 70 MWs, which is a large percentage of GRU's overall load and has proven difficult to manage across the generation fleet. The larger block size of 70 MWs prevented the use of other GRU generating resources or market purchases that could provide energy at a savings compared to the energy from the DHR Biomass Plant. A smaller blocksize, such as 35 MWs or lower, allows GRU to better optimize its fleet to more economically meet the requisite demand with multiple generation resources fueled by less expensive coal, natural gas, biomass and market purchases.
3. Prior to the termination of the PPA, GRU could not schedule any shutdowns during the summer period. As a result, if the DHR Biomass Plant started the summer season, it had to remain "On" for the duration of the summer season. Terminating the PPA eliminated this operational inflexibility and financial burden. Additionally, GRU had the ability to manage the DHR Biomass Plant such that for certain periods of the year, if the DHR Biomass Plant was not expected to be operational, staffing levels can be significantly reduced for a period of time. The PPA required a full workforce compliment whether the DHR Biomass Plant was operating or in stand-by mode.
4. The DHR Biomass Plant is adjacent to GRU's current Deerhaven facilities. The operation and maintenance staffing of this facility is through a 3<sup>rd</sup> party contractor of North American Energy Services ("NAES"). Since GRU has owned the facility the facility staffing has been optimized to take advantage of some of the synergistic services provided to GRU's other three generating plant sites. Additionally, GRU is currently evaluating options to convert the operation and maintenance of DHR Biomass Plant from NAES to GRU employees.
5. Prior to the termination of the PPA, GREC LLC managed the fuel procurement process with its staff. GRU believed those contracts can be better managed with staff of GRU while eliminating the "margin" that GREC LLC applied to fuel procurement. Additionally, the PPA required a minimum fuel inventory of fifteen (15) days. GRU can manage the fuel inventory more opportunistically.
6. The PPA treated the property taxes on the DHR Biomass Plant as a reimbursable expense. Termination of the PPA and GRU's ownership eliminated the direct payment of property taxes.
7. GRU control of the DHR Biomass Plant's dispatch and the reduction in the 70 MW block size enables GRU to make more cost-effective market purchases of energy when market prices are below GRU's cost of delivering energy.

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

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

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

#### Other Renewable Energy and Carbon Management Strategies

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

#### Energy Supply System

##### *Generating Facilities*

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

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

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

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

Existing Generating Facilities		Fuels		Net Summer 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
				<u>108</u>
<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
				<u>409</u>
<u>South Energy Center</u>				
	SEC-1	Natural Gas	—	3.5
	SEC-2	Natural Gas	—	7.4
				<u>10.9</u>
<u>DHR Biomass Plant</u>				
		Biomass	—	<u>102.5</u>
<u>Total Owned Resources</u>				630.4
<u>Baseline Landfill</u>				
		Landfill Gas	—	<u>3.7</u>
<b>Total Available Capacity</b>				<b>634.1</b>

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

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

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

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

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

***Crystal River 3*** – Crystal River 3 ("CR-3") is a retired nuclear powered electric generating unit which had a net summer capability of 838 MW, located on the Gulf of Mexico in Citrus County, Florida, approximately 55 miles southwest of Gainesville. Duke was the majority owner. In February of 2013, Duke announced that CR-3 would be permanently shut down and retired. The System owned a 1.4079% ownership share of CR-3 equal to approximately 12.7 MW (11.846 MW delivered to the System). In 2012, the minority owners, including the System, agreed to have the Florida Municipal Power Agency ("FMPPA") 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.

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

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

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

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

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

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

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

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



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

### *Fuel Supply*

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

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

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

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

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

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

#### Transmission System, Interconnections and Interchange Agreements

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

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

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

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

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

#### Electrical Distribution

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

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

#### Capital Improvement Program

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

fiscal year 2018 budget process. See "--Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

**Electric Capital Improvement Program**

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

Loads and Resources

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

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

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

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

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

Mutual Aid Agreement for Extended Generation Outages

The System has entered into a mutual aid agreement for extended generation outages with six other consumer-owned generating utilities in north central Florida and Georgia. Participating with the System in this agreement are FMPA, JEA, the City of Tallahassee, Lakeland Electric, Orlando Utilities

Commission and MEAG Power. Participants have committed to provide replacement power in the event of a long-term (two to twelve month) outage of one of the baseload generating units designated under the agreement. Each utility will provide a pro-rata share of the replacement power and will be reimbursed at an indexed price of coal assuming a heat rate of 11,000 BTU/kWh and an indexed price for gas assuming a heat rate of 9,250 BTU/kWh. The System has designated 100 MW of the capacity of DH 2 and 100 MW of the capacity at JRK Station to be covered under the agreement. The current agreement was renewed for an additional 5-year term beginning October 1, 2017. To date, the System has provided aid under this agreement, but has never requested aid pursuant to this agreement.

### Future Power Supply

#### General

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

#### The Planning Process

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

Power 2020 originally started in 2012 to determine the long-term life cycle management of generating units, and was originally focused only on power generation options to replace upcoming retiring unit, as well as longer term generation needs. In 2016, the scope expanded to look at both generation and transmission options for GRU. As a result, in early 2016, TEA was chosen to create an Integrated Resource Plan ("IRP") to help model a better answer to some of the unknowns going forward. Using modeling algorithms, the IRP will take a look at the aspects of the system requirements and provide recommendations for the best path forward. That path may include, amongst other strategies, additional generation, import capability, and demand side management, to accomplish the needs of the

System. Delivery of the final report was received in September 2017. Since acquiring the DHR Biomass Plant in late 2017, GRU is working with TEA to update the IRP with current data, including looking at adding a portion of solar farm. The IRP updates are actively in progress at this time. The IRP may recommend what mix of generation and transmission may be needed long term, as well as what generating units will provide the best economic dispatch, which may impact coal contracts.

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

#### Solar FIT

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

#### Solar Net Metering

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

### **The Water System**

The water system currently includes 1,170 miles of water transmission and distribution lines throughout the Gainesville urban area, 16 water supply wells located in a protected well field, and one treatment plant (the "Murphree Plant") possessing a rated peak day capacity of 54 Mgd. Treatment processes include lime-softening, recarbonation, filtration, chlorination and fluoridation. The Murphree

Plant's design allows for expansion to at least 60 Mgd of capacity at the plant site without interruption of treatment or service. The System renewed its consumptive use permit ("CUP") in September 2014 which will expire on September 10, 2034. The water system also includes a total of 19.5 million gallons of water storage capacity, comprised of pumped ground storage and elevated tanks.

Service Area

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

Customers

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

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

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

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

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

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

#### Water Treatment and Supply

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

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

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



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

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

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

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

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

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

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

#### Transmission and Distribution

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

#### Capital Improvement Program

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

## Water Capital Improvement Program

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

### The Wastewater System

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

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

#### Service Area

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

#### Customers

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

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

The composition of the System's wastewater customers is predominantly residential. Commercial and industrial customers comprised approximately 6.8% of the 66,483 average customers in

the fiscal year ended September 30, 2018, and residential customers were the source of 66% of all the wastewater system's revenues in the fiscal year ended September 30, 2018.

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

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

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

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

### Treatment

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

The MSWRF has a treatment capacity of 7.5 Mgd AADF and was upgraded in 1992 to include advanced tertiary activated sludge treatment process units. The plant includes influent screening and grit removal, activated sludge treatment, filtrations and disinfection. Biosolids from the plant are treated via aerobic digestion and are hauled to the KWRF facility where it is combined with KWRF sludge for beneficial reuse and/or disposal. Existing sludge treatment facilities are adequate to meet current federal sludge regulations. Effluent from the MSWRF is discharged to the Sweetwater Branch and must meet requirements of the FDEP for discharge to Class III surface waters. The MSWRF is in compliance with its National Pollutant Discharge Elimination System ("NPDES") permit. The MSWRF NPDES permit is a 5-year permit that expires March 18, 2020.

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

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

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

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

Another regulatory change that the System has responded to is the reuse of biosolids generated from the wastewater treatment process. Prior to 2016, the System beneficially reused its biosolids through Class B land application in accordance with FDEP and EPA requirements. However, changes in local land use ordinances made it necessary to transition to a new program that includes biosolids dewatering and use of a contractor that will process the biosolids to produce a fertilizer product. The System has completed construction on the dewatering facilities and other plant improvements to facilitate dewatering at a cost of \$17 million and is currently in full operation. In addition, enhanced screening

facilities at the KWRF were replaced to reduce solids entering the plant and thereby reducing wear and tear on the new dewatering equipment.

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

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

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

#### Wastewater Collection

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

The force main system which routes flow to the treatment plant consists of 170 pump stations and over 153 miles of pipe. Existing lines less than 12 inches in diameter are generally constructed of PVC pipe and existing lines 12 inches in diameter and over are generally constructed of ductile iron pipe. For new construction, force mains 16 inches and smaller are generally constructed of PVC or HDPE. The System has instituted a preventative maintenance program to assure long life and efficiency at all pumping stations.

### Capital Improvement Program

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

#### **Wastewater Capital Improvement Program**

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

### **The Natural Gas System**

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

#### Service Area

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

#### Customers

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

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

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

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

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

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

#### Natural Gas Supply

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

#### Natural Gas Distribution

The natural gas system consists of 783 miles of gas distribution mains. The predominant and standard pipe materials in service are polyethylene (591 miles) and coated steel (186 miles). All coated steel pipelines are cathodically protected using magnesium anodes. The balance of the distribution system is comprised of uncoated steel and black plastic. The replacement of these two pipeline materials



has been programmed within the immediate planning/construction horizon and will be completed by the end of fiscal year 2019.

#### Manufactured Gas Plant

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

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

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

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

#### Capital Improvement Program

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

## Gas Capital Improvement Program

Fiscal Years ended September 30,

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

### GRUCom

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

#### Service Area

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

#### Services Provided

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

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

10 Gbps and bulk residential Internet access service is provided to participating MDU communities at speeds up to 1 Gbps under the brand name GATOR NET. In 2017, GRUCom upgraded its bulk GATORNET services to deliver Symmetrical bandwidth, a first in the Gainesville area. GRUCom operates eleven communications towers in the Gainesville area and leases antenna space on these towers as well as on two of the System's water towers, for a total of thirteen antenna attachment sites. Two of the five transmitter sites for the countywide public safety radio system are also located on these communications towers. Wireless communications service providers lease space on the towers and, in most cases, also purchase fiber transport services from GRUCom to receive and deliver traffic at the towers. GRUCom provides transport services that carry a substantial portion of cell phone traffic in the Gainesville urban area. The GRUCom public safety radio system began operation in 2000. These services are provided over Federal Communications Commission ("FCC")-licensed 800 MHz frequencies, utilizing a trunked radio system that is compliant with the current frequency allocations enacted by the FCC in 2010 to accommodate personal communication services ("PCS") providers. The trunked radio system meets current industry standards for interagency operability. The trunked radio system consists of 22 trunked voice frequencies. Antenna sites are linked to the network controller and various dispatch centers utilizing GRUCom's transport services.

### Customers

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

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

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

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

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

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

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

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

#### Description of Facilities

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

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

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

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

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

#### Capital Improvement Program

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

## GRUCom Capital Improvement Program

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

### Rates

#### General

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

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

#### Electric System

Each of the System's various rates for electric service consists of a "base rate" component and a "fuel and purchased power adjustment" component. The base rates are evaluated annually and adjusted as required to fund projected revenue requirements for each fiscal year. The fuel and purchased power adjustment clause provides for increases or decreases in the charge for electric energy to cover increases or decreases in the cost of fuel and purchased power to the extent such cost varies from a predetermined base of 6.5 mills per kWh. The current fuel and purchased power adjustment formula is a one-month forward-looking projected formula which is based on a true-up calculation, from the second month

preceding the billing month, based on actual fuel costs valued on a weighted average accounting basis, including purchased power, and the upcoming month's estimates of fuel and purchased power costs.

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

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

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

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

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

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

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

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

The electric and natural gas systems use amounts on deposit in a reserve known as the "fuel adjustment levelization balance" that the System accumulates. The balance of the reserve as of September 30, 2018, was negative \$2,376,941 for both electric and natural gas combined. The balance of

this fund is anticipated to carry a balance of approximately 5% of the annual fuel expense budget on an average year.

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

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

Rates and Charges for Electric Service

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

Residential Standard Rate

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

Non-Residential General Service Non-Demand Rates

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

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

Non-Residential General Service Demand Rates

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

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



Non-Residential Large Power Rates

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

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

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

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Comparison with Other Utilities

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

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

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

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

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

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Water and Wastewater System

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

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

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

<sup>(1)</sup> 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.

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

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

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

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

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

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

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

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

*Rates and Charges for Water and Wastewater Services*

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

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

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

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

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

Monthly Service Charges

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

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

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

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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 .....	\$2.45 per 1,000 gallons
5,000 to 16,000 gallons .....	\$3.75 per 1,000 gallons
17,000 or more gallons.....	\$6.00 per 1,000 gallons

Commercial

Customer Billing Charge .....	Based on meter size
Consumption Rate .....	\$3.85 per 1,000 gallons

University of Florida

Customer Billing Charge .....	Based on meter size
Consumption Rate:	
On-campus facilities .....	\$2.43 per 1,000 gallons
Off-campus facilities.....	\$3.21 per 1,000 gallons

City of Alachua<sup>(1)</sup>

Customer Billing Charge .....	Based on meter size
Consumption Rate .....	\$1.62 per 1,000 gallons

Wastewater Rates:

Residential and Commercial

Customer Billing Charge.....	\$9.10 per month
All Usage <sup>(2)</sup> .....	\$6.30 per 1,000 gallons

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

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

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Comparison with Other Cities

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

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

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

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

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

Surcharge

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

Connection Charge Methodology

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

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

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

#### Infrastructure Improvement Area

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

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

#### Natural Gas System

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

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



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

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

<sup>(1)</sup> 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.

<sup>(2)</sup> Historical purchased gas adjustment revenue increase represents the change in weighted average purchased gas adjustment.

<sup>(3)</sup> Based on monthly residential bill at 25 therms.

<sup>(4)</sup> All changes in the System's revenue requirements are subject to approval by the City Commission, which usually occurs in conjunction with its approval of the System's annual budget.

Rates and Charges for Natural Gas Service

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

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

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

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Comparison with Other Utilities

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

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

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

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

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

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

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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 October 2017, based upon (a) typical average usage by the System's residential customers by category of service and (b) standard industry benchmarks for average usage by residential customers.

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

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

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

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

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

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

Since the System's rates for electric, water and wastewater service are designed to encourage conservation, average usage of those utility services by residential customers of the System are lower than the standard industry benchmarks for average usage by residential customers that typically are used for rate comparison purposes. As with all utilities with similar programs, such conservation measures

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

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## Summary of Combined Net Revenues

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

	Fiscal Years Ended September 30, (in thousands)				
	2014	2015	2016	2017	2018
Revenues:					
Electric	\$280,482	\$298,914	\$308,071	\$317,644	\$285,720
Water	31,827	32,524	33,818	35,091	36,868
Wastewater	36,052	38,261	42,346	44,185	46,155
Gas	25,801	24,111	24,325	21,925	21,279
GRUCom	10,694	12,600	11,744	11,450	11,210
Total Revenues	<u>\$384,856</u>	<u>\$406,410</u>	<u>\$420,304</u>	<u>\$430,295</u>	<u>\$401,232</u>
Operation and Maintenance Expenses <sup>(1)</sup> :					
Electric	\$203,506	\$217,082	\$225,290	\$235,525	\$177,687
Water	13,321	13,559	14,827	15,463	16,242
Wastewater	13,968	14,334	17,388	19,052	20,213
Gas	16,726	15,318	14,577	12,902	12,993
GRUCom	6,492	8,460	7,422	7,109	6,503
Total Operation and Maintenance Expenses	<u>\$254,013</u>	<u>\$268,753</u>	<u>\$279,504</u>	<u>\$290,051</u>	<u>\$233,638</u>
Net Revenues:					
Electric	\$76,976	\$81,832	\$82,781	\$82,119	\$108,034
Water	18,506	18,965	18,991	19,627	20,625
Wastewater	22,084	23,927	24,958	25,133	25,942
Gas	9,075	8,793	9,748	9,023	8,286
GRUCom	4,202	4,140	4,322	4,341	4,708
Total Net Revenues	<u>\$130,843</u>	<u>\$137,657</u>	<u>\$140,800</u>	<u>\$140,243</u>	<u>\$167,595</u>
Aggregate Debt Service on Bonds	\$54,860	\$55,461	\$55,822	\$55,989	\$89,236
Debt Service Coverage Ratio for Bonds	2.39	2.48	2.52	2.50	1.88
Debt Service on Subordinated Indebtedness <sup>(2)</sup>	<u>\$5,182</u>	<u>\$6,178</u>	<u>\$6,205</u>	<u>6,583</u>	<u>859</u>
Total Debt Service on Bonds and Subordinated Indebtedness	\$60,042	\$61,639	\$62,027	\$62,572	\$90,095 <sup>(3)</sup>
Debt Service Coverage Ratio for Bonds and Subordinated Indebtedness <sup>(4)</sup>	2.18 <sup>(4)</sup>	2.23 <sup>(4)</sup>	2.27 <sup>(4)</sup>	2.24 <sup>(4)</sup>	1.86 <sup>(4)</sup>

[Footnotes appear on following page]

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- (1) Includes administrative expenses. Excludes depreciation and amortization.
  - (2) Excludes principal of maturing CP Notes which were paid from newly-issued CP Notes and which are no longer outstanding.
  - (3) Maximum annual debt service after the transactions described in "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein is expected to increase to \$109,628,491. See APPENDIX D attached hereto.
  - (4) The historical debt service coverage calculation described above is based on the rate covenant described in "SECURITY FOR THE BONDS – Rates, Fees and Charges" herein. At the end of 2017, the DHR Biomass Plant was acquired using proceeds of the 2017 Series A Bonds, 2017 Series B Bonds and 2017 Series C Bonds. Coverage levels thereafter significantly dropped, in part, because of the debt which was necessary to finance the costs of such acquisition. It should also be noted that financial operations information in the table above only reflects ownership of the DHR Biomass Plant by the City for 327 of 365 days during the fiscal year ended September 30, 2018, so the 1.86x coverage figure would have been slightly lower had the City owned the DHR Biomass Plan for all 365 days. However, such acquisition is not expected to adversely affect the City's ability to pay debt service on the Outstanding Bonds, or to otherwise comply with any of its obligations under the Resolution, including the rate covenant. On the contrary, such acquisition improved financial results. In particular, the City is realizing future annual cash flow savings from elimination of payments pursuant to the PPA, taking into account new annual debt service on the 2017 Bonds. When debt service coverage gets calculated on a cash flow basis rather than pursuant to the Resolution, the coverage level is expected to increase. Also, see "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein. The debt restructuring described therein is more consistent with the useful lives of the assets financed thereby will reduce annual debt service in the near future providing opportunities for additional financial flexibility.

Source: Prepared by the Finance Department of the System.

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

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

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

### Results of Operations

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, fuel and other operating costs, environmental regulation, increased

competition in the electric utility industry, economic growth of the community, labor contracts, population, weather, and other matters, the nature and effect of which cannot at present be determined.

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

Energy sales (in MWh) to retail customers increased 1.4% per year from the fiscal year ended September 30, 2014 to the fiscal year ended September 30, 2018. The number of electric customers increased at an average annual rate of 1.17% for the fiscal years ended September 30, 2014 through and including 2018. Native load fuel costs for the electric system between the fiscal years ended September 30, 2015 and 2016, the electric fuel cost decreased each year by approximately \$1.0 million (1%). Between the fiscal years ended September 30, 2016 and 2017, fuel costs increased approximately \$6.67 million (4.3%). From the fiscal year ended September 30, 2015 to the fiscal year ended September 30, 2016 fuel revenues decreased by approximately \$10.2 million (7%).

For the fiscal years ended September 30, 2014 through and including 2018, natural gas sales increased by 1.96% per year. The number of gas customers increased at an annual rate of approximately 1.17% between fiscal years ended September 30, 2014 and 2018.

The base rate revenue requirement for the natural gas system remained unchanged for the fiscal year ended September 30, 2013, with a nominal increase of 0.85% for the fiscal year ended September 30, 2014. For the fiscal year ended September 30, 2015, base rate revenue requirement for the gas system was increased by 4.75%. For the fiscal years ended September 30, 2016 and 2017, the base rate revenue requirements were increased by 4.25% and 9.0%, respectively. Base rates were not changed for the fiscal year ended September 30, 2018 and 2019. For the fiscal year ended September 30, 2014, the natural gas system withdrew approximately \$1.0 million from the Rate Stabilization Fund. For the fiscal year ended September 30, 2015, the natural gas system deposited approximately \$1.6 million to the Rate Stabilization Fund. For the fiscal year ended September 30, 2016, the natural gas system withdrew approximately \$2.0 million from the Rate Stabilization Fund. For the fiscal year ended September 30, 2017, the natural gas system deposited approximately \$1.1 million to the Rate Stabilization Fund. In order to recover costs associated with the remediation of soil contamination caused by the operation of an MGP, the City established a per therm charge as part of the gas system's customer rate in the fiscal year ended September 30, 2003. The estimated remaining cost to be recovered is approximately \$17.0 million. See "-- The Natural Gas System – Manufactured Gas Plant" above. The MGP has billed at a rate of \$0.0556 per therm since October 1, 2014. Natural gas fuel cost decreased by approximately \$2.6 million (28%) between the fiscal years ended September 30, 2015 and 2016, and increased by approximately \$273 thousand (4%) between the fiscal years ended September 30, 2016 and 2017. This fluctuation in gas cost is reflective of the natural gas commodity market prices during the same timeframe. Since these costs are passed along to customers as part of the purchased gas adjustment charge each month, any natural gas cost increases or decreases are offset by purchased gas adjustment revenues.

Water system sales are impacted by seasonal rainfall. For the fiscal year ended September 30, 2014 through and including 2018, sales increased by an average annual rate of 0.37% and customers grew



0.96%. Revenues from water sales increased by approximately \$4,534,106 for the fiscal year ended September 30, 2014 through and including 2018. The water revenue increases were primarily the result of rate increases, kept moderate by low customer growth and slow sales growth due to price sensitivity and conservation efforts.

Water base rate revenue requirements were increased by 3.5% in the fiscal year ended September 30, 2013, 3.85% in the fiscal year ended September 30, 2014, 3.75% in each of the fiscal years ended September 30, 2015 and 2016, and for the fiscal year ending September 30, 2017, the base rate revenue requirement was increased by 3.0%. Base rates were not changed for the fiscal year ended September 30, 2018 and 2019. For the fiscal years ended September 30, 2015, 2016 and 2017, the water system contributed approximately \$2.4 million, \$3.3 million, and \$2.5 million, respectively, to the Rate Stabilization Fund.

Wastewater system billings generally track water system sales. From the fiscal year ended September 30, 2014 to 2018, the wastewater system billing volumes increased 0.99% per year. Revenues during this same period increased 14.4% due to the combination of billing volumes and base rate revenue requirement increases. Approximately 1.1% more wastewater was billed for the fiscal year ended September 30, 2018, as compared to fiscal year ended September 30, 2017.

Wastewater base rate revenue requirements were increased by 3.00% in the fiscal year ended September 30, 2013, 2.4% in the fiscal year ended September 30, 2014, 4.85% in each fiscal years ended September 30, 2015 and 2016, and for the fiscal year ending September 30, 2017 and 2018, the base rate revenue requirement remained unchanged.

For the fiscal years ended September 30, 2015, 2016 and 2017, the wastewater system deposited approximately \$2.9 million, \$2.1 million and \$850 thousand, respectively, to the Rate Stabilization Fund. GRUCom's sales have increased from \$10.5 million in fiscal year ended September 30, 2013 to \$11.2 million in fiscal year ended September 30, 2017. This is a 6.7% increase over this 4 year time period. Sales were \$11.2 million, \$10.9 million and \$11.7 million in fiscal years ended September 30, 2014, 2015 and 2016, respectively. For the fiscal year ended September 30, 2015, GRUCom withdrew approximately \$1.4 million from the Rate Stabilization Fund, GRUCom deposited approximately \$7,400 from the Rate Stabilization fund, for the fiscal year ended September 30, 2016 and for the fiscal year ended September 30, 2017, GRUCom withdrew approximately \$585 thousand from the Rate Stabilization Fund.

The debt service coverage ratio ("DSCR") is a financial ratio that measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations. See "THE SYSTEM – Summary of Combined Net Revenues " above which shows GRU's DSCR for year's fiscal year 2014 through and including fiscal year 2017 and partial year.

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

#### Liquidity Position

GRU periodically updates its liquidity targets based on an internal analysis of market, operating and other risk factors in order to determine an appropriate liquidity target for the System. Also see "Cash

Balance Policy" below which may impact such targets. The following table identifies this target as well as the sources of funds and accounts, to include available capacity in GRU's commercial paper program and the STI Loan that can be used to meet this liquidity target:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Cash Reserve Targets:</b>	\$73,600,000	\$75,800,000	\$78,100,000	\$80,400,000
Operating Cash	4,404,399	4,404,399	4,404,399	4,404,399
Rate Stabilization Fund	50,036,741	36,993,156	26,793,857	19,893,729
Utilities Plant Improvement				
Fund for Reserves	<u>28,000,815</u>	<u>28,004,478</u>	<u>33,220,997</u>	<u>36,271,525</u>
<b>Total Cash Reserves</b>	<b>\$82,441,955</b>	<b>\$69,402,033</b>	<b>\$64,419,253</b>	<b>\$60,569,653</b>
STI Loan <sup>(1)</sup>	25,000,000	25,000,000	25,000,000	25,000,000
Tax-Exempt CP Lines <sup>(2)</sup>	125,000,000	125,000,000	125,000,000	125,000,000
Taxable CP Lines <sup>(2)</sup>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Total Liquidity and Lines	\$257,441,955	\$244,402,033	\$239,419,253	\$235,569,653
<b>Over(Under) Target</b>	<b>\$183,841,955</b>	<b>\$168,602,033</b>	<b>\$161,319,253</b>	<b>\$155,169,653</b>

(1) The expiration date of the STI Loan is August 3, 2021.

(2) The fixed rate long-term financing of the outstanding commercial paper with proceeds of the 2019 Bonds will provide full capacity to issue commercial paper under both by tax-exempt and taxable programs at least until the respective credit facility expiration dates of November 30, 2021 and August 28, 2020, respectively, at which times GRU intends to seek extensions or replacements of both credit facilities.

Source: Prepared by the Finance Department of the System.

#### Transfers to General Fund

The City Commission established a General Fund transfer formula for the System for fiscal year 2015 through and including fiscal year 2019 pursuant to Resolution Number 140166, adopted on July 23, 2014. The General Fund transfer formula will be up for renewal beginning with the fiscal year ending September 30, 2020. The transfer formula established the base amount of the fiscal year 2015 transfer, less the amount of ad valorem revenue received each year by the City from the DHR Biomass Plant. The fiscal year ended September 30, 2015 base transfer amount increases each fiscal year over the period between fiscal year 2016 through fiscal year 2019 by 1.5%. The General Fund transfer for the fiscal year ended September 30, 2017 was equal to 7.8 % of the System's operating revenue.

This transfer formula is to be reviewed at least every other year by the System's staff and the City's General Government staff. The transfer amount may be paid from any part of the System's revenue or a combination thereof. The City Commission may modify the transfer amount or the transfer formula at any time. The City Commission is in the process of determining a new formula for the transfer for the fiscal year ending September 30, 2020 and thereafter. Also, see "PROJECT, REFUNDING, PLAN OF FINANCE AND BUDGETARY CONSIDERATIONS" herein.

The transfers to the General Fund made in the fiscal years ended September 30, 2012 through and including 2018 were as follows:

<u>Fiscal Years ended September 30,</u>	<u>Transfers to General Fund</u>	
	<u>Amount</u>	<u>% Increase/(Decrease)</u>
2012	\$36,004,958	2.2%
2013	36,656,458	1.8
2014	37,316,841 <sup>(1)</sup>	1.5
2015	34,892,425	(7.1)
2016	34,994,591	0.03
2017	35,814,010	2.3
2018	36,379,079	1.6

<sup>(1)</sup> Year ended September 30, 2014 was the last year of a four year agreement regarding General Fund transfer calculation methodology, where the agreed upon value was compared to prior formulaic calculation and a gain/loss sharing was applied.

Source: Prepared by the Finance Department of the System.

The projected transfers to the General Fund made in the fiscal years ended September 30, 2019 through and including 2020 are as follows:

<u>Fiscal Years ended September 30,</u>	<u>Projected Transfers to General Fund</u>	
	<u>Amount</u>	<u>% Increase/(Decrease)</u>
2019	\$38,285,000	5.2%
2020	38,285,000	-

Source: Prepared by the Finance Department of the System.

### Investment Policies

The System's investment policy provides for investment of its funds. The primary goals of the investment policy are (1) preservation of capital, (2) providing sufficient liquidity to meet expected cash flow requirements, and (3) providing returns commensurate with the risk limitations of the program. The System's funds are invested only in securities of the type and maturity as permitted by the Resolution, Florida Statutes and its internal investment policy. The System does not presently have, nor does it intend to acquire in the future, derivative or leveraged investments or investments in mortgage-backed securities. The System does not invest its funds through any governmental or private investment pool (including, without limitation, the Florida PRIME or the former Local Government Surplus Funds Trust Fund administered by the State's Board of Administration).

### Debt Management Policy

The System's debt management policy applies to all current and future debt and related hedging instruments issued by the System and approved by the City Commission. The purpose of the policy is to provide guidance for issuing and managing debt. The System debt is required to be managed with an overall philosophy of taking a long term approach in borrowing funds at the lowest possible interest cost. To achieve this goal, the System will continuously work towards developing an optimal capital structure, including the types of variable rate exposure, in view of the System's risk tolerance to market fluctuations, capital market outlook, future capital funding needs, rating agency considerations, and counterparty credit profiles.

## Cash Balance Policy

GRU's staff has developed, in conjunction with their Financial Advisor, a Cash Balance Policy. The purpose of this policy is to review the economic and operational risks potentially facing GRU, and to identify an appropriate level of cash to reserve against these particular risks. The Cash Balance Policy will provide GRU with a recommended level of cash to reserve against such risks and also establish a higher and lower limit (+/-15 days of cash) for this recommended Cash Balance Policy. This range allows for flexibility to meet these targets based on the financial operations of the Utility. The Cash Balance Policy was reviewed by the Utility Advisory Board and approved by the City Commission on March 21, 2019.

## Competition

In recent years, energy-related enterprises have become more influenced by the competitive pressures of an increasingly deregulated industry, especially the wholesale power market. The Florida retail electric system is under no immediate threat of market loss due to the current laws and regulations governing the supply of electricity in Florida, which presently prohibit any form of retail competition. The System's other enterprises currently are operating in competitive environments of one form or another. These competitive environments include the natural gas system by-pass and competition against other LP distributors and alternative fuel types, private wells, septic tanks and privately owned water and wastewater systems, and the entire telecommunications arena for GRUCom.

Management's response to the increasing competition in the wholesale power market (including interchange and economy sales), and the corollary open access changes in the electric transmission network has been to stay involved and form strategic alliances. These alliances fall into two categories, joint ventures and industry associations. The most significant joint venture the System is currently involved in is TEA, a Georgia nonprofit corporation established for power marketing, fuels procurement, and financial hedging and risk management (see "– The Electric System – Energy Sales – *The Energy Authority*" above). The System's staff is very involved with the American Public Power Association, the Florida Municipal Electric Association ("FMEA"), and FMPA. These industry associations have proven to be a powerful way to stay informed, plan, and help shape federal and state policies to protect customer interests and assure the fair treatment of municipal systems.

The natural gas system has been subjected to competition due to the deregulation that has occurred in that industry since the early 1990's. A consequence of this deregulation for municipal gas utilities in Florida is that "end-users" are allowed to secure and purchase their gas requirements directly from gas producers, thereby "bypassing" the monopoly producer/pipeline systems. The System's rate structures largely avoid this concern. The System passes fuel costs directly through its purchased gas adjustment, and rates applicable for transportation of system by-pass are allowed to earn a return on distribution infrastructure, which is the sole basis for the System's revenue requirements. Thus, a customer electing to bypass the System simply substitutes its ability to buy gas for the System's ability to buy gas. The sole example of bypass experienced by the System to date was in the case of service to Duke's cogeneration plant at the University of Florida where the amount of non-fuel revenue realized from the customer was virtually unchanged by its decision to contract for its own gas supply. Several strategies are being implemented to gain a competitive advantage for the System in natural gas sales growth. Two very significant competitive advantages are the System's position of having among the lowest gas rates in the State, and the environmental benefits of natural gas for certain appliance end uses. Appliance rebates and distribution system construction credits are employed to encourage and stimulate customer growth. In addition, temporary LP distribution systems may be constructed to encourage and

rapidly accommodate the acquisition of a customer base that is just beyond an economic expansion of the natural gas distribution system. These LP systems and customer appliances are converted to natural gas when gas pipeline extensions become feasible. Rebates are also used to assist customers in overcoming the short-term economic obstacles of converting existing electric appliances to natural gas in order to allow them to obtain long-term financial, convenience, and environmental benefits, both inside and outside the System's electrical service territory. The System has franchises to provide retail natural gas services to several nearby cities in the County. See "- The Natural Gas System – Service Area" herein for a discussion of the status of the System's franchise agreement to provide natural gas service in the County.

Private wells, septic tanks, and privately owned water utilities are the traditional alternatives for water and wastewater utility services and serve small populations where service from centralized facilities is less practical or desirable. Comprehensive planning in the City and the surrounding unincorporated areas strongly discourages urban sprawl, and the System's incumbent status, competitive rates and environmental record have resulted in a very favorable competitive position, with sustained high levels of market capture from population growth.

GRUCom operates in a fully deregulated and competitive telecommunications environment. Management has taken a targeted approach to this enterprise, seeking opportunities that maximize use of System assets, which include widely deployed fiber optic communication facilities and existing elevated antenna structures (communications towers and water tanks), while also taking advantage of its professional employee expertise in areas of utility and public safety operations, information technology and its close working relationships within the local businesses community and the commercial property development industry. GRUCom primarily engages its customer markets as a business-to-business enterprise taking a consultative sales approach to solicit its services to private companies, governments, telecommunications carriers, major institutions and other similar commercial users of high volume voice, data and Internet bandwidth applications.

GRUCom also provides data center co-location services within its telecommunications central office building providing leased access to conditioned space, redundant power and building systems and highly available communications facilities. Tenants include private businesses and government agencies co-located for the purpose of off-site data back-up and storage, on-line hosting service providers co-located for the purpose of accessing reliable high-capacity Internet connectivity, and other Internet and telecommunications service providers who gain access to GRUCom's excellent local fiber transmission services at preferential rates available only to co-located resellers.

The System currently is pursuing opportunities related to several large development projects occurring in the service territory to diversify revenues while investing in energy efficient systems, as was successfully pursued in the South Energy Center. Due to the existing knowledge, experience, infrastructure and resources within the System's core utilities, it has a competitive advantage as it focuses on chilled water services, and emergency backup power opportunities.

Chilled water provides an additional revenue source, while providing a more efficient, cost effective cooling system that is consistent with environmental stewardship. The System's strategy for chilled water service does not depend on extensive distribution systems. Instead, each chilled water and generation facility is located near the premises of the development. Additionally, the chilled water systems are modular and can be expanded incrementally as the customer base grows. This strategy will limit the System's exposure for stranded assets or investing in infrastructure without having full subscription to the available service, especially at a time when development has slowed significantly.

The Innovation District is an area of approximately 80 acres between the University of Florida's campus and downtown Gainesville that has been master planned and is being transformed into an area of high urban density to house and support scientific research and development and technology based businesses as well as residential, retail, and hospitality development. The Innovation District is currently a mixture of low density office, commercial and residential uses, and includes the former Shands at Alachua General Hospital ("AGH") site. The former Shands at AGH was demolished and the entire site is now called Innovation Square. The University of Florida has constructed a three-story building known as Innovation Hub on the site and has another building known as Innovation Hub Phase II under construction. Innovation Square is a research oriented development that forms the nucleus of the Innovation District. The Innovation District is projected to be comprised of approximately 3.7 million square feet of lab, business, residential, commercial, and institutional space. The System will have the opportunity to provide commercial power, emergency power, natural gas, water, wastewater, reclaimed water, chilled water, and telecommunication services to the Innovation District. The Innovation District is projected to constitute significant utility loads, including an electric load of more than 10 MW.

Redevelopment of the Innovation District is an ambitious undertaking and has required that basic utility infrastructure be upgraded to support the dense urban development that is envisioned. Redevelopment in and around downtown Gainesville, particularly when coupled with the University of Florida's international reputation as a premier scientific research institution, presents tremendous opportunities for economic growth.

In order to help facilitate development in the Innovation District the System has designated an Innovation District "Infrastructure Improvement Area" within which the System is constructing water distribution system and wastewater collection system capacity improvements according to a master plan. The System is charging an additional fee to new development projects within the area to recover its costs. This mechanism allows critical capacity improvements to be constructed as efficiently as possible. For more information, see "-- Rates—Water and Wastewater System—*Infrastructure Improvement Area*" above.

The System owns and operates a recently constructed facility, known as the Innovation Energy Center, dedicated to serve Innovation Square. The facility provides chilled water and emergency power for the Innovation Hub building and future buildings being planned for the Innovation Square development, under an exclusive provider contract with the University of Florida Development Corporation. The modular facility has a current capacity of 870 tons of chilled water with planned expansion to 7,000 tons as additional customers are connected to the facility.

Currently, there is no initiative and little indication of interest in pursuing retail electric deregulation either in Florida or nationwide. Management has a renewed focus on maintaining and improving the projected levels of Net Revenues, debt service coverage, and the overall financial strength of the System. To be successful at this, the System will require many of the same goals and targets necessary to be prepared for retail competition. These goals and targets relate to enhancing customer loyalty and satisfaction by providing safe and reliable utility services at competitive prices.

#### Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition

The System has entered into certain agreements that contain provisions giving counterparties certain rights and options in the event of a downgrade in the System's credit ratings below specified levels and/or the occurrence of certain other events or circumstances. Given its current levels of ratings, Management does not believe that the rating and other credit-related triggers contained in any of its existing agreements will have a material adverse effect on the System's liquidity, results of operations or

financial condition. However, the System's ratings reflect the views of the rating agencies and not of the System, and therefore, the System cannot give any assurance that its ratings will be maintained at current levels for any period of time.

Liquidity Support for the System's Variable Rate Bonds

The System has entered into separate standby bond purchase agreements with certain commercial banks in order to provide liquidity support in connection with tenders for purchase of the 2005 Series C Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, the 2008 Series B Bonds and the 2012 Series B Bonds (collectively the "Liquidity Supported Bonds"). The following details the Liquidity Supported Bonds, the bank providing the liquidity support and the termination date of the current facility:

<u>Series</u>	<u>Bank</u>	<u>Expiration</u>
2005C	Landesbank Hessen Thüringen Girozentrale	November 24, 2020
2006A	Landesbank Hessen Thüringen Girozentrale	November 24, 2020
2007A	State Street Bank and Trust Company	April 1, 2021
2008B	Barclays Bank PLC	June 29, 2020
2012B	Citibank, N.A.	June 29, 2020

The standby bond purchase agreements relating to the Liquidity Supported Bonds provide that any Liquidity Supported Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement may be tendered or deemed tendered to the System for payment upon the occurrence of certain "events of default" with respect to the System under such standby bond purchase agreement. Upon any such tender or deemed tender, the Liquidity Supported Bond so tendered or deemed tendered will be due and payable immediately.

The standby bond purchase agreements relating to the 2005 Series C Bonds and the 2006 Series A Bonds, provides that it is an "event of default" on the part of the System thereunder if any of the ratings fall below "A2" (or its equivalent) by Moody's Investors Service, Inc. ("Moody's") and below "A" (or its equivalent) by S&P Global Inc. ("S&P"), or below "A" (or its equivalent) by Fitch Ratings, Inc. ("Fitch") or is withdrawn or suspended. The standby bond purchase agreement relating to the 2007 Series A Bonds provides that it is an "event of default" on the part of the System thereunder if the ratings on the 2007 Series A Bonds, without taking into account third-party credit enhancement, fall below "Baa3" by Moody's and "BBB-" by S&P or are withdrawn or suspended. The standby bond purchase agreements relating to the 2008 Series B Bonds and the 2012 Series B Bonds provide that it is an "event of default" on the part of the System thereunder if any rating on the 2008 Series B Bonds, 2012 Series B Bonds or any Parity Debt, without taking into account third-party credit enhancement, is withdrawn or suspended, in either case, for credit related reasons by Moody's, S&P and/or Fitch or reduced below "A2" (or its equivalent) by Moody's, "A" (or its equivalent) by S&P or "A" (or its equivalent) by Fitch. Any Liquidity Supported Bond purchased by the applicable bank under a standby bond purchase agreement will bear interest at the rate per annum set forth in such standby bond purchase agreement, which rate may be significantly higher than market rates of interest borne by such Bonds when held by investors.

Additionally, the City entered into a continuing covenant agreements relating to the 2017 Series B Bonds and the 2017 Series C Bonds with Wells Fargo Bank, National Association and Bank of America, N.A., respectively. The continuing covenant agreements relating to the 2017 Series B Bonds and the 2017 Series C Bonds provide that it is an "event of default" thereunder if any ratings to any Parity Debt (as defined in the respective continuing covenant agreement) (without taking into account third party credit

enhancement) is withdrawn or suspended or reduced below "A2" (or its equivalent) by Moody's below "A" (or its equivalent) by S&P or by Fitch. It shall also be an "event of default" if each rating agency then rating Parity Debt shall have withdrawn or suspended its rating assigned to Parity Debt, in either case, for credit-related reasons or such rating is reduced below investment grade.

#### Liquidity Support for the System's Commercial Paper Program

The System also has entered into separate credit agreements with certain commercial banks in order to provide liquidity support for the CP Notes. The CP Notes constitute Subordinated Indebtedness under the Resolution. If, on any date on which a CP Note of a particular series matures, the System is not able to issue additional CP Notes of such series to pay such maturing CP Note, subject to the satisfaction of certain conditions, the applicable bank is obligated to honor a drawing under its credit agreement in an amount sufficient to pay the principal of such maturing CP Note. The credit agreements for the Series C Notes and the Series D Notes currently have stated termination dates of November 30, 2021 and August 28, 2020, respectively, which dates are subject to extension in the sole discretion of the respective banks.

The credit agreements provide that, upon the occurrence and continuation of certain "tender events" on the part of the System thereunder, the banks may, among other things, (a) issue "No-Issuance Instructions" to the issuing agent for the CP Notes of the applicable series, instructing such paying agent not to issue any additional CP Notes of such series thereafter, (b) terminate the commitment and the applicable bank's obligation to make loans or (c) require immediate payment from the System for any outstanding principal and accrued interest due under the respective credit agreement.

With respect to the Series C Notes, among others, it is an immediate termination event under the related credit agreement if the ratings assigned to any of the System's Bonds fall below "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch or are suspended or withdrawn for credit-related reasons.

With respect to the Series D Notes, among others, it is an immediate termination event under the related credit agreement if the ratings assigned to any of the System's Bonds fall below "Baa" by Moody's, "BBB-" by S&P or "BBB-" by Fitch or are suspended or withdrawn for credit-related reasons.

Any drawing made under a credit agreement bears interest at the rate per annum set forth in such credit agreement, which rate may be significantly higher than market rates of interest borne by the related CP Notes.

#### Direct Placement Transactions

The City has entered into direct placement transactions with two different lenders under agreements with respect to the 2017 Series B Bonds and 2017 Series C Bonds. The current lenders are Wells Fargo Bank, N.A., for the 2017 Series B Bonds, and Bank of America, N.A., for the 2017 Series C Bonds.

For the 2017 Series B Bonds, the City has entered into a direct placement transaction with Wells Fargo, N.A, for a three year term maturing October 1, 2044 with put date on November 7, 2020. During the term of the transaction, the City will pay to the lender, a rate equal to 70% of the one-month LIBOR rate and an applicable spread of 35 basis points. Should the City's credit rating fall below "Aa3" from Moody's and/or "AA-" from S&P, and/or "AA-" from Fitch, then the applicable spread will be increased by 15 bps with each notch drop. Additionally, a change in the corporate tax rate will cause a change in



the applicable spread. As a result of the recent decrease in marginal corporate tax rate, the rate on the 2017 Series B Bonds was increased.

For the 2017 Series C Bonds, the City has entered into a direct placement transaction with Bank of America, N.A., for a three year term, maturing on October 1, 2047 with put date on November 7, 2020. During the term of the transaction, the City will pay to the lender, a rate equal to 70% of the one-month LIBOR rate and an applicable spread of 41 basis points. Should the City's credit rating fall below "Aa3" from Moody's and/or "AA-" from S&P, and/or "AA-" from Fitch, then the applicable spread will be increased by 10 basis points with each notch drop. Additionally, a change in the corporate tax rate will cause a change in the applicable spread. As a result of the recent decrease in marginal corporate tax rate, the rate on the 2017 Series C Bonds was increased.

The City entered into a direct placement revolving line of credit transaction in a not to exceed amount of \$25 million with STI Institutional & Government, Inc. with respect to the STI Loan. It expires approximately three years from the date of issuance which expiration date is on August 3, 2021. During the term of the transaction, the City will pay the lender a rate equal to equal to 81% multiplied by the sum of the LIBOR Rate plus 1.85%, and subject to adjustment to reflect changes in the LIBOR Rate. Should the City's credit rating fall below "Baa1"/"BBB+" by all rating agencies then the interest rate may be increased.

#### Interest Rate Swap Transactions

The City has entered into interest rate swap transactions with four different counterparties under interest rate swap master agreements with respect to the 2005 Series B Bonds, the 2005 Series C Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, the 2008 Series B Bonds and the 2017 Series B Bonds. The current counterparties are Goldman Sachs Mitsui Marine Derivative Products, L.P., JPMorgan Chase Bank, N.A., Goldman Sachs Bank, USA and Citibank, N.A.

For the City's Utilities System Revenue Bonds, 2005 Series B (Federally Taxable) which are no longer outstanding, the City entered into a floating-to-floating rate interest rate swap transaction (the "2005 Series B Swap Transaction") for a pro-rata portion of each of the maturities of such Bonds. During the term of the 2005 Series B Swap Transaction, the City will pay to the counterparty a rate equal to the SIFMA Municipal Swap Index and will receive from the counterparty a rate equal to 77.14% of the one-month LIBOR rate. GRU notes that the United Kingdom's Financial Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the U.K., has stated that they will plan for a phase out of LIBOR with a target end to the indices in 2021. The FCA has indicated they will no longer require the LIBOR indices be used after 2021, however LIBOR indices will not be prohibited from being used after 2021. GRU also notes that the International Swaps and Derivatives Association ("ISDA") has not issued formal directives addressing the planned phase-out of LIBOR. As of the date of this publication, it is unclear what the overall impact will be on the expected phase out of the LIBOR indices and the resulting change due to the potential alternative reference rate. The initial notional amount of the 2005 Series B Swap Transaction was \$45,000,000, which corresponded to approximately 73.1% of the principal amount of each maturity of the 2005 Series B Bonds. The effect of the 2005 Series B Swap Transaction was to synthetically convert the interest rate on such pro-rata portion of the 2005 Series B Bonds from a taxable rate to a tax-exempt rate. The City has designated the 2005 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The counterparty to the 2005 Series B Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. When entered into, the term of the 2005 Series B Swap Transaction was identical to the term of the 2005 Series B Bonds, and the notional amount of the 2005 Series B Swap Transaction was

scheduled to amortize at the same times and in the same amounts as the pro-rata portion of the 2005 Series B Bonds. On August 2, 2012, \$31,560,000 of the 2005 Series B Bonds were redeemed with proceeds from the issuance of the City's 2012 Series B Bonds. As a result, the 2005 Series B Swap Transaction no longer served as a hedge against the 2005 Series B Bonds. However, since the City had other taxable Bonds Outstanding, the City left the 2005 Series B Swap Transaction outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rate movements. The remainder of the 2005 Series B Bonds were redeemed with proceeds of the 2019B Bonds. Since the City has other variable rate Bonds Outstanding, the City has left the 2005 Series B Swap Transaction outstanding, as a partial hedge against interest rate movements. The 2005 Series B Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series B Swap Transaction is October 1, 2021.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2005 Series C Swap Transaction"). During the term of the 2005 Series C Swap Transaction, the City will pay to the counterparty a fixed rate of 3.20% per annum and will receive from the counterparty a rate equal to 60.36% of the ten-year LIBOR swap rate. Initially, the term of the 2005 Series C Swap Transaction was identical to the term of the 2005 Series C Bonds, and the notional amount of the 2005 Series C Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2005 Series C Bonds. The effect of the 2005 Series C Swap Transaction was to synthetically fix the interest rate on the 2005 Series C Bonds at a rate of approximately 3.20% per annum, although the City bears basis risk which could result in a realized rate over time that may be lower or higher than the 3.20% rate. The counterparty (JPMorgan Chase Bank) currently has a counterparty credit rating of "Aa3" from Moody's and a counterparty credit rating of "A+" from S&P. The City has designated the 2005 Series C Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$17,570,000 of the 2005 Series C Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left the 2005 Series C Swap Transaction outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rate movements. It is expected that a portion of the outstanding 2005 Series C Bonds will be refunded with proceeds of the 2019 Series C Bonds. Since the City has other variable rate Bonds Outstanding, the 2005 Series C Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2005 Series C Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series C Swap Transaction is October 1, 2026.

In September 2005, the City entered into a forward-starting floating-to-fixed rate interest rate swap transaction (as amended, the "2006 Series A Swap Transaction"). During the term of the 2006 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.224% per annum and will receive from the counterparty a rate equal to 68% of the ten-year LIBOR swap rate minus 36.5 basis points. The effect of the 2006 Series A Swap Transaction was to synthetically fix the interest rate on the 2006 Series A Bonds at a rate of approximately 3.224% per annum, although the City bears basis risk, which could result in a realized rate over time that may be lower or higher than the 3.224% rate. Initially, the term of the 2006 Series A Swap Transaction was identical to the term of the 2006 Series A Bonds, and the notional amount of the 2006 Series A Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2006 Series A Bonds. The counterparty to the 2006 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. The City has designated the 2006 Series A Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$25,930,000 of the 2006 Series A Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left that portion of the 2006 Series A Swap Transaction outstanding as a partial hedge

against the interest rate movements. Since the City has other variable rate Bonds Outstanding, it is expected that a portion of the outstanding 2006 Series A Bonds will be refunded with proceeds of the 2019 Series C Bonds. The 2006 Series A Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2006 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2006 Series A Swap Transaction is October 1, 2026.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2007 Series A Swap Transaction") with respect to the 2007 Series A Bonds. The term of the 2007 Series A Swap Transaction is identical to the term of the 2007 Series A Bonds, and the notional amount of the 2007 Series A Swap Transaction will amortize at the same times and in the same amounts as the 2007 Series A Bonds. During the term of the 2007 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.944% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2007 Series A Swap Transaction is to synthetically fix the interest rate on the 2007 Series A Bonds at a rate of approximately 3.944% per annum. The counterparty to the 2007 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a financial program rating of "AA-" from S&P. The City has designated the 2007 Series A Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. Since the City has other variable rate Bonds Outstanding, it is expected that a portion of the outstanding 2007 Series A Bonds will be refunded with proceeds of the 2019 Series C Bonds. The 2007 Series A Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2007 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2007 Series A Swap Transaction is October 1, 2036.

The City has entered into two floating-to-fixed rate interest rate swap transactions (the "2008 Series B Swap Transactions") with respect to the 2008 Series B Bonds. The terms of the 2008 Series B Swap Transactions are identical to the term of the 2008 Series B Bonds, and the notional amount of the 2008 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2008 Series B Bonds. During the terms of the 2008 Series B Swap Transactions, the City will pay to the counterparty a fixed rate of 4.229% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2008 Series B Swap Transactions is to synthetically fix the interest rate on the 2008 Series B Bonds at a rate of approximately 4.229% per annum. The counterparty to the 2008 Series B Swap Transactions (JPMorgan Chase Bank) currently has a counterparty risk rating of "Aa3" from Moody's and a financial program rating of "A+" from S&P. The City has designated each of the 2008 Series B Swap Transactions as a "Qualified Hedging Transaction" within the meaning of the Resolution. Since the City has other variable rate Bonds Outstanding, it is expected that a portion of the outstanding 2008 Series B Bonds will be refunded with proceeds of the 2019 Series C Bonds. The 2008 Series B Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2008 Series B Swap Transactions are subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2008 Series B Swap Transaction is October 1, 2038.

As detailed above, the interest rates on the 2012 Series B Bonds are hedged, in part, by the 2005 Series B and C Swap Transaction as well as the 2006 Series A Swap Transaction. However, it is expected that a portion of the 2012 Series B Bonds will be refunded with proceeds of the 2019 Series C Bonds.

The City has entered into a cancellable floating-to-fixed rate interest rate swap transaction (the "2017 Series B Swap Transaction") with respect to the 2017 Series B Bonds. The two counterparties for this swap transaction are Citigroup, N.A. and Goldman Sachs Bank USA. In the aggregate, terms of the 2017 Series B Swap Transactions are similar to the term of the 2017 Series B Bonds, and the notional amounts of the 2017 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2017 Series B Bonds. Where Goldman Sachs Bank, USA is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay a fixed rate per annum of 2.119% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The current notional amount with respect to Goldman Sachs Bank, USA is \$105,000,000. Where Citibank N.A. is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay to Citibank, N.A., a fixed rate per annum of 2.11% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The effect of the 2017 Series B Swap Transaction is to synthetically fix the interest rate on the 2017 Series B Bonds. As discussed below, there is now a basis differential due to the rate changing on the 2017 Series B Bonds due to the decrease in marginal corporate tax rate. The City has designated the 2017 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The 2017 Series B Swap Transaction is subject to early termination by the City or the counterparty or counterparties at certain times and under certain conditions. The currently scheduled termination of the 2017 Series B Swap Transaction is October 1, 2044. However, the City has an optional early terminate date of October 1, 2027 and semiannually thereafter, subject to early termination terms. The parties entered into a bilateral Credit Support Annex to which eligible collateral includes cash or Treasury securities having a remaining maturity on such date of one year or less, Treasury securities having a remaining maturity on such date greater than one up to and including five years or Treasury securities having a remaining maturity on such date of greater than five years up to and including ten years. The threshold amount for posting collateral is based upon the counterparty's or counterparties' long term unsecured and unenhanced debt ratings from S&P and Moody's and the City's credit ratings on senior lien Bonds. If the credit ratings drop below BBB- by S&P and Baa3 by Moody's, the threshold shall be \$0.

In December of 2017, the President signed the Tax Cuts and Jobs Act into law. One provision of this law was to change the maximum corporate tax rate from 35% to 21%. Based on the agreements underlying the 2017 Series B Bonds, there was an adjustment to the percent of LIBOR that GRU pays on the 2017 Series B Bonds. The effect was to change the index associated with the 2017 Series B Bonds from 70% of 1 Month LIBOR to 85% of 1 Month LIBOR (which also resulted in an adjustment to the Applicable Spread (as defined in the 2017 Series B Bonds)). Due to this change, the underlying index for the bonds no longer matches the underlying index for the 2017 Series B Swap Transaction. GRU does not believe these changes are material in nature.

Under the master agreements, the interest rate swap transactions entered into pursuant to such master agreements are subject to early termination upon the occurrence of certain "events of default" and upon the occurrence of certain "termination events." One such "termination event" with respect to the Bonds is a suspension or withdrawal of certain credit ratings with respect to the Bonds, or a downgrade of such ratings below the levels set forth in the master agreement or in the confirmation related to a particular interest rate swap transaction. Upon the early termination of an interest rate swap transaction, the City may owe the applicable counterparty a termination payment, the amount of which could be substantial. The amount of any such potential termination payment would be determined in the manner provided in the applicable master agreement and would be based primarily upon prevailing market interest rate levels and the remaining term of the interest rate swap transaction at the time of termination. Such termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution. In general, the ratings triggers on the part of the System contained in the master agreements range from (x) if any two ratings are below "Baa2" by Moody's and/ or "BBB" by S&P and/ or "BBB" by

Fitch to (y) if the City fails to have at least one rating of "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch.

The System's estimated aggregate exposure under all of its outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System will owe its counterparties if all of the interest rate swap transactions were terminated) is \$47,373,357.18 as of December 31, 2018. As of September 30, 2017, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$64,101,764.72. As of September 30, 2016, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$93,138,518.72. As of September 30, 2015, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$77,042,766.58. As of September 30, 2014, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$55,103,516.23. Termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution.

The System adopted Governmental Accounting Standards Board ("GASB") Statement No. 53, Accounting and Reporting for Financial Reporting and Derivative Instruments, which addresses the recognition, measurement and disclosure of information for derivative instruments, and was effective for periods beginning after June 15, 2009. GASB Statement No. 53 requires retrospective adoption, which requires a restatement of the financial statements for the earliest year presented. GASB Statement No. 53 requires the fair market value of derivative instruments, including interest rate swap transactions, to be recorded on the balance sheet. Changes in fair value for effective derivative instruments are recorded as a deferred inflow or outflow, while changes in fair value for ineffective derivative instruments are recorded as investment income. This is a significant change from previous practice, which required the fair value of derivative instruments to be disclosed in the footnotes to the financial statements.

The System records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. U.S. Treasury securities are examples of Level 1 inputs.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. agencies, corporate bonds and financial hedges are examples of Level 2 inputs.

Level 3 inputs are unobservable inputs that reflect GRU's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements are as follows:

Investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.

Commodity derivatives, such as futures, swaps and options, which are ultimately settled using prices at locations quoted through clearinghouses are valued using level 1 inputs.

Other hedging derivatives, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on pricing algorithms using observable market quotes.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. GRU's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels. GRU's fair value measurements are performed on a recurring basis.

### **Funding the Capital Improvement Program - Additional Financing Requirements**

The System's current five-year capital improvement program requires a total of approximately \$349 million in capital expenditures in the fiscal years ending September 30, 2019 through and including 2023, and does not include the DHR Biomass Plant acquisition described above. Such amount was funded in part from Revenues and approximately \$147 million of additional Bonds (including additional CP Notes which are Subordinated Indebtedness). The following table shows the sources of funding for the fiscal years ending September 30, 2019 through and including 2023:

<b>Source of Funds:</b>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Bond Financing	\$33,000,000	\$57,000,000	\$34,500,000	\$8,000,000	\$14,500,000	\$147,000,000
Revenues	51,000,000	43,000,000	37,500,000	40,000,000	30,500,000	202,000,000
<b>Total Sources</b>	<b>\$84,000,000</b>	<b>\$100,000,000</b>	<b>\$72,000,000</b>	<b>\$48,000,000</b>	<b>\$45,000,000</b>	<b>\$349,000,000</b>

Source: Prepared by the Finance Department of the System.

The table above represents GRU's planned future capital improvements to the System and the planned sources of funds. Future City Commission approved budgets could materially change the sources and uses of funds for the capital improvement program.

## Factors Affecting the Utility Industry

### General

The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida.

The role of municipalities as telecommunications providers pursuant to the 1996 Federal Telecommunications Act resulted in a number of state-level legislative initiatives across the nation to curtail this activity. In Florida, this issue culminated in the passage, in 2005, of legislation codified in Section 350.81, Florida Statutes (Section 350.81) that defined the conditions under which municipalities are allowed to provide retail telecommunications services. Although the System has special status as a grandfathered entity under this legislation, the provision of certain additional retail telecommunications services by the System would implicate certain requirements of Section 350.81. Management of the System does not expect that any required compliance with the requirements of Section 350.81 would have a material adverse effect on the operations or financial condition of GRUCom.

### Environmental and Other Natural Resource Regulations

The System and its operations are subject to federal, state and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, SO<sub>2</sub> and NO<sub>x</sub> into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of wastes and reuse of products generated by wastewater treatment and combustion processes; management of hazardous materials; and the nature of waste materials discharged into the wastewater system's collection facilities. Environmental regulations generally are becoming more numerous and more stringent and, as a result, may substantially increase the costs of the System's services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction and operation of new facilities (including both facilities that are owned and operated by the System as well as facilities that are owned and operated by others, from which the System purchases output, services, commodities and other materials). There is no assurance that the facilities in operation, under construction or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements could result in reduced operating levels or the complete shutdown of those facilities not in compliance as well as the imposition of civil and criminal penalties.

Increasing concerns about climate change and the effects of GHGs on the environment have resulted in EPA finalizing on August 3, 2015 carbon regulations, the CPP for existing power plants. Currently, the CPP is being litigated and August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse gas new source performance standards ("GHG NSPS") in abeyance "pending further order of the court." The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017. Further litigation is expected regardless of the DC Circuit Court of Appeals decision. In addition, the EPA has been given presidential direction to review the CPP. The court has also ordered the parties to file supplemental briefs addressing whether the challenges should be remanded to the EPA rather than held in abeyance. The briefs were filed on May 15, 2017.

On October 16, 2017, the proposed repeal of the CPP was published in the Federal Register. Hearings were held November 28-29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were held in February and March in Missouri, California and Wyoming. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy (ACE) plan as a replacement to the CPP. It is currently under review. However, the timeline for finalizing the ACE rule may be delayed due to the partial government shut-down from December 28, 2018 to January 25, 2019. TEPA plans to take final action on the ACE rule in the second quarter of 2019.

## Air Emissions

### *The Clean Air Act*

The Clean Air Act ("CAA") regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Among the provisions of the CAA that affect the System's operations are (1) the acid rain program, which requires nationwide reductions of SO<sub>2</sub> and NO<sub>x</sub> from existing and new fossil-fueled electric generating plants, (2) provisions related to toxic or hazardous pollutants, and (3) requirements to address regional haze.

The CAA also requires persons constructing new major air pollution sources or implementing significant modifications to existing air pollution sources to obtain a permit prior to such construction or modifications. Significant modifications include operational changes that increase the emissions expected from an air pollution source above specified thresholds. In order to obtain a permit for these purposes, the owner or operator of the affected facility must undergo a "new source review," which requires the identification and implementation of BACT for all regulated air pollutants and an analysis of the ambient air quality impacts of a facility. In 2009, the EPA announced plans to actively pursue new source review enforcement actions against electric utilities for making such changes to their coal-fired power plants without completing new source review. Under Section 114 of the CAA, the EPA has the authority to request from any person who owns or operates an emission source, information and records about operation, maintenance, emissions, and other data relating to such source for the purpose of developing regulatory programs, determining if a violation occurred (such as the failure to undergo new source review), or carrying out other statutory responsibilities.

### *The Cross-State Air Pollution Rule (CSAPR)*

On July 6, 2011, the EPA released its final Cross-State Air Pollution Rule ("CSAPR"). This rule is the final version of the Transport Rule and replaces Clean Air Interstate Rule ("CAIR"). In Florida, only ozone season NO<sub>x</sub> emissions are regulated by CSAPR through the use of allowances.

Various states, local governments, and other stakeholders challenged CSAPR and, on August 21, 2012, a three-judge panel of the D.C. Circuit Court, by a 2-1 vote, held that the EPA had exceeded its statutory authority in issuing CSAPR and vacated CSAPR along with certain related federal implementation plans. As part of its holding, the D.C. Circuit Court panel held that the EPA should continue to administer the original CAIR program until the EPA promulgates a valid replacement.

On July 28, 2015, the D.C. Circuit ruled that Florida's allowance budget is invalid and remanded CSAPR to the EPA. On October 26, 2016 EPA published, in the *Federal Register* at 81 Fed. Reg. 74504, an update to the CSAPR to address the 2008 Ozone National Ambient Air Quality Standards ("NAAQS"). For three states (North Carolina, South Carolina and Florida), the EPA is removing the states from the



CSAPR ozone season NO<sub>x</sub> trading program because modeling for the Final Rule indicates that these states do not contribute significantly to ozone air quality problems in downwind states under the 2008 ozone NAAQS. Therefore, GRU did not have to meet ozone season limits in 2018 and, most likely, will not in 2019.

*EPA's Rule Establishing Mercury and Air Toxics Standards ("MATS")*

On December 16, 2011, the EPA promulgated a rule to reduce emissions of toxic air pollutants from power plants. Specifically, these mercury and air toxics standards or MATS for power plants will reduce emissions from new and existing coal- and oil-fired electric utility steam generating units ("EGU"). The EPA also signed revisions to the new source performance standards for fossil fuel-fired EGUs. Such revisions revised the standards that new coal- and oil-fired power plants must meet for particulate matter, SO<sub>2</sub> and NO<sub>x</sub>. On November 25, 2014, the United States Supreme Court accepted certiorari to hear challenges to the mercury rules.

On June 29, 2015, the U.S. Supreme Court issued a 5-to-4 decision reversing a prior D.C. Circuit decision to uphold MATS for electric generating units. *Michigan, et al. v. EPA, et al., No. 14-46 ("Michigan v. EPA")*. The Court granted review on a single issue: "Whether the Environmental Protection Agency unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants emitted by electric utilities." Writing for the majority, Justice Scalia held that EPA "strayed far beyond" the "bounds of reasonable interpretation" when the Agency interpreted the CAA to mean that it "could ignore costs when deciding to regulate power plants." The Court remanded the case to the D.C. Circuit Court for further proceedings consistent with the Court's opinion. On August 10, 2015, EPA stated in a motion filed with the D.C. Circuit Court that the EPA then planned to revise its "appropriate and necessary" determination for MATS by the spring of 2016, prior to the extended MATS compliance deadline of April 15, 2016. The EPA also stated that it intended to request that the D.C. Circuit Court remand the rule without vacatur while the EPA works on this revision. Since the D.C. Circuit Court did not vacate the rule, the MATS rule is still in effect.

On April 14, 2016, the Administrator of the EPA signed the final supplemental finding in the MATS rule. The new "appropriate and necessary" finding responds to the U.S. Supreme Court decision in *Michigan v. EPA*, and explains how the EPA has taken cost into account in evaluating whether it is appropriate and necessary to regulate coal- and- oil-fired EGUs under Section 112 of the CAA. The EPA still concludes it is proper to regulate mercury emissions from power plants.

On May 6, 2016, the EPA filed a brief urging the U.S. Supreme Court to deny a *writ of certiorari* filed by 20 states, which requested that the Court review and reverse a decision by the U.S. Court of Appeals for the D.C. Circuit Court to remand MATS to the EPA without vacating the rule. According to the EPA's brief, the Supreme Court should deny review of whether MATS should have been vacated while the EPA made its "appropriate and necessary" finding because the issue was then moot since the EPA had issued the finding. Additionally, the EPA argued that the CAA, not the Administrative Procedure Act, governs whether MATS should have been vacated, and the CAA does not mandate vacatur of a rule on remand. Rather, the EPA argued that the CAA gives a court discretion on whether to vacate a remanded rule based on the circumstances. Finally, the EPA asserted that the D.C. Circuit Court was correct in not vacating MATS on remand because the EPA could quickly remedy the legal deficiency and vacating the rule would have been harmful to the public because it would have allowed an increase in emissions of hazardous air pollutants from EGUs.

Murray Energy became the first party to appeal the final MATS Appropriate and Necessary Finding, filing its petition for review on April 25, 2016, the same day the rule was published in the *Federal*

*Register*. 81 Fed. Reg. 24,420 (Apr. 25, 2016). All petitions for review of the Finding must have been filed in the D.C. Circuit Court no later than June 24, 2016. As of this deadline, six petitions for review were filed in the D.C. Circuit Court and consolidated under the lead case *Murray Energy Corp. v. EPA*, No. 16-1127.

On October 14, 2016, the D.C. Circuit Court issued orders establishing the briefing schedule for the challenge related to MATS. In *Murray v. EPA*, 16-1127 (D.C. Cir.), industry petitioners challenge the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units.

On April 27, 2017, the D.C. Circuit Court granted the EPA's motions to postpone oral argument in the challenge to the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units ("Supplemental Finding"), *Murray v. EPA*, No. 16-1127 (D.C. Cir.), as well as in industry's challenge to the EPA's denial of administrative petitions for reconsideration of MATS, *ARIPPA v. EPA*, No. 15-1180 (D.C. Cir.). Oral argument in both cases was previously scheduled for May 18, 2017.

The court also ordered both challenges held in abeyance "pending further order of the court." EPA is directed to file status reports with the court every ninety (90) days. The parties will be directed to file motions to govern future proceedings within thirty (30) days of the EPA notifying the court and the parties of any action it has or will be taking with respect to the Supplemental Finding and the MATS reconsideration petitions.

So far, since the MATS program became effective on April 16, 2015, DH 2 (the only unit MATS applies to) has complied with all requirements.

### Regional Haze

On June 15, 2005, the EPA issued the Clean Air Visibility Rule, amending its 1999 regional haze rule, which had established timelines for states to improve visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources may be required to install best available retrofit technology ("BART"). Some of the effects of the amended rule could be requirements for newer and cleaner technologies and additional controls for particulate matter, SO<sub>2</sub> and NO<sub>x</sub> emissions from utility sources. The states were to develop their regional haze implementation plans by December 2007, identifying the facilities that will have to reduce emissions and then set emissions limits for those facilities. However, states have not met that schedule and on January 15, 2009, the EPA published a notice finding that 37 states (including Florida), the District of Columbia and the Virgin Islands failed to submit all or a portion of their regional haze implementation plans. The EPA's notice initiates a two-year period during which each jurisdiction must submit a haze implementation plan or become subject to a Federal Implementation Plan issued by the EPA that would set the basic program requirements. See "-- The Electric System – Energy Supply System – *Generating Facilities – Deerhaven*" herein for a description of the actions that have been taken by the System to install additional emission control equipment at DH 2 and reduce SO<sub>2</sub> and NO<sub>x</sub> emissions that potentially contribute to regional haze.

Emissions modeling was completed for DH 1 to determine its impact on visibility in the Class I areas within 300 km of the DGS. Results of this modeling confirmed that DH 1 had impacts on the applicable Class I areas below the 0.5 deciview threshold and therefore is exempt from the BART program associated with the regional haze program.

The reasonable further progress ("RFP") section of Florida's regional haze state implementation plan, which has been approved by EPA, applies to DH 2. The System has voluntarily requested a cap on SO<sub>2</sub> emissions, which provides DH 2 with an exemption from the RFP section. A draft permit from the FDEP was issued on June 1, 2012 approving the System's requested cap on SO<sub>2</sub> emissions, and the final permit was issued on June 26, 2012.

#### Internal Combustion Engine MACT

On August 20, 2010, the EPA published a final rule for the National Emissions Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines, which covers existing stationary spark ignition reciprocating internal combustion engines located at major sources of hazardous air pollutant emissions such as power plant sites. This final rule, which became effective on October 19, 2010, requires the reduction of emissions of hazardous air pollutants from covered engines. Several of the System's reciprocating engines are covered by this rule and all are in full compliance.

#### Climate Change

On June 25, 2013, President Obama issued a Presidential Memorandum directing the EPA to work expeditiously to complete GHG standards for the power sector. The agency is using its authority under Section 111(d) of the CAA to issue emission guidelines to address GHG emissions from existing power plants. The Presidential Memorandum specifically directed the EPA to build on state leadership, provide flexibility and take advantage of a wide range of energy sources and technologies towards building a cleaner power sector. It also directed the EPA to issue proposed GHG standards, regulations or guidelines, as appropriate, for existing power plants by no later than June 1, 2014, and issue final standards, regulations or guidelines, as appropriate, by no later than June 1, 2015. In addition, the Presidential Memorandum directed the EPA to include in the guidelines, addressing existing power plants, a requirement that states submit to the EPA the implementation plans required under Section 111(d) of the CAA and its implementing regulations by no later than June 30, 2016. States would be able to request more time to submit complete implementation plans with the EPA being able to allow states until June 30, 2017 or June 30, 2018, as appropriate, to submit additional information completing the submitted plan no later than June 30, 2016.

Accordingly, on June 2, 2014, the EPA released a proposed rule, the CPP Rule, that would limit and reduce carbon dioxide emissions from certain fossil fuel power plants, including existing plants. Finally, on August 3, 2015, the EPA released the final version of such rule, and on October 23, 2015, EPA published in the *Federal Register* the GHG existing source performance standards for power plants (the "CPP"), and the final NSPS for GHG emissions from new, modified and reconstructed fossil fuel-fired power plants. The final CPP was published at 80 Fed. Reg. 64662, and the final GHG NSPS were published at 80 Fed. Reg. 64510.

On October 23, 2015, the American Public Power Association ("APPA") and the Utility Air Regulatory Group ("UARG") filed a joint petition for review of the EPA's final Section 111(d) rule to regulate carbon dioxide ("CO<sub>2</sub>") emissions from existing electric generating sources in the D.C. Circuit Court. In addition, the state of West Virginia joined by Texas, Alabama, Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, South Carolina, South Dakota, Utah, Wisconsin, Wyoming, the Arizona Corporation Commission, and the North Carolina Department of Environmental Quality also filed their motion to stay the final Section 111(d) rule under the CAA. Such a stay would put implementation of the rule on hold until the court decides on its legality.

On January 26, 2016, 29 states requested that the U.S. Supreme Court stay implementation of the final GHG Clean Power Plan or CPP (80 Fed. Reg. 64662 - Oct. 23, 2015), pending judicial review of the rule. On February 9, 2016, the Supreme Court granted the stay of the CPP pending judicial review of the rule. The stay will remain in effect pending Supreme Court review if such review is sought. Since the US Supreme Court stayed the EPA rulemaking on the CPP, that extraordinary action will delay any regulatory action. GRU continues to closely monitor any activities with respect to Climate Change and GHGs.

The D.C. Circuit Court issued an order on April 28, 2017, holding the consolidated CPP cases in abeyance for sixty (60) days. The D.C. Circuit Court is requiring the EPA to file status reports concerning its ongoing regulatory deliberations at thirty (30) days intervals. The court also asked the parties to file supplemental briefs by May 15, 2017 addressing whether the judicial process should be ended and the matter should be remanded to the EPA.

On August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse GHG NSPS in abeyance "pending further order of the court. The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017.

On October 10, 2017, the EPA Administrator signed a rule proposing the repeal of the CPP and on October 16, 2017 the proposed repeal of the CPP was published in the Federal Register. On November 2, 2017, a hearing was announced for November 28 and 29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were announced for February and March in Missouri, California, and Wyoming.

With respect to a replacement rule, the Advance Notice of Proposed Rulemaking for the CPP replacement was published on December 28, 2017. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy (ACE) plan as a replacement to the CPP. It is currently under review.

### Coal Combustion Products

The EPA published a final rule (40 CFR 257), effective October 14, 2015, to regulate the disposal of coal combustion residuals ("CCR") as solid waste under subtitle D of the Resource Conservation and Recovery Act ("RCRA"). The rule includes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments. GRU is subject to the requirements of the promulgated rule that are applicable to CCR ponds and landfill at Deerhaven.

On May 1, 2017, EPA Administrator Scott Pruitt sent a letter informing states that the EPA is working on guidance for implementing state permitting programs that allow flexibility in individual permits to manage the safe disposal of coal combustion residuals, known as CCR or "coal ash." The EPA expects that its new guidance will allow for the safe disposal and continued beneficial use of coal ash, while enabling states to decide what works best for their environment. GRU, through the Florida Electric Power Coordinating Group, made contact with FDEP's Tim Bahr on May 2, 2017 and he confirmed that the EPA shared some draft CCR permit program materials (draft FAQs, draft checklist, etc.) last week. The FDEP is planning to discuss that internally. The EPA has not finished drafting the guidance document that is intended to assist States in ensuring that their permit program applications are complete. This guidance has been published in the Federal Register. GRU continues to closely follow developments related to CCR regulations.

FCG has requested FDEP to apply to EPA for program approval through FDEP's incorporation by reference of the federal CCR Rule, in the Department's rules, which may include Florida specific provisions.

### Storage Tanks

GRU is required to demonstrate financial responsibility for the costs of corrective actions and compensation of third-parties for bodily injury and property damage arising from releases of petroleum products and hazardous substances from certain underground and above-ground storage tank systems. GRU has eleven fuel oil storage tanks. The South Energy Center has two underground distillate (No. 2) oil tanks, the JRK Station has four above-ground distillate oil tanks, two of which are empty and out of service, and two above-ground No. 6 oil tanks which are empty and out of service. DH has one above-ground distillate and two above-ground No. 6 oil tanks, one of which is out of service. All of GRU's fuel storage tanks have secondary containment and/or interstitial monitoring and GRU is insured for the requisite amounts.

### Remediation Sites

Several site investigations have been completed at the JRK Station, most recently in 2011. According to previous assessments, the horizontal extent of soils impacted with No. 6 fuel oil extends from the northern containment wall of the aboveground storage tanks to the wastewater filter beds and from the old plant building to Sweetwater Branch Creek. The results of the most recent soil assessment document the presence of Benzo[a]pyrene in one soil sample at a concentration greater than its default commercial/industrial direct exposure based soil cleanup target levels ("SCTL"). Four of the soil samples contained Benzo[a]pyrene equivalents at concentrations greater than its default commercial/industrial direct exposure based SCTLs. In addition, two of the soil samples contained total recoverable petroleum hydrocarbons at concentrations greater than its default commercial/industrial direct exposure based SCTLs.

In the Site-Wide Monitoring Report dated March 24, 2011, measurable free product was detected in four wells. An inspection in April 2013 showed that groundwater contains four of the polynuclear aromatic hydrocarbons ("PAH") (Benzo[a]anthracene, Benzo[a]pyrene, Benzo[b]fluoranthene, and Dibenzo[a,h]anthracene) at concentrations greater than their groundwater cleanup target levels ("GCTL"). With the exception of Benzo[a]pyrene, the concentration of the remainder of these parameters did not exceed their Natural Attenuation Default Concentrations. The groundwater quality data reported in the 2011 Site-Wide Groundwater Monitoring Report documents that groundwater quality meets applicable GCTLs at the locations sampled. It is likely that groundwater quality impacts exist in the area where residual number 6 Fuel Oil is present as a non-aqueous phase liquid.

Following the submittal of the August 2013 No Further Action Proposal, the FDEP prepared comments regarding the No Further Action Proposal and provided them to GRU in a letter dated January 10, 2014.

In August of 2014, GRU provided responses to the FDEP's January 2014 comment letter.

In March of 2016, an attempt was made to meet with the FDEP, but a time was not set up for a meeting. The delay in responding to GRU's comments was due in part to the FDEP waiting on resolution of the request to use an active hydraulic containment system as an engineering control. Ultimately, the FDEP rejected the use of the active containment system as an engineering control.

On April 17, 2017, the FDEP provided comments on GRU's August 2014 response to the FDEP January 2014 comment letter.

ECT prepared a response to the FDEP's comments which was submitted to the FDEP on October 19, 2018. The FDEP requested further assessment of the extent of No. 6 fuel oil in the subsurface. ECT's response proposed additional soil investigation to assess the extent of No. 6 fuel oil; both as a non-aqueous phase liquid and as stained soils. ECT also proposed temporarily shutting down the groundwater recovery system and evaluating whether free product returns to the wells. This information will be used to evaluate what actions will be needed to recover free product, if any is detected.

### Water Use Restrictions

Pursuant to Florida law, a water management district in Florida may mandate restrictions on water use for non-essential purposes when it determines such restrictions are necessary. The restrictions may either be temporary or permanent. The SJRWMD has mandated permanent district-wide restrictions on residential and commercial landscape irrigation. The restrictions limit irrigation to no more than two (2) days per week during Daylight Savings Time, and one day per week during Eastern Standard Time. The restrictions apply to centralized potable water as provided by the System as well as private wells. All irrigation between the hours of 10:00 a.m. and 4:00 p.m. is prohibited.

In addition, in April 2010, the County adopted, and the City subsequently opted into, an Irrigation Ordinance that codified the above-referenced water restrictions which promote and encourage water conservation. County personnel enforce this ordinance, which further assists in reducing water use and thereby extending the System's water supply.

The SJRWMD and the SRWMD each have promulgated regulations referred to as "Year-Round Water Conservation Measures," for the purpose of increasing long-term water use efficiency through regulatory means. In addition, the SJRWMD and the SRWMD each have promulgated regulations referred to as a "Water Shortage Plan," for the purpose of allocating and conserving the water resource during periods of water shortage and maintaining a uniform approach towards water use restrictions. Each Water Shortage Plan sets forth the framework for imposing restrictions on water use for non-essential purposes when deemed necessary by the applicable water management district. On August 7, 2012, in order to assist the SJRWMD and the SRWMD in the implementation and enforcement of such Water Conservation Measures and such Water Shortage Plans, the Board of County Commissioners of the County enacted an ordinance creating year-round water conservation measures and water shortage regulations (the "County Water Use Ordinance"), thereby making such Water Conservation Measures and such Water Shortage Plans applicable to the unincorporated areas of the County. On December 20, 2012, the City Commission adopted a resolution to opt into the County's "year round water conservation measures" and "water shortage regulations" ordinances in order to give the Alachua County Environmental Protection Department the authority to enforce water shortage orders and water shortage emergencies within the City.

### Manufactured Gas Plant

Gainesville's natural gas system originally distributed blue water gas, which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas in the mid-1950's, coal residuals and spilt fuel contaminated soils at and adjacent to the manufactured gas plant ("MGP") site. When the natural gas system was purchased, the System assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. The System has pursued recovery for the MGP from past insurance policies and, to date, has recovered

\$2.2 million from such policies. The System has received final approval of its Remedial Action Plan which entailed the excavation and landfilling of impacted soils at a specially designed facility. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property has been redeveloped by the City as a park with stormwater ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program will be for the duration of the permit, and that timeframe is open to the results of what the sampling data shows.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years ended September 30, 2017 and 2016, expenditures which reduced the liability balance were approximately \$1.1 million and \$1.0 million, respectively. The reserve balance at September 30, 2017 and 2016 was approximately \$814,000 and \$629,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Through fiscal years ended September 30, 2018 and 2017, customer billings were \$1.3 million and \$1.1 million, respectively, and the regulatory asset balance was \$11.7 million and \$13.1 million, respectively.

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

#### Wholesale and Retail Electric Restructuring

##### *Energy Policy Act of 2005*

The 2005 Energy Policy Act empowered FERC to enforce mandatory compliance with the Bulk Electric System reliability standards. FERC delegated policy enforcement and standard development to NERC who, in turn, delegated regional enforcement and monitoring to the FRCC in the State to become the ERO monitoring the System's compliance. The System is a "registered entity" with NERC and FRCC under the following nine functional categories and must comply with all standards applicable to those categories:

- Balancing Authority
- Distribution Provider
- Generation Owner
- Generation Operator
- Planning Authority
- Resource Planner
- Transmission Owner
- Transmission Operator
- Transmission Planner

Electric utilities registered as a Balancing Authority or Transmission Operator are required to undergo an on-site audit for compliance with the reliability standards once every three years. The System is registered as both a Balancing Authority and a Transmission Operator and is therefore subject to the 3-year on-site audit cycle. In addition to the NERC O&P reliability standards, GRU must comply with NERC's Critical Infrastructure Protection ("CIP") standards which helps ensure the cyber and

physical security of GRU's Bulk Electric System ("BES"). In November, 2017, FRCC compliance auditors conducted an on-site audit for compliance with the standards and requirements associated with the System's functions within the Florida bulk power system as listed above. FRCC identified two (2) violations, both of which were treated as "compliance exceptions" by FRCC, meaning that no penalties are levied. The System's next on-site reliability compliance audit is anticipated to occur in November, 2020.

#### FERC Order 779

FERC Order 779 was issued in May 2013 to deal with the establishment of Geomagnetic Disturbances ("GMD") reliability standards in two stages. Stage one became effective in April 2015 and required the development and implementation of operating procedures that mitigate the impact of GMD events. Stage two (Notice of Proposed Rulemaking, May 14, 2015) will require that the transmission system will be planned in a manner to mitigate the risks associated with GMD events such as system instability and/or uncontrolled separation. FERC Order 779 will have a minor impact on the System.

#### FERC Order 1000

FERC Order 1000 became effective sixty (60) days after publication of the final order in the Federal Register, August 11, 2011. Order 1000 affects transmission planning and cost allocation requirements and drives reform in three areas: planning, cost allocation and non-incumbent developers.

##### Planning element reforms:

- Each public utility transmission provider must participate in the development of a regional transmission plan.
- Regional and local transmission plans are to be driven by state or federal laws or regulation. Transmission needs and associated solutions are to be weighed against those requirements.
- Neighboring transmission regions are to coordinate the satisfaction of mutual transmission needs (efficiency and cost).

##### Cost allocation reforms:

- Each public utility transmission provider must participate in a regional cost sharing allocation method for the selected transmission solution.
- A similar cost allocation is required when neighboring transmission regions select an interregional solution.
- Participant finding is permitted. However, it may not be the regional or interregional allocation schema.

##### Developer reforms:

- With certain limitations, public utility providers must remove from their tariffs a federal right of first refusal for a regional transmission plan needs solution for the purposes of cost allocation.
- The reliability and service requirements of incumbent transmission providers may be dependent upon regional transmission infrastructure. The order requires the reevaluation of the regional transmission plan and the identification of alternative transmission solutions should the delay in infrastructure development adversely impact system reliability and/or the delivery of required services.



The System is a full participant in the regional transmission planning process through the FRCC.

### Impact of Hurricane Irma

On September 10, 2017, the State of Florida was impacted by Hurricane Irma. At approximately 9:00 a.m., the center of Hurricane Irma made landfall at Cudjoe Key in the lower Florida Keys as a Category 4 storm, according to the National Weather Service. The center of Hurricane Irma made a second landfall as a Category 3 storm, at approximately 3:30 p.m., near Marco Island, which is located approximately 300 miles southwest of the City. The City recorded sustained winds of 70 mph along with approximately 12 inches of rain in the local area in a 24 hour period. As expected, due to the winds, rain and local area flooding, electric service and other outages were experienced. At the peak of the storm, about 46,000 customers were without power. GRU worked to restore power to approximately 84% of those customers without power within 48 hours after restoration efforts began, and 100% of those who lost service during the storm were restored by September 18, 2017. Any residual outages as a result of trees downed subsequent to the storm were dealt with on a case-by-case basis.

While there was some isolated structural damage and local area flooding, the electric system sustained no significant damage. None of GRU's power generating assets were damaged by the hurricane and the majority of the buildings were undamaged.

There were 50 customers that experienced a disruption to their drinking water service due to isolated incidents such as overturned trees. These individual customers were issued Precautionary Boil Water Notices and their water services were quickly restored. The overall water system maintained system pressure and delivered safe water throughout the incident.

The extreme rainfall and flooding had the biggest impact to the wastewater system. The flooding resulted in significant inflow of stormwater and floodwaters into the collection system which resulted in comingled wastewater and stormwater overwhelming portions of the collection system. There were numerous locations that the collection system experienced overflows. GRU and private pumpers hauled over 13.8 million gallons of stormwater and wastewater from the collection system to mitigate release impact and help bring the system back to normal operation. During the hurricane and in the following days, it is estimated that approximately 3.5 million gallons of combined stormwater and wastewater were released from the collection system. It is estimated that approximately 80% (or 2.8 mg) of the release was stormwater and 20% (or 0.7 mg) was wastewater. Additionally, GRU lost power to 92 of the 170 wastewater lift stations. However, GRU was able to utilize 41 generators to keep such lift stations operational. GRU restored power to most of the GRU served lift stations by September 12, 2017. There was minimal impact to customers.

GRU coordinated with Alachua County Environmental Protection Department and the Alachua County Department of Health throughout the response and recovery to ensure public health and safety and environmental health. Immediately following the storm, GRU provided an initial notice of wastewater releases to the Florida Department of Environmental Protection ("FDEP") through the State Watch Office and the FDEP Pollution Public Notification website. Environmental assessment teams were deployed throughout the service area and regular regulatory updates and notification of significant operational changes were provided through email and FDEP Storm Tracker. On September 20, 2017, a final update was provided to all regulatory agencies summarizing environmental assessments and release volumes.

In response to wastewater overflows due to Hurricane Irma, FDEP has issued Consent Orders to numerous utilities across the State. The Florida Statutes do not offer regulatory relief for wastewater overflows for any reason, including force majeure. Since GRU responded aggressively and followed prudent utility practices to protect public health and safety and the environment, FDEP issued a Short Form Consent Order (SFCO) without Corrective Actions. The SFCO includes civil penalties based on the releases. In lieu of paying the civil penalties, GRU has elected to execute an In-Kind project that will improve the wastewater collection system. In addition, GRU is committed to reducing inflow and infiltration in the wastewater collection system and is in the process of conducting a Resiliency Study. This study will identify critical areas for infrastructure improvements and will help GRU prioritize future capital improvements. Projects identified through this study will be incorporated into the capital improvement budget and will help mitigate future wastewater releases. These projects are not included in the capital improvement plan in "—Funding the Capital Improvement Plan" below.

The water and wastewater systems did not experience any significant damage to the facilities as a result of the storm.

GRU continues to analyze the System in order to determine if any additional capital improvements will be needed. Initial assessments indicate that the System did not sustain any material infrastructure damage. Overall, the System remains in good condition. Costs associated with any necessary repairs, in addition to the extraordinary operational costs incurred as a result of the power outages, are preliminarily estimated to be approximately \$5.5 million.

As a result of the temporary loss of service, the City estimates an initial loss of revenue in the approximate amount of \$1.1 million, which is based upon the loss of electric service to active customers for a period of four (4) days. The impact on the customer base caused by wind and flood damage from Hurricane Irma appears to be minimal.

In addition to federal aid that may be received to assist with offsetting potential costs and loss of revenues, GRU has property insurance, including loss of income insurance, and flood insurance. GRU will be aggressively pursuing all possible insurance claims and federal aid, including FEMA reimbursements. The City also has funds in the amount of approximately \$68 million in its Rate Stabilization Fund, as well as funds in the amount of \$41 million in unrestricted cash, that can be applied, if necessary, to pay for any damages, costs, or lost revenues that GRU may incur as a result of Hurricane Irma's impacts to the System. Based on past experience, the City expects FEMA reimbursements to approximate 75% of the expenditures.

As of September 22, 2017, electric, water, wastewater and GRUcom service was restored to 100% of the service area.

At the present time, the City does not believe the impacts of Hurricane Irma will materially adversely affect its ability to pay debt service on the 2019 Series C Bonds.

#### Plant Vogtle Litigation

JEA and the City of Jacksonville, Florida ("Jacksonville"), recently filed a complaint in Florida state court for declaratory judgment regarding a power purchase agreement in place with MEAG Power since 2008. The power purchase agreement is tied to the expansion project at Plant Vogtle, a nuclear power generating facility in Georgia. Under the power purchase agreement, MEAG Power agreed to sell JEA a portion of the output of Plant Vogtle Units 3 and 4, two new nuclear generation units under construction in Burke County, Georgia. MEAG Power subsequently filed a breach of contract lawsuit

against JEA in the Federal Court for the Northern District of Georgia. JEA and Jacksonville believe the agreement violates the Constitution of the State of Florida and should be declared void and unenforceable.

JEA filed a petition with FERC asking it to make a number of legal determinations related to the power purchase agreement between JEA and MEAG Power. In the petition, JEA asked FERC to declare that it has jurisdiction over the power purchase agreement (and the transactions therein) under Section 201(b)(1) of the Federal Power Act ("FPA"), even though MEAG Power and JEA are each exempt from regulation by FERC as "public utilities" under Section 201(f) of the FPA. FERC did not accept JEA's petition.

#### Other Risk Factors

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions as set forth above, changes in demand for services, economic conditions, demographic changes, and litigation. In addition to those items listed in the preceding sentence, some of the possible changes in the future may include, but not be limited to, the following:

1. The City's electric, water and wastewater facilities are subject to regulation and control by numerous federal and state governmental agencies. Neither the City nor its consultants can predict future policies such agencies may adopt. Future changes could result in the City having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation. See "THE SYSTEM" above for more information.

2. Estimates of revenues and expenses contained in this Official Statement and the realization of such estimates, are subject to, among other things, future economic and other conditions which are unpredictable and which may adversely affect such revenues and expenses, and in turn, the payment of the 2019 Series C Bonds.

#### **TAX EXEMPTION**

General. In the opinion of Bond Counsel, under existing law, interest on the 2019 Series C Bonds is excludable from gross income for federal income tax purposes. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2019 Series C Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2019 Series C Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the City rebates certain excess earnings on proceeds and amounts treated as proceeds of the 2019 Series C Bonds to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the 2019 Series C Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the 2019 Series C Bonds to maintain the exclusion of interest on the 2019 Series C Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the 2019 Series C Bonds in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the 2019 Series C Bonds. The City has covenanted to comply with each such requirement of the Code that

must be satisfied subsequent to the issuance of the 2019 Series C Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the City complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the 2019 Series C Bonds.

Bond Counsel expresses no opinion to whether a conversion of the interest rate determination method and interest period applicable to the 2019 Series C Bonds from Daily to any other Interest Mode will adversely affect the exclusion of interest on the 2019 Series C bonds from gross income for federal income tax purposes.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or otherwise become effective, will not cause the interest on the 2019 Series C Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the 2019 Series C Bondholders from realizing the full current benefit of the tax status of the interest on the 2019 Series C Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the 2019 Series C Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the 2019 Series C Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the 2019 Series C Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the 2019 Series C Bonds and of the property financed or refinanced thereby).

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

Alternative Minimum Tax. An alternative minimum tax is imposed by the Code on certain taxpayers other than corporations (as defined for federal income tax purposes). Interest on the 2019 Series C Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the 2019 Series C Bonds will therefore not be included in the alternative minimum taxable income of taxpayers other than corporations.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Tax-Exempt Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Tax-Exempt Premium Bonds at their maturity.

Other Tax Consequences. Prospective purchasers of the 2019 Series C Bonds should be aware that ownership of the 2019 Series C Bonds may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations and foreign corporations, individuals entitled to receive the earned income tax credit and

taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2019 Series C Bonds. Prospective purchasers of the 2019 Series C Bonds should also be aware that ownership of the 2019 Series C Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the 2019 Series C Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2019 Series C Bonds. Prospective purchasers of the 2019 Series C Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the 2019 Series C Bonds.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of 2019 Series C Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of 2019 Series C Bonds, should consult their own tax advisors with respect to the consequences of owning 2019 Series C Bonds, including the effect of such ownership under applicable state and local laws.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds, such as the 2019 Series C Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2019 Series C Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2019 Series C Bonds, under certain circumstances, to "backup withholding" at the fourth lowest rate applicable to unmarried individuals with respect to payments on the 2019 Series C Bonds and proceeds from the sale of 2019 Series C Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2019 Series C Bonds. This withholding generally applies if the owner of 2019 Series C Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2019 Series C Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2019 SERIES C BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE 2019 SERIES C BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE 2019 SERIES C BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

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

## RATINGS

Fitch has assigned a short-term "F-1+" rating to the 2019 Series C Bonds based solely on the Initial Letter of Credit and a long-term "AA+" (stable outlook) rating based jointly on (i) the underlying rating on the 2019 Series C Bonds of "A+" (stable outlook), and (ii) the Initial Letter of Credit. Moody's has

assigned a short-term "VMIG-1" rating to the 2019 Series C Bonds based solely on the Initial Letter of Credit and a long-term "Aa1" rating based jointly on (i) the underlying rating on the 2019 Series C Bonds of "Aa3" (stable outlook), and (ii) the Initial Letter of Credit. S&P has assigned a short-term "A-" rating to the 2019 Series C Bonds based solely on the Initial Letter of Credit and a long term "AA+" (stable outlook) rating based jointly on (i) the underlying rating on the 2019 Series C Bonds of "AA-" (stable outlook), and (ii) the Initial Letter of Credit.

An explanation of the significance of any rating or outlook may be obtained only from the rating agency furnishing the same, at the following addresses: S&P Global Inc., 55 Water Street, New York, New York 10041; Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004. Such rating agencies may have obtained and considered information and material which have not been included in this Official Statement. The ratings reflect only the respective views of such rating agencies, and the City makes no representation as to the appropriateness of the ratings. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. An explanation concerning the significance of the ratings given may be obtained from the respective rating agency.

There is no assurance that such ratings will be in effect for any given period of time or that such ratings will not be revised upward or downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Neither the Remarketing Agent nor the City has undertaken any responsibility to assure the maintenance of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of ratings on the 2019 Series C Bonds may result in the suspension or termination of the Liquidity Facility. See "THE INITIAL LETTER OF CREDIT" herein.

## **LITIGATION**

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

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

## **CONTINGENT FEES**

The City has retained Bond Counsel, Financial Advisor and the Disclosure Counsel with respect to the issuance of the 2019 Series C Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriter (which includes the fee of Underwriter's Counsel) are contingent upon the delivery of the 2019 Series C Bonds.

## LEGAL MATTERS

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

Holland & Knight LLP, Bond Counsel, has not undertaken independently to verify and therefore expresses no opinion with respect to the information or statements contained herein or in the Appendices attached hereto, except as to the accuracy of the portions thereof captioned "SECURITY FOR THE BONDS" and "THE 2019 SERIES C BONDS" (other than under the caption "Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent" and information related to DTC and its book entry only system) to the extent those sections purport to summarize certain provisions of the Resolution and the Thirty-First Supplemental Bond Resolution, and except as to the accuracy of the information under the caption "TAX EXEMPTION." No opinion is expressed by Bond Counsel as to any financial or statistical data or information included in such sections.

The proposed text of the legal opinion of Bond Counsel is set forth in APPENDIX E. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion, Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law, which may thereafter occur or become effective.

The legal opinions delivered in connection with the 2019 Series C Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch" or the "Underwriter") is purchasing the 2019 Series C Bonds from the City at an aggregate purchase price of \$67,250,197.26 (representing the par amount of the 2019 Series C Bonds less an Underwriter's discount of \$104,802.74). The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all the 2019 Series C Bonds if any 2019 Series C Bonds are purchased.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the

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

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

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

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

## **FINANCIAL STATEMENTS**

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



## **FINANCIAL ADVISOR**

The City has retained PFM Financial Advisors LLC as Financial Advisor. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the 2019 Series C Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Resolution, the 2019 Series C Bonds and the Initial Letter of Credit may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2019 Series C Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX C – Copy of the Resolution and Thirty-First Supplemental Bond Resolution and Amendment to Thirty-First Supplemental Bond Resolution" attached hereto for a description of events of default and remedies.

## **REMARKETING AGENT**

The Remarketing Agent and its affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Remarketing Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the City. Merrill Lynch is the initial Remarketing Agent.

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

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "FFSC"). Pursuant to administrative rulemaking, the FFSC has required the disclosure of the amounts and types of defaults including whether such default related to principal and/or interest payments, dates of any defaults, the current status of any defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. Except as described below, the City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor.

The City had a payment obligation on a non-callable capital appreciation bond from its Guaranteed Entitlement Revenue Bonds, Series 1994, that was due on August 1, 2018 in the amount of \$1,095,000.00 (the "1994 CAB"). No interest payments were ever due on the 1994 CAB since it was a zero-coupon bond, and through a refinancing/redemption, the City has had no other semi-annual payment obligations with respect to any other of its Guaranteed Entitlement Revenue Bonds, Series 1994, since February 1, 2004. During the intervening 14 year period, the original Paying Agent which was Wachovia Bank, National Association sold its corporate trust business to U.S. Bank National Association ("U.S. Bank"), and for unexplained reasons, U.S. Bank states that the 1994 CAB was transferred to U.S. Bank, and thus U.S. Bank did not provide the City with the typical tickler reminder that an upcoming payment was due. The remainder of Wachovia was acquired by Wells Fargo Bank, National Association during the great recession. DTC notified the City on August 7, 2018 of the defaulted payment and the City immediately started researching who the successor paying agent was since Wachovia, who was the entity listed in the 1994 official statement and who was operative paying agent on the last regularly scheduled payment made by the City on the issue on February 1, 2004 was no longer operating under that name. In the meantime, the City made the defaulted payment on August 14, 2018 directly through The Depository Trust Company. Since then, on November 1, 2018, U.S. Bank and the City entered into a Paying Agent/Bond Registrar Agreement relating to the 1994 CAB. The payment default described above was not an indication of any financial difficulties of the City; rather, it resulted from an inadvertent oversight and corporate transition, and as required to be stated by rule of the FFSC within this disclosure, there was no ensuing legal proceedings resulting from such default and a trustee or receiver was not been appointed over the assets of the City. FFSC also requires the disclosure of audited financial statements for the last two (2) fiscal years. The City has attached the audited financial statements of the System the fiscal year ended September 30, 2018 hereto as APPENDIX B. Such financial statements include comparisons to the prior fiscal year in certain instances. Since it is not customary, the City has not attached as an appendix the audited financial statements of the System for the prior fiscal year. However, such audited financial statements, which are incorporated herein by reference, can be accessed through this link: <https://emma.msrb.org/ES1250178-ES977526-ES1378704.pdf>.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the 2019 Series C 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.

#### CONTINUING DISCLOSURE

The City has covenanted for the benefit of the 2019 Series C Bondholders to provide certain financial information and operating data relating to the City and the 2019 Series C Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the SEC to act as a repository (each a "Repository") for purposes of complying with the Rule either itself or through its dissemination agent. Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The City has agreed to file notices of certain enumerated events, when and if they occur, with the Repository either itself or through its dissemination agent.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX F -

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

With respect to the 2019 Series C Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. The City: (i) did not timely file its audited financial statements and notices of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds; (ii) did not timely file its audited financial statements and operating data and notices of failure to file related thereto for Fiscal Year 2015 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) failed to file certain operating data and notice of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to certain of its Outstanding Utilities System Revenue Bonds; and (iv) failed to file certain notices of defeasance and bond calls which occurred in Fiscal Years 2015 and 2016 with respect to certain of its Utilities System Revenue Bonds and its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds. In the past five years, except as described above, the City has never failed in any material respect to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule. However, the City (i) filed certain operating data in a different format than required, failed to file certain operating data for Fiscal Years 2013, 2015 and 2016 and a failure to file notice related thereto with respect to certain of its outstanding Utilities System Revenue Bonds; (ii) failed to link certain operating data for Fiscal Year 2014 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) did not timely file its audited financial statements for Fiscal Year 2017, and (iv) did not timely file certain operating data for Fiscal Year 2013 with respect to its then-outstanding Guaranteed Entitlement Revenue Refunding Bonds, Series 2004. All such required information has been filed as of this date. While the City does not believe that such failures constitute material failures to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule, in order to demonstrate its continued commitment to continuing disclosure best practices, the City has included notice of this non-material instance of non-compliance in the interest of being fully transparent. The City's general purpose audited financial statements and related financial information and operating data that is due on April 30, 2019 will not be available for timely filings, due to staff turnover in the City's General Government finance department and due to there being a new auditor this year. The City expects to complete and file such information by the end of May, 2019. Except for this, the City fully anticipates satisfying all future disclosure obligations required pursuant to the Rule. The City has entered into a contract with Digital Assurance Certification, LLC to provide continuing disclosure dissemination agent services for all of its outstanding bond issues.

#### **ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the 2019 Series C Bonds, the security for the payment of the 2019 Series C Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any

statement that may have been made verbally or in writing is to be construed as a contract with the owners of the 2019 Series C Bonds.

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

#### **AUTHORIZATION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the 2019 Series C Bonds, the City will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to DTC and its book-entry only system of registration, information provided by the Underwriter under the caption "UNDERWRITING" and the information contained under the caption "TAX EXEMPTION" as to which no view shall be expressed), as of its date and as of the date of delivery of the 2019 Series C Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CITY OF GAINESVILLE, FLORIDA

By:           /s/ Edward J. Bielarski, Jr.            
General Manager for Utilities

**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY**

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

General

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

Organization and Administration

The City was established in 1854, incorporated in 1869 and has operated under a Commission-Manager form of government since 1927. The City Commission consists of seven elected officials (a Mayor and six Commissioners) who are responsible for enacting the ordinances and adopting the resolutions which govern the City. The elected officials each serve for three-year terms. The Mayor presides over public meetings and ceremonial events.

The following are the current members of the City Commission:

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

\*On March 19, 2019, Mayor Poe and Mayor-Commissioner Pro-Tem Hayes-Santos were both reelected. While their current term expires in May 2019, since reelected, their new terms once commenced will expire in January 2023.

The City Commission appoints the City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the City Commission and Equal Opportunity Director. As chief executive officers, the City Manager and General Manager for Utilities are charged with the enforcement of all ordinances and resolutions passed by the City Commission. They accomplish this task through the selection and supervision of two Assistant City Managers, Utilities Executive Team, and numerous department heads.

The City provides its constituents with a wide variety of public services: building inspections, code enforcement, community development, cultural affairs, economic development, electrical power,

golf course, mass transit, natural gas distribution, parks and recreation, homeless services, police and fire protection, refuse collection, small business development, stormwater management, street maintenance, traffic engineering and parking, water and wastewater and telecommunications and data transfer.

Internal support services include the following: accounting and reporting, accounts payable and payroll, billing and collections, budgeting and budget monitoring, cash management, City-wide management, computer systems support, debt management, equal opportunity, fleet maintenance, facilities maintenance, human resources, information systems, investment management, labor relations, mail services, pension administration, property control, purchasing, risk management and strategic planning. In addition to these activities, the City exercises oversight responsibility for the Community Redevelopment Agency and the Gainesville Enterprise Zone Development Agency.

**Population**

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

**POPULATION GROWTH**

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

<sup>(1)</sup> Information is no longer available through the U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research Florida Statistical Abstracts for the City.

Source: U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research Florida Statistical Abstracts.

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## Employment

The following table sets forth the unemployment rate for the City over the past ten years.

### EMPLOYMENT

<u>Year</u>	<u>Unemployment Rate</u>
2008	4.70
2009	7.40
2010	8.30
2011	8.10
2012	6.90
2013	5.30
2014	4.90
2015	4.50
2016	4.20
2017	3.50

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

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

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

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Source: Finance Department, City of Gainesville, Florida.

**Property Tax Data**

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

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

Fiscal Year Ended 09/30	Tax Year	Just Value			Exemptions						Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property	Personal Property	Centrally Assessed Property	Governmental	Agricultural	Institutional	Homestead	Other <sup>(1)</sup>			
2008	2007	\$10,059,735,400	\$1,931,740,674	\$1,111,824	\$4,354,225,897	\$28,451,900	\$574,033,101	\$1,385,629,369	\$16,885,367	\$5,633,362,264	4.2544	
2009	2008	10,599,500,250	1,732,004,529	1,149,322	4,195,267,980	35,549,700	647,733,978	1,773,423,757	14,341,607	5,666,337,079	4.2544	
2010	2009	10,534,674,944	2,245,414,910	1,234,487	4,251,801,982	39,408,200	874,389,881	1,594,957,710	134,747,020	5,886,019,548	4.3963	
2011	2010	10,570,350,300	2,241,373,073	987,726	4,815,548,071	37,517,700	896,937,822	1,313,405,085	141,081,893	5,608,220,528	4.2544	
2012	2011	10,756,478,800	2,308,068,145	1,130,083	5,343,081,038	39,115,900	1,029,746,160	1,134,254,774	117,240,859	5,402,238,297	4.2544	
2013	2012	10,437,604,712	2,386,565,278	1,073,991	5,408,327,315	37,576,500	1,112,522,902	993,996,869	109,161,684	5,163,658,711	4.4946	
2014	2013	10,480,490,440	2,587,608,797	2,138,554	5,609,545,384	39,389,400	1,095,790,104	916,778,157	234,075,511	5,174,659,235	4.5780	
2015	2014	10,508,455,900	2,979,114,148	2,210,823	5,603,063,413	39,298,000	1,129,921,784	895,414,243	178,766,271	5,643,317,160	4.5079	
2016	2015	10,815,607,700	2,912,715,109	2,251,700	5,651,530,893	40,988,400	1,094,785,940	992,344,032	181,396,571	5,769,528,673	4.5079	
2017	2016	11,183,742,495	3,179,982,350	2,303,808	5,923,396,413	42,466,700	1,065,499,494	1,041,502,131	267,520,476	6,025,643,439	4.5079	

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

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

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

(1) Tax roll year as of January 1.

(2) Fiscal year beginning October 1 and ending the next September 30.

(3) Sum of real and personal property value.

(4) (a) Tax rates are set by the City Commission effective October 1.

(b) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by citizen referendum and imposes a 10 mill limitation on ad valorem tax rates levied for general government operations.

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

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$23,854,419	\$23,035,894	96.6%	\$38,651	\$23,074,545	96.7%
2009	24,020,009	23,191,605	96.6	59,492	23,251,097	96.8
2010	25,782,262	24,912,341	96.6	78,396	24,990,737	96.9
2011	23,802,971	23,007,885	96.7	25,880	23,033,765	96.8
2012	22,865,258	22,085,295	96.6	62,971	22,148,266	96.9
2013	23,164,346	22,259,404	96.1	87,462	22,346,866	96.5
2014	23,556,658	22,573,803	95.8	122,992	22,696,795	96.3
2015	25,408,150	24,342,225	95.8	57,859	24,400,084	96.0
2016	25,989,724	24,924,172	95.9	27,208	24,951,380	96.0
2017	27,150,814	26,030,596	95.9	N/A	26,030,596	95.9

Source: Finance Department, City of Gainesville, Florida.

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(rate per \$1,000 assessed value)**

Fiscal Year	Tax Year	City of Gainesville Direct Rate	Alachua County	Overlapping Rates			Total Direct & Overlapping Rates
				Alachua School District	St. Johns Water Management District	Alachua County Library District	
2008	2007	4.2544	7.8968	8.3950	0.4158	1.3560	22.3180
2009	2008	4.2544	7.8208	8.3590	0.4158	1.3406	22.1906
2010	2009	4.3963	8.2995	9.4080	0.4158	1.3771	23.8967
2011	2010	4.2544	8.6263	9.1070	0.4158	1.4736	23.8771
2012	2011	4.2544	8.5956	9.0920	0.3313	1.4790	23.7523
2013	2012	4.4946	8.5956	8.5490	0.3313	1.4768	23.4473
2014	2013	4.5780	8.7990	8.4020	0.3283	1.4588	23.5661
2015	2014	4.5079	8.7990	8.4100	0.3164	1.4588	23.4921
2016	2015	4.5079	8.7950	8.3420	0.3023	1.4538	23.3830
2017	2016	4.7474	8.4648	7.6250	0.2724	1.2655	22.3751

Source: Finance Department, City of Gainesville, Florida.

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

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

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

(1) The above information on bonded debt does not include self supporting and non-self supporting revenue bonds, certificates, and notes (reserves and/or sinking fund balances have not been deducted).

(2) Homestead property of certain qualified residents is eligible for up to \$50,000 value exemption.

(3) Reserves and sinking fund balances have not been deducted.

(4) Percentages were recalculated by the Finance Department, City of Gainesville, Florida.

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

Source: Finance Department, City of Gainesville, Florida.

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

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

Source: Finance Department, City of Gainesville, Florida.

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

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

Maximum Annual Debt Service on Debt Payable from Non-Ad Valorem Revenues after 10/01/2016	\$15,005,625
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- <sup>(1)</sup> This includes only City of Gainesville general government debt. The City of Gainesville d/b/a Gainesville Regional Utilities and other self-liquidating debt are not included.
- <sup>(2)</sup> Includes all debt to which a pledge and/or lien on a specific non-ad valorem revenue source has been provided by the City, and all loans made by the First Florida Governmental Financing Commission to the City.
- <sup>(3)</sup> Includes general obligation debt of Alachua County School District.

Source: Finance Department, City of Gainesville, Florida.

## PRINCIPAL TAXPAYERS

Tax Roll Year 2017

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

Source: Finance Department, City of Gainesville, Florida.

## LIABILITIES OF THE CITY

### Insurance Considerations Affecting the City

#### General

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City accounts for its uninsured risk of loss depending on the source of the estimated loss. For estimated losses attributable to activities of the System, the estimates are accounted for in the System enterprise funds. For estimated losses attributable to all operations of general government, the City maintains a General Insurance Fund (an internal service fund) to account for some of its uninsured risk of loss.

#### Workers' Compensation, Auto, and General Liability Insurance

Section 768.28, Florida Statutes, provides limits on the liability of the State and its subdivisions of \$200,000 to any one person, or \$300,000 for any single incident or occurrence. See "LIABILITIES OF THE CITY – Ability to be Sued, Judgments Enforceable" below. Under the protection of this limit and Chapter 440, Florida Statutes, covering Workmen's Compensation, the City currently is self-insured for workers' compensation, auto, and general liability. Third-party coverage is currently maintained for workers' compensation claims in excess of \$350,000. Settlements have not exceeded insurance coverage for each of the last three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs), and are shown at current dollar value.

All funds other than the System enterprise fund (the "Utility Fund") participate in the general insurance program. Risk management/insurance related activities of the Utility Fund are accounted for within the Utility Fund. The Utility Fund purchases plant and machinery insurance from a commercial carrier. In addition, an actuarially computed liability of \$3,337,000 is recorded in the Utility Fund as a fully amortized deferred credit. The present value calculation assumes a rate of return of 4.5% with a confidence level of 75%. All claims for fiscal year 2017 were paid from current year's revenues.

Changes in the Utility Fund's claims liability for fiscal years 2017 and 2016 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2016-2017	\$3,337,000	\$2,253,000	\$2,253,000	\$3,337,000
2015-2016	3,337,000	1,178,000	1,178,000	3,337,000

There is a claims liability of \$6,854,000 included in the General Insurance Fund as the result of actuarial estimates. Changes in the General Insurance Fund's claims liability for fiscal years 2016 and 2017 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2016-2017	\$6,854,000	\$2,466,244	\$2,466,244	\$6,854,000
2015-2016	6,854,000	2,280,237	2,280,237	6,854,000

Health Insurance

The City is also self-insured for its Employee Health and Accident Benefit Plan (the "Plan"). The Plan is accounted for in an internal service fund and is externally administered, for an annually contracted amount which is based upon the volume of claims processed. Contributions for City employees and their dependents are shared by the City and the employee. Administrative fees are paid primarily out of this fund. Stop-loss insurance is maintained for this program at \$300,000 per individual. No claims have exceeded insurance coverage in the last three years. Changes in claims liability for fiscal years 2016 and 2017 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2016-2017	\$1,310,671	\$21,883,325	\$21,883,325	\$1,310,671
2015-2016	1,310,671	24,243,566	24,243,566	1,310,671

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

Plan Description.

By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), providing for the payment of a portion of the health care insurance premiums for eligible retired employees. The RHCP is a single-employer defined benefit healthcare plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries.

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

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

Fiscal year ended September 30, 2005 was the year of implementation of GASB 43 and 45 and the City elected to implement prospectively. The City's contributions include \$1,006,642, \$2,375,230 and \$2,441,107 in payments made by the City for the implicit rate subsidy included in the blended rate premiums for active employees which fund the implicit rate subsidy discount provided to the retirees for fiscal years ended September 30, 2017, 2016 and 2015, respectively.

Funding Policy

In 1995, the City instituted a cost sharing agreement with retired employees for individual coverage only, based on a formula taking into account age at the time the benefit is first accessed and service at time of retirement. The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. Administrative costs are financed through investment earnings.



RHCP members receiving benefits contribute a percentage of the monthly insurance premium. Based on this plan, the RHCP pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost, there is no direct RHCP subsidy. The employee contributes the premium cost each month, less the RHCP subsidy calculated as a percentage of the individual premium.

The State prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP require the actuarial figures presented above to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the City has elected to contribute to the RHCP at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the RHCP.

In July 2005, the City issued \$35,210,000 Taxable OPEB bonds to retire the unfunded actuarial accrued liability then existing in the RHCP Trust Fund which were fully paid in fiscal year 2015. This allowed the City to reduce its contribution rate. The City's actual regular contribution was less than the annual required contribution calculated using the age-adjusted premiums instead of the blended rate premiums. The difference between the annual required calculation and the City's actual regular contribution was due to two factors. The first is the amortization of the negative net OPEB obligation created in the fiscal year ended September 30, 2005 by the issuance of the OPEB bonds. The other factor is that the City has elected to contribute based on the blended rate premium instead of the age-adjusted premium, described above as the implicit rate subsidy.

In September 2008, the City approved Ordinance No. 0-08-52, terminating the existing program and trust and creating a new program and trust, effective January 1, 2009. This action changed the benefits provided to retirees, such that the City will contribute towards the premium of those who retire after August 31, 2008 under a formula that provides ten dollars per year of credited service, adjusted for age at first access of the benefit. Current retirees receive a similar benefit, however the age adjustment is modified to be set at the date the retiree first accesses the benefit or January 1, 2009, whichever is later. For current retirees that are 65 or older as of January 1, 2009, the City's contribution towards the premium will be the greater of the amount calculated under this method or the amount provided under the existing ordinance. The City's contribution towards the premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium compared to the prior year.

#### Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included an 8.2% investment rate of return, compounded annually, net of investment expenses. The annual healthcare cost trend rate of 4.5% is the ultimate rate, which decreased

from 6% from the prior year. The select rate was 12% but was decreased to the ultimate rate in 2002. Both the rate of return and the healthcare cost trend rate include an assumed inflation rate of 3.75%.

The actuarial valuation of RHCP assets was set at fair market value of investments as of the measurement date. The RHCP's initial unfunded actuarial accrued liability ("UAAL") as of 1994 is being amortized as a level percentage of projected payroll over a closed period of twenty years from 1994 and changes in the UAAL from 1994 through 2003 are amortized over the remaining portion of the twenty-year period. Future changes in the UAAL will be amortized on an open period of ten years from inception.

Funded Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c
9/30/17	\$63,500,353	\$67,590,558	\$4,090,205	93.95%	\$122,798,859	3.33%

**Ability to be Sued, Judgments Enforceable**

Notwithstanding the liability limits described below, the laws of the State provide that each city has waived sovereign immunity for liability in tort to the extent provided in Section 768.28, Florida Statutes. Therefore, the City is liable for tort claims in the same manner and, subject to limits stated below, to the same extent as a private individual under like circumstances, except that the City is not liable for punitive damages or interest for the period prior to judgment. Such legislation also limits the liability of a city to pay a judgment in excess of \$200,000 to any one person or in excess of \$300,000 because of any single incident or occurrence. Judgments in excess of \$200,000 and \$300,000 may be rendered, but may be paid from City funds only pursuant to further action of the Florida Legislature in the form of a "claims bill." See "LIABILITIES OF THE CITY –Insurance Considerations Affecting the City" herein. Notwithstanding the foregoing, the City may agree, within the limits of insurance coverage provided, to settle a claim made or a judgment rendered against it without further action by the Florida Legislature, but the City shall not be deemed to have waived any defense or sovereign immunity or to have increased the limits of its liability as a result of its obtaining insurance coverage for tortuous acts in excess of the \$200,000 or \$300,000 waiver provided by Florida Statutes.

**Debt Issuance and Management**

The City utilizes a financing team when assessing the utilization of debt as a funding source for City capital projects. This team consists of the Assistant Finance Director, Finance Director, and the following external professionals: bond counsel, disclosure counsel, financial advisor, and underwriters. The City has multi-year contractual arrangements with bond counsel, disclosure counsel, and financial advisor.

## Direct Debt

The City has met certain of its financial needs through debt financing. The table which follows is a schedule of the outstanding debt of the City General Government as of October 1, 2016. This table is exclusive of the City's discretely reported component unit debt and all enterprise fund debt, including the debt of the System.

	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding as of October 1, 2017</u>
Revenue Bonds: <sup>(1)</sup>		
Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994	\$15,892,220	\$1,502,220
Taxable Pension Obligation Bonds, Series 2003A (Employees' Plan)	40,042,953	31,479,045
Taxable Pension Obligation Bonds, Series 2003B (Consolidated Plan)	49,851,806	41,385,000
Guaranteed Entitlement Revenue and Refunding Bonds, Series 2004	9,805,000	0
Capital Improvement Revenue Bonds, Series 2010	3,036,907	2,185,177
Capital Improvement Revenue Bonds, Series 2014	<u>12,535,000</u>	<u>11,221,635</u>
Total Revenue Bonds <sup>(2)</sup>	\$131,063,886	\$87,773,077
Loans: <sup>(3)</sup>		
Capital Improvement Revenue Note, Series 2009	11,500,000	1,220,000
Refunding Revenue Note, Series 2011	6,230,000	3,220,000
Capital Improvement Revenue Note, Series 2011A	3,730,000	1,625,000
Refunding Revenue Note, Series 2014	14,715,000	11,810,000
Revenue Refunding Note, Series 2016A	11,007,000	11,920,000
Capital Improvement Revenue Note, Series 2016B	<u>6,630,000</u>	<u>6,630,000</u>
Total Loans	\$53,812,000	\$36,425,000
Total Debt	<u>\$184,875,886</u>	<u>\$124,198,077</u>

(1) The City's outstanding Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 and Series 2004 are secured by a first lien upon and pledge of the guaranteed entitlement portion of the State Revenue Sharing funds. All other bonds listed below are secured by a covenant to budget and appropriate funds sufficient to pay the debt service on the loan from legally available non-ad valorem revenues of the City.

(2) Does not include CP Notes or STI Loan.

(3) All loans listed below are secured by a covenant to budget and appropriate funds sufficient to pay the debt service on the loan from legally available non-ad valorem revenues of the City.

## Defined Benefit Pension Plans

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

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

Employees' Plan

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

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

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

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

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

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

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

Employees are eligible for normal retirement:

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

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

Employees are eligible for early retirement:

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

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

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

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

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

Death benefits are paid as follows:

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

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

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

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

*Contribution Requirements.* The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The

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

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

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

Components of Net Pension Liability

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

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

Actuarial Assumptions

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

Mortality Rate:

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

Long-term Expected Rate of Return:

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

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

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

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

Discount Rate:

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

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Changes in the Net Pension Liability

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

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

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

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

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

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

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

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

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

#### Consolidated Plan

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

The basis of accounting for the Consolidated Plan is accrual. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

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

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

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

Employees are eligible for normal retirement:

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

Employees are eligible for early retirement:

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

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

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

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

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

For service earned prior to 01/01/2014, the lesser number of unused sick leave credits earned on or before 12/31/2013 or the unused sick leave bank credits available at the time of retirement may be

credited towards the employee's years of service for that calculation. For service earned on or after 01/01/2014, no additional months of service will be credited for unused sick leave credits.

Retirement eligibility for Firefighters is as follows:

Employees are eligible for normal retirement:

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

Employees are eligible for early retirement:

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

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

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

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

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

disbursement, roll into a retirement account or choose a combination of the two options. The Consolidated Plan also provides for a reverse DROP option.

Death benefits are paid as follows:

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

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

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

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

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

The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Firefighters contribute 9.0% of gross pay and Police Officers contribute 7.5% of gross pay. The City's contribution rate for fiscal year 2017 was 15.76%

of covered payroll for police personnel and 20.31% for fire personnel. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003B. In addition, State contributions, which totaled \$1,258,283, are also made to the plan on behalf of the City under Chapters 175/185, Florida Statutes. These State contributions are recorded as revenue and personnel expenditures in the City's General Fund before they are recorded as contributions in the Consolidated Pension Fund. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

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

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

Components of Net Pension Liability

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

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

Actuarial Assumptions

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

Mortality Rate:

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

Other Assumptions:

The actuarial assumptions used as of September 30, 2016 were based on the assumptions approved by the Board in conjunction with an experience study covering the 5 year period ending on September 30, 2010. Due to plan changes first valued in the October 1, 2012 actuarial valuation, changes to the assumed retirement rates and the valuation methodology for the assumed increase in benefit service for accumulated sick leave and accumulated vacation paid upon termination were made. Payroll growth assumptions were updated in 2012 and investments were reviewed by the Board in February of 2015 based on an asset liability study reflecting the current investment policy.

Long-Term Expected Rate of Return:

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

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

Development of Long Term Discount Rate – Arithmetic

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

Discount Rate:

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

Changes in the Net Pension Liability

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

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

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

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

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

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



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

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

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

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS RELATING TO THE SYSTEM**

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**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
  
GAINESVILLE REGIONAL UTILITIES  
GAINESVILLE, FLORIDA  
  
SEPTEMBER 30, 2018 AND 2017**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**GAINESVILLE REGIONAL UTILITIES  
GAINESVILLE, FLORIDA**

**SEPTEMBER 30, 2018 AND 2017**

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**INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Commissioners  
Gainesville Regional Utilities  
Gainesville, Florida

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Gainesville Regional Utilities, enterprise fund of the City of Gainesville, Florida, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Gainesville Regional Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gainesville Regional Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gainesville Regional Utilities as of September 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only Gainesville Regional Utilities enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Gainesville, FL, as of September 30, 2018 and 2017 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, Gainesville Regional Utilities adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment benefits Other Than Pension* effective October 1, 2017. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns required by GASB Statement No. 68 and the schedule of changes in net OPEB liability and related ratios, schedule of employer contributions, and schedule of investment returns required by GASB Statement No. 75 that accounting principles generally accepted in the United State of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operating, economic, or historical context. Gainesville Regional Utilities omitted these schedules as they are included in the City's comprehensive annual financial report. Our opinion on the financial statements is not affected by this missing information.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated February 27, 2019 on our consideration of the Gainesville Regional Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gainesville Regional Utilities' internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
February 27, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Gainesville Regional Utilities  
Management's Discussion and Analysis  
September 30, 2018 and 2017

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility operating electric, water, wastewater, natural gas, and telecommunications (GRUCom) systems. GRU is a utility enterprise of the City of Gainesville, Florida (City) and is reported as an enterprise fund in the Comprehensive Annual Financial Report of the City.

We offer readers of GRU's financial statements this management's discussion and analysis of the financial activities of GRU for the fiscal years ended September 30, 2018, 2017, and 2016. It should be read in conjunction with the financial statements that follow this section.

**Required Financial Statements**

**Statement of Net Position**

This statement includes all of GRU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position**

The current and prior year revenues and expenses are reported in this statement along with the resulting change in net position. This statement measures the success of the combined Utility's operations over the past year.

**Statement of Cash Flows**

The primary purpose of this statement is to provide information about the combined Utility's cash receipts and cash payments during the fiscal year. This statement reports cash receipts, cash payments, and changes in cash resulting from operating, capital and noncapital financing, and investing activities.

**Notes to Financial Statements**

The notes provide additional information that is essential to fully understand the information provided in the financial statements.

Please see Independent Auditors' Report.

## Gainesville Regional Utilities

### Management's Discussion and Analysis (continued)

September 30, 2018 and 2017

#### Financial Analysis of Gainesville Regional Utilities

GRU's net position decreased \$17.4 million, increased \$1.1 million, and decreased \$435,000 for fiscal years 2018, 2017 and 2016, respectively. The Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses, and Changes in Net Position follow (in thousands):

#### Gainesville Regional Utilities Condensed Statements of Net Position

	<b>2018</b>	Restated 2017	Restated 2016
Current assets	<b>\$ 119,656</b>	\$ 124,885	\$ 114,087
Restricted assets	<b>175,965</b>	159,000	202,918
Noncurrent assets	<b>104,868</b>	161,318	132,746
Capital assets, net	<b>1,926,452</b>	2,082,742	2,103,349
Deferred outflows of resources	<b>71,928</b>	106,924	127,084
Total assets and deferred outflows of resources	<b><u>\$ 2,398,869</u></b>	<u>\$ 2,634,869</u>	<u>\$ 2,680,184</u>
Current liabilities	<b>\$ 27,444</b>	\$ 60,733	\$ 55,125
Payable from restricted assets	<b>74,773</b>	61,564	158,745
Long-term debt	<b>1,721,979</b>	1,906,520	1,873,880
Noncurrent liabilities	<b>76,832</b>	88,850	77,227
Deferred inflows of resources	<b>78,722</b>	80,706	79,823
Total liabilities and deferred inflows of resources	<b><u>1,979,750</u></b>	<u>2,198,373</u>	<u>2,244,800</u>
Net position:			
Net investment in capital assets	<b>270,950</b>	226,493	223,743
Restricted	<b>43,709</b>	60,230	82,186
Unrestricted	<b>104,460</b>	149,773	129,455
Total net position	<b><u>419,119</u></b>	<u>436,496</u>	<u>435,384</u>
Total liabilities, deferred inflows of resources and net position	<b><u>\$ 2,398,869</u></b>	<u>\$ 2,634,869</u>	<u>\$ 2,680,184</u>

Please see Independent Auditors' Report.

Gainesville Regional Utilities  
Management's Discussion and Analysis (continued)  
September 30, 2018 and 2017

**Financial Analysis of Gainesville Regional Utilities (Concluded)**

**Gainesville Regional Utilities  
Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	2018	Restated 2017	Restated 2016
Operating revenue	\$ 402,554	\$ 460,541	\$ 433,818
Interest income	2,986	2,799	2,139
Other income, BABs	5,259	5,308	5,373
Other income (expense)	(6,016)	(2,882)	11,848
Total revenues	<u>404,783</u>	465,766	453,178
Operating expenses	328,936	396,702	379,620
Interest expense, net of AFUDC	58,035	39,715	40,463
Total expenses	<u>386,971</u>	436,417	420,083
Income before capital contributions and transfers	17,812	29,349	33,095
Capital contributions, net	1,190	7,577	1,464
Transfer to City of Gainesville General Fund	(36,379)	(35,814)	(34,994)
Change in net position	<u>(17,377)</u>	1,112	(435)
Net position, beginning of year, restated	436,496	435,384	435,819
Net position, end of year, restated	<u>\$ 419,119</u>	\$ 436,496	\$ 435,384

**Financial Highlights**

The most significant changes in GRU's financial condition are summarized below:

- Gross utility plant in service increased \$799.8 million, or 40.1% in fiscal year 2018 due primarily to the purchase of the Deerhaven Renewable Generating Station (DHR), as well as other items placed into service. Gross utility plant increased \$128 million, or 6.9% in fiscal year 2017, and \$83 million, or 4.7% in fiscal year 2016. See Capital Assets within this Management's Discussion and Analysis section, Note 4 Capital Assets, and Note 5 Capital Lease for additional information.

Please see Independent Auditors' Report.

## Gainesville Regional Utilities

### Management's Discussion and Analysis (continued)

September 30, 2018 and 2017

#### **Financial Highlights (Continued)**

- Long-term debt increased \$696.9 million, or 75%, in fiscal year 2018, due to the issuance of \$680.9 million of utilities system revenue bonds to fund the purchase of DHR and \$40 million of tax-exempt commercial paper notes, offset by scheduled principal payments. Long-term debt decreased \$18.1 million, or 1.6%, in fiscal year 2017, due to the issuance of \$5 million of new debt offset by scheduled principal payments. Long-term debt decreased \$22.2 million, or 2.3%, in fiscal year 2016, due to scheduled principal payments. See Long-Term Debt within this Management's Discussion and Analysis section, Note 5 Capital Lease, and Note 7 Long-Term Debt for additional information.
- GRU is completing remediation efforts at a former manufactured gas plant site. The costs incurred to date total \$29.3 million and GRU estimates that total project costs will be approximately \$29.9 million. GRU accrued a regulatory asset and liability to account for the cost and cost recovery of the expense, which is being recognized as customer revenues are received. See Note 13 Commitments and Contingencies for additional information.
- Sales and service charges decreased \$18 million or 4.5%, increased \$10.4 million or 2.7%, and increased \$900,000 or 0.3% in fiscal years 2018, 2017, and 2016, respectively. The decrease in sales and service charges in fiscal year 2018 is due to a reduction in the electric fuel adjustment rate, partially offset by an increase in electric base rates, as well as an increase in gas sales and service charges. The increase in sales and service charges in fiscal years 2017 and 2016 is the result of increases associated with sales and modest base rate increases in the water, wastewater, and gas systems offset by a reduction in the fuel adjustment rates for gas.
- Operating expenses decreased \$67.8 million or 17.1%, increased \$17.1 million or 4.5%, and increased \$13.7 million or 3.7% in fiscal years 2018, 2017, and 2016, respectively. The decrease in operating expenses in fiscal year 2018 is due to the purchase of DHR and concurrent termination of the Power Purchase Agreement (PPA) with Gainesville Renewable Energy Center (GREC). In addition, GRU has experienced more efficient operational results than what was required under the PPA, thereby decreasing the overall cost of operating the biomass plant. The increase in operating expenses in fiscal year 2017 is due to increases in operation and maintenance expenses resulting from changes in operational work plans from capital work, as well as power purchased from GREC under the PPA.
- Transfers from rate stabilization were \$3.8 million and \$11.7 million in fiscal years 2018 and 2017, respectively. \$2.4 million was transferred to rate stabilization in fiscal year 2016.

Please see Independent Auditors' Report.

Gainesville Regional Utilities  
Management's Discussion and Analysis (continued)  
September 30, 2018 and 2017

**Financial Highlights (Concluded)**

- The number of customers for electric services increased 2%, water services increased 0.8%, wastewater services increased 1.4%, and gas services increased 1.3% in fiscal year 2018. The number of customers for electric services increased 1.6%, water services increased 0.8%, wastewater services increased 1.3%, and gas services increased 1.3% in fiscal year 2017. The number of customers for electric services increased 0.3%, water services increased 0.9%, wastewater services increased 1%, and gas services increased 1% in fiscal year 2016.
- On October 1, 2018, GRU implemented a 2% increase in the revenue requirement for the electric system. There were no increases or decreases in the revenue requirements in any of the other systems. On October 1, 2017, GRU implemented a 2% increase in the revenue requirement for the electric system. There were no increases or decreases in the revenue requirements in any of the other systems. On October 1, 2016, GRU implemented a 3% increase in the revenue requirement for the water system, a 3% increase for the wastewater system, and a 9% increase for the gas system.

**Capital Assets**

GRU's investment in capital assets as of September 30, 2018, was \$1.9 billion (net of accumulated depreciation and amortization). The decrease in net capital assets for fiscal year 2018 was 7.5%. In fiscal year 2017, the decrease in net capital assets was 1%. The decrease in net capital assets for 2016 was 1.1%,

The following table summarizes GRU's capital assets, net of accumulated depreciation and amortization, for the years ended September 30, 2018, 2017, and 2016 (in thousands):

<b>Gainesville Regional Utilities</b>			
<b>Capital Assets</b>			
<b>(net of accumulated depreciation)</b>			
	2018	2017	2016
Generation	\$ 1,100,191	\$ 1,253,723	\$ 1,279,183
Transmission, distribution, and collection	489,324	492,338	448,086
Treatment	119,081	125,998	119,355
General plant	117,760	118,585	116,844
Construction work in progress	100,096	92,098	139,881
Total net utility plant	\$ 1,926,452	\$ 2,082,742	\$ 2,103,349

Please see Independent Auditors' Report.



Gainesville Regional Utilities  
Management's Discussion and Analysis (continued)  
September 30, 2018 and 2017

**Capital Assets (Concluded)**

Major capital asset events during the fiscal years include:

- GRU initially recorded a capital lease asset during fiscal year 2014 when GREC began commercial operations in December 2013. In November 2017, GRU purchased DHR and concurrently terminated the PPA with GREC. As a result, the capital lease asset was recorded at \$0 at September 30, 2018. The capital lease asset was recorded at \$1 billion at September 30, 2017, and 2016. See Note 5 Capital Lease for additional information.
- Electric transmission and distribution expansion was \$17.2 million in fiscal year 2018, \$12.7 million in fiscal year 2017, and \$13.5 million in fiscal year 2016. For 2018, approximately \$3.1 million was spent on underground system improvements.
- Electric generation capital expenditures were \$760.7 million for fiscal year 2018. These expenditures included \$745.1 million for DHR, \$7.7 million for the Deerhaven Generating Station (DH) and \$3.5 million for the John R Kelly Generating Station (JRK).
- Water capital expenditures were \$12.7 million in fiscal year 2018 with \$7.6 million for supply, pumping, and treatment facilities and \$4.6 million for transmission and distribution.
- Wastewater capital expenditures were \$18.2 million in 2018. This included \$4.6 million spent on treatment plant improvements and \$13.6 million in collection improvements.
- Gas distribution expansion expenditures were \$3.7 million in fiscal year 2018, \$3 million in fiscal year 2017 and \$3.1 million in fiscal year 2016. This expansion included expenditures of \$63,000 in gas distribution mains and \$339,000 in residential gas services.
- Expenditures for telecommunication fiber and electronics expansion were \$6.2 million in fiscal year 2018 which included fiber and related infrastructure installation and electronics upgrades.

Additional information may be found in Note 4 Capital Assets.

Please see Independent Auditors' Report.

Gainesville Regional Utilities  
Management's Discussion and Analysis (continued)  
September 30, 2018 and 2017

**Long-Term Debt**

At September 30, 2018, 2017, and 2016, GRU had total long-term debt outstanding of \$1.6 billion, \$1.9 billion, and \$1.9 billion, respectively, comprised of utilities system revenue bonds, commercial paper notes, and a capital lease (in thousands):

**Gainesville Regional Utilities  
Outstanding Debt at September 30:**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Utilities system revenue bonds	<b>\$ 1,534,340</b>	\$ 871,540	\$ 889,075
Commercial paper notes	<b>93,000</b>	58,900	59,500
Capital lease	-	941,269	959,679
<b>Total</b>	<b><u>\$ 1,627,340</u></b>	<b><u>\$ 1,871,709</u></b>	<b><u>\$ 1,908,254</u></b>

Major long-term debt events during the fiscal years include:

- On October 1, 2018, GRU reduced utilities system revenue bonds and commercial paper notes by \$24 million through scheduled principal payments.
- In November 2017, GRU issued three series of 2017 Utilities System Revenue Bonds. The 2017 Series A Bonds in the amount of \$415.9 million, 2017 Series B Bonds in the amount of \$150 million, and 2017 Series C Bonds in the amount of \$115 million were issued to fund the purchase of DHR.
- During fiscal year 2018, GRU issued \$40 million in tax exempt commercial paper to support the 2018 capital improvement program for the Utility, as well as extending this line of credit with Bank of America to \$125 million.
- During fiscal year 2018, GRU obtained a \$25 million rolling three-year line of credit with Sun Trust Bank.
- As a result of the start of commercial operation of the GREC biomass plant in December 2013, and the purchase of DHR in November 2017 and concurrent termination of the PPA with GREC, GRU recorded a capital lease liability of \$0, \$941.3 million, and \$959.7 million at September 30, 2018, 2017, and 2016, respectively. See Note 5 Capital Lease for additional information.

Please see Independent Auditors' Report.

## Gainesville Regional Utilities

### Management's Discussion and Analysis (continued)

September 30, 2018 and 2017

#### **Long-Term Debt (Concluded)**

- The Utility has ratings of AA-, Aa3, and AA- with Standard and Poor's, Moody's Investor Service, and Fitch Ratings, respectively, for utility system revenue bonds. The Utility has ratings of P-1, A-1+, and F1+ with Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively, for commercial paper notes. In September 2017, Moody's Investors Service adjusted GRU's long term rating to Aa3 from Aa2 due to a revised approach to their rating methodology.

Additional information may be found in Note 7 Long-Term Debt.

#### **Currently Known Facts or Conditions that May Have a Significant Effect on GRU's Financial Condition or Results of Operations**

- GRU management, with the approval of the City Commission, entered into a long-term contract to obtain dependable capacity, energy, and environmental attributes from GREC's 102.5 megawatt biomass fueled power plant. The facility is located on a portion of land leased from GRU's Deerhaven power plant site and is owned by a third party. The plant became commercially operable in December 2013.
- On March 10, 2016, arbitration was filed by GREC with the American Arbitration Association (AAA) against GRU alleging that GREC did not have to perform a scheduled annual Planned Maintenance outage for April 2016. Prior to the dispute and the arbitration being filed with the AAA, GRU and GREC mutually agreed in writing to an annual Planned Maintenance Outage for twenty-one days, scheduled to take place April 9-29, 2016. GREC unilaterally cancelled the twenty-one day mutually agreed upon annual Planned Maintenance outage. Section 10.4.1(a) of the Power Purchase Agreement (PPA) requires GREC to submit a written annual maintenance plan containing its forecast of planned maintenance for the coming year no later than sixty (60) days prior to the start of each calendar year. Any and all changes to such plan shall be mutually agreeable to GREC and GRU. In April of 2016, GRU withheld \$4.1 million in Available Energy invoice payments related to the agreed upon annual Planned Maintenance outage. As of September 30, 2017, GRU had withheld approximately \$8.5 million for various commercial disputes related to the PPA. GRU entered into a Memorandum of Understanding with GREC on April 24, 2017, to explore the possible purchase of the biomass plant, the cancellation of the PPA and the resolution of the arbitration case. On September 12, 2017, GRU and GREC executed the Asset Purchase Agreement (APA) which defined the purchase of the biomass plant, the termination of the PPA and the resolution of the arbitration case. Closing occurred on November 7, 2017. Since GRU purchased DHR, it has experienced significant economical and operational efficiencies. The plant has been successfully integrated into GRU's generation fleet. See Note 5 Capital Lease and Note 13 Commitments and Contingencies for additional information.

Please see Independent Auditors' Report.

## Gainesville Regional Utilities

### Management's Discussion and Analysis (continued)

September 30, 2018 and 2017

#### **Currently Known Facts or Conditions that May Have a Significant Effect on GRU's Financial Condition or Results of Operations (*Concluded*)**

- The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida.
- GRU and its operations are subject to federal, state, and local statutory and regulatory requirements with respect to the siting and licensing of facilities, safety and security, air and water quality, land use, and other environmental factors.
- Legislation and regulation at the federal level has been proposed to mandate the use of renewable energy and to constrain the emission of greenhouse gases. GRU's institution of a solar feed-in-tariff and purchase of a 102.5 megawatt biomass fueled power plant will hedge against these uncertainties.
- GRU's long-term energy supply strategy is to provide safe, reliable, cost effective power, while meeting regulatory requirements. GRU has a diverse portfolio of generation including renewable energy. Based on the most recent forecasts, GRU has adequate reserves of generating capacity to meet forecasted loads plus maintaining the regulatory required reserve margin through 2022. This forecast incorporates new population forecasts and changed economic circumstances.
- On February 21, 2019, the City Commission approved a supplemental utilities system revenue bond resolution authorizing the issuance of the 2019 Series A and B bonds. See Note 17, Subsequent Events, for additional information.

#### **Requests for Information**

This financial report is designed to provide a general overview of GRU's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Gainesville Regional Utilities, P.O. Box 147117, Station A-105, Gainesville, Florida 32614-7117.

Please see Independent Auditors' Report.

## **FINANCIAL STATEMENTS**

Gainesville Regional Utilities  
 Statements of Net Position  
 September 30, 2018 and 2017

	2018	Restated 2017
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 26,793,426	\$ 50,505,882
Accounts receivable, net of allowance for uncollectible accounts of \$800,551 and \$711,612, respectively	59,977,348	52,423,319
Inventories:		
Fuel	16,077,741	7,697,011
Materials and supplies	12,370,614	7,754,117
Fuel adjustment	2,376,941	4,729,317
Other assets and regulatory assets	2,059,993	1,775,927
Total current assets	119,656,063	124,885,573
Restricted assets:		
Utility deposits - cash and investments	9,078,180	9,998,718
Debt service - cash and investments	59,269,274	42,322,319
Rate stabilization - cash and investments	57,703,806	62,431,906
Construction fund - cash and investments	35,197,090	8,828,762
Utility plant improvement fund - cash and investments	14,716,405	35,418,075
Total restricted assets	175,964,755	158,999,780
Noncurrent assets:		
Net costs recoverable in future years - regulatory asset	-	61,574,434
Unamortized debt issuance costs - regulatory asset	9,056,235	5,821,241
Investment in The Energy Authority	2,257,296	2,093,983
Pollution remediation - regulatory asset	10,782,332	12,133,159
Other noncurrent assets and regulatory assets	8,650,252	6,553,490
Pension regulatory asset	74,122,351	73,141,512
Total noncurrent assets	104,868,466	161,317,819
Capital assets:		
Utility plant in service	2,794,579,603	1,994,737,580
Capital lease	-	1,006,808,754
Less: accumulated depreciation and amortization	(968,224,349)	(1,010,902,213)
	1,826,355,254	1,990,644,121
Construction in progress	100,096,678	92,098,075
Net capital assets	1,926,451,932	2,082,742,196
Total assets	2,326,941,216	2,527,945,368
<b>Deferred outflows of resources</b>		
Unamortized loss on refundings of bonds	17,975,551	21,372,280
Accumulated decrease in fair value of hedging derivatives	36,890,504	57,652,361
Pension costs	17,061,446	27,899,197
Total deferred outflows of resources	71,927,501	106,923,838
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,398,868,717</b>	<b>\$ 2,634,869,206</b>

Continued on next page.  
 See accompanying notes.

Gainesville Regional Utilities  
Statements of Net Position (concluded)  
September 30, 2018 and 2017

	2018	Restated 2017
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,380,541	\$ 29,457,057
Fuels payable	4,769,484	13,305,897
Due to other funds	450,832	(873,583)
Capital lease – current portion	–	19,255,473
Other liabilities and regulatory liabilities	843,012	(411,519)
Total current liabilities	27,443,869	60,733,325
Payable from restricted assets:		
Utility deposits	9,078,180	9,532,684
Accounts payable and accrued liabilities	8,342,554	9,971,787
Utilities system revenue bonds – current portion	27,885,000	18,120,000
Commercial paper notes – current portion	–	5,900,000
Accrued interest payable	29,455,293	18,039,204
Other liabilities and regulatory liabilities	11,596	–
Total payable from restricted assets	74,772,623	61,563,675
Long-term debt:		
Utilities system revenue bonds	1,506,455,000	853,420,000
Commercial paper notes	93,000,000	53,000,000
Capital lease	–	922,013,598
Unamortized bond premium/discount	83,758,385	16,902,387
Fair value of derivative instruments	38,765,287	61,184,080
Total long-term debt	1,721,978,672	1,906,520,065
Noncurrent liabilities:		
Reserve for insurance claims	3,337,000	3,337,000
Reserve for environmental liability	519,000	665,000
Net pension liability	71,178,444	82,704,362
Other noncurrent liabilities and regulatory liabilities	1,797,744	2,144,020
Total noncurrent liabilities	76,832,188	88,850,382
Total liabilities	1,901,027,352	2,117,667,447
<b>Deferred inflows of resources</b>		
Rate stabilization	58,529,252	62,369,039
Pension costs	20,005,353	18,336,347
Other deferred inflows	187,818	–
Total deferred inflows of resources	78,722,423	80,705,386
<b>Net position</b>		
Net investment in capital assets	270,950,422	226,493,152
Restricted	44,519,655	60,230,091
Unrestricted	103,648,865	149,773,130
Total net position	419,118,942	436,496,373
<b>Total liabilities, deferred inflows of resources and net position</b>	\$ 2,398,868,717	\$ 2,634,869,206

See accompanying notes.

**Gainesville Regional Utilities**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating revenue:		
Sales and service charges	\$ 383,202,896	\$ 401,190,960
Transfers from (to) rate stabilization	3,839,787	11,708,349
Amounts to be recovered from future revenue	3,449,252	33,560,292
Other operating revenue	12,062,184	14,081,125
Total operating revenues	<u>402,554,119</u>	<u>460,540,726</u>
Operating expenses:		
Operation and maintenance	210,340,751	250,632,067
Administrative and general	24,515,688	40,667,600
Depreciation and amortization	94,080,133	105,402,712
Total operating expenses	<u>328,936,572</u>	<u>396,702,379</u>
Operating income	<u>73,617,547</u>	<u>63,838,347</u>
Non-operating income (expense):		
Interest income	2,986,003	2,798,693
Interest expense, net of AFUDC	(58,034,716)	(39,714,579)
Other interest related income, BABs	5,259,227	5,308,201
Other expense	(6,016,654)	(2,881,653)
Total non-operating expense	<u>(55,806,140)</u>	<u>(34,489,338)</u>
Income before capital contributions and transfer	<u>17,811,407</u>	<u>29,349,009</u>
Capital contributions:		
Contributions from third parties	1,313,407	7,636,082
Reduction of plant costs recovered through contributions	(123,165)	(58,390)
Net capital contributions	<u>1,190,242</u>	<u>7,577,692</u>
Transfer to City of Gainesville General Fund	<u>(36,379,080)</u>	<u>(35,814,010)</u>
Change in net position	<u>(17,377,431)</u>	<u>1,112,691</u>
Net position – beginning of year, restated	<u>436,496,373</u>	<u>435,383,682</u>
Net position – end of year, restated	<u>\$ 419,118,942</u>	<u>\$ 436,496,373</u>

*See accompanying notes.*



**Gainesville Regional Utilities**  
**Statements of Cash Flows**  
For the Years Ended September 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
Operating activities:		
Cash received from customers	<b>\$ 374,273,824</b>	\$ 397,879,291
Cash payments to suppliers for goods and services	<b>(197,798,403)</b>	(262,733,577)
Cash payments to employees for services	<b>(57,472,298)</b>	(56,733,264)
Cash payments for operating transactions with other funds	<b>(9,644,733)</b>	(7,383,825)
Other operating receipts	<b>15,901,971</b>	28,321,636
Net cash provided by operating activities	<b>125,260,361</b>	99,350,261
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	<b>(36,379,080)</b>	(35,814,010)
Net cash used in noncapital financing activities	<b>(36,379,080)</b>	(35,814,010)
Capital and related financing activities:		
Principal repayments and refunding on long-term debt, net	<b>(24,020,000)</b>	(23,135,000)
Interest paid on long-term debt	<b>(46,618,627)</b>	(40,192,140)
Proceeds from interest rebates, BABs	<b>5,259,227</b>	5,308,201
Acquisition and construction of fixed assets (including allowance for funds used during construction)	<b>(822,636,979)</b>	(69,689,834)
Proceeds from new debt and commercial paper	<b>794,125,458</b>	5,000,000
Other income	<b>(2,646,033)</b>	3,151,706
Net cash used in capital and related financing activities	<b>(96,536,954)</b>	(119,557,067)
Investing activities:		
Interest received	<b>2,986,003</b>	1,314,281
Purchase of investments	<b>(255,616,354)</b>	(285,349,954)
Investments in The Energy Authority	<b>(7,495,899)</b>	(6,075,313)
Distributions from The Energy Authority	<b>7,332,586</b>	6,084,011
Proceeds from investments	<b>251,189,527</b>	327,003,774
Net cash (used) provided by investing activities	<b>(1,604,137)</b>	42,976,799
Net change in cash and cash equivalents	<b>(9,259,810)</b>	(13,044,016)
Cash and cash equivalents, beginning of year	<b>36,491,757</b>	49,535,773
Cash and cash equivalents, end of year	<b>\$ 27,231,947</b>	\$ 36,491,757

*Continued on next page.  
See accompanying notes.*

Gainesville Regional Utilities  
Statements of Cash Flows (concluded)  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 73,617,547	\$ 63,838,347
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	94,080,133	105,402,712
Net costs recoverable in future years	(3,449,252)	(15,150,511)
Change in:		
Accounts receivable	(7,554,029)	(3,071,948)
Inventories	(12,997,227)	(342,356)
Other assets and regulatory assets	58,087	(166,934)
Noncurrent assets	1,285,303	101,488
Payables and accrued liabilities	(16,612,929)	9,437,164
Due to other funds of the City	1,324,415	(2,363,527)
Fuel adjustment	2,352,376	(19,560,881)
Payable from restricted assets	(1,629,233)	(26,624,013)
Other liabilities and regulatory liabilities	-	(201,210)
Utility deposits	(1,375,043)	(239,721)
Rate stabilization	(3,839,787)	(11,708,349)
Net cash provided by operating activities	<u>\$ 125,260,361</u>	<u>\$ 99,350,261</u>
Non-cash capital and related financing activities, and investing activities:		
Contribution of capital assets	<u>\$ 1,190,242</u>	<u>\$ 7,577,692</u>
Net costs recoverable in future years	<u>\$ 61,574,434</u>	<u>\$ (15,150,511)</u>
Change in capital lease liability	<u>\$ (941,269,071)</u>	<u>\$ (18,409,781)</u>
Change in utility plant in service	<u>\$ (44,262,837)</u>	<u>\$ 758,362</u>
Change in ineffective portion of hedging derivatives	<u>\$ 1,587,824</u>	<u>\$ 2,536,638</u>
Change in accumulated decrease in fair value of hedging derivatives - interest rate swaps	<u>\$ 20,830,970</u>	<u>\$ 23,459,575</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ (69,113)</u>	<u>\$ 250,563</u>
Change in fair market value of investments	<u>\$ (2,004,408)</u>	<u>\$ (1,179,432)</u>
Change in fair market value of hedging derivatives	<u>\$ (22,418,793)</u>	<u>\$ (25,996,214)</u>
Other	<u>\$ (1,551,681)</u>	<u>\$ 273,653</u>

See accompanying notes.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**1. Summary of Significant Accounting Policies**

**Organization**

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility operating electric, water, wastewater, natural gas, and telecommunications (GRUCom) systems. GRU is a utility enterprise of the City of Gainesville, Florida (City) and is reported as an enterprise fund in the Comprehensive Annual Financial Report of the City. That report may be obtained by writing to City of Gainesville, Budget & Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

**System of Accounts and Basis of Accounting**

GRU is required to follow the provisions in the Second Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on September 21, 2017. GRU's electric and gas accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as required by the Resolution, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GRU prepares its financial statements in accordance with GASB Statement No. 62, paragraphs 476-500, *Regulated Operations*, and records various regulatory assets and liabilities. For a government to report under GASB Statement No. 62, its rates must be designed to recover its costs of providing services, and the utility must be able to collect those rates from customers. If it were determined, whether due to regulatory action or competition, that these standards no longer applied, GRU could be required to expense its regulatory assets and liabilities. Management believes that GRU currently meets the criteria for continued application of GASB Statement No. 62, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

The Resolution specifies the flow of funds from revenues and the requirements for the use of certain restricted and unrestricted assets. Under the Resolution, rates are designed to cover operation and maintenance expenses, rate stabilization, debt service requirements, utility plant improvement fund contributions, and for any other lawful purpose. The flow of funds excludes depreciation expense and certain other noncash revenue and expense items. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes. The effects of these differences are recognized in the determination of operating income in the period that they occur, in accordance with GRU's accounting policies.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Current GASB Pronouncement Implementations**

**Postemployment Benefits Other Than Pensions (OPEB)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, relating to OPEB. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources and expense. The impact for GRU is as follows:

*Net OPEB liability*

For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position.

*Deferred outflows of resources and deferred inflows of resources*

GASB Statement No. 75 requires recognition of deferred outflows and deferred inflows of resources associated with the difference between expected and actual earnings on plan investments, to be amortized to OPEB expense over a closed five-year period. Also to be recognized as deferred outflows and deferred inflows of resources are differences between expected and actual experience with regard to economic or demographic factors in the measurement of total OPEB liability and changes of assumptions about future economic or demographic changes or other inputs, to be amortized to OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the OPEB plan. Employer contributions to the OPEB trust made between the net OPEB liability measurement date and the employer's fiscal year end are recognized as deferred outflows of resources, to be included in OPEB expense in the subsequent fiscal year.

GASB Statement No. 75 is effective for financial statement periods beginning after June 15, 2017, with the effects of accounting change to be applied retroactively by restating the financial statements. GRU applied regulatory accounting, as permitted under GASB Statement No. 62 and recorded a regulatory asset as of September 30, 2017, in the amount of \$1.6 million to account for the net effect of required prior period restatements. GRU implemented GASB Statement No.

Gainesville Regional Utilities  
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**1. Summary of Significant Accounting Policies (continued)**

**Current GASB Pronouncement Implementations (concluded)**

**Postemployment Benefits Other Than Pensions (OPEB) (concluded)**

75 in fiscal year 2018 and, accordingly, has restated amounts within the financial statements for the period ended September 30, 2017, as follows (in thousands):

	<u>As Originally Reported</u>	<u>Restated</u>	<u>Effect of Change</u>
<b>Statement of Net Position</b>			
Noncurrent assets			
OPEB regulatory asset	\$ -	\$ 1,552	\$ 1,552
Noncurrent liabilities			
Other noncurrent liabilities - net OPEB liability	-	(1,552)	(1,552)
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See Note 15 Other Post Employment Benefits Plan for additional information.

**Future GASB Pronouncement Implementations**

GASB Statement No. 83, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement No. 84, *Fiduciary Activities* - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Future GASB Pronouncement Implementations (continued)**

GASB Statement 87, *Leases* - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**1. Summary of Significant Accounting Policies (continued)**

**Future GASB Pronouncement Implementations (concluded)**

GASB Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* - The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

**Rates and Regulation**

GRU is regulated by the Gainesville City Commission (City Commission) and GRU's rates are established in accordance with the Resolution. Each year during the budget process, and at any other time deemed necessary, the City Commission approves base rate changes and other changes to GRU's system charges as applicable.

The Florida Public Service Commission (PSC) does not regulate rate levels in any of GRU's utility systems. They do, however, have jurisdiction over the rate structure for the electric system.

**Funds in Accordance with the Resolution**

Certain restricted funds of GRU are administered in accordance with the Resolution:

- Debt Service Fund
- Subordinated Indebtedness Fund
- Rate Stabilization Fund
- Construction Fund
- Utility Plant Improvement Fund

The Debt Service Fund accounts for funds accumulated to provide payment of principal and interest on or redeem outstanding debt.

The Subordinated Indebtedness Fund, grouped in the Debt Service Fund for financial reporting purposes, accounts for funds accumulated to pay principal and interest on subordinated indebtedness.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**1. Summary of Significant Accounting Policies (continued)**

**Funds in Accordance with the Resolution (concluded)**

The Rate Stabilization Fund accounts for funds accumulated to stabilize rates over future periods through the transfer of funds to and from operations cash and investments as applicable.

The Construction Fund accounts for funds accumulated for the cost of acquisition and construction of the systems.

The Utility Plant Improvement Fund accounts for funds used to pay for capital projects, debt service, the purchase/redemption of bonds, repayment of bonds, and operation and maintenance expenses as applicable.

**Reclassifications**

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

**Statement of Cash Flows**

For purposes of the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand and demand deposits.

**Fuel Inventories**

Fuel stocks in the electric system, which are stated using the weighted average unit cost method, are recorded as inventory when purchased. The cost of fuel used for electric generation is charged to expense as consumed.

**Materials and Supplies Inventories**

Inventories are stated at cost using the weighted average unit cost method when purchased and then expensed or capitalized, as appropriate. Obsolete and unusable materials and supplies are expensed.

**Investments**

Investments in U.S. Treasury and government agencies are reported at fair value, as determined by quoted market prices or independent pricing sources. Investments in commercial paper are recorded at amortized cost, which approximates fair value. More information is provided in Note 2 Deposits and Investments.



Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Costs Recoverable in Future Years**

The Power Purchase Agreement (PPA) with the Gainesville Renewable Energy Center (GREC) is recorded as a capital lease. Activity related to this lease generates a non-cash flow related to depreciation expense which is recorded as net costs recoverable in future years. These net costs recoverable in future years represent the amount by which depreciation expense exceeds principal repayment on the capital lease obligation of \$1.5 million and \$15.2 million for the years ended September 30, 2018 and 2017, respectively. See Note 5 Capital Lease for additional information.

**Capital Assets and Depreciation**

Capital assets are recorded at historical cost and include utility plant and general plant assets. The costs of capital assets include material, labor, vehicle and equipment usage, related overhead items, capitalized interest, and certain administrative and general expenses. Maintenance and replacement of minor items are charged to operations and maintenance expenses. When units of depreciable property are retired, the original cost less salvage value is charged to accumulated depreciation if there is outstanding debt that originally constructed or purchased that asset. If there is no longer outstanding debt, the net book value less salvage value is recorded as a gain or loss in the income statement. Removal cost of the old asset is added to the cost of constructing the new asset and amortized over the life of that asset. Cost of removal of an asset that is not replaced with a new asset is recorded as a gain or loss in the income statement. GRU has a capitalization threshold of \$2,500 for general plant assets and no capitalization threshold for utility plant.

Depreciation of capital assets is computed using the straight-line method over the estimated lives of the assets ranging from 2 to 86 years. The overall depreciation rate was 3.24% and 3.6% for the periods ending September 30, 2018 and 2017, respectively.

**Allowance for Funds Used During Construction (AFUDC)**

An allowance for interest on borrowed funds used during construction of \$1.7 million and \$1.5 million for the years ended September 30, 2018 and 2017, respectively, was included in construction in progress and as a reduction of interest expense. These amounts are computed by applying the effective interest rate on the funds borrowed to finance the projects to the monthly balance of projects under construction. The effective interest rate was approximately 3.8% and 4.1% for fiscal years 2018 and 2017, respectively.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**1. Summary of Significant Accounting Policies (continued)**

**Contributions in Aid of Construction**

GRU recognizes capital contributions to the electric and gas systems as revenues which are subsequently expensed in the same period for capital contributions that will not be recovered in rates in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GRU recognizes capital contributions to the water, wastewater, and GRUCom systems as revenues in the period received. Depreciation on these assets is recorded on a straight-line basis over the estimated lives of the assets.

**Hedging Derivative Instruments**

GRU records fuel and financial related derivative instruments in accordance with GASB Statement No. 53, *Accounting and Reporting for Financial and Derivative Instruments*. All effective derivative instruments are included in the Statements of Net Position as either an asset or liability measured at fair value. All ineffective derivative instruments are recorded as a regulatory asset. Changes in the fair value of the hedging derivative instruments during the year are recorded as either deferred outflows or deferred inflows and are recognized in the period in which the derivative is settled. The settlement of fuel and financial related hedging derivative instruments is included as a part of fuel costs and interest expense, respectively, in the Statements of Revenues, Expenses, and Changes in Net Position.

GRU conducts a risk management program with the intent of reducing the impact of fuel price increases for its customers. The program utilizes futures and options contracts that are traded on the New York Mercantile Exchange (NYMEX) so that prices may be fixed or reduced for given volumes of gas that the utility projects to consume during a given production month. This program is based on feedback and direction from GRU's Risk Oversight Committee, consultation and recommendations from reputable risk management sources, and close monitoring of the market.

**Long-Term Debt**

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the balance sheet. The balance at year end for the loss on refunding is shown as a deferred outflow of resources in the statement of net position. See Note 7 Long Term Debt for additional information.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Net Pension Liability**

A net pension liability is recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts with a maturity at the time of purchase of one year or less, which are reported at cost. See Note 14 Retirement Plans for additional information.

**Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

*Unamortized loss on refunding of bonds*

Losses on refunding of bonds have been deferred. These amounts are being amortized over the life of the old debt or the life of the new debt, whichever is shorter.

*Accumulated decrease in fair value of hedging derivatives*

GRU has two types of hedging instruments: interest rate swap agreements and natural gas hedges. Each is associated with an item that is eligible to be hedged. For effective hedging transactions, hedge accounting is applied and fair value changes are recorded on the statement of net position as either a deferred inflow of resources or a deferred outflow of resources until such time that the transaction ends.

*Unrealized contributions and losses related to Employees' Plan*

Recognition of deferred outflows of resources related to pension costs totaled \$17.1 million and \$27.9 million as of September 30, 2018 and 2017, respectively. See Note 14 Retirement Plan for additional information.

**Deferred Inflows of Resources**

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Deferred Inflows of Resources (concluded)**

*Rate stabilization*

GRU designs its rates to recover costs of providing services. In order to stabilize future rate increases or decreases, GRU determines a rate stabilization amount to be charged or credited to revenues on an annual basis. There were rate stabilization transfers of \$3.8 million from and transfers of \$11.7 million from for the years ended September 30, 2018 and 2017, respectively. These amounts are reflected as increases or decreases in deferred inflows of resources – rate stabilization in the accompanying statements of net position.

*Unrealized gains related to Employees' Plan*

Recognition of deferred inflows of resources related to unrealized gains for the pension plan totaled \$20 million and \$18.3 million as of September 30, 2018 and 2017, respectively. See Note 14 Retirement Plan for additional information.

*Other deferred inflows:*

Recognition of deferred inflows of resources related to unrealized gains for the OPEB plan were \$188,000 and \$0 as of September 30, 2018 and 2017, respectively. See Note 15 Other Post-Employment Benefits Plan for additional information.

**Net Position**

GRU classifies net position into three components as follows:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – consists of non-capital assets that must be used for a particular purpose as specified by creditors, contributors, grantors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – consists of assets that do not meet the definition of net investment in capital assets or restricted net position.

When both restricted and unrestricted resources are available for use, it is GRU's policy to use restricted resources first, then unrestricted resources as they are needed.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**1. Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

Revenue is recognized when earned. GRU accrues for services rendered but unbilled, which totaled approximately \$16.4 million and \$13.8 million at September 30, 2018 and 2017, respectively.

Fuel and purchased gas adjustment levelization revenue is recognized as expenses are incurred. Amounts charged to customers for fuel are based on estimated costs. The amount charged in the fuel adjustment is adjusted and approved by the General Manager of the Utility as deemed necessary. If the amount recovered through billings exceeds actual fuel expenses, GRU records the excess billings as a liability. If the amount recovered through billings is less than actual fuel expenses, GRU records the excess fuel expense as a reduction of the liability or as an asset. See Note 6 Fuel and Purchased Gas Adjustment Levelization for additional information.

**Pledged Revenues**

Under the terms of the Resolution relating to the sale of the Utilities System Revenue Bonds, payment of principal and interest is secured by an irrevocable lien on GRU's net revenue (exclusive of any funds that may be established pursuant to the Resolution for certain other specified purposes), including any investments and income thereof. The Utilities System Revenue Bonds have a first lien and the Commercial Paper Series C and D Notes have a second lien. The Resolution contains certain restrictions and commitments, including GRU's covenant to establish and maintain rates and other charges to produce revenue sufficient to pay operation and maintenance expenses, amounts required for deposit in the debt service fund, and amounts required for deposit in the utility plant improvement fund.

**Operating, Non-operating Revenues**

GRU defines operating revenues as that revenue which is derived from customer sales or service charges and recoveries related to future rate collections, and other items. Non-operating revenues include interest on investments, gains and losses on sales of assets, and other items. Substantially all of GRU's operating revenues are pledged to the repayment of Utility System Revenue Bonds.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (concluded)**

**Transactions with the City**

As an enterprise fund of the City, transactions occur between GRU and the City's governmental and business type funds throughout the year in the ordinary course of operations.

Below is a summary of significant transactions:

- Administrative services – GRU provides payment for various administrative and insurance services provided by the City's governmental and business type functions.
- Nonmetered and metered service charges – GRU receives payment from the City for all nonmetered and metered service charges.
- Operating transfer to the General Fund – GRU makes payments to the City's General Fund from operating revenues. See Note 12 Transfer to City of Gainesville General Fund for additional information.

**2. Deposits and Investments**

The institutions in which GRU's monies are deposited are certified as Qualified Public Depositories under the Florida Public Deposit Act. Therefore, GRU's total bank balances on deposit are entirely insured or collateralized by the Federal Deposit Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. As required by the Resolution, the depository is restricted to be a bank, savings and loan association, or trust company of the United States, or a national banking association having capital stock, surplus and undivided earnings aggregating at least \$10 million.

In accordance with state laws and the Resolution, GRU is authorized to invest in obligations, which are unconditionally guaranteed by the United States of America or its agencies or instrumentalities, repurchase agreement obligations unconditionally guaranteed by the United States of America or its agencies, corporate indebtedness, direct and general obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state (provided such obligations are rated by a nationally recognized bond rating agency in either of its two highest rating categories), public housing bonds, and certain certificates of deposit. Investments in corporate indebtedness must be at a minimum acceptable level at time of purchase, (AA/Aa3/AA by Standard and Poor's, Moody's Investor Service, and/or Fitch Ratings respectively), and in one of the two highest rating categories of at least one other nationally recognized rating agency.

Gainesville Regional Utilities  
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**2. Deposits and Investments (continued)**

As of September 30, 2018, GRU had the following investments and maturities (in thousands):

	Fair Value	Maturities in Years		
		Less than 1	1-5	Over 5
<b>Investment type:</b>				
Commercial paper	\$ 89,247	\$ 89,247	\$ -	\$ -
Corporate bonds	23,222	6,185	17,037	-
U.S. agencies	53,322	-	53,322	-
U.S. treasuries	9,735	-	9,735	-
<b>Total</b>	<b>\$ 175,526</b>	<b>\$ 95,432</b>	<b>\$ 80,094</b>	<b>\$ -</b>

As of September 30, 2017, GRU had the following investments and maturities (in thousands):

	Fair Value	Maturities in Years		
		Less than 1	1-5	Over 5
<b>Investment type:</b>				
Commercial paper	\$ 74,682	\$ 74,682	\$ -	\$ -
Corporate bonds	28,214	4,525	23,689	-
U.S. agencies	61,620	15,973	45,647	-
U.S. treasuries	8,498	1,498	7,000	-
<b>Total</b>	<b>\$ 173,014</b>	<b>\$ 96,678</b>	<b>\$ 76,336</b>	<b>\$ -</b>

Cash and investments are comprised of the following at September 30 (in thousands):

	2018	2017
Restricted assets	\$ 175,965	\$ 159,000
Current assets:		
Cash and investments	26,793	50,506
Total cash and investments	202,758	209,506
Less cash and cash equivalents	(27,232)	(36,492)
<b>Total investments</b>	<b>\$ 175,526</b>	<b>\$ 173,014</b>

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**2. Deposits and Investments (continued)**

**Interest Rate Risk**

GRU's investment policy limits its investments to securities with terms of ten years or less to reduce exposure to rising interest rates, unless investments are matched to meet specific cash flow needs. The investment policy states the average portfolio term is not to exceed seven years. GRU's Resolution further limits investments of the Utility Plant Improvement Fund and Rate Stabilization Fund to no more than five years.

**Credit Risk**

GRU's investment policy and Resolution limits investments in state and local taxable or tax-exempt debt, corporate fixed income securities, and other corporate indebtedness to investments that are rated by a nationally recognized rating agency at a minimum acceptable level at time of purchase, (AA/Aa3/AA by Standard and Poor's, Moody's Investor Service, and/or Fitch Ratings respectively), and at least one nationally recognized rating agency in either of its two highest rating categories. As of September 30, 2018 and 2017, all of GRU's corporate holdings were rated Aa2 or better by Moody's Investor Service and/or AA+ or better by Standard and Poor's and/or AA+ or better by Fitch, with the exception of Guardian Life for which there was no ratings as of September 30, 2018. As of September 30, 2018, all of GRU's commercial paper investments were rated P-2 or better by Moody's Investor Service and/or A-1 or better by Standard and Poor's and/or F2 or better by Fitch, with the exception of Angelsea Funding & Chesham Finance for which there was no Fitch rating as of September 30, 2018. As of September 30, 2017, all of GRU's commercial paper investments were rated P-2 or better by Moody's Investor Service and/or A-2 or better by Standard and Poor's and/or F2 or better by Fitch. As of September 30, 2018, and 2017 GRU's FFCB, FHLMC, and FNMA were rated Aaa by Moody's Investor Service and AA+ by Standard and Poor's and AAA by Fitch. As of September 30, 2018, and 2017 GRU's FHLB were rated Aaa by Moody's Investor Service and AA+ by Standard and Poor's and AA+ or NR by Fitch.

**Concentration of Credit Risk**

State law does not limit the amount that may be invested in any one issuer. It does require, however, that investments be diversified to control risk of loss from over concentration of assets.



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**2. Deposits and Investments (concluded)**

As of September 30, GRU had more than 5% of the investment portfolio invested with the following issuers:

	<b>Percent of Total Investments</b>	
	<b>2018</b>	<b>2017</b>
Insuer:		
Federal Home Loan Mortgage Corporation	<b>9.75%</b>	7.89%
New York Life	<b>7.44%</b>	10.25%
Federal Farm Credit Bank	<b>5.15%</b>	5.93%
Federal National Mortgage Association	<b>5.77%</b>	8.39%
Federal Home Loan Bank	<b>9.72%</b>	13.62%

**3. Investment in The Energy Authority**

GRU has an equity investment in The Energy Authority (TEA), a power marketing corporation comprised of eight municipal utilities as of September 30, 2018: MEAG Power, JEA (Florida), South Carolina Public Service Authority, Nebraska Public Power District, GRU, City Utilities of Springfield (Missouri), Public Utility District No. 1 of Cowlitz County (Washington), and American Municipal Power, Inc. (Ohio). TEA provides energy products and resource management services to equity members and non-members and allocates transaction savings and operating expenses to equity members pursuant to Settlement Procedures under the Operating Agreement.

In the Statement of Revenues, Expenses, and Changes in Net Position, GRU's sales to and purchases from TEA are recorded in sales and service charges and operations and maintenance expenses, respectively. Sales to TEA were \$2.5 million and \$871,000 and purchases from TEA were \$7.8 million and \$24.8 million for the years ended September 30, 2018 and 2017, respectively.

GRU's equity interest was 5.6% for fiscal years 2018 and 2017, and accounted for using the equity method of accounting. As of September 30, 2018 and 2017, GRU's investment in TEA was \$2.3 million and \$2.1 million, respectively.

Through a combination of agreements, GRU guaranteed credit received by TEA for \$21.7 million and \$19.5 million as of September 30, 2018 and 2017, respectively. TEA evaluates its credit needs periodically and requests equity members to adjust their guarantees accordingly. The guarantee agreements are intended to provide credit support for TEA when entering into transactions on behalf of equity members. Such guarantees are within the scope of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and would require the equity members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity, or natural gas as required by contract, or if TEA failed to make payment for the purchases of such commodities. If guarantee payments are required, GRU has rights with other equity members that such payments be apportioned based on certain criteria.

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**3. Investment in The Energy Authority (concluded)**

The guarantees generally have indefinite terms; however, GRU can terminate its guarantee obligations by providing notice to counterparties and others, as required by the agreements. Such terminations would not pertain to any transactions TEA entered into prior to notice being given. As of September 30, 2018 and 2017, GRU had not recorded a liability related to these guarantees.

The table below contains unaudited condensed financial information for TEA for the nine months ended September 30 (in thousands):

	<u>2018</u>	<u>2017</u>
Condensed statement of operations:		
Total revenue	\$ 1,334,738	\$ 1,153,933
Total cost of sales and expense	<u>(1,252,868)</u>	<u>(1,092,748)</u>
Operating income	81,870	61,185
Nonoperating income (expense)	<u>105</u>	<u>38</u>
Change in net position	81,975	61,223
Net position, beginning of period	36,417	37,570
Capital contributions	6	59
Member distributions	<u>(77,767)</u>	<u>(61,160)</u>
Net position, end of period	<u>\$ 40,631</u>	<u>\$ 37,692</u>
Condensed balance sheet:		
Assets:		
Current assets	\$ 165,904	\$ 177,777
Noncurrent assets	21,510	15,622
Total assets	<u>187,414</u>	<u>193,399</u>
Liabilities:		
Current liabilities	146,768	155,313
Noncurrent liabilities	<u>15</u>	<u>394</u>
Total liabilities	146,783	155,707
Total net position	<u>40,631</u>	<u>37,692</u>
Total liabilities and net position	<u>\$ 187,414</u>	<u>\$ 193,399</u>

GRU's accounts receivable due from TEA totaled approximately \$483,000 and \$521,000 for the years ended September 30, 2018 and 2017, respectively.

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**4. Capital Assets**

A summary of capital assets, changes in accumulated depreciation and amortization, and average depreciation rates for the years ended September 30, 2018 and 2017 follows (in thousands):

	Utility Plant in Service					
	Treatment	Generation	Transmission, Distribution, and Collection	General	Construction in Progress	Combined
Balance, October 1, 2017	\$ 214,647	\$ 1,665,683	\$ 912,953	\$ 208,263	\$ 92,098	\$ 3,093,644
Additions	60	775,648	33,247	4,962	822,637	1,636,554
Capital lease	-	-	-	-	-	-
Less sales, retirements, and transfers	-	(1,015,916)	(5,902)	935	(814,638)	(1,835,521)
Balance, September 30, 2018	<u>\$ 214,707</u>	<u>\$ 1,425,415</u>	<u>\$ 940,298</u>	<u>\$ 214,160</u>	<u>\$ 100,097</u>	<u>\$ 2,894,677</u>
Accumulated depreciation, October 1, 2017	\$ 88,650	\$ 411,960	\$ 420,615	\$ 89,677	n/a	\$ 1,010,902
Depreciation expense	7,588	42,345	30,902	9,654	n/a	90,489
Capital lease	-	3,449	-	-	n/a	3,449
Less retirements/ adjustments	(611)	(132,530)	(543)	(2,931)	n/a	(136,615)
Accumulated depreciation, September 30, 2018	<u>\$ 95,627</u>	<u>\$ 325,224</u>	<u>\$ 450,974</u>	<u>\$ 96,400</u>	<u>n/a</u>	<u>\$ 968,225</u>
Net capital assets	<u>\$ 119,080</u>	<u>\$ 1,100,191</u>	<u>\$ 489,324</u>	<u>\$ 117,760</u>	<u>\$ 100,097</u>	<u>\$ 1,926,452</u>
Average depreciation rate	<u>3.53%</u>	<u>2.96%</u>	<u>3.33%</u>	<u>4.57%</u>	<u>n/a</u>	<u>3.24%</u>

	Utility Plant in Service					
	Treatment	Generation	Transmission, Distribution, and Collection	General	Construction in Progress	Combined
Balance, October 1, 2016	\$ 200,708	\$ 1,640,379	\$ 840,855	\$ 191,521	\$ 139,881	\$ 3,013,344
Additions	13,939	26,422	75,960	17,670	86,751	220,742
Capital lease	-	-	-	-	-	-
Less sales, retirements, and transfers	-	(1,118)	(3,862)	(928)	(134,534)	(140,442)
Balance, September 30, 2017	<u>\$ 214,647</u>	<u>\$ 1,665,683</u>	<u>\$ 912,953</u>	<u>\$ 208,263</u>	<u>\$ 92,098</u>	<u>\$ 3,093,644</u>
Accumulated depreciation, October 1, 2016	\$ 81,353	\$ 361,196	\$ 392,770	\$ 74,676	n/a	\$ 909,995
Depreciation expense	7,297	18,134	30,340	15,877	n/a	71,648
Capital lease	-	33,560	-	-	n/a	33,560
Less retirements/ adjustments	-	(931)	(2,494)	(876)	n/a	(4,301)
Accumulated depreciation, September 30, 2017	<u>\$ 88,650</u>	<u>\$ 411,959</u>	<u>\$ 420,616</u>	<u>\$ 89,677</u>	<u>n/a</u>	<u>\$ 1,010,902</u>
Net capital assets	<u>\$ 125,997</u>	<u>\$ 1,253,724</u>	<u>\$ 492,337</u>	<u>\$ 118,586</u>	<u>\$ 92,098</u>	<u>\$ 2,082,742</u>
Average depreciation rate	<u>3.51%</u>	<u>3.14%</u>	<u>3.49%</u>	<u>7.94%</u>	<u>n/a</u>	<u>3.60%</u>

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**5. Capital Lease**

GRU executed a PPA with the Gainesville Renewable Energy Center (GREC) in 2009. The plant, a 102.5 megawatt biomass-fired power production facility located in Alachua County, Florida, utilizes woody biomass comprised of urban wood waste, forest wood waste, and mill residue. The nature of these are further limited by Forest Sustainability Standards that are included as part of the PPA. The PPA requires that GREC provide available energy, delivered energy, and environmental attributes exclusively to GRU and began commercial operations on December 17, 2013. GRU is required to pay for all available energy from the plant at fixed prices, adjusted for liquidated damages and other penalties. GRU is also required to pay a variable operations and maintenance charge for all delivered energy, a fuel charge for all delivered energy, a shutdown charge as applicable and ad valorem taxes paid by GREC.

The PPA was accounted for as a long-term capital lease for a term of 30 years with a capital lease asset and liability recorded. The capital lease asset was recorded at \$0 at September 30, 2018 and \$1 billion at September 30, 2017. The total payments applicable to the lease were \$6.3 million and \$61.2 million for September 30, 2018 and 2017. The payments for fiscal year 2018 and 2017 included \$4.4 million and \$42.8 million, respectively, for interest expense included in fuel costs. The capital lease was being amortized over the life of the PPA. Amortization of \$3.4 million and \$33.6 million was recorded at September 30, 2018 and 2017.

On November 7, 2017, GRU issued the 2017 Utility System Revenue Bonds, Series A, B, and C to purchase the GREC biomass fueled generating power plant for \$750 million pursuant to the Asset Purchase Agreement (APA) executed on September 12, 2017. With the purchase of the biomass fueled generation power plant and the termination of the Purchase Power Agreement, the arbitration case between the City of Gainesville and GREC LLC was resolved and dismissed with prejudice (per the terms of the APA).

Due to the termination of the PPA, there were no minimum payments due as of September 30, 2018.

If at any time GRU's senior unsecured debt rating rated below a Standard & Poor's rating of A- or a Moody's rating of A3 (such rating levels to be equitably adjusted if either rating agency were in the future to change its rating standards), GRU was required to pay or provide to GREC a security deposit equal to \$40 million as security for GRU's performance of its obligations under the PPA. If required, such security would be in the form of cash deposited in either an interest bearing escrow account mutually acceptable to GREC and GRU, an unconditional and irrevocable direct pay letter of credit in form and substance reasonably satisfactory to GREC, or a performance bond in form and substance reasonably satisfactory to GREC. As of September 30, 2017, GRU's credit ratings were in compliance with the performance security requirements. Upon the termination of the PPA, this is no longer applicable for 2018.

A land lease was executed on September 28, 2009, between GRU and GREC for the land on which the biomass plant is located. The payment per year was \$100 for a term of 47 years on the condition that GREC provide dependable energy to GRU. If a condition occurred in which

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**5. Capital Lease (concluded)**

GREC did not provide dependable energy to GRU, the payment would be adjusted to the fair value of the land at that time. Rental income was not received for the year ended 2018 due to the purchase of the biomass plant and \$100 was received for the year ended September 30, 2017.

**6. Fuel and Purchased Gas Adjustment Levelization**

Electric and natural gas customers are billed a monthly fuel and purchased gas adjustment charge based on a number of factors including fuel and fuel related costs. GRU establishes this fuel and purchased gas adjustment charge based on ordinances approved by the City Commission. A fuel and purchased gas adjustment levelization fund is utilized to stabilize the monthly impact of the fuel and purchased gas adjustment charge included in customer billings.

The following table represents total revenues and expenses associated with the fuel and purchased gas adjustment and the subsequent impact on the fuel and purchased gas levelization balance as of September 30, 2018 (in thousands):

	<b>Fuel Adjustment</b>	<b>Purchased Gas Adjustment</b>	<b>Total</b>
Revenues	\$ 102,559	\$ 6,916	\$ 109,475
Expenses	(99,281)	(7,842)	(107,123)
To (From) Levelization Fund	<u>\$ 3,278</u>	<u>\$ (926)</u>	<u>\$ 2,352</u>
Levelization Fund Beginning Balance	\$ (5,588)	\$ 859	\$ (4,729)
To (From) Levelization Fund	3,278	(926)	2,352
Levelization Fund Ending Balance	<u>\$ (2,310)</u>	<u>\$ (67)</u>	<u>\$ (2,377)</u>

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**6. Fuel and Purchased Gas Adjustment Levelization (concluded)**

The following table represents total revenues and expenses associated with the fuel and purchased gas adjustment and the subsequent impact on the fuel and purchased gas levelization balance as of September 30, 2017 (in thousands):

	Fuel Adjustment	Purchased Gas Adjustment	Total
Revenues	\$ 144,000	\$ 5,955	\$ 149,955
Expenses	(162,490)	(7,025)	(169,515)
To (From) Levelization Fund	<u>\$ (18,490)</u>	<u>\$ (1,070)</u>	<u>\$ (19,560)</u>
Levelization Fund Beginning Balance	\$ 12,902	\$ 1,929	\$ 14,831
To (From) Levelization Fund	(18,490)	(1,070)	(19,560)
Levelization Fund Ending Balance	<u>\$ (5,588)</u>	<u>\$ 859</u>	<u>\$ (4,729)</u>

**7. Long-Term Debt**

**\$196,950,000 Utilities System Revenue Bonds, 2005 Series A** – 4.75% -- 5.00%, dated November 16, 2005, mature on various dates through October 1, 2036, and were partially refunded as part of the 2012 Series A Utilities System Revenue Bond issuance. The 2005 Series A Bonds are subject to redemption at the option of the City on and after October 1, 2015, as a whole or in part at any time, at a redemption price of 100% of the principal amount, plus accrued interest to the date of redemption. The 2005 Series A Bonds were issued to pay a portion of the cost of acquisition and construction of certain improvements to the City's utilities system and to refund the City's Utilities System Commercial Paper Notes, Series C. In March 2007, the 2007 Series A Bonds (\$139,505,000) were issued to advance-refund to the maturity dates a portion of the bonds maturing from October 1, 2030 to October 1, 2036. The proceeds related to the refunded bonds were deposited into an escrow account to refund the bonds on October 1, 2015, at 100% of par. In August 2012, the 2012 Series A Bonds (\$81,860,000) were issued to refund \$78,690,000 of bonds maturing from October 1, 2021 thru October 1, 2028. In December 2014, the 2014 Series B Bonds (\$30,970,000) were issued to advance-refund \$12,725,000 for portions of bonds maturing from October 1, 2029, October 1, 2030, and October 1, 2036.

**\$61,590,000 Utilities System Revenue Bonds, 2005 Series B (Federally Taxable)** – 5.31%, dated November 16, 2005, final maturity October 1, 2021. The 2005 Series B Bonds are subject to redemption at the option of the City, in whole or in part, on any date, at a redemption price equal to the greater of: 100% of the principal amount, plus accrued and unpaid interest to the date of redemption; or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2005 Series B Bonds were issued to pay a portion of the cost of acquisition and construction of certain improvements to the City's utilities system

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**7. Long-Term Debt (continued)**

and to refund the City's Utilities System Commercial Paper Notes, Series D originally issued in June 2000. In August 2012, the 2012 Series B Bonds (\$100,470,000) were issued to partially refund \$31,560,000 of bonds maturing from October 1, 2015 and October 1, 2021.

**\$55,135,000 Utilities System Revenue Bonds, 2005 Series C** – Variable interest rates based on market rates, 1.67% at September 30, 2018, dated November 16, 2005, final maturity October 1, 2026. The 2005 Series C Bonds are subject to redemption at the option of the City at a redemption price of 100% of the principal amount, plus accrued interest to the date of redemption. The 2005 Series C Bonds were issued to refund a portion of the City's Utilities System Revenue Bonds, 1996 Series A. A liquidity facility is provided by Helaba at 0.29% and expires November 24, 2020. In August 2012, the 2012 Series B Bonds (\$100,470,000) were issued to partially refund \$17,570,000 of bonds maturing from October 1, 2013 thru October 1, 2017.

**\$53,305,000 Utilities System Revenue Bonds, 2006 Series A** – Variable interest rates based on market rates, 1.67% at September 30, 2018, dated July 6, 2006, final maturity October 1, 2026. The 2006 Series A Bonds are subject to redemption at the option of the City, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. The 2006 Series A Bonds were issued to pay a portion of the cost of acquisition and construction of certain improvements to the City's utilities system and to refund a portion of the City's Utilities System Revenue Bonds, 1996 Series A. The 2006 Series A Bonds created a net present value savings of over \$6,200,000, with yearly cash savings ranging from approximately \$371,000 to over \$890,000. In August 2012, the 2012 Series B Bonds (\$100,470,000) were issued to partially refund \$25,930,000 of bonds maturing from October 1, 2013 thru October 1, 2020. A liquidity facility is provided by Helaba at 0.29% and expires November 24, 2020.

**\$139,505,000 Utilities System Revenue Bonds, 2007 Series A** – Variable interest rates based on market rates, 1.57% at September 30, 2018, dated July 6, 2006, final maturity October 1, 2036. The 2007 Series A Bonds are subject to redemption at the option of the City, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. The 2007 Series A Bonds were issued to refund a portion of the City's Utilities System Revenue Bonds, 2003 Series A and a portion of the City's Utilities System Revenue Bonds, 2005 Series A. The 2007 Series A Bonds created a net present value savings of over \$8,500,000, with yearly cash savings ranging from \$100,000 to \$500,000. A liquidity facility is provided by State Street Bank and Trust at 0.46% and expires April 1, 2021.

**\$105,000,000 Utilities System Revenue Bonds, 2008 Series A (Federally Taxable)** – 5.27%, dated February 13, 2008, final maturity October 1, 2020, and were partially refunded as part of the 2012 Series B Utilities System Revenue Bond issuances. The 2008 Series A Bonds are subject to redemption prior to maturity at the election of the City in whole or in part, at a redemption price equal to the greater of: 100% of the principal amount, plus accrued and unpaid interest to the date of redemption; or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a

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**7. Long-Term Debt (continued)**

semiannual basis plus 12.5 basis points. The 2008 Series A Bonds were issued to pay costs of acquisition and construction of the City's utilities system. In August 2012, the 2012 Series B Bonds (\$100,470,000) were issued to partially refund \$14,405,000 of bonds maturing from October 1, 2014 thru October 1, 2017. In December 2014, the 2014 Series B Bonds (\$30,970,000) were issued to redeem \$19,915,000 for portions of bonds maturing from October 1, 2015 through October 1, 2020.

**\$90,000,000 Utilities System Revenue Bonds, 2008 Series B** – Variable interest rates based on market rates, 1.58% at September 30, 2018, dated February 13, 2008, final maturity October 1, 2038. The 2008 Series B Bonds are subject to redemption prior to maturity at the election of the City in whole or in part, at a redemption price of 100% of the principal amount plus accrued interest to the date of redemption. The 2008 Series B Bonds were issued to pay costs of acquisition and construction of the City's utilities system. A liquidity facility is provided by Barclay's at 0.29% and expires June 29, 2020.

**\$156,900,000 Utilities System Revenue Bonds, 2009 Series B – Issuer Subsidy – Build America Bonds (Federally Taxable)** – 4.60% – 5.65%, dated September 16, 2009, final maturity October 1, 2039. The 2009 Series B Bonds are subject to redemption prior to maturity at the election of the City at a redemption price equal to the greater of: 100% of the principal amount, plus accrued and unpaid interest to the date of redemption; or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2009 Series B Bonds were issued to pay costs of acquisition and construction of the City's utilities system.

**\$12,930,000 Utilities System Revenue Bonds, 2010 Series A (Federally Taxable)** – 5.87%, dated November 1, 2010, final maturity October 1, 2030. The 2010 Series A Bonds are subject to redemption prior to maturity at the election of the City at a redemption price equal to the greater of: 100% of the principal amount, plus accrued and unpaid interest to the date of redemption; or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2010 Series A Bonds were issued to (a) pay costs of acquisition and construction of the City's utilities system, (b) to provide for the payment of certain capitalized interest on the Taxable 2010 Series A Bonds, and (c) to pay the costs of issuance of the Taxable 2010 Series A Bonds.

**\$132,445,000 Utilities System Revenue Bonds, 2010 Series B – Issuer Subsidy – Build America Bonds (Federally Taxable)** – 6.02%, dated November 1, 2010, final maturity October 1, 2040. The 2010 Series B Bonds are subject to redemption prior to maturity at the election of the City at a redemption price equal to the greater of: 100% of the principal amount, plus accrued and unpaid interest to the date of redemption; or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2010 Series B Bonds were issued to (a) pay costs of acquisition and construction of the City's utilities system, (b) to provide for the payment of certain capitalized interest on the Taxable 2010 Series B Bonds, and (c) to pay the costs of issuance of the Taxable 2010 Series B Bonds.



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**7. Long-Term Debt (continued)**

**\$16,365,000 Utilities System Revenue Bonds, 2010 Series C** – 5.00% – 5.25%, dated November 1, 2010, final maturity October 1, 2034. The 2010 Series C Bonds are subject to redemption prior to maturity at the election of the City at a redemption price so specified. The 2010 Series C Bonds were issued to (a) refund \$5,860,000 in aggregate principal amount of the 2003 Series A Bonds, and (b) to provide funds to refund \$10,505,000 in aggregate principal amount of the 2008 Series A Bonds.

**\$81,860,000 Utilities System Revenue Bonds, 2012 Series A** – 2.50% – 5.00%, dated August 2, 2012, final maturity October 1, 2028. The 2012 Series A Bonds were issued to (a) provide funds to refund \$1,605,000 in aggregate principal amount of the 2003 Series A Bonds, (b) to provide funds to refund \$78,690,000 in aggregate principal amount of the 2005 Series A Bonds, and (c) to pay cost of issuance of the 2012 Series A Bonds. These bonds mature at various dates from October 1, 2021 to October 1, 2028. Those bonds maturing on and after October 1, 2023, are subject to redemption prior to maturity, at a redemption price so specified.

**\$100,470,000 Utilities System Revenue Bonds, 2012 Series B** – Variable interest rates based on market rates, 1.59% at September 30, 2018, dated August 2, 2012, final maturity October 1, 2042. The 2012 Series B Bonds were issued to (a) refund \$31,560,000 in aggregate principal amount of the 2005 Series B Bonds, (b) provide funds to refund \$17,570,000 in aggregate principal amount of the 2005 Series C Bonds, (c) provide funds to refund \$25,930,000 in aggregate principal amount of the 2006 Series A Bonds, (d) provide funds to refund \$14,405,000 in aggregate principal amount of the 2008 Series A Bonds, and (e) pay costs of issuance of the 2012 Series B Bonds. These bonds mature at various dates through October 1, 2042. The 2012 Series B Bonds are subject to redemption prior to maturity, at a redemption price so specified. A liquidity facility is provided by Citibank at 0.33% and expires on June 29, 2020.

**\$37,980,000 Utilities System Revenue Bonds, 2014 Series A** – 2.50% – 5.00%, dated December 19, 2014, with final maturity October 1, 2044. The 2014 Series A Bonds were issued to (a) provide funds for the payment of the cost and acquisition and construction of certain improvements to the System, and (b) pay costs of issuance of the 2014 Series A Bonds. These bonds mature at various dates beginning October 1, 2015, and from October 1, 2021 to October 1, 2034, October 1, 2039, and October 1, 2044. The bonds maturing prior to October 1, 2024 are not subject to redemption prior to maturity. The bonds maturing on and after October 1, 2025 are subject to redemption prior to maturity at the option of GRU on and after October 1, 2024, as whole or in part at any time, at a redemption price plus interest so specified.

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**7. Long-Term Debt (continued)**

**\$30,970,000 Utilities System Revenue Bonds, 2014 Series B** – 3.13% – 5.00%, dated December 19, 2014 with final maturity October 1, 2036. The 2014 Series B Bonds were issued to (a) provide funds to refund \$12,725,000 in aggregate principal amount of a portion of the 2005 Series A Bonds; (b) provide funds to refund \$19,915,000 in aggregate principal amount of a portion of the 2008 Series A Bonds; and (c) pay costs of issuance of the 2014 Series B Bonds. These bonds mature at various dates beginning October 1, 2015 through October 1, 2020, from October 1, 2029 to October 1, 2030, and October 1, 2036. The bonds maturing prior to October 1, 2024 are not subject to redemption prior to maturity. The bonds maturing on and after October 1, 2025 are subject to redemption prior to maturity at the option of GRU on and after October 1, 2024, as whole or in part at any time, at a redemption price plus interest so specified. The 2014 Series B Bonds created a net present value savings of \$1,700,000, with yearly cash savings ranging from approximately \$11,000 to over \$600,000.

**\$415,920,000 Utilities System Revenue Bonds, 2017 Series A** – 4.00% – 5.00%, dated November 7, 2017 with final maturity on October 1, 2040. The 2017 Series A Bonds were issued concurrently with 2017 Series B and Series C bonds to (a) finance a portion of the costs of acquisition of the GREC Biomass Plant and (b) pay cost of issuance. These bonds mature at various dates beginning October 1, 2018 and ending October 1, 2040. The 2017 Series A Bonds were issued at a premium of \$73,205,458 as serial bonds with the first optional call date of October 1, 2027. These bonds are subject to redemption prior to maturity.

**\$150,000,000 Utilities System Revenue Bonds, 2017 Series B** – Variable interest rates based on market rates, 2.22% at September 30, 2018, dated November 7, 2017, final maturity October 1, 2044, and issued concurrently with 2017 Series A and 2017 Series C Bonds to (a) finance a portion of the costs of acquisition of the GREC Biomass Plant and (b) paying cost of issuance. These bonds are direct placement bonds and the sale was awarded to Wells Fargo Bank, N.A. with the following terms: (a) GRU pays variable rate at 70% of 1 Month Libor times MRF (margin rate factor) (b) bank fee of .35%, calculated on the basis of 360 days (c) contract termination date of November 7, 2020. These bonds mature at various dates beginning October 1, 2040 with final maturity date of October 1, 2044.

**\$115,000,000 Utilities System Revenue Bonds, 2017 Series C** – Variable interest rates based on market rates, 2.30% at September 30, 2018, dated November 7, 2017, final maturity October 1, 2047, and issued concurrently with 2017 Series A and 2017 Series B Bonds to (a) finance a portion of the costs of acquisition of the GREC Biomass Plan and (b) pay cost of issuance. These bonds are direct placement bonds and the sale was awarded to Bank of America, N.A. with the following terms: (a) GRU pays variable rate at 70% of 1 Month Libor times MRF (margin rate factor) (b) bank fee of .41%, calculated on the basis of 360 days (c) contract termination date of November 7, 2020. These bonds mature at various dates beginning October 1, 2044 with final maturity date of October 1, 2047.

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**7. Long-Term Debt (continued)**

**\$125,000,000 Utilities System Commercial Paper Notes, Series C Notes** – These tax-exempt notes are subordinated debt and may continue to be issued to refinance maturing Series C Notes or provide for other costs. On May 17, 2018, the City Commission approved the Fourth Amendment of the Second Supplemental Subordinated Utilities System Revenue Bond Resolution authorizing the issuance of additional Series C Commercial Paper. GRU issued \$40,000,000 in Series C Commercial Paper Notes on July 19, 2018. The Commercial Paper proceeds are to partially fund the 2018 capital improvement program for the System. Liquidity support for the Series C Notes is provided under a long-term credit agreement effective November 30, 2015, with Bank of America, NA at 0.45% and was set to expire November 30, 2018 but has been extended to November 30, 2021. The obligation of the bank may be substituted by another bank that meets certain credit standards and which is approved by the Utility and the Agent. Under terms of the agreement, the Utility may borrow up to \$125,000,000 with same day availability ending on the termination date, as defined in the agreement. Interest is at a variable market rate which was 1.69% at September 30, 2018. Series C Notes of \$85 million are outstanding as of September 30, 2018.

**\$25,000,000 Utilities System Commercial Paper Notes, Series D Notes** – In June 2000, a Utilities System Commercial Paper Note Program, Series D (taxable) was established in a principal amount not to exceed \$25,000,000. On December 16, 2014, GRU issued \$8,000,000 of Series D Notes to provide funds for the cost of acquisition and construction of certain improvements to the telecommunications system. Interest is at a variable market rate of 2.24% at September 30, 2018. Series D Notes of \$8 million are outstanding as of September 30, 2018. These taxable notes are subordinated debt. Liquidity support for the Series D Notes is provided under a long-term credit agreement effective August 28, 2014, with State Street Bank and Trust Company at 0.42% and expires August 28, 2020.

**\$25,000,000 Utilities System Variable Rate Subordinated Utilities System Revenue Bond, 2018 Series A** – On May 17, 2018, City Commission authorized a revolving line of credit on parity with commercial paper notes to finance from time to time tax exempt projects for the capital improvement plan for the electric system. The award of sale of purchase of the 2018 Series A Bond went to STI Institutional & Government, Inc. (SunTrust Bank), terms set forth in the purchase contract in the principal amount not to exceed \$25,000,000. The contract of purchase is effective on August 3, 2018 and expires August 3, 2021. The interest rate is 81% of 1M Libor plus 1.85% calculated on the basis of a 360 day year. The unused fee (liquidity fee) is .25%. As of September 30, 2018, there was \$0 outstanding.

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**7. Long-Term Debt (continued)**

**Debt Service Requirements for Long-Term Debt**

Annual debt service requirements to maturity for long-term debt are as follows (in thousands):

Year Ending September 30	Principal	Interest	Total Debt Service Requirements
2019	\$ 27,885	\$ 52,536	\$ 80,421
2020	30,935	52,091	83,026
2021	39,635	51,034	90,669
2022	39,965	49,600	89,565
2023	41,760	48,062	89,822
2024-2028	240,600	215,652	456,252
2029-2033	308,200	166,446	474,646
2034-2038	341,350	112,050	453,400
2039-2043	345,505	48,329	393,834
2044-2048	205,930	13,842	219,772
2049	5,575	47	5,622
	\$ 1,627,340	\$ 809,689	\$ 2,437,029

See Note 8 Hedging Activities for additional debt service requirements for interest rate swaps.

The interest rates used in this table are per GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which requires the rate used in the calculations be that in effect as of September 30, 2018. Interest rates on variable-rate long-term debt were valued to be equal to 1.67% for the 2005 Series C Bonds, 1.67% for the 2006 Series A Bonds, 1.57% for the 2007 Series A Bonds, 1.58% for the 2008 Series B Bonds, 1.59% for the 2012 Series B Bonds, 2.22% for the 2017 Series B Bonds, 2.30% for the 2017 Series C Bonds, 1.69% for the Commercial Paper Notes, Series C, and 2.24% for the Commercial Paper Notes, Series D.

The 2009 Series B and 2010 Series B Bonds receive a federal interest subsidy of 32.7% of the annual interest expense and are assumed to remain at said rate for the duration of the bonds. The subsidy is recorded as non-operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

GRU's revenues net of specified operating expenses are pledged as security of the above Utilities System Revenue Bonds and Commercial Paper Notes. For fiscal years 2018 and 2017, principal and interest paid were \$90.1 million and \$62.6 million, respectively. For fiscal years 2018 and 2017, total pledged revenues were \$403.5 million and \$422.5 million, respectively. As of September 30, 2018, annual principal and interest payments are expected to require 20% of pledged revenues on average.

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**7. Long-Term Debt (continued)**

**Debt Service Requirements for Long-Term Debt (concluded)**

For GRU's utilities system variable rate demand obligations (VRDO), support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) or credit agreements relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable solely from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA or credit agreement. The current stated termination dates of the SBPA and credit agreements range from June 29, 2020 to November 30, 2021. Each of the SBPA and credit agreement termination dates may be extended. At September 30, 2018, there were no outstanding draws under the SBPA. Available credits including interest, under each VRDO are as follows: \$26.5 million for 2005 Series C, \$18.6 million for 2006 Series A, \$138.2 million for 2007 Series A, \$90.1 million for 2008 Series B, and \$101.7 million for 2012 Series B.

GRU has entered into revolving credit agreements with commercial banks to provide liquidity support for its commercial paper notes. If funds are not available to pay the principal of any maturing commercial paper notes during the term of the credit agreement, GRU is entitled to make a borrowing under the credit agreement. The termination dates of the credit agreements, as of September 30, 2018, are November 30, 2021 and August 28, 2020. The credit agreement supporting the tax-exempt Commercial Paper Notes, Series C had no outstanding draws as of September 30, 2018 and 2017. The credit agreement supporting the taxable Commercial Paper Notes, Series D had no outstanding draws as of September 30, 2018 and 2017.

**Changes in Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utilities system revenue bonds	\$ 871,540	\$ 680,920	\$ (18,120)	\$ 1,534,340	\$ 27,885
Add: Issuance premiums	16,903	73,205	(6,349)	83,759	-
Total bonds payable	888,443	754,125	(24,469)	1,618,099	27,885
Commercial paper	58,900	40,000	(5,900)	93,000	-
Capital lease	941,269	-	(941,269)	-	-
Fair value of derivative instruments	61,184	-	(22,419)	38,765	-
Reserve for insurance claim	3,337	-	-	3,337	-
Reserve for environmental liability	665	-	(146)	519	-
	<u>\$ 1,953,798</u>	<u>\$ 794,125</u>	<u>\$ (994,203)</u>	<u>\$ 1,753,720</u>	<u>\$ 27,885</u>

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**7. Long-Term Debt (concluded)**

**Changes in Long-Term Liabilities (concluded)**

Long-term liabilities activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utilities system revenue bonds	\$ 889,075	\$ -	\$ (17,535)	\$ 871,540	\$ 18,120
Add: Issuance premiums	17,991	-	(1,088)	16,903	-
Total bonds payable	907,066	-	(18,623)	888,443	18,120
Commercial paper	59,500	5,000	(5,600)	58,900	5,900
Capital lease	959,679	-	(18,410)	941,269	19,255
Fair value of derivative instruments	87,180	-	(25,996)	61,184	-
Reserve for insurance claim	3,337	-	-	3,337	-
Reserve for environmental liability	266	399	-	665	-
	<u>\$ 2,017,028</u>	<u>\$ 5,399</u>	<u>\$ (68,629)</u>	<u>\$ 1,953,798</u>	<u>\$ 43,275</u>

**Interest Rate Swaps**

GRU is a party to certain interest rate swap agreements. GRU applies hedge accounting where applicable. See Note 8 Hedging Activities for additional information

**8. Hedging Activities**

**Interest Rate Hedges**

Under GRU's interest rate swap programs, GRU either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specific period of time (unless earlier terminated), or GRU pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded as an adjustment to interest on debt in the statements of revenues, expenses, and changes in net position. No money is initially exchanged when GRU enters into a new interest rate swap transaction.

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**8. Hedging Activities (continued)**

**Terms, Fair Values, and Counterparty Credit Ratings**

The terms, fair values, and counterparty credit ratings of the outstanding swaps as of September 30, 2018, were as follows (in thousands):

<u>Associated Bond Issue</u>	<u>2005B*</u>	<u>2005C*</u>	<u>2006A*</u>	<u>2007A*</u>
Notional amount	\$25,230	\$26,225	\$23,375	\$136,545
Effective date	11/16/2005	11/16/2005	7/6/2006	3/1/2007
Fixed payer rate	SIFMA	3.200%	3.224%	3.944%
Variable receiver rate	77.14% of 1MO LIBOR	60.36% of 10YR LIBOR	68.00% of 10YR LIBOR Less .365%	SIFMA
Fair value	\$78	(\$939)	(\$1,014)	(\$24,514)
Termination date	10/1/2021	10/1/2026	10/1/2026	10/1/2036
Counterparty credit rating	Aa2/AA-	Aa3/A+/AA	Aa2/AA-	Aa2/AA-
<u>Associated Bond Issue</u>	<u>2008B*</u>	<u>2008B*</u>	<u>2017B*</u>	<u>2017B*</u>
Notional amount	\$58,500	\$31,500	\$105,000	\$45,000
Effective date	2/13/2008	2/13/2008	11/7/2017	11/7/2017
Fixed payer rate	4.229%	4.229%	2.119%	2.110%
Variable receiver rate	SIFMA	SIFMA	70.00% of 1MO LIBOR	70.00% of 1MO LIBOR
Fair value	(\$11,249)	(\$6,063)	\$3,419	\$1,517
Termination date	10/1/2038	10/1/2038	10/1/2044	10/1/2044
Counterparty credit rating	Aa3/A+/AA	Aa3/A+/AA	A1/A+/A+	A1/A+/A+

\* See Basis Risk section below.

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**8. Hedging Activities (continued)**

**Fair Value**

All of the swap agreements, except for the 2005B and 2017B swaps, had a negative fair value as of September 30, 2018. As interest rate environment has risen over the past year, the negative fair value of the swap agreements has improved. Due to the lower interest rate environment, as compared to the period when the swaps were entered into, the fixed payer rates currently exceed the variable receiver rates (in thousands):

	Fair Value of Interest Rate Swaps at September 30, 2018	Changes in Fair Value	Changes in Deferred (Inflow) Outflow	Changes in Regulatory (Assets) Liability for Ineffective Instruments
2005B	\$ 78	\$ 46	\$ -	\$ (46)
2005C	(939)	741	-	(741)
2006A	(1,014)	801	-	(801)
2008B	(11,249)	4,048	(4,048)	-
2008B	(6,063)	2,181	(2,181)	-
2007A	(24,514)	9,550	(9,550)	-
2017B	3,419	3,419	(3,419)	-
2017B	1,517	1,517	(1,517)	-
	<u>\$ (38,765)</u>	<u>\$ 22,303</u>	<u>\$ (20,715)</u>	<u>\$ (1,588)</u>

All swap agreements, except for the 2005B swap, had a negative fair value as of September 30, 2017. Due to the low interest rate environment, as compared to the period when the swaps were entered into, the fixed payer rates exceeded the variable receiver rates (in thousands):

	Fair Value of Interest Rate Swaps at September 30, 2017	Changes in Fair Value	Changes in Deferred (Inflow) Outflow	Changes in Regulatory (Assets) Liability for Ineffective Instruments
2008CP	\$ (117)	\$ 308	\$ (308)	\$ -
2005B	32	209	-	(209)
2005C	(1,680)	1,117	-	(1,117)
2006A	(1,815)	1,211	-	(1,211)
2008B	(15,297)	5,778	(5,778)	-
2008B	(8,244)	3,114	(3,114)	-
2007A	(34,064)	14,260	(14,260)	-
	<u>\$ (61,185)</u>	<u>\$ 25,997</u>	<u>\$ (23,460)</u>	<u>\$ (2,537)</u>



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**8. Hedging Activities (continued)**

**Interest Rate Swap Payments**

Debt service requirements on the interest rate swaps using interest rates in effect at September 30, 2018, are as follows (in thousands):

2019	\$	7,011
2020		6,913
2021		6,780
2022		6,631
2023		6,448
2024–2028		28,425
2029–2033		21,040
2034–2038		8,385
2039–2043		3,089
2044–2048		146
	<u>\$</u>	<u>94,868</u>

**Credit Risk**

As of September 30, 2018, although most of the fair value of the interest rate swaps was negative, GRU has structured its swap documents to minimize credit risk. To mitigate the potential for credit risk, GRU has negotiated additional termination event and collateralization requirements in the event of a ratings downgrade. Failure to deliver the Collateral Agreement to GRU as negotiated and detailed in the Schedule to the International Swaps and Derivative Agreements (ISDA) master agreement for each counterparty would constitute an event of default with respect to that counterparty.

**Basis Risk**

*The swaps expose the City to basis risk:*

- The 2005 Series B Swap is exposed to basis risk through the potential mismatch of 77.14% of one-month LIBOR and SIFMA rate. As a result, savings may not be realized. As of September 30, 2018, the one-month LIBOR rate was 2.26%, and SMIFA rate was at 1.56%, which places the SIFMA at approximately 69% of one-month LIBOR at that date.
- The 2005 Series C Swap is exposed to basis risk through the potential mismatch of 60.36% of 10-year LIBOR and the variable 31-day rollover rate. As a result, savings may not be realized. As of September 30, 2018, the 10-year LIBOR rate was at 3.11%.

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**8. Hedging Activities (continued)**

**Basis Risk (concluded)**

- The 2006 Series A Swap is exposed to basis risk through the potential mismatch of 68% of 10-year LIBOR less 0.36% and the variable 31-day rollover rate. As a result, savings may not be realized.
- The 2007 Series A and the 2008 Series B Swaps are exposed to the difference between SIFMA and the variable 31-day rollover rate.
- The 2017 Series B Swap is exposed to the difference between 70% of the one-month LIBOR and 70% of the one-month LIBOR plus bank fee times the margin rate factor (corporate tax change from 35% to 21%, effective with the Tax Reform in January 1, 2018). As a result, savings may not be realized.
- The Commercial Paper Series C Notes Swap (formerly the 2002 Series A Swap) terminated October 1, 2018.

**Termination Risk**

The swap agreement will be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. The swap can be terminated due to illegality, a credit event upon merger, an event of default, or if credit ratings fall below established levels.

**Interest Rate Risk**

This risk is associated with the changes in interest rates that will adversely affect the fair values of GRU's swaps and derivatives. GRU mitigates this risk by actively reviewing and negotiating its swap agreements.

**Rollover Risk**

GRU is exposed to this risk when its interest rate swap agreements mature or terminate prior to the maturity of the hedged debt. When the counterparty to the interest rate swap agreements chooses to terminate early, GRU will be re-exposed to the rollover risk. Currently, there is no early termination option being exercised by any of GRU's interest rate swap counterparties.

**Market Access Risk**

This risk is associated with the event that GRU will not be able to enter credit markets for interest rate swap agreements or that the credit market becomes more costly. GRU maintains a strong credit rating of Aa3 from Moody's, AA- from Standard and Poor's, and AA- from Fitch. Currently GRU has not encountered any credit market barriers.

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**8. Hedging Activities (concluded)**

**Effectiveness**

Of the interest rate swap agreements, five have been deemed effective, while three have been deemed ineffective as of September 30, 2018. The ineffective portion related to interest rate swap agreements is recorded as a regulatory asset in the amount of \$1.9 million and \$3.5 million as of September 30, 2018 and 2017, respectively.

The unrealized loss on interest rate swap agreements was \$22.4 million and \$26 million in accumulated decrease in fair value of hedging derivatives at September 30, 2018 and 2017, respectively. There were no realized gains or losses related to interest rate swaps as of September 30, 2018 and 2017, respectively.

**Fuel Hedges**

GRU utilizes commodity price swap contracts to hedge the effects of fluctuations in the prices for natural gas. These transactions meet the requirements of GASB Statement No. 53. Realized losses related to gas hedging positions were recorded as an addition of fuel costs of \$189,000 and \$438,000 for September 30, 2018 and 2017, respectively.

Unrealized gains and losses related to gas hedging agreements are deferred in a regulatory account and recognized in earnings as fuel costs are incurred. All fuel hedges have been determined to be effective.

The information below provides a summary of results (in thousands):

	Fair Value of Cash Flow Hedges at September 30, 2018	Changes in Fair Value	Deferred (Inflows)/ Outflows Resources	Notional Amount (MMBTUs)
Natural Gas	\$ -	\$ (62)	\$ -	0

	Fair Value of Cash Flow Hedges at September 30, 2017	Changes in Fair Value	Deferred (Inflows)/ Outflows Resources	Notional Amount (MMBTUs)
Natural Gas	\$ 62	\$ 243	\$ -	89

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**9. Fair Value Measurement**

GRU records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. treasury securities, U.S. agencies, corporate bonds, and financial hedges are examples of Level 2 inputs.
- Level 3 inputs are unobservable inputs that reflect GRU's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements are as follows:

- U.S. Treasury securities are valued using market prices (Level 2 inputs).
- Investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.
- Commodity derivatives, such as futures, swaps and options, which are ultimately settled using prices at locations quoted through clearinghouses are valued using level 2 inputs.
- Other hedging derivatives, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on pricing algorithms using observable market quotes.

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**9. Fair Value Measurement (continued)**

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Utility's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels. GRU's fair value measurements are performed on a recurring basis. The following table presents fair value balances and their levels within the fair value hierarchy as of September 30, 2018 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b>Fair Value Investments</b>				
U.S. Treasuries	\$ -	\$ 9,735	\$ -	\$ 9,735
U.S. Agencies:				
Federal Home Loan Mortgage Cor	-	17,111	-	17,111
Federal National Mortgage Assn.	-	10,121	-	10,121
Federal Home Loan Bank	-	17,057	-	17,057
Federal Farm Credit Bank	-	9,033	-	9,033
Corporate bonds:				
Massmutual Global Funding	-	4,841	-	4,841
Guardian Life	-	5,324	-	5,324
New York Life	-	13,056	-	13,056
<b>Total fair value investments</b>	<u>\$ -</u>	<u>\$ 86,278</u>	<u>\$ -</u>	<u>\$ 86,278</u>
<b>Liabilities</b>				
<b>Financial instruments</b>				
Effective interest rate swaps	\$ -	\$ (36,891)	\$ -	\$ (36,891)
Ineffective interest rate swaps	-	(1,875)	-	(1,875)
<b>Total financial instruments</b>	<u>\$ -</u>	<u>\$ (38,766)</u>	<u>\$ -</u>	<u>\$ (38,766)</u>

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**9. Fair Value Measurement (concluded)**

Fair value balances and their levels within the fair value hierarchy as of September 30, 2017, are represented in the following table (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b>Fair Value Investments</b>				
U.S. Treasuries	\$ -	\$ 8,498	\$ -	\$ 8,498
U.S. Agencies:				
Federal Home Loan Mortgage Cor	-	13,465	-	13,465
Federal National Mortgage Assn.	-	14,313	-	14,313
Federal Home Loan Bank	-	23,573	-	23,573
Federal Farm Credit Bank	-	10,269	-	10,269
Corporate bonds:				
Massmutual Global Funding	-	4,949	-	4,949
Guardian Life	-	5,431	-	5,431
New York Life	-	17,834	-	17,834
<b>Total fair value investments</b>	<b>\$ -</b>	<b>\$ 98,332</b>	<b>\$ -</b>	<b>\$ 98,332</b>
<b>Liabilities</b>				
<b>Financial instruments</b>				
Effective interest rate swaps	\$ -	\$ (57,721)	\$ -	\$ (57,721)
Ineffective interest rate swaps	-	(3,463)	-	(3,463)
<b>Total financial instruments</b>	<b>\$ -</b>	<b>\$ (61,184)</b>	<b>\$ -</b>	<b>\$ (61,184)</b>

**10. Restricted Net Position**

Certain assets are restricted by the Resolution and other external requirements as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Restricted net position:		
Debt service	\$ 29,803	\$ 24,283
Utility plant improvement	14,717	35,418
Other	-	529
Restricted net position	<b>\$ 44,520</b>	<b>\$ 60,230</b>

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**11. Lease Revenue**

GRU leases generators, land, and communication tower antenna space, among other items.

Future minimum rental revenue for various operating leases (in thousands):

<b>Year ending September 30,</b>	<b>Future Minimum Rental Revenue</b>
2019	\$ 1,752
2020	1,549
2021	1,457
2022	1,293
2023	903
2024-2028	3,573
2029-2033	1,843
Thereafter	96
	<u>\$ 12,466</u>

**12. Transfer to City of Gainesville General Fund**

GRU transfers monies monthly to the City's General Fund that are historically based on a pre-defined formula that predominantly tied the transfer directly to the utility's revenue generation. The transfer to the General Fund may be made only to the extent such monies are not necessary to pay operating and maintenance expenses and to pay debt service on the outstanding bonds and subordinated debt or to make other necessary transfers under the Resolution.

Effective for fiscal year 2015, the City Commission approved a change to the transfer formula. This new transfer formula contains the following components:

- A new base equal to the fiscal year 2014 General Fund Transfer (GFT) level that would have been produced under the formula methodology that was in place from fiscal years 2001 through 2010.
- Growth of the base by 1.5% per year for fiscal years 2016 through 2019.
- Reduction of this amount by an amount equal to the property tax revenue that accrues to the City of Gainesville related to the GREC Biomass Facility.

For the years ended September 30, 2018 and 2017, the transfer was \$36.4 million and \$35.8 million, respectively. GRU is currently in discussions with the City for GFT payments beginning in fiscal year 2020.

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**13. Commitments and Contingencies**

**General**

The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida. The role of municipalities as telecommunications providers pursuant to the 1996 Federal Telecommunications Act resulted in a number of state-level legislative initiatives across the nation to curtail this activity. In Florida, this issue culminated in the passage, in 2005, of legislation codified in Section 350.81, Florida Statutes (Section 350.81) that defined the conditions under which municipalities are allowed to provide retail telecommunications services. Although GRU has special status as a grandfathered entity under this legislation, the provision of certain additional retail telecommunications services by the Utility would implicate certain requirements of Section 350.81. Management does not expect that any required compliance with the requirements of Section 350.81 would have a material adverse effect on the operations or financial condition of GRUCom

**Environmental and Other Natural Resource Regulations**

GRU and its operations are subject to federal, state and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, SO<sub>2</sub> and NO<sub>x</sub> into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of wastes and reuse of products generated by wastewater treatment and combustion processes; management of hazardous materials; and the nature of waste materials discharged into the wastewater system's collection facilities. Environmental regulations generally are becoming more numerous and more stringent and, as a result, may substantially increase the costs of the Utility's services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction, and operation of new facilities (including both facilities that are owned and operated by GRU as well as facilities that are owned and operated by others, from which the Utility purchases output, services, commodities and other materials). There is no assurance that the facilities in operation, under construction, or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements could result in reduced operating levels or the complete shutdown of those facilities not in compliance as well as the imposition of civil and criminal penalties.

Increasing concerns about climate change and the effects of greenhouse gases (GHG) on the environment have resulted in EPA finalizing on August 3, 2015 carbon regulations for existing power plants. Currently, the Clean Power Plan is being litigated and on August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the



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**13. Commitments and Contingencies (continued)**

**Environmental and Other Natural Resource Regulations (concluded)**

greenhouse gas new source performance standards (GHG NSPS) in abeyance “pending further order of the court.” The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017.

Further litigation is expected regardless of the D.C. Circuit Court of Appeals decision. In addition, the EPA has been given presidential direction to review the Clean Power Plan (CPP). The court has also ordered the parties to file supplemental briefs addressing whether the challenges should be remanded to the EPA rather than held in abeyance. The briefs were filed on May 15, 2017. On October 10, 2017, EPA proposed to repeal the CPP. The Whitehouse OMB received the EPA’s proposal to replace the CPP on July 9, 2018. Then on August 21, 2018, EPA proposed the Affordable Clean Energy (ACE) plan as a replacement to the CPP. It is currently under review.

**Internal Combustion Engine MACT**

On August 20, 2010, the EPA published a final rule for the National Emissions Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines, which covers existing stationary spark ignition reciprocating internal combustion engines located at major sources of hazardous air pollutant emissions such as power plant sites. This final rule, which became effective on October 19, 2010, requires the reduction of emissions of hazardous air pollutants from covered engines. Several of GRU’s reciprocating engines are covered by this new rule and all are in full compliance.

**Climate Change**

On June 25, 2013, President Obama issued a Presidential Memorandum directing the EPA to work expeditiously to complete GHG standards for the power sector. The agency is using its authority under section 111(d) of the Clean Air Act to issue emission guidelines to address GHG emissions from existing power plants. The Presidential Memorandum specifically directed the EPA to build on state leadership, provide flexibility and take advantage of a wide range of energy sources and technologies towards building a cleaner power sector. It also directed the EPA to issue proposed GHG standards, regulations, or guidelines, as appropriate for existing power plants by no later than June 1, 2014 and issue final GHG standards, regulations, or guidelines, as appropriate by no later than June 1, 2015. In addition, the Presidential Memorandum directed the EPA to include in the guidelines addressing existing power plants, a requirement that states submit to the EPA the implementation plans required under section 111(d) of the Clean Air Act and its implementing regulations by no later than June 30, 2016. States would be able to request more time to submit complete implementation plans with the EPA being able to allow states until June 30, 2017 or June 30, 2018, as appropriate, to submit additional information completing the submitted plan no later than June 30, 2016.

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**13. Commitments and Contingencies (continued)**

**Climate Change (continued)**

Accordingly, on June 2, 2014, EPA released a proposed rule, the Clean Power Plan Rule, that would limit and reduce carbon dioxide emissions from certain fossil fuel power plants, including existing plants. Finally, on August 3, 2015, EPA released the final version of such rule, and on October 23, 2015 the EPA published in the *Federal Register* the GHG existing source performance standards for power plants (the “Clean Power Plan”), and the final NSPS for GHG emissions from new, modified and reconstructed fossil fuel-fired power plants. The final Clean Power Plan was published at 80 Fed. Reg. 64662, and the final GHG NSPS were published at 80 Fed. Reg. 64510.

On October 23, 2015, the American Public Power Association (APPA) and the Utility Air Regulatory Group (UARG) filed a joint petition for review of the EPA’s final Section 111(d) rule to regulate carbon dioxide (CO<sub>2</sub>) emissions from existing electric generating sources in the D.C. Circuit Court. In addition, the state of West Virginia joined by Texas, Alabama, Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, South Carolina, South Dakota, Utah, Wisconsin, Wyoming, the Arizona Corporation Commission, and the North Carolina Department of Environmental Quality, also filed their motion to stay the final Section 111(d) rule under the Clean Air Act. Such a stay would put implementation of the rule on hold until the court decides on its legality.

On January 26, 2016, twenty-nine states requested that the U.S. Supreme Court stay implementation on the final GHG Clean Power Plan or CPP (80 Fed. Reg. 64662 – Oct. 23, 2015), pending judicial review of the rule. On February 9, 2016, the Supreme Court granted the stay of the Clean Power Plan pending judicial review of the rule. The stay will remain in effect pending Supreme Court Review if such review is sought. Since the U.S. Supreme Court stayed the EPA rulemaking on the Clean Power Plan, that extraordinary action will delay any regulatory action. GRU continues to closely monitor any activities with respect to Climate Change and GHGs.

The D.C. Circuit Court issued an order on April 28, 2017, holding the consolidated Clean Power Plan cases in abeyance for 60 days. The D.C. Circuit Court is requiring the EPA to file status reports concerning its ongoing regulatory deliberations at 30 days intervals. The court also asked the parties to file supplemental briefs by May 15, 2017, addressing whether the judicial process should be ended and the matter should be remanded to the EPA.

On August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the GHG NSPS in abeyance “pending further order of the court.” The order also directs the EPA to file status reports at 90-day intervals beginning October 27, 2017.

On October 10, 2017, the EPA Administrator signed a rule proposing the repeal of the CPP and on October 16, 2017, the proposed repeal of the CPP was published in the Federal Register. On November 2, 2017, a hearing was announced for November 28 and 29, 2017, in West Virginia.

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**13. Commitments and Contingencies (continued)**

**Climate Change (concluded)**

On January 11, 2018, the comment period was extended to April 26, 2018, and three listening sessions were announced for February and March in Missouri, California and Wyoming.

With respect to a replacement rule, the Advance Notice of Proposed Rulemaking for the CPP replacement was published on December 28, 2017. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then on August 21, 2018, EPA proposed the Affordable Clean Energy (ACE) plan as a replacement to the CPP. It is currently under review.

**Coal Combustion Products**

The EPA published a final rule (40 CFR 257), effective October 14, 2015, to regulate the disposal of coal combustion residuals (CCR) as solid waste under subtitle D of the Resource Conservation and Recovery Act (RCRA). The rule includes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments. GRU is subject to the requirements of the promulgated rule that are applicable to CCR ponds and landfill at Deerhaven.

On May 1, 2017, the EPA Administrator sent a letter informing states that the EPA is working on guidance for implementing state permitting programs that allow flexibility in individual permits to manage the safe disposal of coal combustion residuals, known as CCR or "coal ash." The EPA expects that its new guidance will allow for the safe disposal and continued beneficial use of coal ash, while enabling states to decide what works best for their environment. GRU, through the Florida Electric Power Coordinating Group, made contact with FDEP's Tim Bahr on May 2, 2017, and he confirmed that the EPA shared some draft CCR permit program materials (draft FAQs, draft checklist, etc.). The FDEP is planning to discuss that internally. The EPA has finished drafting the guidance document that is intended to assist States in ensuring that their permit program applications are complete. This guidance has been published in the Federal Register and GRU continues to closely follow developments to CCR regulations.

FCG has requested FDEP to apply to EPA for program approval through FDEP's incorporation by reference of the federal CCR Rule, in the Department's rules, which may include Florida specific provisions.

**Storage Tanks**

GRU is required to demonstrate financial responsibility for the costs of corrective actions and compensation of third-parties for bodily injury and property damage arising from releases of petroleum products and hazardous substances from storage tank systems. GRU has eleven fuel oil storage tanks. The South Energy Center has two underground distillate (No. 2) oil tanks; the JRK Station has four above-ground distillate oil tanks, two of which are empty and out of service, and two above-ground No. 6 oil tanks which are also empty and out of service. DH has one above-ground distillate and two above-ground No. 6 oil tanks one of which is out of service.

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**13. Commitments and Contingencies (continued)**

**Storage Tanks (concluded)**

All of GRU's fuel storage tanks have secondary containment and/or interstitial monitoring and the Utility is insured for the requisite amounts.

**Remediation Sites**

Several site investigations have been completed at the JRK Station, most recently in 2011. According to previous assessments, the horizontal extent of impacted soils extends from the northern containment wall of the above-ground storage tanks (ASTs) to the wastewater filter beds and from the old plant building to Sweetwater Branch Creek. The results of the most recent soil assessment document the presence of Benzo(a)pyrene in one soil sample at a concentration greater than its default commercial/industrial direct exposure based soil cleanup target levels (SCTLs). Four of the soil samples contained Benzo(a)pyrene equivalents at concentrations greater than its default commercial/industrial direct exposure based SCTLs. In addition, two of the soil samples contained total recoverable petroleum hydrocarbons (TRPH) at concentrations greater than its default commercial/industrial direct exposure based SCTLs.

In the Site-Wide Monitoring Report dated March 24, 2011, measurable free product was detected in four wells. An inspection in April 2013 showed that groundwater contains four of the polynuclear aromatic hydrocarbons (PAHs) (Benzo(a)anthracene, Benzo(a)pyrene, Benzo(b)fluoranthene, and Dibenzo(a,h)anthracene) at concentrations greater than their groundwater cleanup target levels (GCTLs). With the exception of Benzo(a)pyrene, the concentration of the remainder of these parameters did not exceed their Natural Attenuation Default Concentrations. The groundwater quality data reported in the 2011 Site-Wide Groundwater Monitoring Report documents that groundwater quality meets applicable GCTLs at the locations sampled. It is likely that groundwater quality impacts exist in the area where residual number 6 Fuel Oil is present as a non-aqueous phase liquid.

Following the submittal of the August 2013 No Further Action Proposal, the Florida Department of Environmental Protection (FDEP) prepared comments regarding the No Further Action Proposal and provided them to GRU in a letter dated January 10, 2014. In August of 2014 GRU provided responses to the FDEP's January 2014 comment letter. In March of 2016 an attempt was made to meet with the FDEP, but a time was not set up for the meeting. The delay in responding to GRU's comments was due in part to the FDEP waiting on resolution of the request to use an active hydraulic containment system as an engineering control. Ultimately, the FDEP rejected the use of the active containment system as an engineering control. On April 17, 2017, the FDEP provided comments on GRU's August 2014 response to the FDEP January 2014 comment letter.

The FDEP requested further assessment of the extent of No. 6 fuel oil in the subsurface. GRU's response proposed additional soil investigation to assess the extent of No. 6 fuel oil; both as a non-aqueous phase liquid and as stained soils. GRU also proposed temporarily shutting down

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**13. Commitments and Contingencies (continued)**

**Remediation Sites (concluded)**

the groundwater recovery system and evaluating whether free product returns to the wells. This information will be used to evaluate what actions will be needed to recover free product, if any is detected.

**Water Use Restrictions**

Pursuant to Florida law, a water management district in Florida may mandate restrictions on water use for non-essential purposes when it determines such restrictions are necessary. The restrictions may either be temporary or permanent. The St. Johns River Water Management District (SJRWMD) has mandated permanent district-wide restrictions on residential and commercial landscape irrigation. The restrictions limit irrigation to no more than two days per week during Daylight Savings Time, and one day per week during Eastern Standard Time. The restrictions apply to centralized potable water as provided by the Utility as well as private wells. All irrigation between the hours of 10:00 a.m. and 4:00 p.m. is prohibited.

In addition, in April 2010, the County adopted, and the City subsequently opted into, an Irrigation Ordinance that codified the above-referenced water restrictions which promote and encourage water conservation. County personnel enforce this ordinance, which further assists in reducing water use and thereby extending the Utility's water supply.

The SJRWMD and the Suwannee River Water Management District (SRWMD) each have promulgated regulations referred to as "Year-Round Water Conservation Measures", for the purpose of increasing long-term water use efficiency through regulatory means. In addition, the SJRWMD and the SRWMD each have promulgated regulations referred to as a "Water Shortage Plan", for the purpose of allocating and conserving the water resource during periods of water shortage and maintaining a uniform approach towards water use restrictions. Each Water Shortage Plan sets forth the framework for imposing restrictions on water use for non-essential purposes when deemed necessary by the applicable water management district.

On August 7, 2012, in order to assist the SJRWMD and the SRWMD in the implementation and enforcement of such Water Conservation Measures and such Water Shortage Plans, the Board of County Commissioners of Alachua County enacted an ordinance creating year-round water conservation measures and water shortage regulations (the "County Water Use Ordinance"), thereby making such Water Conservation Measures and such Water Shortage Plans applicable to the unincorporated areas of the County. On December 20, 2012, the City Commission adopted a resolution to opt into the County's year round water conservation measures and water shortage regulations ordinances in order to give the Alachua County Environmental Protection Department the authority to enforce water shortage orders and water shortage emergencies within the City.

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**13. Commitments and Contingencies (continued)**

**Manufactured Gas Plant**

Gainesville's natural gas system originally distributed blue water gas, which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas in the mid-1950's, coal residuals and spilt fuel contaminated soils remain on and adjacent to the manufactured gas plant (MGP) site. When the natural gas system was purchased, GRU assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. GRU has pursued recovery for the MGP from past insurance policies and, to date, has recovered \$2.2 million from such policies. GRU received final approval of its Remedial Action Plan which included the excavation and landfilling of impacted soils. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property has been redeveloped by the City as a park with storm-water ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program is unknown, and that timeframe is open to the results of the sampling data.

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 2018 and 2017, expenditures which reduced the liability balance were \$1.3 million and \$1.1 million, respectively. The reserve balance at September 30, 2018 and at September 30, 2017, was \$641,000 and \$814,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Customer billings were \$1.3 million and \$1.1 million, as of September 30, 2018 and 2017, respectively. The regulatory asset balance was \$11.7 million and \$13.1 million as of September 30, 2018 and 2017, 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.

**GREC**

On March 10, 2016, GREC filed arbitration (American Arbitration Association Case No. 01-16-0000-8157) against the City doing business as Gainesville Regional Utilities, initially challenging GRU's withholding payment of invoiced amounts pursuant to the long-term power purchase agreement between GRU and GREC. Since January 31, 2017, \$8.5 million (including accrued interest) had been withheld by GRU based on disputed amounts actually invoiced by GREC. In addition, GREC had alleged claims in contract and tort that it asserts could result in aggregate damages to GREC of over \$100 million. Likewise, GRU had alleged claims in contract that could

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**13. Commitments and Contingencies (concluded)**

**GREC (concluded)**

result in aggregate damages to GRU of over \$100 million. GRU entered into a Memorandum of Understanding with GREC on April 24, 2017, to explore the possible purchase of the biomass plant, the cancellation of the PPA and the resolution of the arbitration case. On September 12, 2017, GRU and GREC executed the APA which defined the purchase of the biomass plant, the termination of the PPA and the resolution of the arbitration case. Pursuant to the terms of the APA, GRU purchased the biomass plant on November 7, 2017.

**Operating Leases**

GRU leases various equipment, facilities and property under operating leases that are cancelable only under certain circumstances. Rental costs under operating leases for the years ended September 30, 2018 and 2017, were \$126,000 and \$108,000, respectively.

Future minimum rental payments for various operating leases are (in thousands):

<b>Year ending September 30,</b>	<b>Future Minimum Rental Payments</b>
2019	\$ 53
2020	27
2021	18
2022	9
2023	9
2024-2028	30
2029-2033	30
2034-2038	30
2039-2043	30
2044-2046	18
	\$ 254

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**14. Retirement Plans**

The City sponsors and administers the Employees' Pension Plan (Employees' Plan) and the Employees' Disability Plan (Disability Plan). The Disability Plan, a single-employer disability plan, was terminated during Fiscal Year 2015.

**Defined Benefit Plans**

*Employees' Plan:*

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

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

The Employees' Plan provides retirement, disability, and death benefits.

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

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

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



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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan: (continued)*

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

Employees are eligible for normal retirement:

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

Employees are eligible for early retirement:

- If the date of hire occurred on or before 10/01/2012, after accruing 15 years of pension service credit and reaching age 55 while still employed.
- If the date of hire was on or after 10/02/2012, after accruing 20 years of pension service credit and reaching age 60 while still employed.
- Under the early retirement option, the benefit is reduced by 5/12ths of one percent for each month (5% for each year) by which the retirement date is less than the date the employee would reach age 65.
- Employees receive a deferred vested benefit if they are terminated after accruing five years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 65.

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

- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 20 years but less than 25 years of credited service upon retirement, COLA begins after reaching age 62.

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan: (continued)*

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

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

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member who is married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, the plan assumes the employee retired the day prior to death and elected the Joint & Survivor option naming their spouse as their beneficiary.

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan: (continued)*

- If an active member who is not married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, or if an active member dies prior to reaching normal retirement eligibility, or if a non-active member with a deferred vested benefit dies before age 65, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

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

At September 30, the following City employees were covered by the benefit terms:

	2018	2017
Active members	1,514	1,519
Retirees members/beneficiaries currently receiving benefits	1,316	1,266
Terminated members/beneficiaries entitled to benefits but not yet receiving benefits	441	428
Total	3,271	3,213

The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan: (concluded)*

actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City contributes the difference between the actuarially determined rate and the contribution rate of employees. Plan members are required to contribute 5% of their annual covered salary. The rates were 18.2% and 16.08% of covered payroll for the years ended September 2018 and 2017, respectively. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003A. The proceeds from this issue were utilized to retire the unfunded actuarial accrued liability at that time in the Employees' Plan. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

The net pension liability related to the Employees' Plan was measured as of September 30, 2018 and 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017 and October 1, 2016, for September 30, 2018 and 2017, respectively.

The net pension liability applicable to GRU as an enterprise fund of the City was \$71.2 million and \$82.7 million at September 30, 2018 and 2017, respectively.

The total pension liability as of September 30, 2018, was determined based on a roll-forward of entry age normal liabilities from the October 1, 2017 actuarial valuation. Below is a summary of the key actuarial assumptions used in the October 1, 2017 actuarial valuation:

Inflation	3.75%
Salary Increases	3.00% to 5.00%
Investment Rate of Return	8.00%, net of pension investment expenses

Below is a summary of the key actuarial assumptions used in the October 1, 2016 actuarial valuation:

Inflation	4.50%
Salary Increases	3.00% to 5.00%
Investment Rate of Return	8.10%, net of pension investment expenses

*Mortality Rate:*

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected generationally with Mortality Improvement Scale BB.

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Long-term Expected Rate of Return:*

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table for fiscal year 2018 and 2017:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Domestic Equity	47.0%	7.5%
International Equity	28.0%	8.5%
Broad Market Fixed Income	8.0%	2.5%
Real Estate	12.0%	4.5%
Alternative	5.0%	7.0%
Total	100.0%	

*Discount Rate:*

The discount rates used to measure the total pension liability were 8% and 8.1% as of September 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Net Pension Liability:*

Changes in the Net Pension Liability for GRU (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 10/01/2017	\$ 314,508	\$ 231,804	\$ 82,704
Changes for the year:			
Service cost	3,238	-	3,238
Interest	24,644	-	24,644
Differences between expected and actual experience	(2,933)	-	(2,933)
Changes to assumptions	3,287	-	3,287
Contributions - employer	-	9,406	(9,406)
Contributions - employee	-	2,480	(2,480)
Contributions - buy back	51	51	-
Net investment income	-	28,277	(28,277)
Benefit payments, including refunds and DROP payouts	(18,761)	(18,761)	-
Administrative expense	-	(401)	401
Net changes	<u>9,526</u>	<u>21,052</u>	<u>(11,526)</u>
Balances at 09/30/2018	<u>\$ 324,034</u>	<u>\$ 252,856</u>	<u>\$ 71,178</u>

Changes in the Net Pension Liability for GRU (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 10/01/2016	\$ 292,068	\$ 208,984	\$ 83,084
Changes for the year:			
Service cost	4,887	-	4,887
Interest	23,273	-	23,273
Differences between expected and actual experience	4,472	-	4,472
Changes to assumptions	12,309	-	12,309
Contributions - employer	-	8,572	(8,572)
Contributions - employee	-	2,825	(2,825)
Net investment income	-	34,278	(34,278)
Benefit payments, including refunds and DROP payouts	(22,501)	(22,501)	-
Administrative expense	-	(354)	354
Net changes	<u>22,440</u>	<u>22,820</u>	<u>(380)</u>
Balances at 09/30/2017	<u>\$ 314,508</u>	<u>\$ 231,804</u>	<u>\$ 82,704</u>

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

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

The following presents GRU's portion of the net pension liability, calculated using the discount rate of 8% and 8.1% as of September 30, 2018 and 2017, as well as what GRU's portion of the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<b>2018</b>		
Sensitivity for GRU's Portion (in thousands):	<b>1% Decrease (7.0%)</b>	<b>Current Discount Rate (8.0%)</b>	<b>1% Increase (9.0%)</b>
Net pension liability	\$ 107,350	\$ 71,178	\$ 40,839

	<b>2017</b>		
Sensitivity for GRU's Portion (in thousands):	<b>1% Decrease (7.1%)</b>	<b>Current Discount Rate (8.1%)</b>	<b>1% Increase (9.1%)</b>
Net pension liability	\$ 118,611	\$ 82,704	\$ 52,587

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

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Pension expense and deferred outflows of resources and deferred inflows of resources:*

For the years ended September 30, 2018 and 2017, GRU recorded a regulatory asset for the Employees' Plan of \$981,000 and \$17 million, respectively. At September 30, 2018 and 2017, the City and GRU reported deferred outflows of resources related to the Employees' Plan from the following sources (in thousands):

	<b>2018</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
Differences between expected and actual experience	\$ 3,216	\$ 2,321
Net difference between projected and actual investment earnings on pension plan investments	-	17,684
Change to assumptions	13,845	-
<b>Total</b>	<b>\$ 17,061</b>	<b>\$ 20,005</b>

	<b>2017</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
Differences between expected and actual experience	\$ 4,514	\$ -
Net difference between projected and actual investment earnings on pension plan investments	7,286	18,336
Change to assumptions	16,099	-
<b>Total</b>	<b>\$ 27,899</b>	<b>\$ 18,336</b>



Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**14. Retirement Plans (concluded)**

**Defined Benefit Plans (concluded)**

*Pension expense and deferred outflows of resources and deferred inflows of resources: (concluded)*

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

<u>Fiscal Year</u>	<u>GRU</u>
2019	\$ 2,564
2020	(1,157)
2021	(2,384)
2022	(1,967)
Total	<u>\$ (2,944)</u>

**15. Other Post-employment Benefits Plan**

*Plan description:*

By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), providing for the payment of a portion of the health care insurance premiums for eligible retired employees. Management of the RHCP is vested in the RHCP Board of Trustees which consists of the seven member City Commissioners all who are elected by the citizens of Gainesville for three year terms.

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

*Benefits Provided:*

The RHCP is a single-employer defined benefit health care plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**15. Other Post-employment Benefits Plan (continued)**

*Employees covered by benefit terms:*

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	869
Inactive employees entitled to but not yet receiving benefit payments	627
Active employees	<u>2,067</u>
Total	<u><u>3,563</u></u>

*Contributions:*

In 1995, the City instituted a cost sharing agreement with retired employees for individual coverage only, based on a formula taking into account age at the time the benefit is first accessed and service at time of retirement. The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. Administrative costs are financed through investment earnings. RHCP members receiving benefits contribute a percentage of the monthly insurance premium. Based on this plan, the RHCP pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost, there is no direct RHCP subsidy. The employee contributes the premium cost each month, less the RHCP subsidy calculated as a percentage of the individual premium.

The State of Florida prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures presented above to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the City has elected to contribute to the RHCP at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the RHCP.

In July 2005, the City issued \$35,210,000 Taxable Other Post Employment Benefit (OPEB) bonds to retire the unfunded actuarial accrued liability then existing in the Retiree Health Care Plan (RHCP) Trust Fund. This allowed the City to reduce its contribution rate. The City's actual regular contribution was less than the annual required contribution calculated using the age-adjusted premiums instead of the blended rate premiums. The difference between the annual required calculation and the City's actual regular contribution was due to two factors. The first is the amortization of the negative net OPEB obligation created in fiscal year 2005 by the issuance of the OPEB bonds. The other factor is that the City has elected to contribute based on the blended rate premium instead of the age-adjusted premium, described above as the implicit rate subsidy.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**15. Other Post-employment Benefits Plan (continued)**

*Contributions: (concluded)*

In September 2008, the City terminated the existing program and trust and created a new program and trust, effective January 1, 2009. This action changed the benefits provided to retirees, such that the City will contribute towards the premium of those who retire after August 31, 2008, under a formula that provides ten dollars per year of credited service, adjusted for age at first access of the benefit. Current retirees receive a similar benefit, however, the age adjustment is modified to be set at the date the retiree first accesses the benefit or January 1, 2009, whichever is later. For current retirees that are 65 or older as of January 1, 2009, the City's contribution towards the premium will be the greater of the amount calculated under this method or the amount provided under the existing Ordinance. The City's contribution towards the premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium compared to the prior year.

*Investment policy:*

The City Commission has the responsibility to develop a policy for the investment of the assets of the RHCP. The investment of the assets must be consistent with the written investment policy adopted by the City Commission (Section 2-438 of the Gainesville City Code).

The policies are structured to maximize the financial return to the RHCP consistent with the risks incumbent in each investment and are structured to establish and maintain an appropriate diversification of the RHCP's assets. The City Commission periodically undertakes studies to evaluate the potential consequence of alternative investment strategies on the long term well-being of the RHCP.

Based on analysis of the RHCP assets and expected investment returns and risks associated with alternative asset mix strategies, the City adopted the following asset class targets, based on market value:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Equities	80.0%	9.0%
Real Estate	10.0%	6.0%
Alternative investments	5.0%	8.0%
Fixed income	5.0%	3.0%
Total	<u>100.0%</u>	

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**15. Other Post-employment Benefits Plan (continued)**

*Net OPEB Liability:*

GRU implemented GASB Statement No. 75 in 2018. The net OPEB liability related to the RHCP was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2015, rolled forward to September 30, 2018.

*Actuarial assumptions:*

The total OPEB liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.75%
Salary Increase	3.00% to 5.00%
Investment Rate of Return	8.00%, net of OPEB plan investment expense
Health care cost trend rates	6.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The actuarial assumptions used in the October 1, 2015, valuation were based on the results of an actuarial experience study for the period ended October 1, 2015.

GASB Statement No. 75 requires that the total OPEB liability should be determined either by an actuarial valuation as of the measurement date, or by utilizing update procedures to roll the OPEB liability forward to the measurement date. The update procedures should include amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The October 1, 2015, actuarial valuation is more than 30 months and 1 day before the Utility's most recent fiscal year-end. However, GRU has determined that its portion of the difference between the October 1, 2015, valuation and the valuation for the Utility's most recent year-end is not material.

*Discount rate:*

The discount rate used to measure the total OPEB liability was 8% percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, and that City Contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

**15. Other Post-employment Benefits Plan (continued)**

*Discount rate:* (concluded)

Changes in Net OPEB Liability for GRU (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 10/01/2017	\$ 25,657	\$ 24,105	\$ 1,552
Changes for the year:			
Service cost	511	-	511
Interest	2,054	-	2,054
Differences between expected and actual experience	-	-	-
Changes in assumptions	222	-	222
Contributions - employer	-	765	(765)
Net investment income	-	2,373	(2,373)
Benefit payments	(1,653)	(1,653)	-
Administrative expense	-	(5)	5
Net changes	<u>1,134</u>	<u>1,480</u>	<u>(346)</u>
Balances at 09/30/2018	<u>\$ 26,791</u>	<u>\$ 25,585</u>	<u>\$ 1,206</u>

Changes in Net OPEB Liability for GRU (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 10/01/2016	\$ 24,863	\$ 22,564	\$ 2,299
Changes for the year:			
Service cost	487	-	487
Interest	2,002	-	2,002
Differences between expected and actual experience	(347)	-	(347)
Changes in assumptions	212	-	212
Contributions - employer	-	616	(616)
Net investment income	-	2,487	(2,487)
Benefit payments	(1,560)	(1,560)	-
Administrative expense	-	(2)	2
Net changes	<u>794</u>	<u>1,541</u>	<u>(747)</u>
Balances at 09/30/2017	<u>\$ 25,657</u>	<u>\$ 24,105</u>	<u>\$ 1,552</u>

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

**15. Other Post-employment Benefits Plan (continued)**

*Sensitivity of the net OPEB liability to changes in the discount rates:*

The following presents GRU's portion of the net OPEB liability, calculated using the discount rate of 8% and 8.1% as of September 30, 2018 and 2017, respectively, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

	<b>2018</b>		
	<b>1% Decrease (7.0%)</b>	<b>Discount Rate (8.0%)</b>	<b>1% Increase (9.0%)</b>
Net OPEB liability (asset)	\$ 3,611	\$ 1,206	\$ (877)

	<b>2017</b>		
	<b>1% Decrease (7.1%)</b>	<b>Discount Rate (8.1%)</b>	<b>1% Increase (9.1%)</b>
Net OPEB liability (asset)	\$ 3,855	\$ 1,552	\$ (442)

*Sensitivity of the net OPEB liability to changes in the health care cost trend rates:*

The following presents GRU's portion of the net OPEB liability, calculated using the health care cost trend rate of 6% as of September 30, 2018 and 2017, as well as what the Plan's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

	<b>2018</b>		
	<b>1% Decrease (5.0%)</b>	<b>Health Care Cost Trend Rate (6.0%)</b>	<b>1% Increase (7.0%)</b>
Net OPEB liability (asset)	\$ (1,344)	\$ 1,206	\$ 4,177

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

**15. Other Post-employment Benefits Plan (continued)**

*Sensitivity of the net OPEB liability to changes in the health care cost trend rates: (concluded)*

	2017		
	Health Care Cost Trend		
	1% Decrease (5.0%)	Rate (6.0%)	1% Increase (7.0%)
Net OPEB liability (asset)	\$ (890)	\$ 1,552	\$ 4,397

*OPEB plan fiduciary net position:*

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued RHCP financial report.

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:*

For the year ended September 30, 2018, GRU recognized OPEB expense of \$274,000. At September 30, 2018, the City and GRU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources GRU's Portion	Deferred Inflows of Resources GRU's Portion
Change in assumptions	\$ -	\$ (177)
Net difference between projected and actual investment earnings on pension plan investments	-	365
Total	\$ -	\$ 188

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

**15. Other Post-employment Benefits Plan (concluded)**

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: (concluded)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

<u>Fiscal Year</u>	<u>GRU</u>
2018	\$ (47)
2019	(47)
2020	(47)
2021	(47)
Thereafter	-
Total	<u>\$ (188)</u>

**16. Risk Management**

GRU is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters and insures against these losses. GRU purchases plant and machinery insurance from a commercial carrier. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage for the past three fiscal years. The City is self-insured for workers' compensation, auto liability, and general liability but carries excess workers' compensation coverage. These risks are accounted for under the City's General Insurance Fund.

GRU reimburses the City for premiums and claims paid on its behalf, recording the appropriate expense. However, GRU does maintain its own insurance reserve, for the self-insured portion. An actuarial study completed during fiscal year 2008 resulted in an increase to a balance of \$3.3 million. The present value calculation assumes a rate of return of 4.5% with a confidence level of 75%. All claims for fiscal 2018 and 2017 were paid from current year's revenues.

Changes in the insurance reserve as of September 30 (in thousands):

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Change in Reserve</u>	<u>Ending Balance</u>
2018	\$ 3,337	\$ 1,729	\$ (1,729)	\$ -	\$ 3,337
2017	3,337	2,253	(2,253)	-	3,337
2016	3,337	1,178	(1,178)	-	3,337



Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2018 and 2017

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**17. Subsequent Events**

*Air Quality Control System*

GRU experienced a collapse of the Turbosorp Air Quality Control System at the Deerhaven Unit 2 generation facility during fiscal year 2016. This failure resulted in a loss of \$5.4 million recorded as a receivable and regulatory asset during the fiscal year ended September 30, 2018. GRU filed an insurance claim after the incident and received a payment of \$3.9 million on December 6, 2018, from one insurance carrier that will be applied against the receivable. On December 28, 2018, GRU received an additional payment of \$319,000 from another insurance carrier that will be applied against the regulatory asset.

*Utilities System Revenue Bonds*

On February 21, 2019, the City Commission approved a supplemental utilities system revenue bond resolution authorizing the issuance of the 2019 Series A and B bonds. Approximately \$160 million in proceeds from Series A will be used to fund capital projects in 2019 and 2020, replenish Utility Plant Improvement Fund reserves, and convert GRU's currently outstanding tax-exempt short-term commercial paper to long-term bonds. Approximately \$26.7 million in proceeds from Series B will be used to fund GRUCom capital projects over the next several years, convert outstanding taxable commercial paper to long-term bonds, and refund the outstanding 2005 Series B bonds.

## **SUPPLEMENTARY INFORMATION**

Gainesville Regional Utilities  
Schedules of Combined Net Revenues  
in Accordance with Bond Resolution  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Electric system:		
Sales of electricity	\$ 272,311,404	\$ 293,066,410
Transfers from rate stabilization	7,206,070	15,548,835
Other revenue	5,062,778	6,022,825
Other income	(1,763,862)	70,159
Build America Bonds	2,903,975	2,935,564
Total electric system revenues	<u>285,720,365</u>	<u>317,643,793</u>
Water system:		
Sales of water	34,665,428	35,307,646
Transfer to rate stabilization	(437,706)	(2,517,293)
Other revenue	1,911,099	2,338,143
Other income (expense)	(89,225)	(862,300)
Build America Bonds	817,966	824,619
Total water system revenues	<u>36,867,562</u>	<u>35,090,815</u>
Wastewater system:		
Sales of wastewater	40,785,747	40,105,516
Transfer from (to) rate stabilization	1,097,355	(849,983)
Other revenue	3,436,618	3,874,344
Other income	(93,845)	122,122
Build America Bonds	929,061	933,336
Total wastewater system revenues	<u>46,154,936</u>	<u>44,185,335</u>
Gas system:		
Sales of gas	24,077,326	21,522,855
Transfer from rate stabilization	(3,887,772)	(1,058,123)
Other revenue	367,576	918,597
Other income (expense)	113,919	(73,167)
Build America Bonds	608,225	614,682
Total gas system revenues	<u>21,279,274</u>	<u>21,924,844</u>
Telecommunications system:		
Sales of services	11,362,989	11,189,423
Transfer from (to) rate stabilization	(138,160)	584,913
Other revenue	14,536	11,562
Other income (expense)	(29,030)	(335,831)
Total telecommunications system revenue	<u>11,210,335</u>	<u>11,450,067</u>
Total revenues	<u>\$ 401,232,472</u>	<u>\$ 430,294,854</u>

Continued on next page.

Gainesville Regional Utilities  
Schedules of Combined Net Revenues  
in Accordance with Bond Resolution (concluded)  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operation, maintenance and administrative expenses:		
Electric system:		
Fuel expense	\$ 99,281,397	\$ 162,490,201
Operation and maintenance	65,969,401	48,572,781
Administrative and general	12,435,985	24,461,966
Total electric system expense	<u>177,686,783</u>	<u>235,524,948</u>
Water system:		
Operation and maintenance	11,627,273	9,944,066
Administrative and general	4,615,006	5,519,450
Total water system expense	<u>16,242,279</u>	<u>15,463,516</u>
Wastewater system:		
Operation and maintenance	15,650,012	13,078,881
Administrative and general	4,563,011	5,973,307
Total wastewater system expense	<u>20,213,023</u>	<u>19,052,188</u>
Gas system:		
Fuel expense and purchased gas	7,842,044	7,025,104
Operation and maintenance	3,082,310	2,505,904
Administrative and general	2,068,498	3,370,550
Total gas system expense	<u>12,992,852</u>	<u>12,901,558</u>
Telecommunications system:		
Operation and maintenance	5,669,793	5,285,596
Administrative and general	832,773	1,823,125
Total telecommunications system expense	<u>6,502,566</u>	<u>7,108,721</u>
Total expenses	<u>233,637,503</u>	<u>290,050,931</u>
Net revenue in accordance with bond resolution:		
Electric	108,033,582	82,118,845
Water	20,625,283	19,627,299
Wastewater	25,941,913	25,133,147
Gas	8,286,422	9,023,286
Telecommunications	4,707,769	4,341,346
Total net revenue in accordance with bond resolution	<u>167,594,969</u>	<u>140,243,923</u>
Aggregate bond debt service	<u>\$ 89,235,841</u>	<u>\$ 55,988,596</u>
Aggregate bond debt service coverage ratio	<u>1.88</u>	<u>2.50</u>
Total debt service	<u>\$ 90,095,336</u>	<u>\$ 62,571,817</u>
Total debt service coverage ratio	<u>1.86</u>	<u>2.24</u>

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Electric Utility System  
For the Years Ended September 30, 2018 and 2017

	2018	2017
Revenues		
Sales of electricity:		
Residential	\$ 64,742,786	\$ 47,236,704
Non-residential	79,577,373	61,748,151
Fuel adjustment	99,281,397	162,490,201
Sales for resale	6,041,922	4,042,864
Utility surcharge	3,641,223	2,979,234
Other electric sales	19,026,703	14,569,256
Total sales of electricity	272,311,404	293,066,410
Transfers from rate stabilization	7,206,070	15,548,835
Other revenue	5,062,778	6,022,825
Other income (expense)	(1,763,862)	70,159
Build America Bonds	2,903,975	2,935,564
Total revenues	285,720,365	317,643,793
Operation, maintenance and administrative expenses		
Fuel expenses	99,281,397	162,490,201
Power production	45,575,265	29,340,502
Transmission and distribution	20,394,136	19,232,279
Administrative and general	12,435,985	24,461,966
Total operation, maintenance, and administrative expenses	177,686,783	235,524,948
Total net revenues in accordance with bond resolution	108,033,582	82,118,845
Less:		
Debt service	66,107,727	38,978,216
Debt service - UPIF	(5,000,000)	(5,000,000)
UPIF contributions	25,498,577	27,046,177
Transfer to City of Gainesville General Fund	21,427,278	21,094,452
Net impact to rate stabilization	\$ —	\$ —

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Water Utility System  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Residential	\$ 21,121,920	\$ 21,876,220
Non-residential	11,044,930	10,832,890
Utility surcharge	2,498,578	2,598,536
Total sales of water	<u>34,665,428</u>	<u>35,307,646</u>
Transfers to rate stabilization	(437,706)	(2,517,293)
Other revenues	1,911,099	2,338,143
Other Income (expense)	(89,225)	(862,300)
Build America Bonds	817,966	824,619
Total revenues	<u>36,867,562</u>	<u>35,090,815</u>
Operation, maintenance, and administrative expenses		
Transmission and distribution	4,279,991	3,281,281
Treatment	7,347,282	6,662,785
Administrative and general	4,615,006	5,519,450
Total operation, maintenance, and administrative expenses	<u>16,242,279</u>	<u>15,463,516</u>
Total net revenues in accordance with bond resolution	<u>20,625,283</u>	<u>19,627,299</u>
Less:		
Debt service	7,318,225	6,836,438
UPIF contributions	7,468,215	7,042,712
Transfer to City of Gainesville General Fund	5,838,843	5,748,149
Net impact to rate stabilization	<u>\$           –</u>	<u>\$           –</u>

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Wastewater Utility System  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Residential	\$ 26,961,181	\$ 27,090,198
Non-residential	10,936,712	10,157,051
Utility surcharge	2,887,854	2,858,267
Total sales of services	<u>40,785,747</u>	<u>40,105,516</u>
Transfers to rate stabilization	1,097,355	(849,983)
Other revenue	3,436,618	3,874,344
Other income	(93,845)	122,122
Build America Bonds interest income	929,061	933,336
Total revenues	<u>46,154,936</u>	<u>44,185,335</u>
Operation, maintenance, and administrative expenses		
Collection	8,501,302	6,402,349
Treatment	7,148,710	6,676,532
Administrative and general	4,563,011	5,973,307
Total operation, maintenance, and administrative expenses	<u>20,213,023</u>	<u>19,052,188</u>
Total net revenues in accordance with bond resolution	<u>25,941,913</u>	<u>25,133,147</u>
Less:		
Debt service	8,756,861	8,466,469
UPIF contributions	9,836,478	9,432,248
Transfer to City of Gainesville General Fund	7,348,574	7,234,430
Net impact to rate stabilization	<u>\$ -</u>	<u>\$ -</u>

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Gas Utility System  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Residential	\$ 8,532,414	\$ 7,360,771
Non-residential	5,782,413	5,484,284
Fuel adjustment	7,842,044	7,025,104
Utility surcharge	548,417	474,737
Other gas sales	1,372,038	1,177,959
Total sales of gas	<u>24,077,326</u>	<u>21,522,855</u>
Transfers from (to) rate stabilization	(3,887,772)	(1,058,123)
Other revenue	367,576	918,597
Other income (expense)	113,919	(73,167)
Build America Bonds	608,225	614,682
Total revenues	<u>21,279,274</u>	<u>21,924,844</u>
Operation, maintenance, and administrative expenses		
Fuel expense - purchased gas	7,842,044	7,025,104
Operation and maintenance	3,082,310	2,505,904
Administrative and general	2,068,498	3,370,550
Total operation, maintenance, and administrative expenses	<u>12,992,852</u>	<u>12,901,558</u>
Total net revenues in accordance with bond resolution	<u>8,286,422</u>	<u>9,023,286</u>
Less:		
Debt service	4,025,315	4,568,628
UPIF contributions	2,878,702	3,093,726
Transfer to City of Gainesville General Fund	1,382,405	1,360,932
Net impact to rate stabilization	<u>\$ -</u>	<u>\$ -</u>



Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Telecommunications System  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Telecommunications	\$ 7,734,382	\$ 7,721,940
Trunking radio	1,759,037	1,771,755
Tower leasing	1,820,064	1,695,728
Other sales	49,506	-
Total sales of services	<u>11,362,989</u>	<u>11,189,423</u>
Transfers from (to) rate stabilization	(138,160)	584,913
Other revenue	14,536	11,562
Other income (expense)	(29,030)	(335,831)
Total revenues	<u>11,210,335</u>	<u>11,450,067</u>
Operation, maintenance, and administrative expenses		
Operation and maintenance	5,669,793	5,285,596
Administrative and general	832,773	1,823,125
Total operation, maintenance, and administrative expenses	<u>6,502,566</u>	<u>7,108,721</u>
Total net revenues in accordance with bond resolution	<u>4,707,769</u>	<u>4,341,346</u>
Less:		
Debt service	3,887,208	3,722,066
UPIF contributions	438,581	243,233
Transfer to City of Gainesville General Fund	381,980	376,047
Net impact to rate stabilization	<u>\$ -</u>	<u>\$ -</u>

Gainesville Regional Utilities  
Notes to Schedules of Net Revenues in Accordance with Bond Resolution  
For the Years Ended September 30, 2018 and 2017

The Schedules of Net Revenues in Accordance with Bond Resolution are in compliance with the bond resolution and do not agree to the audited Statements of Revenues, Expenses, and Changes in Net Position. The difference is due mainly to the exclusion of the following noncash activities:

- ° Depreciation and amortization expense
- ° Allowance for Funds Used During Construction
- ° Contributions in Aid of Construction

**Gainesville Regional Utilities**  
**Combining Statement of Net Position**  
**September 30, 2018**

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Gas</b>	<b>GRUCom</b>	<b>Combined</b>
<b>Assets</b>						
<b>Current assets:</b>						
Cash and investment	\$ 15,504,248	\$ 1,544,114	\$ 340,211	\$ 5,708,312	\$ 3,696,541	\$ 26,793,426
Accounts receivable, net of allowance for uncollectible accounts	46,743,358	4,706,734	5,398,423	1,898,480	1,230,353	59,977,348
<b>Inventories:</b>						
Fuel	16,077,741	-	-	-	-	16,077,741
Materials and supplies	10,247,806	1,092,393	78,328	501,903	450,184	12,370,614
Fuel adjustment	2,310,115	-	-	66,826	-	2,376,941
Other assets and regulatory assets	870,443	81,977	68,098	1,029,823	9,652	2,059,993
<b>Total current assets</b>	<b>91,753,711</b>	<b>7,425,218</b>	<b>5,885,060</b>	<b>9,205,344</b>	<b>5,386,730</b>	<b>119,656,063</b>
<b>Restricted assets:</b>						
Utility deposits - cash and investments	7,581,525	630,775	483,012	382,868	-	9,078,180
Debt service - cash and investments	44,990,439	4,113,993	4,573,187	3,481,326	2,110,329	59,269,274
Rate stabilization - cash and investments	27,854,271	10,134,806	10,387,793	9,180,120	146,816	57,703,806
Construction fund - cash and investments	16,694,925	6,129,395	9,760,384	2,129,594	482,792	35,197,090
Utility plant improvement fund - cash and investments	1,937,712	8,140,771	1,620,025	2,667,897	350,000	14,716,405
<b>Total restricted assets</b>	<b>99,058,872</b>	<b>29,149,740</b>	<b>26,824,401</b>	<b>17,841,805</b>	<b>3,089,937</b>	<b>175,964,755</b>
<b>Noncurrent assets:</b>						
Unamortized debt issuance costs - regulatory asset	7,116,859	600,684	733,246	364,321	241,125	9,056,235
Investment in The Energy Authority	1,412,689	-	-	844,607	-	2,257,296
Pollution remediation - regulatory asset	-	-	-	10,782,332	-	10,782,332
Other noncurrent assets and regulatory assets	5,986,327	927,533	981,913	504,043	250,436	8,650,252
Pension regulatory asset	44,336,403	9,652,115	11,989,694	4,302,736	3,841,403	74,122,351
<b>Total noncurrent assets</b>	<b>58,852,278</b>	<b>11,180,332</b>	<b>13,704,853</b>	<b>16,798,039</b>	<b>4,332,964</b>	<b>104,868,466</b>
<b>Capital assets:</b>						
Utility plant in service	1,954,629,548	290,549,130	380,989,683	94,727,565	73,683,677	2,794,579,603
Less: accumulated depreciation and amortization	(582,113,857)	(127,192,970)	(166,897,748)	(52,706,654)	(39,313,120)	(968,224,349)
	1,372,515,691	163,356,160	214,091,935	42,020,911	34,370,557	1,826,355,254
Construction in progress	37,911,701	20,036,216	30,439,154	6,291,709	5,417,898	100,096,678
<b>Net capital assets</b>	<b>1,410,427,392</b>	<b>183,392,376</b>	<b>244,531,089</b>	<b>48,312,620</b>	<b>39,788,455</b>	<b>1,926,451,932</b>
<b>Total assets</b>	<b>1,660,092,253</b>	<b>231,147,666</b>	<b>290,945,403</b>	<b>92,157,808</b>	<b>52,598,086</b>	<b>2,326,941,216</b>
<b>Deferred outflows of resources</b>						
Unamortized loss on refundings of bonds	10,345,267	2,450,131	2,856,627	1,071,327	1,252,199	17,975,551
Accumulated decrease in fair value of hedging derivatives	27,872,915	3,812,891	3,365,034	1,128,017	711,647	36,890,504
Pension costs	10,184,607	2,224,171	2,779,464	968,528	904,676	17,061,446
<b>Total deferred outflows of resources</b>	<b>48,402,789</b>	<b>8,487,193</b>	<b>9,001,125</b>	<b>3,167,872</b>	<b>2,868,522</b>	<b>71,927,501</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,708,495,042</b>	<b>\$ 239,634,859</b>	<b>\$ 299,946,528</b>	<b>\$ 95,325,680</b>	<b>\$ 55,466,608</b>	<b>\$ 2,398,868,717</b>

Continued on next page.

**Gainesville Regional Utilities**  
**Combining Statement of Net Position (concluded)**  
**September 30, 2018**

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Gas</b>	<b>GRUCom</b>	<b>Combined</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 17,080,494	\$ 1,909,634	\$ 1,407,272	\$ 656,753	\$ 326,388	\$ 21,380,541
Fuels payable	4,769,484	-	-	-	-	4,769,484
Due to other funds	1,840,713	(458,711)	610,639	(1,376,624)	(165,185)	450,832
Other liabilities and regulatory liabilities	687,082	-	-	155,930	-	843,012
<b>Total current liabilities</b>	<b>24,377,773</b>	<b>1,450,923</b>	<b>2,017,911</b>	<b>(563,941)</b>	<b>161,203</b>	<b>27,443,869</b>
Payable from restricted assets:						
Utility deposits	7,581,525	667,632	446,155	382,868	-	9,078,180
Accounts payable and accrued liabilities	4,075,614	1,843,695	2,382,292	41,860	(907)	8,342,554
Utilities system revenue bonds – current	19,989,595	2,105,484	2,517,176	1,197,009	2,075,736	27,885,000
Accrued interest payable	23,314,865	2,144,199	2,385,240	1,167,951	443,038	29,455,293
Other liabilities and regulatory liabilities	8,175	970	1,198	516	737	11,596
<b>Total payable from restricted assets</b>	<b>54,969,774</b>	<b>6,761,980</b>	<b>7,732,061</b>	<b>2,790,204</b>	<b>2,518,604</b>	<b>74,772,623</b>
Long-term debt:						
Utilities system revenue bonds	1,166,295,515	111,424,157	131,173,107	55,093,961	42,468,260	1,506,455,000
Commercial paper notes	41,004,000	11,373,000	21,318,000	10,489,000	8,816,000	93,000,000
Unamortized bond premium/discount	78,462,569	1,357,315	2,753,631	809,515	375,355	83,758,385
Fair value of derivative instruments	28,963,880	4,125,294	3,741,542	1,253,174	681,397	38,765,287
<b>Total long-term debt</b>	<b>1,314,725,964</b>	<b>128,279,766</b>	<b>158,986,280</b>	<b>67,645,650</b>	<b>52,341,012</b>	<b>1,721,978,672</b>
Noncurrent liabilities:						
Reserve for insurance claims	1,999,960	598,326	546,333	187,085	5,296	3,337,000
Reserve for environmental liability	-	-	-	519,000	-	519,000
Pension liability	42,552,146	9,271,526	11,535,681	4,107,196	3,711,895	71,178,444
Other noncurrent liabilities and regulatory liabilities	723,820	156,827	193,019	72,382	651,696	1,797,744
<b>Total noncurrent liabilities</b>	<b>45,275,926</b>	<b>10,026,679</b>	<b>12,275,033</b>	<b>4,885,663</b>	<b>4,368,887</b>	<b>76,832,188</b>
<b>Total liabilities</b>	<b>1,439,349,437</b>	<b>146,519,348</b>	<b>181,011,285</b>	<b>74,757,576</b>	<b>59,389,706</b>	<b>1,901,027,352</b>
<b>Deferred inflows of resources</b>						
Rate stabilization	28,722,113	10,347,783	10,625,459	9,273,248	(439,351)	58,529,252
Pension costs	11,968,864	2,604,760	3,233,477	1,164,069	1,034,183	20,005,353
Other deferred inflows	112,691	24,416	30,051	11,269	9,391	187,818
<b>Total deferred inflows of resources</b>	<b>40,803,668</b>	<b>12,976,959</b>	<b>13,888,987</b>	<b>10,448,586</b>	<b>604,223</b>	<b>78,722,423</b>
<b>Net position</b>						
Net investment in capital assets	127,639,867	63,868,104	97,003,678	(5,335,523)	(12,225,704)	270,950,422
Restricted	23,605,535	10,072,885	3,843,847	4,980,807	2,016,581	44,519,655
Unrestricted	77,096,535	6,197,563	4,198,731	10,474,234	5,681,802	103,648,865
<b>Total net position</b>	<b>228,341,937</b>	<b>80,138,552</b>	<b>105,046,256</b>	<b>10,119,518</b>	<b>(4,527,321)</b>	<b>419,118,942</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,708,495,042</b>	<b>\$ 239,634,859</b>	<b>\$ 299,946,528</b>	<b>\$ 95,325,680</b>	<b>\$ 55,466,608</b>	<b>\$ 2,398,868,717</b>

**Gainesville Regional Utilities**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended September 30, 2018**

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Gas</b>	<b>GRUCom</b>	<b>Combined</b>
Operating revenue:						
Sales and service charges	\$ 272,311,405	\$ 34,665,428	\$ 40,785,747	\$ 24,077,327	\$ 11,362,989	\$ 383,202,896
Transfers from (to) rate stabilization	7,206,070	(437,706)	1,097,355	(3,887,772)	(138,160)	3,839,787
Amounts to be recovered from future revenue	3,449,252	-	-	-	-	3,449,252
Other operating revenue	6,326,018	1,917,436	3,436,618	367,576	14,536	12,062,184
<b>Total operating revenues</b>	<b>289,292,745</b>	<b>36,145,158</b>	<b>45,319,720</b>	<b>20,557,131</b>	<b>11,239,365</b>	<b>402,554,119</b>
Operating expenses:						
Operation and maintenance	165,221,991	11,624,923	15,647,528	12,178,011	5,668,298	210,340,751
Administrative and general	12,436,321	4,615,040	4,563,010	2,068,544	832,773	24,515,688
Depreciation and amortization	64,986,291	9,556,615	12,153,991	4,192,783	3,190,453	94,080,133
<b>Total operating expenses</b>	<b>242,644,603</b>	<b>25,796,578</b>	<b>32,364,529</b>	<b>18,439,338</b>	<b>9,691,524</b>	<b>328,936,572</b>
<b>Operating income</b>	<b>46,648,142</b>	<b>10,348,580</b>	<b>12,955,191</b>	<b>2,117,793</b>	<b>1,547,841</b>	<b>73,617,547</b>
Non-operating income (expense):						
Interest income	1,788,802	403,465	390,818	282,200	120,718	2,986,003
Interest expense, net of AFUDC	(41,758,609)	(5,213,819)	(6,073,189)	(2,845,714)	(2,143,385)	(58,034,716)
Other interest related income, BABs	2,903,975	817,966	929,061	608,225	-	5,259,227
Other expense	(4,781,467)	(351,007)	(399,435)	(161,079)	(323,666)	(6,016,654)
<b>Total non-operating expense</b>	<b>(41,847,299)</b>	<b>(4,343,395)</b>	<b>(5,152,745)</b>	<b>(2,116,368)</b>	<b>(2,346,333)</b>	<b>(55,806,140)</b>
<b>Income before capital contributions and transfers</b>	<b>4,800,843</b>	<b>6,005,185</b>	<b>7,802,446</b>	<b>1,425</b>	<b>(798,492)</b>	<b>17,811,407</b>
Capital contributions:						
Contributions from third parties	123,165	600,208	590,034	-	-	1,313,407
Reduction of plant cost recovered through contributions	(123,165)	-	-	-	-	(123,165)
<b>Net capital contributions</b>	<b>-</b>	<b>600,208</b>	<b>590,034</b>	<b>-</b>	<b>-</b>	<b>1,190,242</b>
Transfers from (to)						
Other systems	11,377,771	(7,066,676)	(8,918,388)	7,144,152	(2,536,859)	-
City of Gainesville General Fund	(21,427,278)	(5,838,843)	(7,348,574)	(1,382,405)	(381,980)	(36,379,080)
<b>Change in net position</b>	<b>(5,248,664)</b>	<b>(6,300,126)</b>	<b>(7,874,482)</b>	<b>5,763,172</b>	<b>(3,717,331)</b>	<b>(17,377,431)</b>
Net position – beginning of year, restated	233,590,601	86,438,678	112,920,738	4,356,346	(809,990)	436,496,373
<b>Net position – end of year</b>	<b>\$ 228,341,937</b>	<b>\$ 80,138,552</b>	<b>\$ 105,046,256</b>	<b>\$ 10,119,518</b>	<b>\$ (4,527,321)</b>	<b>\$ 419,118,942</b>

**Gainesville Regional Utilities**  
**Schedule of Utility Plant Properties – Combined Utility System**

	<b>Balance September 30, 2017</b>	<b>Additions</b>	<b>Sales, Retirements, and Transfers</b>	<b>Balance September 30, 2018</b>
<b>Plant in service</b>				
Electric utility system:				
Production plant	\$ 1,665,683,010	\$ 792,952,189	\$ 1,033,220,362	\$ 1,425,414,837
Transmission and distribution plant	360,189,540	29,694,727	1,105,550	388,778,717
General and common plant	139,718,061	2,532,137	1,814,204	140,435,994
Total electric system	<u>2,165,590,611</u>	<u>825,179,053</u>	<u>1,036,140,116</u>	<u>1,954,629,548</u>
Water utility system:				
Supply, pumping, and treatment plant	76,441,715	53,916	–	76,495,631
Transmission and distribution plant	193,997,539	6,726,301	6,172,126	194,551,714
General plant	18,848,558	1,006,902	353,674	19,501,786
Total water system	<u>289,287,812</u>	<u>7,787,119</u>	<u>6,525,800</u>	<u>290,549,131</u>
Wastewater utility system:				
Pumping and treatment plant	138,205,479	6,251	–	138,211,730
Collection plant	188,652,026	5,719,586	11,697,709	182,673,903
Reclaimed water plant	29,368,502	–	(5,976,496)	35,344,998
General plant	24,030,033	911,110	182,091	24,759,052
Total wastewater system	<u>380,256,040</u>	<u>6,636,947</u>	<u>5,903,304</u>	<u>380,989,683</u>
Gas utility system:				
Distribution plant	74,064,066	1,781,429	879,105	74,966,390
General plant	15,008,600	378,525	276,587	15,110,538
Plant acquisition adjustment	4,650,636	–	–	4,650,636
Total gas system	<u>93,723,302</u>	<u>2,159,954</u>	<u>1,155,692</u>	<u>94,727,564</u>
GRUCom utility system:				
Distribution plant	62,031,008	2,208,577	4,908,097	59,331,488
General plant	10,657,561	133,210	(3,561,418)	14,352,189
Total GRUCom system	<u>72,688,569</u>	<u>2,341,787</u>	<u>1,346,679</u>	<u>73,683,677</u>
Total plant in service	<u>\$ 3,001,546,334</u>	<u>\$ 844,104,860</u>	<u>\$ 1,051,071,591</u>	<u>\$ 2,794,579,603</u>
<b>Construction in progress</b>				
Electric system	\$ 66,931,096	\$ 796,522,775	\$ 825,542,170	\$ 37,911,701
Water system	7,629,868	20,168,925	7,762,577	20,036,216
Wastewater system	12,739,777	24,375,995	6,676,619	30,439,153
Gas system	3,485,611	4,858,693	2,052,594	6,291,710
GRUCom system	1,311,723	6,449,174	2,342,999	5,417,898
Total construction in progress	<u>\$ 92,098,075</u>	<u>\$ 852,375,562</u>	<u>\$ 844,376,959</u>	<u>\$ 100,096,678</u>

**Gainesville Regional Utilities**  
**Schedule of Accumulated Depreciation and Amortization –**  
**Combined Utility System**

	Balance September 30, 2017	Additions	Sales, Retirements, and Transfers	Balance September 30, 2018
<b>Electric utility system:</b>				
Production plant	\$ 411,960,015	\$ 42,345,055	\$ 129,080,796	\$ 325,224,274
Transmission and distribution plant	173,694,885	13,536,741	1,159,650	186,071,976
General and common plant	66,196,921	5,514,128	893,442	70,817,607
<b>Total electric system</b>	<b>651,851,821</b>	<b>61,395,924</b>	<b>131,133,888</b>	<b>582,113,857</b>
<b>Water utility system:</b>				
Supply, pumping, and treatment plant	26,184,848	3,250,981	18,182	29,417,647
Transmission and distribution plant	84,903,404	5,258,581	(18,182)	90,180,167
General plant	6,827,616	1,047,054	279,514	7,595,156
<b>Total water system</b>	<b>117,915,868</b>	<b>9,556,616</b>	<b>279,514</b>	<b>127,192,970</b>
<b>Wastewater utility system:</b>				
Pumping and treatment plant	62,464,834	4,337,049	593,430	66,208,453
Collection plant	79,464,101	5,355,997	(335,525)	85,155,623
Reclaimed water plant	4,391,911	888,559	192,090	5,088,380
General plant	9,047,152	1,572,386	174,246	10,445,292
<b>Total wastewater system</b>	<b>155,367,998</b>	<b>12,153,991</b>	<b>624,241</b>	<b>166,897,748</b>
<b>Gas utility system:</b>				
Distribution plant	39,283,846	3,383,004	21,173	42,645,677
General plant	4,744,721	809,779	144,159	5,410,341
Plant acquisition adjustment	4,650,636	–	–	4,650,636
<b>Total gas system</b>	<b>48,679,203</b>	<b>4,192,783</b>	<b>165,332</b>	<b>52,706,654</b>
<b>GRUCom utility system:</b>				
Distribution plant	34,226,342	2,479,315	(476,043)	37,181,700
General plant	2,860,981	711,138	1,440,699	2,131,420
<b>Total GRUCom system</b>	<b>37,087,323</b>	<b>3,190,453</b>	<b>964,656</b>	<b>39,313,120</b>
<b>Total depreciation and amortization</b>	<b>\$ 1,010,902,213</b>	<b>\$ 90,489,767</b>	<b>\$ 133,167,631</b>	<b>\$ 968,224,349</b>

## **OTHER REPORT**



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

To the Honorable Mayor and City Commission  
Gainesville Regional Utilities  
Gainesville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Gainesville Regional Utilities as of and for the year ended September 30, 2018, and have issued our report thereon dated February 27, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Gainesville Regional Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gainesville Regional Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Gainesville Regional Utilities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the financial statements of Gainesville Regional Utilities are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
February 27, 2019

**APPENDIX C**

**COPY OF THE RESOLUTION AND THIRTY-FIRST SUPPLEMENTAL BOND RESOLUTION  
AND AMENDMENT TO THIRTY-FIRST SUPPLEMENTAL BOND RESOLUTION**

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RESOLUTION NO. 170395  
PASSED September 21, 2017

A RESOLUTION COMPILING, CODIFYING, AMENDING AND RESTATING IN ITS ENTIRETY THE AMENDED AND RESTATED UTILITIES SYSTEM REVENUE BOND RESOLUTION DULY ADOPTED BY THE CITY OF GAINESVILLE, FLORIDA ON JANUARY 30, 2003, AS SUCH RESOLUTION HAS BEEN HERETOFORE AMENDED AND SUPPLEMENTED; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GAINESVILLE, FLORIDA, AS FOLLOWS:

SECTION 1. AUTHORITY OF THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of the Charter of the City of Gainesville, Florida (the "City").

SECTION 2. FINDINGS. It is hereby found and determined that:

A. On June 6, 1983, the City adopted its Utilities System Revenue Bond Resolution, as amended and restated by the Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on January 30, 2003, as amended, including, without limitation, as amended by the Thirteenth Supplemental Utilities System Revenue Bond Resolution adopted by the City on July 14, 2003 (collectively, the "Original Resolution").

B. The Original Resolution was further amended pursuant to a Resolution adopted by the City on the date hereof and consented by the Trustee on a date even therewith (the "2017 Amendments") (the Original Resolution, as amended by the 2017 Amendments, the "Resolution").

C. The City now desires to further amend the Resolution as reflected in the marked copy of the Resolution attached hereto as Exhibit "A."

D. Because of the number of amendments, for convenience of reference, the City deems it advisable to again compile, codify and restate the Resolution and all amendments thereof.

E. Pursuant to the provisions of Section 1003 and Article XI of the Resolution, the Resolution as amended and restated hereby shall become effective upon the City obtaining the consent in writing of the Holders of not less than a majority in principal amount of the Bonds then Outstanding and to the extent required by the terms of any resolution or ordinance or contract or agreement applicable thereto, consent of any Credit Enhancers, liquidity providers or swap counterparties, and until such time, the Resolution shall remain in effect without the amendments reflected in Exhibit "A."

F. All capitalized terms not otherwise defined herein shall have such meanings as given in the Resolution.

SECTION 3. RESTATED RESOLUTION. The Resolution is hereby amended and restated in its entirety to read as set forth on Exhibit "A" hereto and incorporated by reference herein, such amendments to become effective only upon the City obtaining the consent in writing of the Holders of not less than a majority in principal amount of Bonds then Outstanding, the consent of the Trustee and, to the extent required by the terms of any ordinances or resolutions or other contract or agreement applicable thereto, consent of any Credit Enhancers, liquidity providers or swap counterparties. All exhibits to the Resolution remain unchanged.

SECTION 4. AMENDMENTS TO LIQUIDITY FACILITIES. The General Manager or the Chief Financial Officer or such other Authorized Officer of the City (collectively, the "Authorized Officers"), collectively or individually, upon satisfaction of the conditions set forth herein, are hereby authorized to enter into amendments to the Standby Bond Purchase Agreement dated as of March 1, 2007, as amended by the First Amendment to Standby Bond Purchase Agreement Relating to Variable Rate Utilities System Revenue Bonds, 2007 Series A dated as of February 11, 2014 (collectively, the "Standby Agreement"), and the Credit Agreement dated as of August 1, 2014, as amended by the First Amendment to Credit Agreement dated as of June 12, 2017 (collectively, the "Credit Agreement"), each between the City of Gainesville, Florida and State Street Bank and Trust Company to modify the terms thereof in order to accommodate their reasonable requests for granting consent to the amendments to the Original Resolution as reflected in Exhibit "A" hereto. The Clerk of the Commission of the City is hereby authorized to cause the seal of the City to be affixed to any of the foregoing documents and to attest the same, to the extent required therein. Such officers are each hereby authorized to deliver such agreements on behalf of the City.

SECTION 5. FURTHER ACTIONS. Each Authorized Officer 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 the amendments to the Standby Agreement and the Credit Agreement and the carrying out of their terms and the terms of the Bond Resolution.

SECTION 6. EFFECTIVE DATE. This Resolution shall take effect immediately upon its passage in the manner provided by law, and shall become effective in accordance with Section 3 hereof.

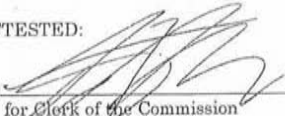
PASSED AND DULY ADOPTED this 21<sup>st</sup> day of September, 2017.

(SEAL)

CITY OF GAINESVILLE, FLORIDA

By   
Mayor

ATTESTED:

By   
for Clerk of the Commission

APPROVED AS TO FORM AND LEGALITY:

By   
Office of the City Attorney

EXHIBIT "A"  
SECOND AMENDED AND RESTATED  
UTILITIES SYSTEM REVENUE BOND RESOLUTION

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**CITY OF GAINESVILLE, FLORIDA**

**Utilities System Revenue Bonds**

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**SECOND AMENDED AND RESTATED  
UTILITIES SYSTEM  
REVENUE BOND RESOLUTION**

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**Adopted September 21, 2017**

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**SECOND AMENDED AND RESTATED  
UTILITIES SYSTEM  
REVENUE BOND RESOLUTION**

**WHEREAS**, on June 6, 1983, the City of Gainesville, Florida (“the City”) adopted a resolution entitled “Utilities System Revenue Bond Resolution” (such Resolution, as the same heretofore has been amended and supplemented and as it hereafter may be amended and supplemented, being referred to herein sometimes as the “Bond Resolution”) for the purpose of authorizing the issuance of Bonds (as defined in the Bond Resolution) from time to time to provide for the payment of Costs of Acquisition and Construction of the System (as such terms are defined in the Bond Resolution); and

**WHEREAS**, Section 1102 of the Bond Resolution provides that, except as otherwise provided therein, any modification or amendment of the Bond Resolution and of the rights and obligations of the City and of the holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution (as defined in the Bond Resolution), with the written consent given as provided in Section 1103 of the Bond Resolution of the holders of not less than a majority in principal amount of the Bonds Outstanding (as defined in the Bond Resolution) at the time such consent is given; and

**WHEREAS**, the City desires to amend and restate the Bond Resolution in the manner set forth herein, which amendment and restatement the City hereby determines requires the written consent of the holders of not less than a majority in principal amount of the Bonds Outstanding as provided in said Section 1102 of the Bond Resolution;

**NOW THEREFORE, BE IT RESOLVED** by the City Commission of the City of Gainesville, Florida that in the event that written consents to the amendment and restatement of the Bond Resolution as provided herein of the holders of not less than a majority in principal amount of the Bonds then Outstanding shall be filed with the Trustee (as defined in the Bond Resolution) in the manner provided in Section 1103 of the Bond Resolution, then on the date on which the conditions set forth in Section 1103 of the Bond Resolution with respect thereto shall be satisfied (the “Effective Date”), the Bond Resolution shall be amended and restated to read in its entirety as set forth herein.

**ARTICLE I**

**DEFINITIONS AND STATUTORY AUTHORITY**

**SECTION 101. Definitions.** The following terms shall, for all purposes of the Resolution, have the following meanings:

**Accreted Value** shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond as stated on its original issuance date plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter in this definition, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated

based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year of twelve 30-day months.

**Accrued Aggregate Debt Service** shall mean, as of any date of calculation, an amount equal to the sum of (a) the amounts of accrued Debt Service with respect to all Series of Bonds, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest component of Debt Service on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; provided, however, that (i) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments, (ii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Accrued Aggregate Debt Service at the times and in the manner provided in subsection 1 of Section 208 and (iii) if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Accrued Aggregate Debt Service, then, for purposes of such calculation, Accrued Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby and (b) the amounts of accrued Debt Service with respect to all Parity Hedging Contract Obligations to the extent such amounts are not taken into account in the calculation of Debt Service on Bonds.

**Act** shall mean the Charter of the City, being Chapter 90-394, Laws of Florida, 1990, as amended, and other applicable provisions of law which, together with the Resolution, authorizes the City to issue its Bonds.

**Additionally Secured Series** shall mean a Series of Bonds for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series shall be secured, in addition to the pledge created pursuant to subsection 1 of Section 501 hereof in favor of all of the Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account in the Debt Service Fund.

**Adjusted Aggregate Debt Service** for any period shall mean, as of any date of calculation, the Aggregate Debt Service for such period except that (a) if any Refundable Principal Installment for any Series of Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined (i) in the case of Refundable Principal Installments other than Parity Commercial Paper Notes and Parity Medium-Term Notes, as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 30th anniversary of the issuance of such Series of Bonds or (y) the 10th anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Refundable Principal Installments relating to Parity Commercial Paper Notes or Parity Medium-Term Notes, in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as applicable, with respect thereto and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Adjusted Aggregate Debt Service at the times and in the manner provided in subsection 1 of Section 208 hereof. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at such rate of interest as the City, or a banking or financial institution selected by the City, determines would be a reasonable estimate of the rate of interest that would be borne on Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

**Aggregate Debt Service** for any period shall mean, as of any date of calculation, except as otherwise provided in the definition of Debt Service, the sum of (a) the amounts of Debt Service for such period with respect to all Series of Bonds; provided, however, that, except as otherwise provided herein, (i) for purposes of estimating Aggregate Debt Service for any future period (X) any Variable Rate Bonds Outstanding during such period, the Debt Service on which is not the subject of a Qualified Hedging Contract, shall be assumed to bear interest during such period at the greater of (1) the actual rate of interest then borne by such Variable Rate Bonds or (2) the Certified Interest Rate applicable thereto and (Y) any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof, and (ii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Aggregate Debt Service at the times and in the manner provided in subsection 1 of Section 208; and provided, further, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Aggregate Debt Service, then, for purposes of such calculation, Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby and (b) the amounts of Debt Service for such period with respect to all Parity Hedging Contract Obligations, to the extent such payments are not taken into account in the calculation of Debt Service on Bonds.

**Annual Budget** shall mean the annual budget of the System, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in Section 708.

**Appreciated Value** shall mean with respect to any Deferred Income Bond, (i) as of any date of computation prior to the Current Interest Commencement Date therefor, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Deferred Income Bond on which interest on such Bond is to be compounded (hereinafter in this definition, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Deferred Income Bond, Appreciated Value accrues in equal daily amounts on the basis of a year of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

**Authorized Newspaper** shall mean a newspaper of general circulation in the Borough of Manhattan, City and State of New York or in the City of Gainesville, Florida (including, at such times as they are published, *The New York Times*, *The Daily Bond Buyer* or *The Wall Street Journal*) which is customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language.

**Authorized Officer of the City** shall mean the Mayor, General Manager for Utilities, the Utility Chief Financial Officer or any other officer, employee or agent of the City authorized to perform specific acts or duties by resolution duly adopted by the City.

**Bond or Bonds** shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Resolution (including Parity

Commercial Paper Notes, Parity Medium-Term Notes and Parity Reimbursement Obligations) but shall not mean Parity Hedging Contract Obligations or Subordinated Indebtedness.

**Bond Counsel** means a firm of attorneys which is nationally recognized as being experienced in matters relating to the validity of, and the state and federal income tax treatment of interest on, obligations of states and their political subdivisions and whose opinions are generally accepted by purchasers of municipal bonds, as selected by the City.

**Bondholder or Holder of Bonds** shall mean any person who shall be the registered owner of any fully registered Bond or Bonds.

**Bond Registrar** shall mean the Trustee or any other institution qualified to act in the capacity of Bond Registrar as set forth in Section 703 appointed by the City to perform the duties of Bond Registrar enumerated in such Section.

**Book Entry Bond** shall mean a Bond authorized to be issued to, and issued to and, except as provided in paragraph 4 of Section 309, restricted to being registered in the name of, a Securities Depository for the participants in such Securities Depository or the beneficial owners of such Bond.

**Business Day** shall mean unless otherwise provided by a Supplemental Resolution with respect to a particular Series of Bonds, means a day on which banking business is transacted in the city or cities in which the Trustee and Paying Agent have their respective designated corporate trust offices, on which the New York Stock Exchange is open and on which the City is open to transact business.

**Capital Appreciation Bonds** shall mean any Bonds issued under this Resolution as to which interest is (i) compounded periodically on dates specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to this Resolution or the Supplemental Resolution authorizing such Bonds. Capital Appreciation Bonds are not Deferred Income Bonds for purposes of this Resolution.

**Certified Interest Rate** shall mean, with respect to Commercial Paper Notes, Medium-Term Notes or the Variable Rate Bonds of a particular Series maturing on a particular date, the interest rate set forth in a certificate of an Authorized Officer of the City executed on or prior to the date of the initial issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds of such Series, as the case may be, which interest rate shall be (i) in the case of Variable Rate Bonds, the rate of interest such Variable Rate Bonds would bear (based on the Bond Buyer Revenue Bond Index if the interest on such Bonds is or is expected to be excludable from the gross income of the holder thereof for federal income tax purposes and if not then such other comparable index reasonably selected by the City) if, assuming the same maturity date, terms and provisions (other than interest rate) as the proposed Variable Rate Bonds of such maturity, and on the basis of the City's credit ratings with respect to the Bonds (other than the credit enhanced rating on Bonds for which Credit Enhancement is provided by a third party), such proposed Variable Rate Bonds of such maturity were issued at a fixed interest rate or (ii) in the case of Commercial Paper Notes or Medium-Term Notes, the rate of interest such Commercial Paper Notes or Medium-Term Notes would bear (based on the Bond Buyer Revenue Bond Index) if such Notes were issued as Bonds bearing a fixed interest rate and maturing as provided in the Commercial Paper Payment Plan. If at such time of issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds of a particular Series, the Bond Buyer Revenue Bond Index is no longer published, the City shall use a comparable published index accepted by the municipal bond market. Such determinations shall be conclusive absent manifest error.

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

**City Attorney** shall mean the City Attorney to the City, the Utilities Attorney or such other assistant City Attorney.

**Clerk** shall mean the Clerk of the City or any Deputy Clerk.

**Commercial Paper Note** shall mean any Bond which (a) has a maturity date which is not more than 397 days after the date of issuance thereof and (b) is designated as a Commercial Paper Note in the Supplemental Resolution authorizing such Bond.

**Commercial Paper Payment Plan** shall mean, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such notes contained in a certificate of an Authorized Officer of the City delivered on or prior to the date of the first issuance of such Commercial Paper Notes and setting forth the sources of funds expected to be utilized by the City to pay the principal of and interest on such Commercial Paper Notes or any subsequent certificate of an Authorized Officer of the City thereafter executed to reflect changes, if any, in the expectations of the City with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes; provided, however, that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of (a) Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Indebtedness, in either such case, that the City intends to pay from Revenues, the principal of such Commercial Paper Note shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Commercial Paper Notes of such Series treating each original issuance tranche of a Commercial Paper Note as a Series or (y) the 10th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on such Commercial Paper Note in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Note in each other Fiscal Year in such period.

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

**Connection Fees** shall mean all capital expansion fees, system improvement fees or other similar fees and charges, including, without limitation, impact fees and charges for "allowance for funds prudently invested," separately imposed by the City as a nonuser capacity charge for the proportionate share of the cost of expanding, oversizing, separating or constructing new additions to the System, and any income from the investment of funds derived therefrom.

**Construction Fund** shall mean the Construction Fund established in Section 502.

**Consulting Engineer**, in respect of any particular utility system, shall mean the independent engineer(s) or firm(s) at the time employed by the City and having a favorable reputation for skill and experience in the appropriate field of engineering of utility systems of comparable size and character as those forming parts of the System.

**Cost of Acquisition and Construction** shall mean the City's costs, expenses and liabilities paid or incurred or to be paid or incurred by the City in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, retiring, decommissioning and disposing of the System or any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, any good faith or other similar payment or deposits required in connection with the purchase of such part of the System, the cost of acquisition by or for the City of real and personal property or any interests therein, costs of physical construction of such part of the System and costs of the City incidental to such construction or acquisition, the cost of acquisition of fuel or fuel inventory or facilities for the production or transportation of fuel and

working capital and reserves therefor and working capital and reserves for reload fuel and for additional fuel inventories, all costs relating to such part of the System, the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment and letter of credit fees, bond insurance and indemnity premiums, discounts to the underwriters or other purchasers thereof, if any, all amounts required to be rebated to the United States of America in order to preserve the exclusion from gross income for federal income tax purposes of interest on tax-exempt Bonds, amounts required to be paid under any interest rate exchanges or swaps, cash flow exchanges, options, caps, floors or collars, in each case made in connection with the issuance of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City relating to the System, amounts owed under any Qualified Hedging Contract, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping (to the extent and in the manner provided herein) accounts and making reports required by the Resolution prior to or in connection with the completion of construction of such part of the System, amounts, if any, required by the Resolution to be paid into the Debt Service Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Utilities Plant Improvement Fund or for payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the City, including notes and Subordinated Indebtedness, incurred in respect of any of the foregoing, amounts, if any, required by a Supplemental Resolution to be paid into the Rate Stabilization Fund, and amounts required for working capital for the System and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with any part of the System and shall include reimbursements to the City for any of the above items theretofore paid by or on behalf of the City. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of the City related to the System which on the date of the Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of Florida law.

**Co-Trustee** shall mean, if any, the co-trustee appointed pursuant to Article IX, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

**Credit Obligation** shall mean any obligation of the City to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received, that are not Operation and Maintenance Expenses.

**Credit Enhancement** shall mean, with respect to any Bonds of a Series, the issuance of an insurance policy, letter of credit, surety bond or any other similar obligation, whereby the issuer thereof becomes unconditionally or conditionally obligated to acquire or pay when due, to the extent not paid by the City or otherwise, such Bonds or the principal of and interest thereon, which may include credit enhancement and/or liquidity enhancement.

**Credit Enhancer** shall mean, with respect to any Bonds, any person or entity which, pursuant to a Supplemental Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for such Bonds.

**Current Interest Commencement Date** shall mean, with respect to any particular Deferred Income Bonds, the date specified in the Supplemental Resolution authorizing such Bonds (which date must be prior to the maturity date for such Bonds) after which interest accruing on such Bonds shall be payable periodically on dates specified in such Supplemental Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

**Debt Service** for any period shall mean, as of any date of calculation (a) with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City (including amounts, if any, transferred thereto from the Construction Fund) and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (x) in the case of Bonds other than Parity Reimbursement Obligations, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later, and (y) in the case of Parity Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Resolution authorizing such Parity Reimbursement Obligations), except to the extent that such Principal Installment is paid or to be paid from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City and (b) with respect to each Parity Hedging Contract Obligation, an amount equal to the sum of all net amounts owed thereunder by the City during such period, excluding, however, payment obligations taken into account below in the calculation of Debt Service on Bonds, and excluding Hedge Charges. Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that (x) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (y) the principal amount of Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in subsection 1 of Section 208; provided, however, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby. If the City has, in connection with any Series of Bonds, entered into a Qualified Hedging Contract which provides that, in respect of a notional amount equal to or less than the Outstanding principal amount of such Bonds, the City is to pay to a Qualified Hedging Contract Provider an amount determined based upon a variable rate of interest and the Qualified Hedging Contract Provider is to pay to the City an amount determined based upon a fixed rate of interest equal to the rate or rates at which such Bonds bear interest, it will be assumed that such Bonds or portion thereof equal to such notional amounts bear interest at the variable rate of interest to be paid by the City under the Qualified Hedging Contract. If the City has, in connection with any Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes, entered into a Qualified Hedging Contract which provides that, in respect of a notional amount equal to or less than the Outstanding principal amount of the Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes, the City is to pay to a Qualified Hedging Contract Provider an amount determined based upon a fixed rate of interest and the Qualified Hedging Contract Provider is to pay to the City an amount determined based upon a variable rate of interest equal or comparable to the rate at which such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes bear interest, it will be assumed that such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes or portion thereof equal to such notional amount bear interest at the fixed rate of interest to be paid by the City under the Qualified Hedging Contract. In calculating Debt Service with respect to Subsidy Bonds, the amount of Subsidy Payments expected to be received with respect to Subsidy Bonds on each respective interest payment date shall be netted against the amount of interest payable on such interest payment date; provided, however, that if for any reason, the City is no longer entitled to, or will not, receive Subsidy Payments on any Outstanding Subsidy Bond (other than as a result of a non-recurring reduction due to an offset of an amount due or alleged to be due from the City to the federal government or any agency, branch or bureau thereof), for purposes of this definition, the

interest on such Subsidy Bonds shall be determined without regard to such Subsidy Payment. Payments scheduled on the first day of a Fiscal Year may be deemed paid as of the last day of the prior Fiscal Year.

**Debt Service Fund** shall mean the Debt Service Fund established in Section 502.

**Debt Service Reserve Requirement** shall mean with respect to each subaccount, if any, in the Debt Service Reserve Account, the amount specified in the Supplemental Resolution pursuant to which such subaccount shall be established; provided, however, that if at any time the City at its option shall have established one or more Reserve Deposits in connection with the issuance of any Additionally Secured Series of Bonds, the Debt Service Reserve Requirement for such Additionally Secured Series of Bonds as of any date of calculation shall be reduced by an amount equal to the sum of all Reserve Deposits not due and payable in such current or future Fiscal Year to which the calculation relates. For purposes of the foregoing calculation, it shall be assumed that Variable Rate Bonds will bear interest during any period at the greater of (i) the actual rate of interest then borne by such Bonds as determined in accordance with the methodology set forth in the definition of Debt Service or (ii) the Certified Interest Rate applicable thereto, or as otherwise provided for in the Supplemental Resolution applicable to such Variable Rate Bonds. For the avoidance of doubt, Bonds issued hereunder may be issued with a zero Debt Service Reserve Requirement and in that case, such Bonds shall not be entitled to payments from the Debt Service Reserve Account or any subaccount therein.

**Defaulted Interest** shall have the meaning given to such term in Section 308.

**Defeasance Securities** shall mean, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds,

(a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by, the United States of America including, but not limited to, stripped interest components of obligations issued by the Resolution Funding Corporation (REFCORP) and non-callable, non-pre-payable debt obligations of the United States Agency for International Development (US AID), which pay principal and interest at least three (3) Business Days prior to any respective escrow requirement dates, and any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (a), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

(b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (A) which are (x) not callable prior to maturity or (y) as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (B) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (C) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates

specified in the irrevocable instructions referred to in subclause (A) of this clause (b), as appropriate, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (b);

(c) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall also be specified in such instructions, and which shall be rated in the highest whole rating category by two nationally recognized rating agencies,

(d) obligations of any agency, instrumentality, or federally-owned corporation of the United States of America created by an act of congress (including, but not limited to, the Federal Home Loan Banks, Freddie Mac, Federal Farm Credit Banks Funding Corporation, Fannie Mae, Resolution Funding Corporation, and the Tennessee Valley Authority), including any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (a), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not subject to redemption prior to their maturity other than at the option of the holder thereof,

(e) deposits in interest-bearing time deposits or certificates of deposit which shall not be subject to redemption or repayment prior to their maturity or due date other than at the option of the depositor or holder thereof or as to which an irrevocable notice of redemption or repayment of such time deposits or certificates of deposit on a specified redemption or repayment date has been given and such time deposits or certificates of deposit are not otherwise subject to redemption or repayment prior to such specified date other than at the option of the depositor or holder thereof, and which are fully secured by obligations described in clause (a) or clause (b) hereof to the extent not insured by the Federal Deposit Insurance Corporation, and

(f) upon compliance with the provisions of subsection 6 of Section 1201, such securities (I) as are described in clause (a) of this definition and (II) as are described in clause (d) hereof so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clause (a) hereof, in each case, which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

**Deferred Income Bonds** shall mean any Bonds issued under this Resolution as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the Supplemental Resolution authorizing such Deferred Income Bonds and (ii) payable only at the maturity, earlier redemption or other payment date thereof pursuant to this Resolution or the Supplemental Resolution authorizing such Bonds. Deferred Income Bonds are not Capital Appreciation Bonds for purposes of this Resolution.

**Depository** shall mean any bank or trust company organized under the laws of any state of the United States or any national banking association selected by the City as a depository of moneys and securities held under the provisions of the Resolution, and may include the Trustee or any Co-Trustee.

**Event of Default** shall have the meaning given to such term in Section 801.

**Fiduciary or Fiduciaries** shall mean the Trustee, the Co-Trustee, the Bond Registrar, the Paying Agents, or any or all of them, as may be appropriate.

**Fiscal Year** shall mean the twelve month period established by the City from time to time as its fiscal year.

**Hedge Charges** shall have the meaning given in Section 209 hereof.

**Independent Consultants** means such firm or firms, (1) consisting of or employing, registered professional engineers, architects, rate consultants, or other professionals, (2) having a favorable reputation for the design, maintenance and operation of facilities such as the System and (3) engaged by the City to perform the tasks set forth to be performed by such Independent Consultant by the provisions of this Resolution, and shall include, where applicable, the Consulting Engineers.

**Investment Securities** shall mean and include all securities, obligations or investments that, at the time, shall be permitted by Florida law for investment of the City's funds.

**Maximum Aggregate Debt Service** means, as of any particular date of calculation, the highest Adjusted Aggregate Debt Service for the then current or any future Fiscal Year, as the case may be, with respect to the particular Series of Bonds, or all Bonds, or Subordinate Debt, as the case may be.

**Mayor** shall mean the Mayor of the City or the Mayor Pro-Tem or such other member of the Commission delegated to act on behalf of the Mayor by the Commission.

**Medium-Term Note** shall mean any Bond which (a) has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance thereof and (b) is designated as a Medium-Term Note in the Supplemental Resolution authorizing such Bond.

**Medium-Term Note Payment Plan** shall mean, with respect to any Series of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such notes contained in a certificate of an Authorized Officer of the City delivered on or prior to the date of the first issuance of such Medium-Term Notes and setting forth the sources of funds expected to be utilized by the City to pay the principal of and interest on such Medium-Term Notes or any subsequent certificate of an Authorized Officer of the City thereafter executed to reflect changes, if any, in the expectations of the City with respect to the sources of funds to be utilized to pay principal of and interest on such Medium-Term Notes; provided, however, that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of (a) Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Bonds, in either such case, that the City intends to pay from Revenues, the principal of such Medium-Term Note shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Medium-Term Notes of such Series or (y) the 10th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Note in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Note in each other Fiscal Year in such period.

**Net Revenues** for any period shall mean the Revenues during such period plus (x) the amounts, if any, paid or budgeted to be paid, as applicable, from the Rate Stabilization Fund into the Revenue Fund during such period (excluding from (x), for the purpose of avoiding double counting, amounts already included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to Section 603) and minus (y) the sum of (a) Operation and Maintenance Expenses during such period and (b) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period.

**Operation and Maintenance Expenses** shall mean all expenses incurred (or as applicable, budgeted or estimated to be incurred) in connection with the operation, maintenance and ordinary current repairs of the System including, without limiting the generality of the foregoing, all operating and maintenance expenses included in the Uniform System of Accounts exclusive of interest, depreciation and amortization charges, all costs (including administrative expenses) relating to the System, the purchase of power and water, and the purchase of water or wastewater collection, distribution or treatment services (in each case to the extent the same may be treated as an operating cost under generally accepted accounting principles (GAAP)) and insurance premiums and charges for the accumulation of appropriate reserves for self-insurance, not annually recurrent but which are reasonably expected to be incurred on a periodic basis in accordance with generally accepted accounting principles (GAAP), consistently applied. The Operation and Maintenance Expenses shall include, among other items, payments required to be made to any entity, under power purchase agreements, wastewater capacity or water purchase agreements, including, without limitation, take and pay or take or pay power or water purchase agreements or similar power or water purchase arrangements and related price hedging agreements. Operation and Maintenance Expenses shall, to the extent not included in the preceding sentence, include (i) all Credit Obligations and liquidity support, and (ii) all fees, expenses, indemnification or other obligations to any provider of Credit Enhancement and related Parity Reimbursement Obligation unless otherwise provided in the agreements between the City and such provider at the time that the Credit Enhancement is obtained; provided, however, such amounts shall not include interest on any loans or advances with respect to such Credit Enhancement or Parity Reimbursement Obligation. The Operation and Maintenance Expenses shall not include (i) any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation or amortization, (ii) the payment of any principal of, premium, if any, and interest on the Bonds and any other notes, bonds and similar obligations of the City, (iii) Parity Hedging Contract Obligations or Hedge Charges, (iv) payments made by the City under leases that are capitalized in accordance with generally accepted accounting principles (GAAP), and (v) the costs of issuance of Bonds paid with proceeds of such Bonds.

**Opinion of Counsel** shall mean an opinion in writing signed by an attorney or firm of attorneys (who may be counsel to the City) selected by the City, and which may include Bond Counsel.

**Option Bonds** shall mean Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by the City prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

**Original Resolution** shall mean the Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on June 30, 2003, as amended and supplemented prior to the adoption of this Second Amended and Restated Utilities System Revenue Bond Resolution.

**Outstanding**, when used with reference to Bonds, shall mean, as of any date of calculation, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

- (i) Bonds (or portions of Bonds) cancelled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust in accordance with Section 1201 and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article IV or in the Supplemental Resolution authorizing the Series of which such Bonds are a part or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 406 or 1106 unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course; and

(iv) Bonds (or portions thereof) deemed to have been paid as provided in paragraph 2 of Section 1201 or in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

**Parity Commercial Paper Notes** shall have the meaning given to such term in paragraph 1 of Section 210.

**Parity Hedging Contract Obligation** shall have the meaning given to such term in Section 209, excluding, however, Hedge Charges. For purposes of Section 803 hereof, any Parity Hedging Contract Obligation shall specify, to the extent applicable, the interest and principal components of, or the scheduled payments corresponding to interest under, such Parity Hedging Contract Obligation.

**Parity Medium-Term Notes** shall have the meaning given to such term in paragraph 1 of Section 211.

**Parity Reimbursement Obligation** shall have the meaning given to such term in Section 207.

**Paying Agent** shall mean any bank or trust company organized under the laws of any state of the United States or any national banking association designated as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Resolution.

**Principal Installment** shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including the principal amount of any Option Bonds tendered for payment prior to the stated maturity thereof) of such Series due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in Section 511) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

**Prudent Utility Practice** shall mean, in respect of any particular utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

**Qualified Hedging Contract** shall mean, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the City with an entity that is a Qualified Hedging Contract Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate swap, including a forward rate or future rate swap; other rate protection transaction agreement; or any

combination thereof; or any option with respect thereto, executed by the City for the purpose of moderating interest rate fluctuations, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the City as a Qualified Hedging Contract (which writing shall specify, in the case of a Qualified Hedging Contract that is entered into in connection with any Bonds, the Bonds with respect to which such Qualified Hedging Contract is entered into).

**Qualified Hedging Contract Provider** shall mean an entity whose senior unsecured long-term debt obligations, financial program rating, counterparty rating or claims paying ability is rated, or whose payment obligations under a financial arrangement of the type referred in clause (ii) of the definition of Qualified Hedging Contract are guaranteed or insured by an entity whose senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is rated, in each case, on the date a Qualified Hedging Contract is entered into, either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Hedging Contract Provider, or (ii) at any such lower Rating Categories which each such Rating Agency indicates in writing to the City and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Bonds that is in effect prior to entering into such Qualified Hedging Contract and which is an authorized counterparty pursuant to the City's investment policy as from time to time approved by the City.

**Rate Stabilization Fund** shall mean the Rate Stabilization Fund established in Section 502.

**Rating Agency** shall mean each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the City.

**Rating Category** shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise; provided, however, that for purposes hereof any requirement that an obligation be rated in the highest short-term Rating Category shall be deemed to be satisfied if such obligation is rated A-1 or better by Standard & Poor's, VMIG-1 or better by Moody's Investors Service, Inc. or F-1 or better by Fitch Ratings. In the event of the adoption of any new or changed ratings system or a "global" rating scale by any such Rating Agency, the ratings categories shall reflect such new ratings as determined by the City which most closely approximates the ratings currently in effect.

**Redemption Price** shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

**Refundable Principal Installment** shall mean any Principal Installment for any Series of Bonds, including Variable Rate Bonds, any Commercial Paper Notes or any Medium-Term Notes, which the City intends to pay with moneys which are not Revenues, provided that (i) in the case of Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds, (ii) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (iii) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; and provided, further, that any such Principal Installment, other than Principal Installments for Commercial Paper Notes and Medium-Term Notes, shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as the City no longer intends to pay such Principal Installment with moneys which are not Revenues and with respect to Bonds that are Commercial Paper Notes or Medium-Term Notes, any Commercial Paper Note or Medium-Term Note shall cease to be a Refundable Principal Installment at such time, if any, as shall be provided in the Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as the case may be, applicable thereto.

**Refunding Bonds** shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 204, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106.

**Regular Record Date** shall have the meaning given to such term in Section 308.

**Reimbursement Obligations** shall mean all Bonds issued pursuant to Section 207 and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106 and the Supplemental Resolution authorizing such Reimbursement Obligations.

**Reserve Deposit**, in respect of the Bonds of any Additionally Secured Series, shall mean an amount which shall be deposited monthly into the subaccount in the Debt Service Reserve Account in the Debt Service Fund established with respect to the Bonds of such Additionally Secured Series equal to the product of a fraction, the numerator of which shall be one and the denominator of which shall equal the number of months (which shall be not greater than sixty (60) months), designated by the City in the Supplemental Resolution authorizing the issuance of the Bonds of such Additionally Secured Series, in which the Reserve Deposit for the Bonds of such Additionally Secured Series is to be paid, times the excess (if any) of the Debt Service Reserve Requirement on such date on all Additionally Secured Series of Bonds secured by such subaccount Outstanding including such Additionally Secured Series of Bonds, over the Debt Service Reserve Requirement on all Additionally Secured Series of Bonds secured by such subaccount excluding such Additionally Secured Series of Bonds, such excess to be reduced by (i) the amount, if any, by which the amount on deposit in the separate subaccount in the Debt Service Reserve Account on the date of issuance of such Series of Bonds exceeds the Debt Service Reserve Requirement on all Additionally Secured Series of Bonds secured by such subaccount excluding such Additionally Secured Series of Bonds being issued, and (ii) the amount of proceeds of the Bonds of such Additionally Secured Series being issued or other funds, if any, deposited in such subaccount in the Debt Service Reserve Account on the date of issuance of the Additionally Secured Series of Bonds being issued; provided, however, that the Reserve Deposit may be reduced whenever any additional deposit allocable to the Reserve Deposits for such Additionally Secured Series is made into the separate subaccount in the Debt Service Reserve Account.

**Resolution or Bond Resolution** shall mean this Second Amended and Restated Utilities System Revenue Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms hereof.

**Revenue Fund** shall mean the Revenue Fund established in Section 502.

**Revenues** shall mean, to the extent accrued to or received by the System or any board or agency in control of the management and operation of the System, (i) all rates, fees, rentals, other charges, and other income properly allocable to the System, resulting from the ownership and operation of the System, excluding customer deposits and any other deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any insurance covering business interruption loss relating to the System, and (iii) interest earned on any moneys or securities held pursuant to the Resolution and paid or to be paid into the Revenue Fund; provided, however, Revenues shall not include (i) payments made to the City by a Qualified Hedging Contract Provider pursuant to a Parity Hedging Contract Obligation that are deposited into the Debt Service Account in the Debt Service Fund, (ii) Subsidy Payments, and (iii) grants from federal or state of Florida which by its terms are restricted for projects and not available to pay debt service on the Bonds or Parity Hedging Contract Obligations.

**Securities Depository** shall mean, with respect to a Book Entry Bond, the Depository Trust Company or the person, firm, association or corporation specified in the Supplemental Resolution authorizing the Bonds of the Series of which such Book Entry Bond is a part to serve as the securities

depository for such Book Entry Bond, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Resolution or such Supplemental Resolution.

**Series** shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to this Resolution or the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

**Sinking Fund Installment** shall mean an amount so designated which is established pursuant to the Supplemental Resolution authorizing the Series of Bonds to which such Sinking Fund Installment relates.

**Special Record Date** shall have the meaning given to such term in Section 308.

**Subordinated Commercial Paper Notes** shall have the meaning given to such term in paragraph 1 of Section 210.

**Subordinated Hedging Contract Obligation** shall have the meaning given to such term in Section 209.

**Subordinated Indebtedness** shall mean an evidence of indebtedness referred to in, and complying with the provisions of, Section 512, and shall include, without limitation, Subordinated Commercial Paper Notes, Subordinated Hedging Contract Obligations, Subordinated Medium-Term Notes and Subordinated Reimbursement Obligations.

**Subordinated Indebtedness Fund** shall mean the Subordinated Indebtedness Fund established in Section 502.

**Subordinated Medium-Term Notes** shall have the meaning given to such term in paragraph 1 of Section 211.

**Subordinated Reimbursement Obligation** shall have the meaning given to such term in Section 207.

**Subsidy Bonds** shall mean any Bonds for which the City receives direct Subsidy Payments in an amount equal to, and/or measured by, all or a portion of the interest paid on such Bonds.

**Subsidy Payments** shall mean payments received by the City or a Paying Agent on behalf of the City from the United States Treasury or the Internal Revenue Service with respect to Subsidy Bonds pursuant to Section 54AA or Section 6431 of the Internal Revenue Code of 1986, as amended (as such sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009) as such sections may be expanded or modified from time to time, and any other similar payments made by the federal government of the United States or any agency, branch or bureau thereof to subsidize interest payable by the City on Subsidy Bonds pursuant to said sections or any other similar provisions of this Code or other authorizations with respect to Subsidy Bonds.

**Supplemental Resolution** shall mean any resolution supplemental to or amendatory of the Resolution, adopted by the City in accordance with Article X.

**System** shall mean the entire combined and consolidated electric system, water system, wastewater system, natural gas system and telecommunications system of the City, now existing and hereafter acquired



by lease, contract, purchase or otherwise or constructed by the City, including any interest or participation of the City in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way of the City and all other works, property or structures of the City and contract rights and other tangible and intangible assets of the City now or hereafter owned or used in connection with or related to said System; provided, however, that upon compliance with the provisions of Section 717, the term System shall be deemed to include other utility functions added to the System such as the production, distribution and sale of process steam, the providing of cable television services or other utility functions that are, in accordance with Prudent Utility Practice, reasonably related to the services provided by the System. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interests in properties of the City which the City determines shall not constitute a part of the System for the purpose of the Resolution.

**Trust Estate** shall mean (i) the proceeds of the sale of the Bonds, (ii) the Revenues, (iii) the Subsidy Payments, and (iv) all Funds established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Reserve Fund and any fund which may be established pursuant to paragraph 2 of Section 502 hereof), including the investments and income, if any, thereof.

**Trustee** shall mean the trustee appointed pursuant to Article IX, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

**Uniform System of Accounts** shall mean the funds and accounts established by the City in accordance with generally accepted accounting principles (GAAP) for Florida municipal utilities.

**Utilities Plant Improvement Fund** shall mean the Utilities Plant Improvement Fund established in Section 502.

**Variable Rate Bond** shall mean any Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of issuance of the Series of Bonds of which such Bond is one.

**Variable Rate Hedging Obligation** shall mean a Qualified Hedging Contract, the City's payment obligation under which are determined on the basis of a variable rate index.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and bodies.

All references in the Resolution to Articles, Sections, and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Resolution, and the words herein, hereof, hereunder and other words of similar import refer to the Resolution as a whole and not to any particular Article, Section or subdivision of the Resolution. The headings or titles of the several articles and sections of the Resolution, and any Table of Contents appended to copies of the Resolution, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the Resolution.

**SECTION 102. Authority for this Resolution.** This Second Amended and Restated Utilities System Revenue Bond Resolution is supplemental to the Original Resolution, and constitutes a "Supplemental Resolution" within the meaning of the Original Resolution.

**SECTION 103. Resolution to Constitute Contract.** In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Bonds; and the security interest granted and the

pledge and assignment made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the City shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by this Resolution.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

**SECTION 201. Authorization of Bonds.** 1. The Resolution authorizes Bonds of the City to be designated as "Utilities System Revenue Bonds." The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as may hereafter be provided in the Resolution or in any Supplemental Resolution or as may be limited by law.

2. The Bonds may, if and when authorized by the City pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "Utilities System Revenue Bonds", shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the City may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

3. Nothing in the Resolution shall be deemed to preclude or restrict the consolidation into a single Series for purposes of issuance and sale of Bonds otherwise permitted by the Resolution to be issued at the same time in two or more separate Series, provided that solely for the purpose of satisfying the requirements of Section 202, Section 203 or Section 204, as the case may be, the Bonds otherwise permitted by the Resolution to be issued as a separate Series shall be considered separately as if such Bonds were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution notwithstanding any other provision of the Resolution.

4. The Supplemental Resolution authorizing Subsidy Bonds shall expressly designate such Bonds as Subsidy Bonds.

**SECTION 202. General Provisions for Issuance of Bonds.** 1. Except in the case of Parity Reimbursement Obligations, Parity Commercial Paper Notes and Parity Medium-Term Notes (the issuance of which shall be governed by the provisions of Sections 207, 210 and 211, respectively), all (but not less than all) the Bonds of each Series shall be executed by the City for issuance under the Resolution and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the City or upon its order, but only upon the receipt by the Trustee (with copies of all documents to the Co-Trustee, if any) of:

(1) An Opinion of Counsel of recognized standing in the field of law relating to municipal bonds to the effect that (i) the City has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the City, is in full force and effect and is valid and binding upon the City in accordance with its terms, and no other authorization for the Resolution is required; (ii) the Resolution creates the valid pledge which it purports to create of, the Trust Estate and, if such Series of Bonds shall be an Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established for the benefit of such Bonds, 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; and (iii) the Bonds of such Series are valid and binding obligations of the

City as provided in the Resolution and entitled to the benefits of the Resolution and of the Act as amended to the date of such Opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Resolution. Such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and may state that no opinion is being rendered as to the availability of any particular remedy. No opinion need be expressed as to the priority of the pledge and assignment created by the Resolution over the rights of other persons in the Trust Estate and, if applicable, such separate subaccount in the Debt Service Reserve Account in the Debt Service Fund and such other customarily accepted exceptions and reliance provisions. The opinion may be limited to this Resolution, as amended, and the Supplemental Resolution applicable to the proposed Bonds;

(2) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the City;

(3) A copy of the Supplemental Resolution authorizing such Bonds, certified by an Authorized Officer of the City, which shall specify such terms and conditions relative to the Bonds of such Series, and such other matters relative thereto, as the City may determine;

(4) The amount, if any, required by the Supplemental Resolution to be deposited in the Debt Service Account in the Debt Service Fund for the payment of interest on Bonds and, if such Series shall be an Additionally Secured Series, the amount, if any, necessary for deposit in the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund designated therefor so that the amount on deposit in such subaccount shall equal the Debt Service Reserve Requirement related thereto calculated immediately after the authentication and delivery of such Series of Additional Obligations; provided, however, that a Supplemental Resolution establishing a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund may provide that, in lieu of maintaining all or a portion of the moneys or investments required to be maintained in such separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, there may be credited to said subaccount at any time an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation, or any combination thereof, of the type specified therein, or such amount may be deposited thereafter from Revenues or otherwise, in such manner as may be specified therein;

(5) The amount, if any, required by the Supplemental Resolution to be deposited in the Rate Stabilization Fund;

(6) Except in the case of any Series of Refunding Bonds, a certificate of an Authorized Officer of the City stating that either (a) no Event of Default has occurred and is continuing under the Resolution or (b) the application of the proceeds of sale of such Series of Bonds as required by the Supplemental Resolution will cure any such Event of Default;

(7) All amounts not deposited in other Funds under the Resolution for deposit in the Construction Fund or as otherwise provided under the Supplemental Resolution;

(8) 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 clauses (ii) (A) and (ii) (B) 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 this Resolution and the additional Bonds proposed to be issued hereunder.

(d) The amount, if any, required to be deposited from Revenues into the Debt Service Reserve Account pursuant to Section 505 hereof 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 for the Applicable Bond Year; or

(9) The City may deliver, in the case of each Series of Bonds, any portion of the proceeds of which is to be deposited in the Debt Service Account in the Debt Service Fund, a certificate of an Authorized Officer of the City setting forth the then estimated application of such proceeds so deposited for the payment of interest on any particular Series of Bonds, whether or not such Series of Bonds is then Outstanding, or then being issued, or to be issued thereafter; and

(10) Such further documents, moneys and securities as are required by the provisions of Section 204 or Article X or any Supplemental Resolution adopted pursuant to Article X.

2. All the Bonds of each Series of like maturity shall be identical in all respects, except as to interest rate, denominations, numbers and letters. After the original issuance of Bonds of any Series other than Parity Reimbursement Obligations, Parity Commercial Paper Notes and Parity Medium-Term Notes, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III or Section 406 or Section 1106.

**SECTION 203. Bonds Other than Refunding Bonds, Parity Commercial Paper Notes, Parity Medium-Term Notes and Parity Reimbursement Obligations.** 1. One or more Series of Bonds may be issued at any time for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the System. Bonds of each such Series shall be authenticated and delivered by the Trustee only upon compliance with the terms and conditions set forth in Section 202.

2. Proceeds, including accrued interest, of each Series of Bonds authorized under this Section 203 shall be applied simultaneously with the delivery of such Bonds as shall be provided in the Supplemental Resolution authorizing such Series.

**SECTION 204. 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 Section 202, 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 Section 1201 of 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 paragraph 4 of Section 507 and paragraph 5 of Section 508) 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 paragraph 3 of Section 1201, which Defeasance Securities and moneys shall be held and used only as provided in said paragraph 3 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 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 Section 203 herein. 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 subsection (8) of Section 202, 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 this Resolution.

**SECTION 205. Estimates by the City.** In estimating Net Revenues for each of the Fiscal Years covered by any certificate required to be delivered by it pursuant to clause (8) of Section 202 hereof the City may base its estimate upon such factors as it shall consider reasonable.

**SECTION 206. Reserved.**

**SECTION 207. Reimbursement Obligations.** One or more Series of Reimbursement Obligations may be issued concurrently with the issuance of the Bonds of a Series authorized pursuant to the provisions of Section 203 or 204 hereof for which Credit Enhancement is being provided with respect to such Bonds (or a maturity or maturities or interest rate within a maturity thereof) by a third-party. Such Reimbursement Obligations shall be issued or incurred for the purpose of evidencing the City's obligation to repay any advances or loans made to, or on behalf of, the City in connection with such Credit Enhancement; provided, however, that the stated maximum principal amount of any such Series of Reimbursement Obligations shall not exceed the aggregate principal amount of the Bonds with respect to which such Credit Enhancement is being provided, and such number of days' interest thereon as the City shall determine prior to the issuance thereof, but not in excess of 366 days' interest thereon, computed at the maximum interest rate applicable thereto and other amounts owing thereunder. Any Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bonds, may be secured by a pledge and assignment of the Trust Estate on a parity with the pledge and assignment created by paragraph 1 of Section 501 to secure the Bonds (a "Parity Reimbursement Obligation"), or may be secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge and assignment shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution

in favor of the Bonds and Parity Hedging Contract Obligations but on a parity with the pledge and lien securing Subordinated Indebtedness (a "Subordinated Reimbursement Obligation"), as determined by the City at the time the Credit Enhancement is obtained.

**SECTION 208. Special Provisions Relating to Capital Appreciation Bonds, Deferred Income Bonds and Parity Reimbursement Obligations.** 1. The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service, Adjusted Aggregate Debt Service and Aggregate Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

2. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution or (iii) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the City or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

3. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution or (iii) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to the City or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

4. Except as otherwise provided in a Supplemental Resolution authorizing a Series of Parity Reimbursement Obligations, for the purposes of (i) receiving payment of a Parity Reimbursement Obligation, whether at maturity, upon redemption, or if the principal of all Bonds is deemed immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution, or (ii) computing the principal amount of Bonds held by the Holder of a Parity Reimbursement Obligation in giving to the City or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Parity Reimbursement Obligation shall be deemed to be the actual principal amount that the City shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, the City in connection with the Bonds of the Series or maturity or interest rate within a maturity for which such Parity Reimbursement Obligation has been issued to evidence the City's obligation to repay any advances or loans made in respect of the Credit Enhancement provided for such Bonds, less any prior repayments thereof.

**SECTION 209. Provisions Concerning Qualified Hedging Contracts.** The City may, to the extent from time to time permitted pursuant to law, enter into Qualified Hedging Contracts. The City's obligation to pay any amount under any Qualified Hedging Contract (excluding Hedge Charges) may be secured by a pledge and assignment of the Trust Estate on a parity with the pledge and assignment created by paragraph 1 of Section 501 to secure the Bonds (a "Parity Hedging Contract Obligation"), or may be secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge and assignment shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds but on a parity with the pledge and assignment securing Subordinated Indebtedness

(a "Subordinated Hedging Contract Obligation"), as determined by the City. Notwithstanding the foregoing, Parity Hedging Contract Obligations shall not include payments of any termination payments owed to a counterparty to a Qualified Hedging Contract ("Hedge Charges"), which payments shall be Subordinated Hedging Contract Obligations. To the extent not otherwise determined in the calculation of Debt Service, in determining the payments required to be made by or to be received by the City on the variable rate component of a Variable Rate Hedging Obligation, to the extent applicable, the City may apply the methodology used in connection with the Certified Interest Rate to determine amounts payable by or to the City under a Qualified Hedging Contract or may use such other reasonable assumptions as by the City, upon advice of its Independent Consultants, may deem appropriate.

**SECTION 210. Commercial Paper Notes.** 1. Commercial Paper Notes may be issued from time to time in Series secured by a pledge and assignment of the Trust Estate on a parity with the pledge and assignment created by paragraph 1 of Section 501 to secure the Bonds ("Parity Commercial Paper Notes"). Commercial Paper Notes may also be issued from time to time in series secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds but on a parity with the pledge and lien securing Subordinated Indebtedness ("Subordinated Commercial Paper Notes"). The Trustee shall authenticate and deliver Commercial Paper Notes to the City or upon its order, but only upon satisfaction of the following conditions:

(a) If so required by the Supplemental Resolution, the Trustee shall have received a credit facility or a liquidity facility with respect to such Commercial Paper Notes containing such terms and conditions, including with respect to reimbursement, as shall be approved by the Commission;

(b) The Trustee shall have received a certificate of an Authorized Officer of the City setting forth the Commercial Paper Payment Plan with respect to such Commercial Paper Notes. Such certificate shall be amended from time to time by a new certificate of an Authorized Officer of the City to reflect changes, if any, in the expectations of the City with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes; and

(c) If such Commercial Paper Notes shall be Parity Commercial Paper Notes, the Trustee shall have received, prior to the initial issuance of Commercial Paper Notes of a Series, the items referred to in paragraph 1 of Section 202, modified to refer to the Commercial Paper Notes rather than Bonds, and, if applicable, Section 204.

2. The City may appoint a fiscal agent to perform such duties of the Trustee hereunder as the City shall specify in the Supplemental Resolution authorizing such Commercial Paper Notes. Any such fiscal agent shall meet the minimum qualifications applicable to a successor Trustee set forth in Section 909.

3. The proceeds, including accrued interest, if any, of Commercial Paper Notes shall be applied simultaneously with the delivery of such Commercial Paper Notes as provided in the Supplemental Resolution authorizing such Commercial Paper Notes.

**SECTION 211. Medium-Term Notes.** 1. Medium-Term Notes may be issued from time to time in Series secured by a pledge and assignment of the Trust Estate on a parity with the pledge and lien created by paragraph 1 of Section 501 to secure the Bonds ("Parity Medium-Term Notes"). Medium-Term Notes may also be issued from time to time in series secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds but on a parity with the pledge and lien securing Subordinated Indebtedness ("Subordinated Medium-Term Notes"). The Trustee shall authenticate and

deliver Medium-Term Notes to the City or upon its order, but only upon satisfaction of the following conditions:

(a) If so required by the Supplemental Resolution, the Trustee shall have received a credit facility or a liquidity facility with respect to such Medium-Term Notes containing such terms and conditions, including with respect to reimbursement, as shall be approved by the Commission;

(b) The Trustee shall have received a certificate of an Authorized Officer of the City setting forth the Medium-Term Note Payment Plan with respect to such Medium-Term Notes. Such certificate shall be amended from time to time by a new certificate of an Authorized Officer of the City to reflect changes, if any, in the expectations of the City with respect to the sources of funds to be utilized to pay principal of and interest on such Medium-Term Notes; and

(c) If such Medium-Term Notes shall be Parity Medium-Term Notes, the Trustee shall have received, prior to the initial issuance of Medium-Term Notes of a Series, the items referred to in paragraph 1 of Section 202, modified to refer to the Medium-Term Notes rather than Bonds, and, if applicable, Section 204.

2. The City may appoint a fiscal agent to perform such duties of the Trustee hereunder as the City shall specify in the Supplemental Resolution authorizing such Medium-Term Notes. Any such fiscal agent shall meet the minimum qualifications applicable to a successor Trustee set forth in Section 909.

3. The proceeds, including accrued interest, if any, of Medium-Term Notes shall be applied simultaneously with the delivery of such Medium-Term Notes as provided in the Supplemental Resolution authorizing such Medium-Term Notes.

### ARTICLE III

#### GENERAL TERMS AND PROVISIONS OF BONDS

##### **SECTION 301. Medium of Payment; Form and Date; Letters and Numbers.**

1. The Bonds of each Series shall be payable, with respect to interest, principal and Redemption Price, 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.

2. Unless otherwise provided in a Supplemental Resolution, the Bonds of each Series shall be issued in the form of fully registered Bonds without coupons. The Bonds shall be in substantially the form set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

3. Each Bond shall be lettered and numbered as provided in the Supplemental Resolution authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

4. Bonds of each Series shall be dated the date of their authentication, except as may be otherwise provided in the Supplemental Resolution authorizing the Bonds of such Series, and shall bear interest as provided in the Supplemental Resolution authorizing the Bonds of such Series.

**SECTION 302. Legends.** The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange

or commission or brokerage board, or otherwise, as may be determined by the City prior to the authentication and delivery thereof.

**SECTION 303. Execution and Authentication.** 1. The Bonds shall be executed in the name of the City by the manual or facsimile signature of its Mayor and the seal of the City (or a facsimile thereof), shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Clerk of the Commission of the City. The Bonds shall be approved as to form and legality by the City Attorney. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the City by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper office in the City, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

2. The validation certificate appearing on the Bonds, if any, shall be signed by the facsimile signature of the Mayor and attested with the facsimile signature of the Clerk of the Commission of the City, or in such other manner as may be required or permitted by law, and the City may adopt and use for that purpose the facsimile signature of any person or persons who shall have been Mayor or Clerk of the Commission of the City at any time on or after the date borne by the Bonds of such Series, notwithstanding that such person may not have been such Mayor or Clerk of the Commission of the City at the date of any such Bond or may have ceased to be such Mayor or Clerk of the Commission of the City at the time when any such Bond shall be authenticated and delivered.

3. The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing the Bonds of such Series, executed manually by the Trustee. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the City shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the Holder thereof is entitled to the benefits of the Resolution.

**SECTION 304. Interchangeability of Bonds.** Bonds, upon surrender thereof at the office of the Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or such owner's duly authorized attorney, may, at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Bond Registrar may make as provided in Section 306, be exchanged for an equal aggregate principal amount of fully registered Bonds of the same Series, maturity and interest rate of any other authorized denominations.

**SECTION 305. Negotiability, Transfer and Registry.** 1. 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 Bond the City shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series, maturity and interest rate as the surrendered Bond.

2. The City and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the City as the absolute owner of such Bond, whether such 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 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 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.

**SECTION 306. Regulations With Respect to Exchanges and Transfers.** In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the City shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Trustee and cancelled or retained by the Trustee. For every such exchange or transfer of Bonds, the City or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge imposed in connection with said exchange, transfer or registration by a governmental unit other than the City. Unless otherwise provided in a Supplemental Resolution, neither the City nor the Bond Registrar shall be required (a) to transfer or exchange any Bond of any Series for the period next preceding any interest payment date for the Bonds of such Series beginning with the Regular Record Date for such interest payment date and ending on such interest payment date, or for the period next preceding any date for the proposed payment of Defaulted Interest with respect to such Bond beginning with the Special Record Date for the date of such proposed payment and ending on the date of such proposed payment, (b) to transfer or exchange Bonds of any Series for a period beginning 15 days before the first mailing of any notice of redemption and ending on the day of such mailing, or (c) to transfer, exchange or register any Bonds called for redemption.

**SECTION 307. Bonds Mutilated, Destroyed, Stolen or Lost.** If any Bond becomes mutilated or is lost, stolen or destroyed, the City shall execute and the Trustee shall authenticate and deliver a new Bond of like Series, date of issue, maturity date, principal amount, interest rate per annum and redemption provisions as the Bond so mutilated, lost, stolen or destroyed, provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to the City, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the City together with indemnity satisfactory to the City, (iii) all other reasonable requirements of the City are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any such Bond surrendered for exchange shall be cancelled. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the City, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under the Resolution in the Trust Estate.

**SECTION 308. Payment of Interest on Bonds; Interest Rights Reserved.** Interest on any 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 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 Bond, is the 15th day of the calendar month next preceding such interest payment date.

Any interest on any 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 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 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 this Section provided. 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 Bondholder at such 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 this Section, each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

**SECTION 309. Book Entry Bonds.** 1. Anything in the Resolution to the contrary notwithstanding, if and to the extent provided in the Supplemental Resolution authorizing the Bonds of the Series of which such Bond is a part, any Bond may be authorized and issued as a Book Entry Bond.

2. For all purposes of the Resolution, the Holder of a Book Entry Bond shall be the Securities Depository therefor and neither the City nor any Fiduciary shall have any responsibility or obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Securities Depository. Without limiting the generality of the foregoing, neither the City nor any Fiduciary shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book Entry Bond with respect to (i) the accuracy of the records of the Securities Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any notice with respect to such Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any amount with respect to the principal or Redemption Price of, or interest on, such Bond. The City and the Fiduciaries may treat the Securities Depository therefor as, and deem such Securities Depository to be, the absolute owner of a Book Entry Bond for all purposes whatsoever, including, but not limited to, (w) payment of the principal or Redemption Price of, and interest on, such Bond, (x) giving notices of redemption and of other matters with respect to such Bond, (y) registering transfers with respect to such Bond and (z) giving to the City or the Trustee any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever. The Paying Agents shall pay the principal or Redemption Price of, and interest on, a Book Entry Bond only to or upon the order of the Securities Depository therefor, and all such payments shall be valid and effective to satisfy fully and discharge the City's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. Except as otherwise provided in subsection 4 of this Section 309 or in any Supplemental Resolution authorizing a Book Entry Bond, no person other than the Securities Depository shall receive a Bond or other instrument evidencing the City's obligation to make payments of the principal or Redemption Price thereof, and interest thereon.

3. The City, in its sole discretion and without the consent of any other person, may, by notice to the Trustee and a Securities Depository, terminate the services of such Securities Depository with respect to the Book Entry Bonds for which such Securities Depository serves as securities depository if the City determines that (i) the Securities Depository is unable to discharge its responsibilities with respect to such Bond or (ii) a continuation of the requirement that all of the Bonds issued as Book Entry Bonds be registered in the registration books of the City in the name of the Securities Depository is not in the best interests of the beneficial owners of such Bonds or of the City. Additional or other terms and

provisions relating to the termination or resignation of a Securities Depository may be provided in the Supplemental Resolution authorizing a Book Entry Bond.

4. Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to clause (ii) of the first sentence of subsection 3 of this Section 309, such Bond no longer shall be restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository. Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to clause (i) of the first sentence of subsection 3 of this Section 309, 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 Resolution upon reasonable and customary terms. If no such successor can be found within such period, such Book Entry Bond shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository. In the event that a Book Entry Bond shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository, (a) the City shall execute and the Trustee shall authenticate and deliver, upon presentation and surrender of the Book Entry Bond, Bond certificates as requested by the Securities Depository so terminated of like Series, 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 Book Entry Bond and (b) the Trustee shall notify the Bond Registrar and the Paying Agents that such Bond is no longer restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository.

5. Anything in the Resolution to the contrary notwithstanding, payment of the Redemption Price of a Book Entry Bond, or portion thereof, called for redemption prior to maturity may be paid to the Securities Depository by check or draft mailed to the Securities Depository or by wire transfer. Anything in the Resolution to the contrary notwithstanding, such Redemption Price may be paid without presentation and surrender to the Paying Agent of the Book Entry Bond, or portion thereof, called for redemption; provided, however, that payment of (a) the principal payable at maturity of a Book Entry Bond and (b) the Redemption Price of a Book Entry Bond as to which the entire principal amount thereof has been called for redemption shall be payable only upon presentation and surrender of such Book Entry Bond to the Paying Agent.

Anything in the Resolution to the contrary notwithstanding, upon any such payment to the Securities Depository without presentation and surrender, for all purposes of (i) the Book Entry Bond as to which such payment has been made and (ii) the Resolution, the unpaid principal amount of such Book Entry Bond Outstanding shall be reduced automatically by the principal amount so paid. In such event, the Paying Agent shall notify forthwith the Trustee and the Bond Registrar as to the particular Book Entry Bond as to which such payment has been made, and the principal amount of such Bond so paid, and the Bond Registrar shall note such payment on the registration books of the City maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection.

6. For all purposes of the Resolution authorizing or permitting the purchase of Bonds, or portions thereof, by, or for the account of, the City for cancellation, and anything in the Resolution to the contrary notwithstanding, a portion of a Book Entry Bond may be deemed to have been purchased and cancelled without surrender thereof upon delivery to the Bond Registrar of a certificate executed by the City and a participant of the Securities Depository therefor to the effect that a beneficial ownership interest in such Bond, in the principal amount stated therein, has been purchased by, or for the account of, the City through the participant of the Securities Depository executing such certificate; provided, however, that any purchase for cancellation of the entire principal amount of a Book Entry Bond shall be effective for purposes of the Resolution only upon surrender of such Book Entry Bond to the Bond Registrar; and provided, further, that no portion of a Book Entry Bond may be deemed to have been so purchased and cancelled

without surrender thereof unless such Book Entry Bond shall contain or have endorsed thereon the legend(s) referred to in subsection 5 of this Section 309. Anything in the Resolution to the contrary notwithstanding, upon delivery of any such certificate to the Bond Registrar, for all purposes of (i) the Book Entry Bond to which such certificate relates and (ii) the Resolution, the unpaid principal amount of such Book Entry Bond Outstanding shall be reduced automatically by the principal amount so purchased. In such event, the Bond Registrar shall notify forthwith the Trustee as to the particular Book Entry Bond as to which a beneficial ownership interest therein has been so purchased, and the principal amount of such Bond so purchased, and the Bond Registrar shall note such reduction in principal amount of such Book Entry Bond Outstanding on the registration books of the City maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection.

7. Anything in the Resolution to the contrary notwithstanding, a Securities Depository may make a notation on a Book Entry Bond (i) redeemed in part or (ii) purchased by, or for the account of, the City in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or deemed cancelled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in subsection 5 or 6 of this Section 309, as the case may be.

8. Anything in the Resolution to the contrary notwithstanding, in the case of a Book Entry Bond, the City shall be authorized to redeem or purchase (by or for the account of the City), or issue Refunding Bonds to refund, less than all of the entire Outstanding principal amount thereof (in portions thereof of \$5,000 integral multiples thereof, or such other denominations as shall be specified in the Supplemental Resolution authorizing such Book Entry Bond), and in the event of such partial defeasance, redemption, purchase or refunding, the provisions of the Resolution relating to the defeasance, redemption, purchase or refunding of a Bond or Bonds shall be deemed to refer to the redemption, purchase or refunding of a portion of a Bond.

#### ARTICLE IV

#### REDEMPTION OF BONDS

**SECTION 401. Privilege of Redemption and Redemption Price.** Bonds subject to redemption prior to maturity pursuant to their terms or to the terms of the Resolution shall be redeemable, upon notice given as provided in this Article IV, at such times, at such Redemption Prices and upon such terms in addition to or different than the terms contained in this Article IV as may be specified in such Bonds or in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

**SECTION 402. Redemption at the Election or Direction of the City.** In the case of any redemption of Bonds at the election or direction of the City, the City shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series and of the Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by the City in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or any Supplemental Resolution authorizing the Series of which such Bonds are a part). Such notice shall be given at least 30 days prior to the redemption date or such shorter period (a) as shall be specified in the Supplemental Resolution authorizing the Series of Bonds to be redeemed or (b) as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, and unless such notice shall have been revoked or cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest

accrued and unpaid to the redemption date, all of the Bonds to be redeemed. The City shall promptly notify the Trustee in writing of all such payments by it to a Paying Agent.

**SECTION 403. Redemption Otherwise Than at City's Election or Direction.** Whenever by the terms of the Resolution the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the City, the Trustee shall (i) select the Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV and, to the extent applicable, Section 507.

**SECTION 404. Selection of Bonds to be Redeemed.** Except as otherwise provided by Supplemental Resolution, if fewer than all of the Bonds of like maturity or interest rate within a maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that for any Bond of a denomination of more than the minimum denomination for such Series, the portion of such Bond to be redeemed shall, unless otherwise specified in the Supplemental Resolution relating to such Series, be in a principal amount equal to such minimum denomination or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of such minimum denomination.

**SECTION 405. Notice of Redemption.** When the Trustee shall receive notice from the City of its election or direction to redeem Bonds pursuant to Section 402, and when redemption of Bonds is authorized or required pursuant to Section 403, the Trustee shall give notice, in the name of the City, of the redemption of such Bonds, which notice shall specify the Series and maturities and interest rates within maturities, if any, of the 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 Bonds of any like Series and maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of 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 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of 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 30 nor more than 60 days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure to give notice by mail, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of Bonds. Notwithstanding the foregoing, a Supplemental Resolution authorizing the Bonds of a Series may specify a different method for the giving of a notice of redemption, or a different time by which such notice shall be given.

**SECTION 406. Payment of Redeemed Bonds.** Notice having been given in the manner provided in Section 405 or in the Supplemental Resolution authorizing the Bonds of a Series, on the redemption date so designated, (a) unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof and (b) if there shall be sufficient moneys available therefor, then the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, if presentation and surrender shall be required hereby, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued

and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, if presentation and surrender thereof are required thereby, the City shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series, maturity, interest rate and redemption provisions in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series, maturity or interest rate to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid and has not been rescinded or ceased to be in effect, then, from and after the redemption date interest on the Bonds or portions thereof of such Series, maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

**SECTION 407. Reserved.**

**SECTION 408. Cancellation and Destruction of Bonds.** Except as may be otherwise provided with respect to Option Bonds in the Supplemental Resolution providing for the issuance thereof, all Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased which have been delivered to the Trustee for application as a credit against Sinking Fund Installments and all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the City and the other executed certificate shall be retained by the Trustee.

## ARTICLE V

### ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

**SECTION 501. The Pledge Effected by the Resolution.** 1. The Bonds and Parity Hedging Contract Obligations shall be direct and special obligations of the City payable solely from and secured as to the payment of the principal and Redemption Price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution solely by the Trust Estate and the Trust Estate hereby is pledged and assigned to the Trustee for the benefit of the holders of the Bonds and Parity Hedging Contract Obligations, 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.

2. The Trust Estate shall immediately be subject to the lien and charge of this Resolution without any physical delivery thereof or further act, and the lien and charge of this Resolution shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise, against the City, irrespective of whether such parties have notice thereof.

3. Amounts on deposit in any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund, including the investments, if any, thereof, are hereby pledged and assigned to the Trustee as additional security for the payment of the principal and Redemption Price thereof, and interest thereon, the Bonds of each Additionally Secured Series secured thereby, 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.

4. The Bonds shall 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 Bondholder 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 the Bonds or the making of any payments hereunder. The Bonds and the obligations evidenced thereby shall not constitute a lien on any property of or in the City, other than the Trust Estate and, in the case of the Bonds of each Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established therefor as herein provided.

5. Nothing contained in the Resolution shall be construed to prevent the City from acquiring, constructing or financing through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the System for the purposes of the Resolution or from securing such bonds, notes or other evidences of indebtedness, to the extent permitted by law, by a mortgage of the facilities so financed or by a pledge of, or other security interest in, the revenues therefrom or any lease or other agreement with respect thereto or any revenues derived from such lease or other agreement; provided that such bonds, notes or other evidences of indebtedness shall not be payable out of or secured by the Trust Estate and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Trust Estate.

**SECTION 502. Establishment of Funds.** 1. The following Funds and Accounts are hereby established:

- (1) Construction Fund, to be held by the City,
- (2) Revenue Fund, to be held by the City,
- (3) Rate Stabilization Fund, to be held by the City,
- (4) Debt Service Fund, to be held by the Trustee, consisting of a Debt Service Account and a Debt Service Reserve Account,
- (5) Subordinated Indebtedness Fund, to be held by the Trustee, and
- (6) Utilities Plant Improvement Fund, to be held by the City.

2. In the event that the City shall so determine, there may be established by Supplemental Resolution one or more other funds that may be required from time to time by Federal, State or local regulations, by contractual obligations, or in order to operate the System in accordance with Prudent Utility Practice, so as to provide, among other things, for costs of decommissioning, retirement or disposal of facilities, for costs of nuclear waste storage and disposal including the cost of disposal of spent fuel, for maintaining financial responsibility for the closure of hazardous waste storage facilities, or for self insurance. Such funds, if any, shall be held in trust by the City for the sole purpose set forth in the Supplemental Resolution establishing such funds. Deposits into such funds shall be made only after all required deposits have been made into the funds established by paragraph 1 of this Section 502 and shall be made in amounts set forth in the Supplemental Resolution. Deposits into any funds established pursuant to this paragraph shall be made only with amounts defined by the Resolution to be available for use by the City for any lawful purpose and shall neither be governed by the provisions of the Resolution nor considered to be a part of the Trust Estate. The City may establish separate accounts in the funds and accounts established in paragraph 1 of this Section pursuant to a Supplemental Resolution adopted in connection with the issuance of Bonds.

3. Any Fund or Accounts held by the City pursuant to this Section 502 (other than funds established pursuant to paragraph 2 of this Section) shall be maintained in an account at the Trustee or, at the option of the City, at one or more Depositories in the manner contemplated by Section 601 hereof.

**SECTION 503. Construction Fund.** 1. There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution and any Supplemental Resolutions, and there may be paid into the Construction Fund, at the option of the City, any moneys received for or in connection with the System by the City from any other source, unless required to be otherwise applied as provided by the Resolution. Amounts in the Construction Fund shall be applied to the Cost of Acquisition and Construction of the System in the manner provided in this Section, as the same may be modified by Supplemental Resolution pertaining to a Series of Bonds.

2. The City shall withdraw amounts from the Construction Fund for the payment of amounts due and owing on account of the Cost of Acquisition and Construction of the System upon determination of an Authorized Officer of the City (or such officer's designee) that an obligation in the amount to be paid from the Construction Fund has been incurred by the City and that each item thereof is a proper and reasonable charge against the Construction Fund, and that such amount has not been paid theretofore.

3. Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds from which such moneys were derived.

4. Amounts credited to the Construction Fund which the City at any time determines to be in excess of the amounts required for the purposes thereof shall be transferred to the Debt Service Reserve Account in the Debt Service Fund, if and to the extent necessary to make the amount in any separate subaccount therein equal to the Debt Service Reserve Requirement related thereto (or, if such excess shall be less than the amount necessary to make up deficiencies with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such excess shall be applied ratably, in proportion to the deficiency in each such subaccount), and any balance of such excess shall, at the option of the City, be transferred to the Utilities Plant Improvement Fund for application to any of the purposes thereof; provided, however, such application shall be made only to the extent the uses thereof will not, in the opinion of Bond Counsel, in and of itself, result in interest on any tax-exempt Bonds to be includable in the gross income of the holders thereof for Federal income tax purposes.

5. Nothing in this Section 503 shall be construed to prevent the City from permanently discontinuing the acquisition or construction of any portion of the System the Cost of Acquisition and Construction of which is at the time being paid out of the Construction Fund, if the Commission determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of the City and not disadvantageous to the Holders of the Bonds.

**SECTION 504. Revenues and Revenue Fund.** As soon as practicable after the receipt of any Revenues and Subsidy Payments, and in any event within ten days of such receipt, the City shall deposit such Revenues in the Revenue Fund. Connection Fees shall only be applied to the extent legally permissible.

**SECTION 505. Disposition of Revenues.** 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 this 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.

**SECTION 506. Rate Stabilization Fund.** 1. Each month the City shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer 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 deposited into such Fund for the month. The City may also from time to time withdraw amounts currently on deposit in the Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Resolution, (ii) use such amounts to purchase or redeem Bonds and/or Subordinated Indebtedness; provided, however, that in the case of the purchase of Bonds and/or Subordinated Indebtedness, the Bonds and/or Subordinated Indebtedness shall be purchased at a price not to exceed the Redemption Price which would be applicable if the Bonds and/or Subordinated Indebtedness were redeemed at the time of the intended purchase or as soon thereafter as such Bonds and/or Subordinated Indebtedness shall be subject to redemption, or (iii) use such amounts to otherwise provide for the payment of Bonds and/or Subordinated Indebtedness.

2. At any time and from time to time the City may transfer for deposit in the Rate Stabilization Fund from any source such amounts as the City deems necessary or desirable; such amounts shall be applied for purposes of the Rate Stabilization Fund in accordance with paragraph 1 of this Section 506.

**SECTION 507. Debt Service Fund – Debt Service Account.** 1. The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement and, at the direction of an Authorized Officer of the City, on or before the due date thereof, amounts due in respect of any Parity Hedging Contract Obligation.

2. Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may and, if so directed by the City, shall be applied by the Trustee, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. After the 60th day but on or prior to the 40th day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the Debt Service Account (exclusive of amounts, if any, set aside in said Account which were deposited therein from proceeds of Bonds) may, and, if so directed by the City, shall, be applied by the Trustee to the purchase of Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this paragraph 2 shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed by the City. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in Section 405, on such due date Bonds of the Series, maturity

and interest rate within each maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased or redeemed pursuant to Section 510 which the City has directed the Trustee to apply as a credit against such Sinking Fund Installment as provided in Section 511. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the City from the Revenue Fund.

3. The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Fund and applied to the payment of interest on Bonds either, (a) as such interest is scheduled to accrue during such period or (b) in accordance with certificates of the City delivered to the Trustee pursuant to clause (9) of paragraph 1 of Section 202 or, in the event that the City shall modify or amend any such certificate by a subsequent certificate signed by an Authorized Officer of the City and filed with the Trustee (with a copy to the Co-Trustee, if any), then in accordance with the most recent such certificates or amended certificates.

4. In the event of the refunding or defeasance of any Bonds, the Trustee shall, if the City so directs, withdraw from the Debt Service Account in the Debt Service Fund all, or any portion of, the amounts accumulated therein and deposit such amounts with itself as Trustee or such other Depository to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or deposited in accordance with Section 1201 hereof; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to paragraph 2 of Section 1201, and (b) the amount remaining in the Debt Service Account in the Debt Service Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to clause (3) of paragraph 1 of Section 505. In the event of such refunding or defeasance, the City may also direct the Trustee to withdraw from the Debt Service Account in the Debt Service Fund all, or any portion of, the amounts accumulated therein and deposit such amounts in any Fund or Account under this Resolution; provided, however, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under this Resolution.

**SECTION 508. Debt Service Fund – Debt Service Reserve Account.** 1. There shall be established in the Debt Service Reserve Account in the Debt Service Fund one or more separate subaccounts, each of which subaccounts shall be for the benefit and security of one or more Series of Bonds, in the manner and to the extent provided in the Supplemental Resolution establishing each such subaccount. If on the last Business Day of any month the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to clause (3) of paragraph 1 of Section 505, the Trustee shall apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to cure the deficiency.

2. Whenever the moneys on deposit in any subaccount established in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement related thereto, after giving effect to any surety bond, insurance policy, letter of credit, or other similar obligation deposited in such Account pursuant to paragraph 4 of this Section 508, such excess shall upon the request of the City, or pursuant to a Supplemental Resolution, be transferred to the City and credited upon the City's receipt thereof to make up any deficiencies in the Subordinated Indebtedness Fund and the Utilities Plant Improvement Fund, in that order. Any balance of such excess shall be credited to the Revenue Fund.

3. Whenever the amount in any subaccount established in the Debt Service Reserve Account, without giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to paragraph 4 of this Section 508, together with the amount in the Debt Service Account, is 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), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on Bonds. Any provision of the Resolution to the contrary notwithstanding, so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds 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 deposits shall be required to be made into the Debt Service Reserve Account.

4. In lieu of the required transfers of moneys to the Debt Service Reserve Account, the City may cause to be deposited into any subaccount established in the Debt Service Reserve Account for the benefit of the holders of the Bonds of each Additionally Secured Series secured thereby an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation (each, a "Reserve Policy") in an amount equal to the difference between the Debt Service Reserve Requirement related thereto and the sums of moneys or value of Investment Securities then on deposit in such subaccount, if any. The Reserve Policy shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from such subaccount and applied to the payment of a Principal Installment of or interest on any Bonds of each Additionally Secured Series secured thereby and such withdrawal cannot be met by amounts on deposit in such subaccount. The entity providing any Reserve Policy shall meet the qualifications set forth in the Supplemental Resolution establishing such subaccount. If a disbursement is made pursuant to a Reserve Policy provided pursuant to this subsection, the City shall either (i) reinstate the maximum limits of such Reserve Policy or (ii) deposit into the subaccount established in the Debt Service Reserve Account funds in the amount of the disbursement made under such Reserve Policy, or a combination of such alternatives, as shall provide that the amount in such subaccount equals the Debt Service Reserve Requirement related thereto, in each case in the manner and to the extent required by the Supplemental Resolutions applicable thereto. In the event that (X) the rating attributable to any insurer or bank or trust company providing a Reserve Policy held as above provided in any separate subaccount in the Debt Service Reserve Account, fall below that required by the Supplemental Resolution applicable thereto, or (Y) shall terminate prior to the maturity of the Series of Bond secured thereby, the City shall either (i) replace such Reserve Policy with an insurer or bank or trust company providing a Reserve Policy held as above provided in any separate subaccount in the Debt Service Reserve Account meeting the requirements applicable thereto or (ii) deposit into such separate subaccount in the Debt Service Reserve Account sufficient funds, or a combination of such alternatives, as shall provide that the amount in such separate subaccount in the Debt Service Reserve Account equals the Debt Service Reserve Requirement related thereto, in each case in the manner and to the extent required by the Supplemental Resolution applicable thereto.

5. In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, the Trustee shall, if the City so directs, withdraw from the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established for the benefit of the Bonds of such Additionally Secured Series all, or any portion of, the amounts accumulated therein and deposit such amounts with itself as Trustee or such other Depository to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to paragraph 2 of Section 1201, and (b) the amount remaining in such separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such subaccount pursuant to

paragraph 4 of this Section 508, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement related thereto. In the event of such refunding or defeasance, the City may also direct the Trustee to withdraw from such separate subaccount in the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Resolution; provided that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied; and provided further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Resolution.

6. If on any valuation date the amount on deposit in the Debt Service Reserve Account or any subaccount therein is less than 100% of the Debt Service Reserve Requirement as a result of a decline in the market value of investments in the Debt Service Reserve Account or any subaccount therein, the City shall deposit in the Debt Service Reserve Account or any such subaccount therein the amount necessary to restore the amount on deposit therein to the Debt Service Reserve Requirement (i) within not more than 90 days following the date of such valuation, or (ii) with respect to a subaccount in the Debt Service Reserve Account created by a Supplemental Resolution, as otherwise provided by such Supplemental Resolution.

**SECTION 509. Subordinated Indebtedness Fund.** 1. Subject to paragraph 3 hereof, the Trustee shall apply amounts in the Subordinated Indebtedness Fund to the payment of the principal or sinking fund installments of and interest and premium and other amounts due on each issue of Subordinated Indebtedness and reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Supplemental Resolution authorizing each issue of Subordinated Indebtedness.

2. At any time and from time to time the City may deposit in the Subordinated Indebtedness Fund for the payment of the principal or sinking fund installments of and interest and premium and other amounts due on each issue of Subordinated Indebtedness amounts received from the proceeds of additional issues of Subordinated Indebtedness or amounts received from any other source.

3. If at any time the amounts in the Debt Service Account or in any separate subaccount in the Debt Service Reserve Account shall be less than the current requirements of such accounts, respectively, pursuant to clause (3) of paragraph 1 of Section 505 and there shall not be on deposit in the Utilities Plant Improvement Fund available moneys sufficient to cure such deficiency, then the Trustee shall withdraw from the Subordinated Indebtedness Fund and deposit in the Debt Service Account or such separate subaccount(s) in the Debt Service Reserve Account, as the case may be, the amount necessary (or all the moneys in said Fund, if less than the amount necessary) to make up such deficiency (or, if the amount in said Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency in the Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

**SECTION 510. Utilities Plant Improvement Fund.** 1. Amounts deposited in the Utilities Plant Improvement Fund shall be applied to (i) payments into the Debt Service Account or into any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund; (ii) payments for the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System and emergency repairs thereto; (iii) payments into the Subordinated Indebtedness Fund; (iv) purchasing, redeeming or other costs associated with Bonds and/or Subordinated Indebtedness; provided, however, that in the case of the purchase of Bonds and/or Subordinated Indebtedness, the Bonds and/or Subordinated Indebtedness shall be purchased at a price not to exceed the principal amount and Redemption Price which

would be applicable if the Bonds and/or Subordinated Indebtedness were redeemed at the time of the intended purchase or as soon thereafter as such Bonds and/or Subordinated Indebtedness shall be subject to redemption; or (iv) otherwise to provide for the payment of the Bonds and/or Subordinated Indebtedness. If at any time amounts on deposit in the Utilities Plant Improvement Fund are determined by the City to be in excess of the requirements thereof, and other moneys are not available for the payment of Operation and Maintenance Expenses, then such excess may be used for the payment of Operation and Maintenance Expenses.

2. If and to the extent provided in a Supplemental Resolution authorizing Bonds of a Series, amounts from the proceeds of such Bonds may be credited to the Utilities Plant Improvement Fund as specified in the Supplemental Resolution for any purpose of such Fund.

3. No payments shall be made from the Utilities Plant Improvement Fund if and to the extent that the proceeds of insurance or other moneys recoverable as the result of damage, if any, are available and have been received to pay the costs otherwise payable from such Fund.

4. If at any time the amounts in the Debt Service Account or in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall be less than the current requirement of such Accounts, respectively, pursuant to clause (3) of paragraph 1 of Section 505, then the City shall transfer from the credit of the Utilities Plant Improvement Fund to the Trustee for deposit in the Debt Service Account or any separate subaccount in the Debt Service Reserve Account, as the case may be, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up any deficiencies in payments to said Accounts required by clause (3) of paragraph 1 of Section 505; provided, however, if the amount in said Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency in the Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount.

5. If at any time the amounts in the Subordinated Indebtedness Fund shall be less than the current requirement of such Fund and the amounts on deposit in the Debt Service Account and in each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall equal the current requirement of such Accounts, respectively, pursuant to clause (3) of paragraph 1 of Section 505 and such amounts are not required for payment of Operation and Maintenance Expenses, then the City shall transfer from the credit of the Utilities Plant Improvement Fund to the Trustee for deposit in the Subordinated Indebtedness Fund the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

**SECTION 511. Credits Against Sinking Fund Installments.** If at any time Bonds of any Series or maturity for which Sinking Fund Installments shall have been established are purchased or redeemed other than pursuant to paragraph 2 of Section 507 or deemed to have been paid pursuant to paragraph 2 of Section 1201 and, with respect to such Bonds which have been deemed paid, irrevocable instructions have been given to the Trustee to redeem or purchase the same on or prior to the due date of the Sinking Fund Installment to be credited under this Section 511, the City may from time to time and at any time by written notice to the Trustee specify the portion, if any, of such 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. Such notice shall specify the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; provided, however, that none of such 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. All such Bonds

to be applied as a credit shall be surrendered to the Trustee for cancellation on or prior to the due date of the Sinking Fund Installment against which they are being applied as a credit. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

**SECTION 512. Subordinated Indebtedness.** The City may, at any time, or from time to time, issue Subordinated Indebtedness for any lawful purpose payable out of, and which may be secured by a security interest in and pledge and assignment of such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof as provided in Section 509; provided, however, that any security interest and pledge and assignment shall be, and shall be expressed to be, subordinate in all respects to the security interest in and pledge and assignment of the Trust Estate created by the Resolution as security for the Bonds.

## ARTICLE VI

### DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

**SECTION 601. Depositories.** 1. All moneys held by the Trustee and the Co-Trustee under the provisions of the Resolution shall constitute trust funds and the Trustee and Co-Trustee may deposit such moneys with one or more Depositories in trust for said parties. All moneys held by the City under the Resolution shall, except as otherwise provided herein, constitute trust funds and the City shall deposit such money with one or more Depositories in trust for the Trustee and the Co-Trustee, if any. All moneys deposited under the provisions of the Resolution with the Trustee, the Co-Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

2. Each Depository shall be a bank, savings and loan association or trust company organized under the laws of any state of the United States or a national banking association having capital stock, surplus and undivided earnings aggregating at least \$10,000,000 and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution.

3. Moneys and securities credited to any Fund or Account under the Resolution held by the City may be commingled with moneys and securities credited to other Funds or Accounts under the Resolution held by the City for purposes of establishing checking or other bank accounts, for purposes of investing funds or otherwise; provided, however, the City shall at all times maintain or cause to be maintained accurate books and records reflecting the amounts credited to each Fund and Account under the Resolution held by the City. All withdrawals from any commingled moneys shall be charged against the proper Fund or Account under the Resolution and no moneys shall be withdrawn from commingled moneys if there is not on credit to the Fund or Account under the Resolution to be charged sufficient funds to cover such withdrawal.

**SECTION 602. Deposits.** 1. All Revenues and other moneys held by any Depository under the Resolution may be placed on demand or time deposit, if and as directed by the City, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. All such moneys deposited with a Fiduciary, acting as a Depository, may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the

City and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

2. All moneys held under the Resolution by the Trustee, Co-Trustee or any Depository shall not at any time exceed 10% of the combined capital, surplus and undivided earnings of the Trustee, Co-Trustee or such Depository, as the case may be, unless such moneys are (x) either (1) fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (2) secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by lodging with the Trustee, or Co-Trustee, as custodian, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such moneys (or portion thereof not insured by the Federal Deposit Insurance Corporation), and held in such other manner as may then be required by applicable Federal or State of Florida laws and regulations and applicable state laws and regulations of the state in which the Trustee, Co-Trustee or such Depository (as the case may be) is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that, to the extent permitted by law, it shall not be necessary for the Fiduciaries to give security under this paragraph 2 for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal or Redemption Price of or interest on any Bonds, or for the Trustee, Co-Trustee or any Depository to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys, or (y) collateralized to the extent required by Depositories under Florida law with respect to deposits of the City.

3. All moneys deposited with the Trustee, Co-Trustee and each Depository shall be credited to the particular Fund or Account to which such moneys belong.

4. Whenever moneys are required to be transferred from one Fund or Account created under the Resolution to another Fund or Account, such transfer may be made by the transfer of cash or the transfer of Investment Securities in an amount sufficient to satisfy the purpose for which such transfer is required.

**SECTION 603. Investment of Certain Funds.** Moneys held in the Debt Service Account in the Debt Service Fund and in the Debt Service Reserve Account in the Debt Service Fund shall be invested and reinvested to the fullest extent practicable in Investment Securities as shall be directed by the City which mature not later than at such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts. Subject to the terms of any resolutions, indentures, or other instruments securing any issue of Subordinated Indebtedness, moneys in the Subordinated Indebtedness Fund shall be invested and reinvested to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from said Fund. Moneys held in the Revenue Fund and the Construction Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Moneys in the Rate Stabilization Fund and the Utilities Plant Improvement Fund may be invested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to provide payments from such Funds or Accounts. The Trustee or the Co-Trustee, as the case may be, shall make all such investments of moneys held by it in accordance with written instructions received from any Authorized Officer of the City. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution, the City may, and may instruct the Trustee and the Co-Trustee to, combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund, to the extent the balance in such fund or account exceeds the minimum amount required to be on deposit therein, shall be paid into the Revenue Fund; provided, however, that if the City so directs, such income earned on moneys or investments in any Fund or Account, or any portion thereof, shall be paid into the Construction Fund. Interest earned on any moneys or investments in the Construction Fund shall be held in such Fund for application as provided in Section 503 or, if so directed by the City, paid into the Revenue Fund and applied for such purpose that in the opinion of Bond Counsel will not, in and of itself, result in interest on any tax-exempt Bonds to be includable in the gross income of the holders thereof for Federal income tax purposes.

Nothing in the Resolution shall prevent any Investment Securities acquired as investments of funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

**SECTION 604. Valuation and Sale of Investments.** Obligations purchased as an investment of moneys in any Fund created under the provisions of the Resolution shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to such Fund.

In computing the amount in any Fund created under the provisions of the Resolution for any purpose provided in the Resolution, obligations purchased as an investment of moneys therein shall be valued at their fair market value as of the date of determination. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such computation shall be made as of September 30 in each year and at such other times as the City shall determine. In the event that the City causes to be deposited in any separate subaccount in the Debt Service Reserve Account for the benefit of the holders of Bonds of any Additionally Secured Series, pursuant to the provisions of paragraph 4 of Section 508, an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation, such surety bond, insurance policy, letter of credit or other obligation shall be valued at the lesser of the face amount thereof or the maximum amount available thereunder.

Except as otherwise provided in the Resolution, the Trustee or the Co-Trustee, if any, shall sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Officer of the City so to do. Whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by the Trustee or the Co-Trustee, if any, the Trustee or the Co-Trustee, if any, shall sell at the best price obtainable or present for redemption such obligation or obligations designated by an Authorized Officer of the City necessary to provide sufficient moneys for such payment or transfer; provided, however, that if the City fails to provide such designation promptly after request thereof by the Trustee or the Co-Trustee, if any, the Trustee or the Co-Trustee, if any, may in its discretion select the obligation or obligations to be sold or presented for redemption. Neither the Trustee nor the Co-Trustee, if any, shall be liable or responsible for any loss resulting from the making of any such investment or the sale of any obligation in the manner provided above.

## ARTICLE VII

### PARTICULAR COVENANTS OF THE CITY

The City covenants and agrees with the Trustee and the Bondholders as follows:

**SECTION 701. Payment of Bonds.** The City shall duly and punctually pay or cause to be paid, but solely from the Trust Estate, and, in the case of the Bonds of each Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund with respect thereto, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof.

**SECTION 702. Reserved.**

**SECTION 703. Offices for Servicing Bonds.** Except as may be otherwise provided in any Supplemental Resolution with respect to any Series of Bonds, to the extent any Bonds (other than Parity Reimbursement Obligations) Outstanding are not held in Book-Entry Form, the City shall at all times maintain one or more agencies in New York, New York where Bonds may be presented for payment and shall at all times maintain one or more agencies in New York, New York where Bonds may be presented for registration, transfer or exchange. The City shall at all times maintain one or more agencies in New York, New York where notices, demands and other documents may be served upon the City in respect of the Bonds or of the Resolution. The City hereby appoints the Trustee, initially, as the Bond Registrar to maintain the agency for the registration, transfer or exchange of Bonds, and for the service upon the City of such notices, demands and other documents, and the Trustee or any successor Bond Registrar shall continuously maintain or make arrangements to provide such services. The City hereby appoints the Paying Agents in such cities as its respective agents to maintain such agencies for the payment or redemption of Bonds.

**SECTION 704. Further Assurance.** At any and all times the City shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee or the Co-Trustee to pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged or assigned, or intended so to be, or which the City may become bound to pledge or assign.

**SECTION 705. Power to Issue Bonds and Pledge Revenues and Other Funds.** The City is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Trust Estate and, in the case of the Bonds of each Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund with respect thereto, in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Resolution, the Trust Estate and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the security interest, pledge and assignment created by the Resolution, and all corporate or other action on the part of the City to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the City in accordance with their terms and the terms of the Resolution. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

**SECTION 706. Power to Fix and Collect Rates, Fees and Charges.** The City has, and will have as long as any Bonds are Outstanding, good right and lawful power to establish and collect rates, fees and charges with respect to the use and the sale of the capacity, output or service of the System subject to the terms of contracts relating thereto and subject to the jurisdiction of any applicable regulatory authority.

**SECTION 707. Creation of Liens; Sale and Lease of Property.** 1. The City shall not issue any bonds, notes, debentures, or other evidences of indebtedness of similar nature, other than the Bonds and Parity Hedging Contract Obligations, payable out of or secured by a security interest in or pledge or assignment of the Trust Estate, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or other moneys, securities or funds held or set aside by the City or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on the Trust Estate, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent the City from issuing, if and to the extent permitted by law, (i) evidences of indebtedness (a) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of the System, or (b) payable out of, or secured by a security interest in or pledge or assignment of, Revenues to be received on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in Section 1201, (ii) Subordinated Indebtedness, and (iii) any other indebtedness which contains an express statement that such obligations are junior and subordinate in all respects to the Bonds issued hereunder as to lien on, source of and security for payment from Revenues and the Trust Estate.

2. No part of the System shall be sold, leased, mortgaged or otherwise disposed of, except as follows:

(1) The City may sell or exchange at any time and from time to time any property or facilities constituting part of the System only if it shall determine that the sale or exchange of such property or facilities will not impair the ability of the City to comply during the current or any future Fiscal Year with the provisions of Section 710. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Utilities Plant Improvement Fund or shall be deposited into the Debt Service Fund and used to provide for the payment of principal of and interest on a Series of Bonds as such Bonds shall become due or for the redemption thereof or shall be applied for such other purposes that in the opinion of Bond Counsel will not, in and of itself, result in interest on any tax-exempt Bonds to be includable in the gross income of the holders thereof for Federal income tax purposes; and

(2) In addition to any agreement currently in effect to which the City is a party relating to the ownership or operation of any part of the System or the use of the output thereof, the City may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by the City or its agents of the System and (ii) does not in any manner materially impair or adversely affect the rights or security of the Bondholders under the Resolution; and provided, further, that if the book value of the property to be covered by any such lease, contract, license, arrangement, easement or other right is in excess of 1% of the book value of the total assets of the System at such time, the City shall first file with the Trustee a certificate of an Authorized Officer of the City setting forth a determination of the Commission that the action of the City with respect thereto does not result in a breach of the conditions under this clause (2). Any payments received by the City under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues;

(3) The limitations imposed upon the City by clauses (1) and (2) of this paragraph 2 shall not apply to any disposition of property by the City where: (i) such property is leased back to the City under a lease having a term of years (including renewal options) of not less than 75% of the remaining estimated useful life of the property computed from the date of disposition and lease, (ii) fair value to the City (as determined by the City) is received by the City for the property subject to such transaction, (iii) proceeds of such transaction, after payment of expenses, are set aside as a

deposit in the Utilities Plant Improvement Fund, and (iv) the Trustee receives a certified copy of resolutions of the Commission to the effect that, based upon such certificates and opinions as the Commission shall deem necessary or appropriate, the Commission has determined that the disposition and lease are not materially adverse to the Holders of the Bonds; and

(4) The City may permanently discontinue the acquisition or construction of any portion of the System as provided in paragraph 5 of Section 503.

**SECTION 708. Annual Budget.** For each Fiscal Year the City shall prepare and adopt a budget for the System for the next ensuing Fiscal Year. If necessary, the City shall promptly increase rates if and when any such increase is required in order to produce budgeted anticipated Revenues, taking into account amounts on deposit in any funds or accounts established herein, to comply with the requirements of the rate covenant in Section 710 hereof.

**SECTION 709. Operation and Maintenance of 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.

**SECTION 710. Rates, Fees and Charges.** 1. 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.

2. 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.

3. In estimating Aggregate Debt Service on any Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes for purposes of paragraph 1 of this Section 710, 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.

**SECTION 711. Enforcement of Charges and Connections.** The City shall compel the prompt payment of rates, fees, rentals and charges imposed for service rendered by the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the City having to do with electric, water, wastewater, natural gas and telecommunications connections and charges and any other System charges, and all of the rights and remedies permitted the City under law. The City by this Section expressly covenants and agrees to exercise and enforce every right and remedy legally available to it to the end that such rates, fees, rentals and charges will be enforced and promptly collected to the full extent permitted by law.

**SECTION 712. Maintenance of Insurance; Reconstruction; Application of Insurance Proceeds.** 1. The City shall provide protection for the System both in accordance with the requirements of all agreements, if any, to which the City may at the time be a party with respect to joint ownership by the City with others of electric, water, wastewater, natural gas, telecommunications or other System facilities, and in accordance with Prudent Utility Practice. Said protection may consist of insurance, self insurance and indemnities. The City will keep, or cause to be kept, the works, plants and facilities comprising the properties of the System insured, and will carry such other insurance against fire and other risks, accidents or casualties at least to the extent and of the kinds that insurance is usually carried by governmental utilities operating like properties in the State of Florida. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the City and may provide for such deductibles, exclusions, limitations, restrictions and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the System. Any self insurance shall be in the amounts, manner and of the type provided by entities operating properties similar to the properties of the System.

2. In the event of any loss or damage to the System covered by insurance, the City will, at its option, (i) with respect to each such loss, promptly repair, reconstruct or replace the parts of the System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the System, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, or (ii) purchase or redeem Bonds, or (iii) deposit into the Revenue Fund, if the failure to repair, reconstruct, or replace such property facilities will not impair the ability of the City to comply during the current or any future Fiscal Year with the provisions of Section 710, and upon receipt of an opinion of Bond Counsel to the effect that such deposit will not, in and of itself, cause interest on any tax-exempt Bonds issued hereunder to become includable in the gross income of the holders thereof for federal income tax purposes. Pending such application the City shall hold the proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the City shall be transferred to the Revenue Fund and applied for such purposes that in the opinion of Bond Counsel will not, in and of itself, cause interest on any tax-exempt Bonds issued hereunder to become includable in the gross income of the holders thereof for federal income tax purposes. Proceeds received from such insurance proceeds and condemnation awards shall not be deemed Revenues.

**SECTION 713. Accounts and Reports.** 1. The City shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the System and each Fund and Account established under the Resolution in accordance with the Uniform System of Accounts. All such books of record, together with all other books and papers of the City, including insurance policies, relating to the System, shall at all times be subject to the inspection of the Trustee, the Co-Trustee and the Holders of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

2. The Trustee and the Co-Trustee shall advise the City promptly after the end of each month of their respective transactions during such month relating to each Fund and Account held by them under the Resolution. The City shall advise the Trustee and the Co-Trustee, if any, promptly after the end of each fiscal quarter of transactions during such quarter relating to each Fund and Account held by it under the Resolution.

3. The City shall annually cause to be prepared an audit of its accounts and records after the end of each Fiscal Year by an independent certified public accountant of recognized standing. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments.

4. In the event that the annual report of the City pursuant to paragraph 3 of this Section 713 shows that the Net Revenues for the preceding Fiscal Year were not equal to at least 1.10 times the Aggregate Debt Service for such preceding Fiscal Year, the City shall cause the Consulting Engineer to file with the City, the Trustee and the Co-Trustee, if any, a certificate stating specific changes in operation procedures or revisions in rates, fees and charges, or both, which may be made and which would, in the aggregate, in its opinion, have resulted in Net Revenues being equal to at least 1.25 times the Aggregate Debt Service for such preceding Fiscal Year. Within 30 days of receipt of any such certificate, the City shall be entitled to present to the Consulting Engineer, for its consideration, alternative recommendations for the purpose of achieving such level of debt service coverage. The City covenants and agrees to effect the changes, revisions or both, which the Consulting Engineer determines, after consideration of the recommendations of the City, would, in the aggregate, have produced such level of debt service coverage. The Consulting Engineer shall promptly file a certificate setting forth such determination with the City, the Trustee and the Co-Trustee, if any.

5. The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Resolution shall be available for the inspection of Bondholders at the office of the Trustee and shall be mailed to each Bondholder who shall file a written request therefor with the City. The City may charge for such reports, statements and other documents, a reasonable fee to cover reproduction, handling and postage.

**SECTION 714. Payment of Taxes and Charges.** The City will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of the City or upon the rights, revenues, income, receipts, and other moneys, securities and funds of the City when the same shall become due (including all rights, moneys and other property transferred, assigned or pledged under the Resolution), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which the City shall in good faith contest by proper legal proceedings if the City shall in all such cases have set aside on its books reserves deemed adequate with respect thereto.

**SECTION 715. No Diminution of Rights.** The City will not enter into any contract or arrangement, nor take any action, the results of which might impair or diminish the rights of the Holders of the Bonds. The City, unless prevented by lawful authority beyond control of the City, shall continue to render electric, water, wastewater and other services of the System within the unincorporated areas of Alachua County and shall continue to extend such services as reasonably prudent so to do. The City shall not voluntarily give up any service area of the System unless the City shall determine that such action will not materially impair or diminish the rights of the Holders of the Bonds, and the City shall in good faith resist all efforts which may result in the diminution of such service area. The City shall not surrender its power and authority to fix and maintain rates and conditions for services of the System, and the City shall in good faith resist all efforts which may result in the abridgement or diminution of any such power and authority.



**SECTION 716. Governmental Reorganization.** Notwithstanding any other provisions of this Resolution, including without limitation, paragraph 2 of Section 707 and Section 715 hereof, this Resolution shall not prevent any lawful reorganization of the governmental structure of the City, including a merger or consolidation of the City with another public body or the transfer of a public function of the City to another public body, provided that any reorganization which affects the System shall provide that the System shall be continued as a single enterprise and that any public body which succeeds to the ownership and operation of the System shall also assume all rights, powers, obligations, duties and liabilities of the City under this Resolution and pertaining to all Bonds. Except as permitted in this Section 716, the City shall not cause or permit its corporate existence to be abolished and shall resist all attempts to contract or diminish the territorial limits of the City or the service area of the System. This Resolution may be amended to revise the definitions of the City and the Commission to reflect such governmental reorganization and this Resolution may be amended in any other respect as determined by the City will not adversely affect the rights of the Holders of the Bonds in order to effectuate such reorganization. The governmental reorganization hereby expressly includes amendments necessary if and to the extent that a referendum held pursuant to in accordance with House Bill No. 759 or such other actions of the City, approves amending the City's Charter, to effectuate a reorganization of the management and operation of the City.

**SECTION 717. Change of Utility Functions.** The City may expand the utility functions of the System as they exist on the date hereof as permitted by the proviso contained in the definition of "System" in Section 101, only if the City files with the Trustee a certified copy of resolutions of the Commission to the effect that, based upon such certificates and opinions of its Consulting Engineers, independent certified public accountants, bond counsel, financial advisors or other appropriate advisors as the Commission shall deem necessary or appropriate, the addition of such utility functions (a) will not impair the ability of the City to comply during the current or any future Fiscal Year with the provisions of the Resolution, including specifically Section 710, and (b) will not materially adversely affect the rights of the Holders of the Bonds.

Notwithstanding any other provisions of this Resolution, including without limitation, paragraph 2 of Section 707 and Section 715 hereof, the definition of "System" may be amended to specifically exclude any component thereof, other than the electric system, water system and wastewater system, provided that before it shall become effective, the City shall submit to the Trustee (i) a certificate to the effect that the remaining Revenues in the year in which the exclusion is to be made will be sufficient to meet the City's Rate Covenant in Section 710 in such year and (ii) a certificate from a Consulting Engineer reasonably acceptable to each Credit Enhancer to the effect that, based on its projections and subject to customary assumptions and limitations, the deletion of such revenues from the lien of this Resolution will not adversely affect the City's ability to meet the City's Rate Covenant pursuant to Section 710 in each of the five Fiscal Years following the effective date of such amendment.

The City covenants that it will provide each of the national rating agencies then carrying an effective rating on the Bonds with a copy of any amendments made to this Resolution pursuant to the provisions hereof; however, failure to timely provide such notice shall not effect the validity of any such amendment or cause a default under this Resolution.

**SECTION 718. General.** 1. The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of the Act and the Resolution.

2. Upon the date of authentication and delivery of any of the Bonds, 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 such Bonds shall exist, have happened and have been performed and the issuance of such Bonds shall comply in all respects with the applicable laws of the State of Florida.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

**SECTION 801. Events of Default.** If one or more of the following Events of Default shall happen:

(i) if default shall be made in (a) the due and punctual payment of the principal or Redemption Price of any Bond (other than Parity Reimbursement Obligations) when and as the same shall become due and payable, whether at maturity or by call or proceedings for redemption, or otherwise, (b) in the due and punctual payment of any amounts due on Parity Reimbursement Obligations (after the lapse of any notice requirements or grace periods, or both, as provided by the applicable Parity Reimbursement Obligation);

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment, when and as such interest installment or Sinking Fund Installment shall become due and payable;

(iii) the Revenues in any Fiscal Year shall be inadequate to comply with the requirements of Section 710 hereof, unless the City promptly takes remedial action to ensure compliance thereafter consistent with the determination of the Consulting Engineer rendered pursuant to paragraph 4 of Section 713 hereof;

(iv) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall have continued for a period of 90 days after written notice specifying such default and requiring that it shall have been remedied and stating that such notice is a "Notice of Default" hereunder is given to the City by the Trustee or to the City and to the Trustee by the Holders of not less than 25% in principal amount of the Bonds Outstanding; provided, however, the City shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the City in good faith institutes applicable curative action and within 90 days of such notice diligently pursues such action until the default has been corrected;

(v) a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the City in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the City or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of ninety (90) days; or

(vi) the City shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the City or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the City and the Co-Trustee, if any), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the City, the Trustee and the Co-Trustee,

if any), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest on the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee and the Co-Trustee, if any, and all other sums then payable by the City under the Resolution, including, without limitation, Parity Hedging Contract Obligations then due (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration), shall either be paid by or for the account of the City or provision satisfactory to the Trustee and the Co-Trustee, if any, shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of 25% in principal amount of the Bonds Outstanding, by written notice to the City, the Trustee and the Co-Trustee, if any, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of 25% in principal amount of the Bonds Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default shall *ipso facto* be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

**SECTION 802. Accounting and Examination of Records After Default.** 1.

The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of records and accounts of the City and all other records relating to the System shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

2. The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

**SECTION 803. Application of Revenues and Other Moneys After Default.** 1.

The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the City in any Fund under the Resolution, and (ii) all Revenues as promptly as practicable after receipt thereof.

2. During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Article (other than amounts on deposit in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund) as follows and in the following order:

- (i) Expenses of Fiduciaries – to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries;
- (ii) Operation and Maintenance Expenses – to the payment of the amounts required for reasonable and necessary Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the System necessary in the judgment of the Trustee to prevent a loss of Revenues. For this purpose the books of records and accounts of the City relating

to the System shall at all times be subject to the inspection of the Trustee and its representatives and agents during the continuance of such Event of Default;

(iii) Principal or Redemption Price and Interest – to the payment of the interest and principal or Redemption Price then due on the Bonds and the interest and principal components of Parity Hedging Contract Obligations, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest – To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and on the interest component of Parity Hedging Contract Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price – To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds and the principal component of Parity Hedging Contract Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds and the principal component of Parity Hedging Contract Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds and the principal and interest components of Parity Hedging Contract Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond or Parity Hedging Contract Obligation over any other Bond or Parity Hedging Contract Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and the Parity Hedging Contract Obligations.

During the continuance of an Event of Default, the Trustee shall apply all amounts on deposit in each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund as follows and in the following order:

(c) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest – To the payment to the persons entitled thereto of all installments of interest then due on the Bonds of each Additionally Secured Series secured by such separate subaccount in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds of such Additionally Secured Series theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price – To the payment to the persons entitled thereto of the unpaid principal or sinking fund Redemption Price of any Bonds of such Additionally Secured Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or sinking fund Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(d) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of each Additionally Secured Series secured by such separate subaccount without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

3. If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the City under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, shall either be paid by or for the account of the City, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the City all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the City and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution. No such payment over to the City by the Trustee nor such restoration of the City and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

**SECTION 804. Appointment of Receiver.** The Trustee shall have the right to apply in an appropriate proceeding for the appointment of a receiver of the System.

**SECTION 805. Proceedings Brought by Trustee.** 1. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than 25% in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted or any remedy granted under the Act, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

2. All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

3. The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the

Trustee shall have the right to decline to follow any such direction if (a) the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, (b) the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability, unless such holders shall agree to indemnify the Trustee against such liability and shall post bond in respect of such indemnity, or (c) the Trustee in good faith shall determine that the action or proceeding so directed would be unjustly prejudicial to the Bondholders not parties to such direction.

4. Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

5. Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

**SECTION 806. Restriction on Bondholder's Action.** 1. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Holders of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the other laws of Florida or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holders' action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 702.

2. Nothing in the Resolution or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay, solely from the Trust Estate and, in the case of the Bonds of any Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established with respect thereto, at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of such Holder's Bond.

**SECTION 807. Remedies Not Exclusive.** No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law, including under the Act, or in equity or by statute on or after the date of adoption of the Resolution.

**SECTION 808. Effect of Waiver and Other Circumstances.** 1. No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

2. Prior to the declaration of maturity of the Bonds as provided in Section 801, the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

**SECTION 809. Notice of Default.** The Trustee shall promptly mail written notice of the occurrence of any Event of Default to each registered owner of Bonds then Outstanding at such owner's address, if any, appearing on the registry books of the City.

## ARTICLE IX

### CONCERNING THE FIDUCIARIES

**SECTION 901. Trustee and Co-Trustee; Appointment and Acceptance of Duties.** 1. U.S. Bank Trust National Association shall serve as the initial Trustee hereunder.

2. The Co-Trustee, if any, shall be appointed by a Supplemental Resolution. The Co-Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution and all other agreements with the City by executing and delivering to the City a written acceptance thereof.

**SECTION 902. Paying Agents; Appointment and Acceptance of Duties.** 1. The City shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 913 for a successor Paying Agent. The Trustee or the Co-Trustee may be appointed a Paying Agent.

2. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the City and to the Trustee a written acceptance thereof.

3. Unless otherwise provided, the offices of the Paying Agents are designated as the respective offices or agencies of the City for the payment of the interest on and principal or Redemption Price of the Bonds.

**SECTION 903. Responsibilities of Fiduciaries.** 1. The recitals herein and in the Bonds contained shall be taken as the statements of the City, and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representation as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Resolution to or upon the order of the City or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly

indemnified. Subject to the provisions of paragraph 2 of this Section 903, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

2. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Any provision of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 903.

**SECTION 904. Evidence on Which Fiduciaries May Act.** 1. Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may reasonably consult with counsel, who may or may not be of counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

2. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the City, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as may seem reasonable to it.

3. Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the City to any Fiduciary shall be sufficiently executed when the same is executed in the name of the City by an Authorized Officer of the City.

**SECTION 905. Compensation.** Prior to its appointment, each Fiduciary shall file with the City a negotiated schedule of anticipated fees and charges for services to be performed pursuant to the Resolution. The City shall pay to each Fiduciary from time to time pursuant to such schedule reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and other persons not regularly in its employ, incurred in and about the performance of its powers and duties under the Resolution, and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under the Resolution.

**SECTION 906. Certain Permitted Acts.** Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

**SECTION 907. Resignation of Trustee or Co-Trustee.** The Trustee or the Co-Trustee may at any time resign and be discharged from the duties and obligations created by the Resolution by giving notice of such resignation as hereinafter provided. Such notice shall specify the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the City or the Bondholders as provided in Section 909, in which event such resignation shall take effect immediately on the appointment of such successor. Such notice shall be mailed by first class mail, postage prepaid, not less than 60 days prior to the proposed date on which such resignation shall become effective, to the City, the Co-Trustee and the Holders of all Outstanding Bonds, at their last addresses, if any, appearing upon the registration books of the City kept by the Bond Registrar.

**SECTION 908. Removal of Trustee or Co-Trustee.** The Trustee or the Co-Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing, filed with the Trustee or the Co-Trustee, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized. So long as no Event of Default or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee or the Co-Trustee may be removed at any time for cause by resolution of the City filed with the Trustee or the Co-Trustee, as the case may be.

**SECTION 909. Appointment of Successor Trustee or Co-Trustee.** 1. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the City by a duly executed written instrument signed by an Authorized Officer of the City, but if the City does not appoint a successor Trustee within 60 days, then by the Holders of a majority in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. The City shall give notice of any such appointment made by it or the Bondholders by first class mail, postage prepaid, within 20 days after such appointment, to the Holders of all Outstanding Bonds, at their last addresses, if any, appearing upon the registration books of the City kept by the Bond Registrar.

2. In case at any time the Co-Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Co-Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Co-Trustee, or of its property or affairs, a successor may be appointed by the City by a duly executed written instrument signed by an Authorized Officer of the City, but if the City does not appoint a successor Co-Trustee within 60 days then the Trustee shall automatically, without any further act, deed or conveyance, become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of the predecessor Co-Trustee with like effect as if originally vested with the same. The City shall give notice of any such appointment or transfer by first class mail, postage prepaid, within 20 days after such appointment or transfer, to the Holders of all Outstanding Bonds, at their last addresses, if any, appearing upon the registration books of the City kept by the Bond Registrar.

3. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the City written notice as provided in Section 907 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Co-Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

4. Any Trustee or Co-Trustee appointed under the provisions of this Section in succession to the Trustee or Co-Trustee shall be a bank or trust company or national banking association, having capital stock, surplus and undivided earnings aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

**SECTION 910. Transfer of Rights and Property to Successor Trustee or Co-Trustee.** Any successor Trustee or Co-Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee or Co-Trustee, and also to the City, an instrument accepting such appointment, and thereupon such successor Trustee or Co-Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee or Co-Trustee, with like effect as if originally named as Trustee or Co-Trustee; but the Trustee or Co-Trustee ceasing to act shall nevertheless, on the written request of the City, or of the successor Trustee or Co-Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee or Co-Trustee all the right, title and interest of the predecessor Trustee or Co-Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee or Co-Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the City be reasonably required by such successor Trustee or Co-Trustee for more fully and certainly vesting in and confirming to such successor Trustee or Co-Trustee any such estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City. The City shall promptly notify the Paying Agents of the appointment of any such successor Trustee or Co-Trustee.

**SECTION 911. Merger or Consolidation.** Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all duties imposed upon it by the Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

**SECTION 912. Adoption of Authentication.** In case any of the Bonds contemplated to be issued under the Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in any case of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in the Resolution provided that the certificate of the Trustee shall have.

**SECTION 913. Resignation or Removal of Paying Agent and Appointment of Successor.** 1. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days' written notice to the City, the Trustee, and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the City. Any successor Paying Agent shall be appointed by the City and shall be a bank or trust company organized under the laws of any state of the United States or national banking association, having capital stock, surplus and undivided earnings aggregating at least \$50,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

2. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

**SECTION 914. Bond Registrar.** 1. Any Bond Registrar may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days' written notice to the City and the Trustee, if the Bond Registrar is an institution other than the Trustee. The Bond Registrar may be removed at any time by an instrument filed with such Bond Registrar and the Trustee, if the Bond Registrar is an institution other than the Trustee, and signed by an Authorized Officer of the City, provided that a successor Bond Registrar has been appointed by the City.

2. The resignation or removal of the Trustee as Bond Registrar pursuant to paragraph 1 of this Section 914 shall not simultaneously constitute a resignation or removal of the Trustee. Any Trustee acting as Bond Registrar pursuant to Section 703, however, who resigns or is removed as Trustee pursuant to Section 907 or 908, respectively, shall automatically cease to be Bond Registrar, and the City may, at its option, appoint a successor Bond Registrar other than the successor Trustee.

## ARTICLE X

### SUPPLEMENTAL RESOLUTIONS

**SECTION 1001. Supplemental Resolutions Effective Upon Filing With the Trustee.** For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the City may be adopted, which, upon the filing with the Trustee and the Co-Trustee of a copy thereof certified by an Authorized Officer of the City shall be fully effective in accordance with its terms:

- (1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;
- (2) To add to the covenants and agreements of the City in the Resolution, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Resolution as theretofore in effect;
- (3) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Resolution as theretofore in effect;
- (4) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 202, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;
- (5) To confirm, as further assurance, any security interest, pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Resolution, of the Revenues or of any other moneys, securities or funds;
- (6) To modify any of the provisions of the Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds

of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(7) To authorize Subordinated Indebtedness or Parity Hedging Contract Obligations and, in connection therewith, specify and determine any matters and things relative to such Subordinated Indebtedness or Parity Hedging Contract Obligations which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Indebtedness or Parity Hedging Contract Obligations;

(8) To appoint the Co-Trustee;

(9) To provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in coupon form payable to bearer or in uncertificated form, and, in connection therewith, to specify and determine any matters and things relative thereto; and

(10) If and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of an obligation similar to a surety bond, insurance policy or letter of credit for deposit into the particular subaccount in the Debt Service Reserve Account securing the Bonds of such Additionally Secured Series.

**SECTION 1002. Supplemental Resolutions Effective Upon Consent of Trustee.** For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee and the Co-Trustee, if any, of a copy thereof certified by an Authorized Officer of the City, and (ii) the filing with the Co-Trustee, if any, and the City of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

- (1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;
- (2) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect; or
- (3) To make any other modification or amendment of the Resolution which the Trustee shall in its sole discretion determine will not have a material adverse effect on the interests of Bondholders.

In making any determination under clause (3) of this Section 1002, the Trustee may conclusively rely upon an Opinion of Counsel (which opinion may rely upon the opinions of experts) or a certificate of a Consulting Engineer, or a certificate of the financial advisor of the City, or any combination thereof in its discretion.

**SECTION 1003. Supplemental Resolutions Effective With Consent of Bondholders.** At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article XI, which Supplemental Resolution, upon the filing with the Trustee and the Co-Trustee, if any, of a copy thereof certified by an

Authorized Officer of the City and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

Bondholders shall be deemed to have provided consent pursuant to this Section 1003 if the offering document for such Bonds expressly describes the Supplemental Resolution and the amendments to this Resolution contained therein and states by virtue of the Bondholders' purchase of such Bonds the Bondholders are deemed to have notice of, and consented to, such Supplemental Resolution and amendments.

Notwithstanding any other provision of this 1003, to the extent permitted by law, at the time of issuance or remarketing of Bonds under this Resolution, a broker, dealer or municipal securities dealer, serving as underwriter or remarketing agent for such Bonds, or as agent for or in lieu of Holders of the Series Bonds, may provide consent to amendments to this Resolution pursuant to this Section 1003.

**SECTION 1004. General Provisions.** 1. The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI.

2. Any Supplemental Resolution referred to and permitted or authorized by Sections 1001 or 1002 may be adopted by the City without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Section. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by an Opinion of Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the City and enforceable in accordance with its terms.

3. The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Sections 1001 or 1002 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an Opinion of Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

4. No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

## ARTICLE XI

### AMENDMENTS

**SECTION 1101. Mailing and Publication.** 1. Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid or provided electronically only (i) to each registered owner of Bonds then Outstanding at such owner's address, if any, appearing upon the registry books of the City and (ii) to the Trustee.

2. Any provision in this Article for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

**SECTION 1102. Powers of Amendment.** Any modification or amendment of the Resolution and of the rights and obligations of the City and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 1103 (i) of the Holders of not less than a majority in principal amount of the Bonds Outstanding affected by the modification or amendment at the time such consent is given, and (ii) in case the

modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain outstanding the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes in any material respect the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine in reliance upon certificates of the City, the Consulting Engineer, the Financial Advisor to the City and Opinions of Counsel, whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be materially adversely affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the City and all Holders of Bonds. For purposes of this Section, the Holders of any Bonds may include the initial Holders thereof, regardless of whether such Bonds are being held for resale and regardless of whether such Bonds may thereafter have been transferred to subsequent owners. Bonds as used in Article X and this Article XI shall not include Parity Reimbursement Obligations.

**SECTION 1103. Consent of Bondholders.** The City may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1102 to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to affected Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to affected Bondholders (but failure of any affected Holder of a Bond to receive such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (with a copy to the Co-Trustee, if any) (a) the written consents of Holders of the percentages of affected Outstanding Bonds specified in Section 1102 and (b) an Opinion of Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the City in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the City and enforceable in accordance with its terms. It shall not be necessary that the consents of Holders of Bonds approve the particular form of wording of the proposed modification or amendment or of the proposed Supplemental Resolution effecting such modification or amendment, but it shall be sufficient if such consents approve the substance of the proposed amendment or modification. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. A certificate or certificates executed by the Trustee and filed with the Co-Trustee, if any, and the City stating that it has examined such proof and that such proof is sufficient in accordance with Section 1202 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be irrevocable and binding upon the Holder of the affected Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such affected Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required percentages of affected Bonds shall have filed their consents to the Supplemental Resolution, the Trustee may make and file with the Co-Trustee, if any, and the City a written statement that the Holders of such required percentages of affected Bonds have filed such consents. Such written statements shall be conclusive that

such consents have been so filed. A record, consisting of the certificates or statements required or permitted by this Section 1103 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the City, the Fiduciaries and the Holders of all Bonds immediately upon the filing with the Trustee of the proof of the giving of such last-mentioned notice.

**SECTION 1104. Modifications or Amendments by Unanimous Consent.** The terms and provisions of the Resolution and the rights and obligations of the City and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the City of a Supplemental Resolution and the consent of the Holders of all of the affected Bonds then Outstanding, such consent to be given as provided in Section 1103 except that no notice to affected Bondholders by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders.

**SECTION 1105. Exclusion of Bonds.** Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article XI, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee a certificate of an Authorized Officer of the City, upon which the Trustee may rely, describing all Bonds so to be excluded.

**SECTION 1106. Notation on Bonds.** Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of such Holder's Bond for the purpose at the corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the City or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the City to conform to such action shall be prepared, authenticated and delivered and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series, maturity and interest rate then Outstanding, upon surrender of such Bonds. Any action taken as in Article X or this Article XI provided shall be effective and binding upon all Bondholders notwithstanding that the notation is not endorsed on all Bonds.

**SECTION 1107. Utility Cost Containment Bonds.** Pursuant to Section 163.09, Florida Statutes, notwithstanding anything herein to the contrary, (i) if permitted by applicable law, the City may in the future cause or permit the creation of a property right referred to as a "utility project charge" or the like, levied on customers of the System as a separate charge on the utility bill, to secure utility cost containment bonds or other indebtedness issued or incurred by an interlocal agency or limited liability company in order to finance or refinance a utility project of the City or the System; (ii) revenues from a utility project charge shall not constitute Revenues of the City or the System for any purpose, including any dedication, commitment, or pledge of revenue, receipts, or other income that the City or the System has made or will make for the security of any of its obligations; and (iii) if the City or the System shall hold the money collected in trust from such utility project charge, such money shall not become Revenues by virtue of possession by the City or the System.

## ARTICLE XII

### MISCELLANEOUS

**SECTION 1201. Defeasance.** 1. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of the Trust Estate and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, and all covenants, agreements and other obligations of the City to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the City to be prepared and filed with the City and, upon the request of the City, shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the City all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, of and interest on Bonds. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any outstanding Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the City to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

2. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of this Section. In addition, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section (a) upon compliance with the provisions of subsection 3 of this Section or (b) if the City shall have satisfied all of the conditions precedent to such Bonds being so deemed to have been paid set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

3. Subject to the provisions of paragraph 4 through paragraph 8 of this Section, any Outstanding Bonds or portions thereof in authorized denominations shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee instructions to by the Trustee to give as provided in Article IV notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of the City or purchased or otherwise acquired by the City and delivered to the Trustee as hereinafter provided prior to the giving of such notice of redemption) on said date, (b) there shall have been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to paragraph 4 of Section 507 and paragraph 5 of Section 508) in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption or to be paid at maturity within the next succeeding 60 days, the City shall have given the Trustee in form satisfactory to it instructions to give, as soon as practicable, by electronic delivery or first-class mail, postage prepaid, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of paragraph 8 of this Section 1201, to be available for the payment of



the principal or Redemption Price, if applicable, on said Bonds (other than Bonds which have been purchased by the Trustee at the direction of the City or purchased or otherwise acquired by the City and delivered to the Trustee as hereinafter provided prior to the giving of the notice of redemption referred to in clause (a) hereof). Any notice given pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 1201 to the retirement of said Bonds in amounts equal to the unsatisfied balances (determined as provided in Section 511) of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Resolution.

The Trustee shall, if so directed by the City (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the giving of the notice of redemption referred to in clause (a) above with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Bonds, in respect of which such moneys and Defeasance Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the giving of the notice of redemption referred to in clause (a) with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, the City shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the City to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 1201. The directions given by the City to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 1201 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 1201 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 1201 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 1201 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy subclause (b) of this paragraph 2 of Section 1201, the Trustee shall, if requested by the City, pay the amount of such excess to the City free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

Except as otherwise provided in this paragraph 3 of Section 1201 and in paragraph 4 through paragraph 8 of this Section 1201, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the

extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

4. For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the second sentence of paragraph 3 of this Section 1201, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds in order to satisfy the second sentence of paragraph 3 of this Section 1201, the Trustee shall, if requested, by the City, pay the amount of such excess to the City free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Resolution.

5. Option Bonds shall be deemed to have been paid in accordance with the second sentence of paragraph 3 of this Section 1201 only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys (including moneys withdrawn and deposited pursuant to paragraph 4 of Section 507 and paragraph 5 of Section 508) in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to paragraph 2 of this Section 1201, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph 5. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by the City, pay the amount of such excess to the City free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

6. Defeasance Securities described in clause (f) of the definition thereof may be included in the Defeasance Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph 2 of Section 1201 only if the determination as to whether the moneys and Defeasance Securities to be deposited with the Trustee in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be given by the Trustee or in the instructions to give a notice of redemption provided to the Trustee in accordance with paragraph 3 of Section 1201, the principal and Redemption Price, if applicable, and interest on the Bonds which will be deemed to have been paid as provided in paragraph 3 of Section 1201 is made both (i) on the assumption that the Defeasance Securities described in clause (f) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Defeasance Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Defeasance Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

7. In the event that after compliance with the provisions of paragraph 6 of Section 1201 the Defeasance Securities described in clause (f) of the definition thereof are included in the Defeasance Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph 3 of Section 1201 and any such Defeasance Securities are actually redeemed by the issuer thereof

prior to their maturity date, then the Trustee at the direction of the City, provided that the aggregate of the moneys and Defeasance Securities to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by the City in accordance with paragraph 8 of Section 1201, shall at all times be sufficient to satisfy the requirements of clause (b) of paragraph 3 of Section 1201, shall reinvest the proceeds of such redemption in Defeasance Securities.

8. In the event that after compliance with the provisions of paragraph 6 of Section 1201 the Defeasance Securities described in clause (f) of the definition thereof are included in the Defeasance Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph 3 of Section 1201, then any notice of redemption to be given by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the City, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the City be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with this Section 1201 upon their maturity date or dates at any time prior to the actual giving of any applicable notice of redemption in the event that all or any portion of any Defeasance Securities described in clause (f) of the definition thereof have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Defeasance Securities on deposit with the Trustee including any Defeasance Securities deposited with the Trustee in connection with any reinvestment of redemption proceeds in accordance with paragraph 7 of Section 1201 pursuant to clause (b) of paragraph 3 of Section 1201 would be sufficient to pay when due the principal and Redemption Price, if applicable, and interest on all Bonds deemed to have been paid in accordance with paragraph 3 of Section 1201 which have not as yet been paid.

9. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City, the Fiduciary shall, at the expense of the City, comply with any publication requirements required under Florida law as certified by the City.

10. Notwithstanding anything to the contrary herein, amounts required to be deposited with the Trustee for the defeasance of Bonds may be deposited with a Depository who has agreed to hold such amounts in escrow for the benefit of such defeased Bonds.

**SECTION 1202. Evidence of Signatures of Bondholders and Ownership of Bonds.** 1. Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or such Bondholder's attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to such officer the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of such officer's authority.

2. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

3. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the City or any Fiduciary in accordance therewith.

**SECTION 1203. Moneys Held for Particular Bonds.** The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

**SECTION 1204. Preservation and Inspection of Documents.** All documents received by any Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Fiduciary, and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

**SECTION 1205. Parties Interested Herein.** Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the City, the Fiduciaries, each Qualified Hedging Contract Provider that has provided a Qualified Hedging Contract and the Holders of the Bonds any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Fiduciaries, each such Qualified Hedging Contract Provider and the Holders of the Bonds.

**SECTION 1206. No Recourse on the Bonds.** No officer, agent or employee of the City shall be individually or personally liable for the payment of the principal or Redemption Price or interest on the Bonds.

**SECTION 1207. Publication of Notice; Suspension of Publication.** 1. Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

2. If, because of the temporary or permanent suspension of the publication or general circulation of any of the Authorized Newspapers or for any other reason, it is impossible or impractical to publish any notice pursuant to the Resolution in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

**SECTION 1208. Action by Credit Enhancer When Action by Holders of the Bonds Required.** Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Bonds of any Series, or maturity within a Series, as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Resolution as specified in Sections 1003, 1102, 1103 and 1104 or any other provision hereof, which requires the written approval or consent of Holders; provided, however, that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of Article VIII hereof.

**SECTION 1209. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in the Resolution on the part of the City or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Resolution.

**SECTION 1210. Holidays.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Resolution, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in the Resolution, and no interest shall accrue for the period after such nominal date.

**SECTION 1211. Representations and Covenants Regarding the Pledge of the Resolution.** The City represents that, pursuant to the Act, the Resolution creates a valid and binding lien on 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 herein, for the benefit of the Holders of the Bonds and Parity Hedging Contract Obligations, as security for the payment of the Bonds and Parity Hedging Contract Obligations, to the extent set forth herein, enforceable in accordance with the terms hereof.

The City has not heretofore made or granted a pledge or assignment of, lien on or security interest in the Trust Estate that ranks on a parity with or prior to the lien and pledge made or granted in the Resolution. The City shall not hereafter make or grant a pledge or assignment of, lien on or security interest in such Trust Estate that ranks prior to or on a parity with the lien and pledge made or granted in the Resolution, except as expressly permitted thereby.

**SECTION 1212. Repeal of Inconsistent Resolutions.** Any resolution of the City, and any part of any resolution, inconsistent with the Resolution is hereby repealed to the extent of such inconsistency.

**ARTICLE XIII**

**EFFECTIVE DATE; DEBT SERVICE RESERVE ACCOUNT UNDER ORIGINAL RESOLUTION**

**SECTION 1301. Effective Date.** This Second Amended and Restated Utilities System Revenue Bond Resolution shall become effective on the Effective Date, upon the satisfaction of the conditions to its effectiveness set forth in Articles X and XI of Original Resolution.

**CITY OF GAINESVILLE, FLORIDA**

**Not to Exceed  
\$200,000,000  
Utilities System Revenue Bonds,  
2019 Series A**

**and**

**Not to Exceed  
\$30,000,000  
Utilities System Revenue Bonds,  
2019 Series B (Federally Taxable)**

**RESOLUTION NO. 180747  
THIRTIETH SUPPLEMENTAL UTILITIES SYSTEM  
REVENUE BOND RESOLUTION**

**Adopted February 21, 2019**

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RESOLUTION NO. 180747

THIRTIETH 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 \$200,000,000 OF THE CITY OF GAINESVILLE, FLORIDA UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES A AND \$30,000,000 OF THE CITY OF GAINESVILLE, FLORIDA UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES B (FEDERALLY TAXABLE) (COLLECTIVELY, THE "SERIES 2019 BONDS") IN ORDER TO PROVIDE MONEYS FOR THE PAYMENT OF ALL OR A PORTION OF THE COST OF REFUNDING ALL OR A PORTION OF CERTAIN OUTSTANDING UTILITY SYSTEM DEBT, COST OF ACQUISITION AND CONSTRUCTION COSTS OF IMPROVEMENTS TO THE UTILITY SYSTEM AND TO PAY THE COSTS OF ISSUANCE THEREOF, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE NEGOTIATED SALE OF SUCH SERIES 2019 BONDS AND APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A PURCHASE CONTRACT WITH RESPECT THERE TO, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A CONTINUING DISCLOSURE CERTIFICATE WITH RESPECT TO THE SERIES 2019 BONDS; AUTHORIZING THE AUTHENTICATION AND DELIVERY OF THE SERIES 2019 BONDS; AUTHORIZING THE PREPARATION AND DEEMING FINAL THE PRELIMINARY OFFICIAL STATEMENT AND EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT EACH RELATING TO THE SERIES 2019 BONDS AND AUTHORIZING CERTAIN CITY OFFICIALS TO TAKE ALL OTHER ACTIONS DEEMED NECESSARY OR ADVISABLE IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF THE SERIES 2019 BONDS; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

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

**ARTICLE I  
DEFINITIONS AND STATUTORY AUTHORITY**

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

"Master Resolution"). The Master Resolution as supplemented is hereinafter referred to as the "Bond Resolution."

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

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

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

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

**"Chief Financial Officer"** shall mean the Chief Financial Officer for Utilities including, any interim officer.

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

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

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

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

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

**"Delivery Date"** shall mean the date of the initial issuance and delivery of the Series 2019 Bonds.

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

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

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

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

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

**"Purchase Contract"** shall mean the Bond Purchase Contract to be entered into between the City and the Underwriters in connection with the sale of the Series 2019 Bonds.

**"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.

**"Refunded Bonds"** means the portion of the Utilities System Revenue Bonds, 2005 Series B (Federally Taxable) refunded with the proceeds of the 2019 Series B Bonds.

**"Refunded Taxable Debt"** means the portion of the Utility System Commercial Paper Notes, Series D refunded with proceeds of the 2019 Series B Bonds.

**"Refunded Tax-Exempt Debt"** means the portion of the Utilities System Commercial Paper Notes, Series C refunded with proceeds of the 2019 Series A Bonds.

**"Resolution"** shall mean this Thirtieth Supplemental Utilities System Revenue Bond Resolution.

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

**"2019 Series A Bonds"** shall mean the City's Utilities System Revenue Bonds, 2019 Series A, authorized by Article II of this Resolution.

**"2019 Series B Bonds"** shall mean the City's Utilities System Revenue Bonds, 2019 Series B (Federally Taxable), authorized by Article II of this Resolution.

**"2019 Series A Project"** means the acquisition, construction and equipping of the capital projects described on Exhibit A attached hereto, together with such other Cost of Acquisition and Construction related thereto, including reimbursement thereof.

**"2019 Series B Project"** means the acquisition, construction and equipping of the capital projects described on Exhibit A attached hereto, together with such other Cost of Acquisition and Construction related thereto, including reimbursement thereof.

**"Underwriters"** shall mean collectively, Barclays Bank PLC and Wells Fargo Bank, National Association, Bank of America, N.A., Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC, together with such other underwriters referred to in the Purchase Contract.

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

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

1. Pursuant to the Master Resolution, the City may issue Bonds from time to time for the purpose, among others, of paying all or a portion of the Cost of Acquisition and Construction of the 2019 Series A Project and 2019 Series B Project and paying costs of issuance related thereto.

2. Pursuant to the Master Resolution, the City may issue Refunding Bonds for the purpose of refunding the Refunded Bonds, Refunded Tax-Exempt Debt and Refunded Taxable Debt and paying costs of issuance related thereto.

3. The City deems it necessary and in its best interest to issue and sell the 2019 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 2019 Series A Project, refunding the Refunded Tax-Exempt Debt and paying costs of issuance related thereto.

4. The City deems it necessary and in its best interest to issue and sell the 2019 Series B Bonds for the purpose of providing funds for the payment of all or a portion of the Cost of Acquisition and Construction of the 2019 Series B Project, refunding the Refunded Bonds, the Refunded Taxable Debt and paying costs of issuance related thereto.

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

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

## ARTICLE II AUTHORIZATION OF SERIES 2019 BONDS

**2.01. Principal Amount, Designation of Series and Description of Series 2019 Bonds.** Pursuant to the provisions of the Master Resolution, a Series of Bonds is hereby authorized in an aggregate principal amount which will not exceed \$200,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Utilities System Revenue Bonds, 2019 Series A" with such additional identifying information as the General Manager may determine. Pursuant to the provisions of the Master Resolution, a Series of Bonds is hereby authorized in an aggregate principal amount which will not exceed \$30,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of

all other Series by the title, "Utilities System Revenue Bonds, 2019 Series B (Federally Taxable)" with such additional identifying information as the General Manager may determine. The General Manager may authorize the modification of the name or series designation of the Series 2019 Bonds, as deemed appropriate, with the approval of such modification to be evidenced by the execution of the Purchase Contract showing such modification.

Subject to the maximum principal amounts set forth above, the actual aggregate principal amount of each Series of the Series 2019 Bonds to be issued shall be determined by the General Manager or the Chief Financial Officer or such other Authorized Officer and execution of the Purchase Contract as provided herein shall be conclusive evidence of such approval.

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

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

**2.02. Purpose.** The 2019 Series 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 2019 Series A Project, (2) refunding the Refunded Tax-Exempt Debt and (3) providing for the payment of the costs of issuance related to the 2019 Series A Bonds. The 2019 Series B Bonds are being issued for the purposes of (1) providing funds for the payment of all or a portion of the Cost of Acquisition and Construction of the 2019 Series B Project, (2) refunding the Refunded Bonds, refunding the Refunded Taxable Debt and (3) providing for the payment of the costs of issuance related to the 2019 Series B Bonds.

**2.03. Maturities and Interest; Certain Determinations with Respect to the Series 2019 Bonds.** The Series 2019 Bonds shall mature on such dates and in such respective principal amounts, and shall bear interest at such respective rate or rates per annum, payable semi-annually on each April 1 and October 1 commencing October 1, 2019, or such other date as may be set forth in the Purchase Contract. Fully registered Series 2019 Bonds shall bear interest from the Delivery Date, or, if one or more payments of interest on the Series 2019 Bonds has or have theretofore been made or duly provided for, from the most recent interest payment date to which such interest has been paid or duly provided for.

The General Manager or the Chief Financial Officer, or such other Authorized Officer, in reliance upon advice of the Financial Advisor, is hereby directed and authorized to award the sale of the Series 2019 Bonds to the Underwriters, and to approve the terms of the Series 2019 Bonds, including, without limitation, the date thereof, the aggregate principal amount thereof, the interest rate or rates with respect thereto, whether such Series 2019 Bonds shall be subject to redemption prior to maturity as provided in Article IV of the Master Resolution by operation of the Debt Service Fund from mandatory Sinking Fund Installments and/or serial bonds, the

purchase price thereof, the maturity dates thereof and the redemption terms (including, without limitation, optional, mandatory and make-whole) with respect thereto, all such terms to be set forth in the Purchase Contract and to determine in consultation with the Financial Advisor, whether either or both Series of Series 2019 Bonds shall be issued (which issuance may occur on different dates) and the aggregate principal amount of Refunded Bonds, Refunded Tax-Exempt Debt and Refunded Taxable Debt to be refunded; provided, however, the Purchase Contract shall not be executed by the General Manager or Chief Financial Officer or such other Authorized Officer unless the following conditions have been satisfied:

(a) the aggregate principal amount of the 2019 Series A Bonds (without regard to net original issue premium or discount) shall not exceed \$200,000,000 and the aggregate principal amount of the 2019 Series B Bonds (without regard to net original issue premium or discount) shall not exceed \$30,000,000;

(b) the final maturity of the 2019 Series A Bonds shall not be later than October 1, 2049 and the final maturity of the 2019 Series B Bonds shall not be later than October 1, 2049;

(c) (i) if the 2019 Series A Bonds shall be subject to optional redemption (A) the first optional call date shall not be later than October 1, 2029, and (B) the highest Redemption Price at which the 2019 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, and (ii) if the 2019 Series B Bonds shall be subject to optional redemption, the 2019 Series B Bonds may be subject to a make-whole redemption as set forth in the form of 2019 Series B Bond herein and a spread over the Treasury Rate (as defined in the 2019 Series B Bonds) of not greater than 0.50% (50 basis points);

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

(e) (i) the interest rate on the 2019 Series A Bonds shall not exceed the lesser of a true interest cost rate of 5.25% or the maximum rate permitted by law, and (ii) the interest rate on the 2019 Series B Bonds shall not exceed the lesser of a true interest cost rate of 5.50% or the maximum rate permitted by law; and

(f) (i) the maximum aggregate principal amount of Refunded Tax-Exempt Debt to be refunded with proceeds of 2019 Series A Bonds shall not exceed \$85,000,000, (ii) the maximum aggregate principal amount of Refunded Taxable Debt and Refunded Bonds refunded with proceeds of the 2019 Series B Bonds shall not exceed \$18,500,000. The General Manager, based upon the advice of the Financial Advisor, shall determine which portions, if any, of the Refunded Tax-Exempt Debt, Refunded Taxable Debt and Refunded Bonds shall be refunded with proceeds of the Series 2019 Bonds.

**2.04. Redemption Provisions for Series 2019 Bonds.** 1. The Series 2019 Bonds may be subject to optional redemption prior to maturity at the option of the City, either as a whole or in part on the dates and at the Redemption Prices, if any, set forth in such Series 2019 Bonds and in the Purchase Contract, in accordance with Section 2.03 hereof. Except as otherwise provided by the 2019 Series B Bonds with respect to such Bonds, if fewer than all of a Series of Series 2019 Bonds subject to optional redemption are called for optional redemption, such Series of Series 2019 Bonds or Sinking Fund Installment to be redeemed shall be selected in such order of maturity and manner as the City, in its discretion, shall determine, and (a) if less than all of the Series 2019A Bonds of a maturity or a Sinking Fund Installment shall be called for redemption, such Series 2019A Bonds or Sinking Fund Installment to be redeemed shall be selected by lot within such maturity and (b) if less than all of the Series 2019B Bonds of a maturity or a Sinking Fund Installment shall be called for redemption such Series 2019B 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 Series 2019B Bonds are held in book-entry form, the selection for redemption of such Series 2019B Bonds shall be made in accordance with the operational arrangements with DTC then in effect. The Series 2019 Bonds may also be subject to redemption prior to maturity as provided in Article IV of the Master Resolution by operation of the Debt Service Fund from mandatory Sinking Fund Installments which for the Series 2019 Bonds will match the mandatory redemption requirements for term bonds as set forth in the Purchase Contract. In any event, the portion of Series 2019 Bonds to be redeemed in part shall be in principal amounts of \$5,000 or any integral multiple thereof.

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

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

**2.05. Application of Proceeds of 2019 Series A Bonds.** In accordance with subsection (7) of paragraph 1 of Section 202, paragraph 2 of Section 203 and paragraph 3 of Section 204 of the Master Resolution, the net proceeds of the 2019 Series A Bonds, to the extent permitted under the Code and not otherwise provided by the City by a certificate of the General



Manager or Chief Financial Officer or such other 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 2019 Series A Bonds shall be deposited to the 2019A Account created pursuant to Section 2.06 hereof and applied to pay such costs (which any of such costs may be paid directly by the Underwriters).

(B) The amount necessary to pay the principal amount of Refunded Tax-Exempt Debt, together with accrued interest to their respective maturity dates shall be transferred to the paying agent for the payment of such Refunded Tax-Exempt Debt on their scheduled maturity dates.

(C) The remaining proceeds shall be deposited into the 2019A Account hereafter created and shall be used to pay the Cost of Acquisition and Construction of the 2019 Series A Project, including by reimbursement in accordance with the provisions of Section 503 of the Master Resolution and Section 2.06 below.

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

**2.06. 2019 Project Account.** There is hereby created and established in the Construction Fund an account to be held by the City to be designated the "2019 Project Account" (the "2019 Project Account" and two subaccounts therein the "2019A Account" and the "2019B Account"). The 2019A 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, used and applied by the City solely for the payment of the Cost of Acquisition and Construction related to the 2019 Series A Project and the costs of issuance of the 2019 Series A Bonds. The 2019B 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, used and applied by the City solely for the payment of the Cost of Acquisition and Construction related to the 2019 Series B Project and the costs of issuance of the 2019 Series B Bonds.

Any funds on deposit in the 2019 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 2019A Account and 2019B Account shall be deposited therein and shall be used for the payment of the Cost of Acquisition and Construction related to the 2019 Series A Project and 2019 Series B Project, respectively.

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 2019 Series A Project or 2019 Series B Project of any representation, warranty or performance guaranty shall be deposited 2019A Account and 2019B Account, respectively and shall be used to pay costs associated with the respective project.

Upon completion of the 2019 Series A Project, notwithstanding anything in the Bond Resolution to the contrary, any amounts then remaining in the 2019A Account and not reserved

by the City for the payment of any remaining Cost of Acquisition and Construction related to the 2019 Series A Project may be deposited into the Debt Service Account and used to pay debt service on the 2019 Series A Bonds next coming due, or to purchase or redeem 2019 Series A Bonds in the manner that the 2019 Series A Bonds are permitted to be purchased or redeemed under the terms of the Bond 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 2019 Series A Bonds to be includable in gross income for federal income tax purposes.

Upon completion of the 2019 Series B Project, notwithstanding anything in the Bond Resolution to the contrary, any amounts then remaining in the 2019B Account and not reserved by the City for the payment of any remaining Cost of Acquisition and Construction related to the 2019 Series B Project may be deposited into the Debt Service Account and used to pay debt service on the 2019 Series B Bonds next coming due, or to purchase or redeem 2019 Series B Bonds in the manner that the 2019 Series B Bonds are permitted to be purchased or redeemed under the terms of the Bond Resolution, or may be used for any other lawful purpose.

**2.07. Application of Proceeds of 2019 Series B Bonds.** In accordance with subsection (7) of paragraph 1 of Section 202 and paragraph 3 of Section 204 of the Resolution, the net proceeds of the 2019 Series B Bonds, to the extent not otherwise provided by the City by a certificate of the General Manager or Chief Financial Officer or such other 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 2019 Series B Bonds shall be deposited to the 2019B Account created pursuant to Section 2.06 hereof and applied to pay such costs (which any of such costs may be paid directly by the Underwriters).

(B) The amount necessary to pay the principal amount of Refunded Taxable Debt, together with accrued interest to their respective maturity dates shall be transferred to the paying agent for the payment of such Refunded Taxable Debt on their scheduled maturity dates.

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

(D) The remaining proceeds shall be deposited into the 2019B Account and shall be used to pay the Cost of Acquisition and Construction of the 2019 Series B Project, including by reimbursement, in accordance with the provisions of Section 503 of the Master Resolution and Section 2.06 herein.

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

**ARTICLE III  
APPROVAL OF DOCUMENTS**

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

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

**3.03. Preliminary Official Statement.** The City hereby authorizes the distribution and use of a Preliminary Official Statement in substantially the form attached hereto as Exhibit D in connection with offering the Series 2019 Bonds for sale. If between the date hereof and the mailing of the Preliminary Official Statement, it is necessary to make insertions, modifications or changes in the Preliminary Official Statement, 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 the 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 the Preliminary Official Statement "final" as described above shall be conclusive evidence of the approval of any insertions, changes or modifications.

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

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

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

Statement and the Purchase Contract and each Authorized Officer, employee, attorney and officer of the City is hereby authorized and directed to execute and deliver any and all papers and instruments, and to be and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereunder.

**3.07. Further Actions.** Each Authorized Officer 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 the Purchase Contract, the Continuing Disclosure Certificate and the carrying out of their terms and the terms of the Bond Resolution, including without limitation the execution and delivery of an escrow deposit agreement and selection of an escrow agent in connection with the refunding of the Refunded Bonds; the issuance, sale, execution and delivery of the Series 2019 Bonds, and the use of the Preliminary Official Statement and the Official Statement.

In connection with the refunding of the Refunded Bonds, the Authorized Officer is hereby authorized to cause proceeds of the Series 2019 Bonds and 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 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 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 escrow deposit agreement and the engagement of the Financial Advisor or such other firm, to solicit such bids is hereby authorized. The Authorized Officer is hereby authorized to amend or supplement the escrow deposit agreement to purchase such securities after the delivery date of the Series 2019 Bonds and to deliver such other certificates, notices and agreements necessary to accomplish the investment of such proceeds.

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

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

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

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

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

4. With respect to the Series 2019 Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC, the City and the Bond Registrar shall have no responsibility or obligation to any direct or indirect participant in the DTC book-entry program (a "Participant"). Without limiting the immediately preceding sentence, the City and the Bond Registrar shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Series 2019 Bonds, (B) the delivery to any Participant or any other person other than a Series 2019 Bondholder, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Series 2019 Bonds, including any notice of redemption, or (C) the payment to any Participant or any other person, other than a Series 2019 Bondholder, as shown in the registration books kept by the Bond Registrar, of any amount with respect to principal, interest or redemption premium, if any, of the Series 2019 Bonds. The City and the Bond Registrar may treat and consider the person in whose name each Series 2019 Bond is registered in the registration books kept by the Bond Registrar as the Holder and absolute owner of such Series 2019 Bond for the purpose of payment of principal, interest or redemption premium, if any, with respect to such Series 2019 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2019 Bond, for the purpose of registering transfers with respect to such Series 2019 Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal, interest or redemption premium, if any, of the Series 2019 Bonds only to or upon the order of the respective Owners, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided herein and in the Bond Resolution and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal, interest or redemption premium, if any, of the Series 2019 Bonds to the extent of the sum or

sums so paid. No person other than a Holder of Bonds, as shown in the registration books kept by the Bond Registrar, shall receive a certificated Series 2019 Bond evidencing the obligation of the City to make payments of principal, interest or redemption premium, if any, pursuant to the provisions hereof.

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

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

**4.03. Place of Payment and Paying Agents.** Except as provided in Section 309 of the Master Resolution and Section 4.02 hereof, the principal and Redemption Price of the Series 2019 Bonds shall be payable at the designated corporate trust office of U.S. Bank National Association, and such institution is hereby appointed Paying Agent for the Series 2019 Bonds. Except as provided in Section 309 of the Master Resolution and Section 4.02 hereof, the principal and Redemption Price of the Series 2019 Bonds also shall be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Bond Resolution. Except as provided in Section 309 of the Master Resolution and Section 4.02 hereof, interest on the Series 2019 Bonds shall be payable by check or draft of the Trustee or wire transfer (or other electronic payment method), as Paying Agent, mailed to the persons entitled thereto at the addresses of such persons shown on the registration books of the City kept for that purpose at the designated corporate trust office of the Trustee, as Bond Registrar. U.S. Bank National Association is hereby requested to execute an acceptance of the office of Paying Agent for the Series 2019 Bonds in substantially the form attached hereto as Exhibit C.

**4.04. Tax Covenants Relating to the 2019 Series A Bonds.** It is the intention of the City and all parties under its control that the interest on the 2019 Series A 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 2019 Series A 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 2019 Series A 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 2019 Series A Bonds issued hereunder and required payments of the Rebate Amount with respect to the 2019 Series A Bonds for at least six years after the final maturity of the 2019 Series A 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 2019 Series A Bonds issued hereunder to become arbitrage bonds under Section 148 of the Code; and

(F) to refrain from using proceeds of the 2019 Series A Bonds issued hereunder in a manner that would cause the 2019 Series A 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 2019 Series A 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 2019 Series A 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 2019 Series A 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 2019 Series A 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 2019 Series A Bonds, nor the Trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to Bondholders under the Bond Resolution based upon the City's failure to observe, or refusal to comply with, the above covenants.

**ARTICLE V  
FORM OF BONDS**

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

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

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

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

Registered Owner:

Principal Amount: \_\_\_\_\_ DOLLARS

**THE CITY OF GAINESVILLE, FLORIDA** (herein called the "City"), a municipal corporation organized and existing under and by virtue of the laws of the State of Florida, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner (named above) or registered assigns, on the Maturity Date (stated above), but solely from the funds pledged therefor, upon presentation and surrender of this bond at the office of U.S. Bank National Association (such bank and any successor thereto being referred to herein as the "Paying Agent"), the Principal Amount (stated above) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay, but solely from the funds pledged therefor, interest on such Principal Amount in like coin or currency from the Original Issue Date (stated above), or, if one or more payments of interest has or have theretofore been made or duly provided for, from the most recent interest payment date to which interest has been paid or duly provided for, payable on April 1 and October 1 in each year commencing \_\_\_\_\_ 1, 20\_\_\_\_, at a rate per annum equal to the Interest Rate (stated above), until the City's obligation with respect to the payment of such Principal Amount shall be discharged. The interest so payable, and punctually paid or duly provided for, on any interest payment date will, as provided in the Resolution hereinafter referred to, be paid to the person in whose name this bond is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date, such payment to be made by check or draft or wire transfer (or other electronic payment method) of the Trustee hereinafter referred to, as Paying Agent, mailed to such person at the address shown on the registration books of the City kept for that purpose at the principal offices of the Trustee, as Bond Registrar. However, so long as this bond shall be restricted to being registered in the registration books of

the City in the name of the Securities Depository (as defined in the Resolution) for this bond, the provisions of the Resolution governing Book Entry Bonds (as defined in the Resolution) shall govern the manner of payment of the principal or redemption price of, and interest on, this bond. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the person in whose name this bond is registered on the Regular Record Date, and shall be paid, in the manner described above, to the person in whose name this bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to holders of bonds of the series of which this bond is one not less than 10 days prior to such Special Record Date.

This bond is one of a duly authorized series of bonds of the City designated as its "Utilities System Revenue Bonds, 2019 Series [A][B] (Federally Taxable)" (herein sometimes called the "2019 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 2019 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

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thereto, the terms and conditions upon which the Bonds are issued and may be issued thereunder, and for the other terms and provisions thereof.

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

The 2019 Series [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]

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

If less than all of the 2019 Series A Bonds of like maturity are to be redeemed, the particular 2019 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.]

**[2019 Series B Bonds Only]** [The 2019 Series B Bonds of each maturity are subject to redemption at the option of the City in whole or in part pro-rata at any time at the Redemption Price that is the greater of (A) 100% of the principal amount of the 2019 Series 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 2019 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued unpaid as of the date on which the 2019 Series B Bonds are to be redeemed, discounted to the date on which the 2019 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 2019 Series B Bonds to be redeemed to but not including the redemption date.

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

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

If less than all of the 2019 Series B Bonds are to be so redeemed, the Trustee will select the 2019 Series B Bonds to be redeemed from the outstanding 2019B Bonds on a pro-rata pass through distribution of principal basis, provided that, so long as the 2019 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 2019 Series B Bonds will be selected for redemption, in accordance with DTC procedures, by lot. The portion of any 2019 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 2019 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 2019 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 2019 Series [A][B] Bond will not affect the validity of the proceedings for the redemption of any other 2019 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 2019 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 2019 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 2019 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 Clerk of the Commission.

THE CITY OF GAINESVILLE, FLORIDA

\_\_\_\_\_  
Mayor

Dated:

Attested:

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

Approved as to Form and Legality:

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

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

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

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

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

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

**ARTICLE VI  
AMENDMENTS TO THE BOND RESOLUTION**

**6.01. Amendments to Section 202.** Pursuant to the provisions of Section 1002, paragraph (1) of the Bond Resolution, in order to cure ambiguities and cure and correct defects and inconsistent provisions of the Bond Resolution, the Bond Resolution is hereby amended in the following respects:

(1) Section 202, paragraph (8) subparagraph (b) of the Bond Resolution is hereby amended and replaced in its entirety with the following (with underlining reflecting inserts and strikethroughs representing deletions from the original text):

(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 clauses (i) ~~(A) and (ii) (B)~~ of this paragraph, there shall be taken into account only dwellings, buildings or other structures in existence on the date of such projections.

Section 202, paragraph (8) subparagraph (c) of the Bond Resolution is hereby amended and replaced in its entirety with the following (with underlining reflecting inserts and strikethroughs representing deletions from the original text):

(c) 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. ~~for the Applicable Bond Year; or~~

Section 202, paragraph (9) of the Bond Resolution is hereby amended and replaced in its entirety with the following (with underlining reflecting inserts and strikethroughs representing deletions from the original text):

(9) The City may deliver, in the case of each Series of Bonds, any portion of the proceeds of which is to be deposited in the Debt Service Account in the Debt Service Fund, a certificate of an Authorized Officer of the City setting forth the then estimated application of such proceeds so deposited for the payment of interest on any particular Series of Bonds, whether or not such Series of Bonds is then Outstanding, or then being issued, or to be issued thereafter; ~~and~~

**ARTICLE VII  
MISCELLANEOUS PROVISIONS**

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


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

Thirtieth Supplemental Utilities System Revenue Bond Resolution approved and adopted February 21, 2019.

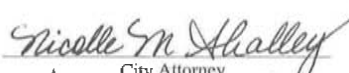
**CITY OF GAINESVILLE, FLORIDA**

  
\_\_\_\_\_  
Mayor

ATTESTED:

  
\_\_\_\_\_  
Clerk of the Commission  
Omichele D. Gainey

Approved as to Form and Legality:

  
\_\_\_\_\_  
City Attorney  
Nicolle M. Shalley

#62447384 v13  
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**EXHIBIT B**  
**PURCHASE CONTRACT**

**EXHIBIT A**

**2019 SERIES A PROJECT AND 2019 SERIES B PROJECT**

**2019 SERIES A PROJECT**

- Kelly Steam Turbine
- Kelly Gas Turbine
- Deerhaven 2 Boiler
- Deerhaven 2 Pollution Control Equipment
- Deerhaven Renewables Boiler
- Transmission Substation Projects
- Electric Transmission Projects
- LED Lighting Projects
- Water Distribution Mains
- Main Street Water Reclamation Facility
- Kanapaha Water Reclamation Facility
- Wastewater Collection Gravity Systems
- Gas Metering & Regulating Projects
- Gas Transmission & Distribution Projects

**2019 SERIES B PROJECT**

- South Energy Center
- GRUCom Network Operations Projects
- GRUCom Voice Switch Project
- GRUCom Central Office Electric Upgrade Project

Together with such other projects as shall be included in the capital improvement plan for the System and authorized by an Authorized Officer.

**EXHIBIT C**

**ACCEPTANCE OF OFFICE OF PAYING AGENT**

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

Ladies and Gentlemen:

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

**U.S. BANK NATIONAL ASSOCIATION**

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

**EXHIBIT D**

**PRELIMINARY OFFICIAL STATEMENT**

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

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**CITY OF GAINESVILLE, FLORIDA**

**Not to Exceed  
\$70,000,000  
Variable Rate Utilities System Revenue Bonds,  
2019 Series C**

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**THIRTY-FIRST SUPPLEMENTAL UTILITIES SYSTEM  
REVENUE BOND RESOLUTION 180813**

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**Adopted March 21, 2019**

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**THIRTY-FIRST SUPPLEMENTAL UTILITIES SYSTEM  
 REVENUE BOND RESOLUTION NO. 180818**

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 \$70,000,000 OF THE CITY OF GAINESVILLE, FLORIDA VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES C, IN ORDER TO PROVIDE MONEYS FOR REFUNDING CERTAIN OUTSTANDING UTILITY SYSTEM DEBT, COST OF ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE UTILITY SYSTEM AND TO PAY THE COSTS OF ISSUANCE THEREOF, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE NEGOTIATED SALE OF THE 2019 SERIES C BONDS AND APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A PURCHASE CONTRACT 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 REIMBURSEMENT AGREEMENT WITH RESPECT TO THE 2019 SERIES C BONDS; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A CONTINUING DISCLOSURE AGREEMENT WITH RESPECT TO THE 2019 SERIES C BONDS; AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT TO THE 2019 SERIES C BONDS; AUTHORIZING THE AUTHENTICATION AND DELIVERY OF THE 2019 SERIES C BONDS; AUTHORIZING CERTAIN CITY OFFICIALS TO TAKE ALL OTHER ACTIONS DEEMED NECESSARY OR ADVISABLE IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF THE 2019 SERIES C 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") as follows:

**ARTICLE I  
 DEFINITIONS AND STATUTORY AUTHORITY**

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

**SECTION 1.02 Definitions.** 1. Except as provided herein all terms which are defined in Section 101 of the Master Resolution shall have the same meanings, respectively, in this Thirty-First Supplemental Resolution as such terms are given in said Section 101 of the Master Resolution.

2. In this Thirty-First Supplemental Resolution:

**"Agent Bank"** shall mean (a) in the case of any Liquidity Facility or Credit Facility to which only one Liquidity Provider or Credit Facility Issuer, respectively, is a party, such Liquidity Provider or Credit Facility respectively, and (b) in the case of any Liquidity Facility or Credit Facility to which more than one Liquidity Provider and/or Credit Facility Issuer, respectively, is a party, the agent appointed to act thereunder on behalf of the Liquidity Providers and/or Credit Facility Issuers that are parties thereto.

**"Alternate Credit Facility"** shall mean any letter of credit, insurance policy, surety bond, revolving credit agreement or other credit enhancement or support facility for the payment of the principal or Redemption Price of, and interest on, the 2019 Series C Bonds and as to which the conditions set forth in paragraph 3 of Section 7.06 shall be satisfied.

**"Auction"** shall mean each periodic implementation of the Auction Procedures.

**"Auction Agent"** shall mean each firm appointed by the City from time to time as the auctioneer for the 2019 Series C Bonds while bearing interest at the Auction Mode Rate and that is designated by an Authorized Officer of the City as constituting an "Auction Agent" hereunder at the time of such appointment.

**"Auction Agreement"** shall mean an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures to be specified in Exhibit A with respect to the 2019 Series C Bonds while bearing interest at the Auction Mode Rate, as such agreement may from time to time be amended or supplemented, and that is designated by an Authorized Officer of the City as constituting an "Auction Agreement" hereunder at the time of the execution and delivery thereof.

**"Auction Date"** shall mean any date on which an Auction shall be conducted with respect to the 2019 Series C Bonds, which dates shall be determined as provided in Exhibit A.

**"Auction Mode"** shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Auction Mode Rates.

**"Auction Mode Rate"** shall mean the interest rate applicable to the 2019 Series C Bonds during the Auction Mode, to be determined as provided in clause (a) of Section 3.03 and in Exhibit A.

**"Auction Period"** shall mean such period during which each Auction Rate shall be in effect, as shall be provided in Exhibit A, which period shall begin on a Business Day and end on a day which is followed by a Business Day.

**"Auction Procedures"** shall mean the procedures for conducting Auctions for 2019 Series C Bonds during the Auction Mode to be set forth in Exhibit A.

**"Authorized Denominations"** shall mean (i) for the 2019 Series C Bonds bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, \$100,000 or any integral multiple of \$5,000 in excess thereof; (ii) for the 2019 Series C Bonds bearing interest at an Auction Mode Rate, \$25,000

or any integral multiple thereof; and (iii) for the 2019 Series C Bonds bearing interest at a Term Rate or a Fixed Rate, \$5,000 or any integral multiple thereof.

**"Authorized Officer"** or **"Authorized Officers"** means the "Authorized Officers of the City" as defined in the Bond Resolution.

**"Bank Rate"** means the rate at which the 2019 Series C Bank Bonds bear interest, from time to time, as determined in accordance with the provision of the Liquidity Facility Agreement or Reimbursement Agreement or other similar agreement entered into between the City and the Liquidity Provider or Credit Facility Issuer, as applicable, but in no event in excess of the Maximum Rate.

**"Beneficial Owner"** shall have the meaning ascribed to that term in Section 2.05(3).

**"Book-Entry Only 2019 Series C Bond"** shall mean any 2019 Series C Bond that is restricted to being registered in the registration books kept by the Bond Registrar in the name of the Securities Depository thereof.

**"Broker-Dealer"** shall mean any entity that is permitted by law to perform the functions required of a Broker-Dealer to be described in Exhibit A, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the City, that is a party to a Broker-Dealer Agreement with the City and the Auction Agent and that is designated by an Authorized Officer of the City as constituting a "Broker-Dealer" hereunder at the time of such selection.

**"Broker-Dealer Agreement"** shall mean an agreement among the Auction Agent, the City and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures to be described in Exhibit A, as such agreement may from time to time be amended or supplemented, and that is designated by an Authorized Officer of the City as constituting an "Auction Agreement" hereunder at the time of the execution and delivery thereof.

**"Business Day"** shall mean any day, other than a Saturday or Sunday, on which (a) the principal office of the City is open for business during its normal business hours, (b) if the 2019 Series C Bonds are in an Interest Mode other than the Auction Mode or the Fixed Mode, the principal corporate trust office of the Tender Agent, the principal office of the Remarketing Agent and the lending office of the Agent Bank under the Liquidity Facility or Credit Facility, as applicable, are open for business during their respective normal business hours, and (c) if the 2019 Series C Bonds are in the Auction Mode, the principal corporate trust office of the Auction Agent and the principal office of each Broker-Dealer are open for business during their respective normal business hours. For purposes of this definition, the principal office or lending office of an Agent Bank shall be that office of such Agent Bank at which demands for payment under the related Credit Facility or Liquidity Facility, as applicable are to be presented.

**"Cede"** shall have the meaning given to such term in Section 2.05(3) hereof.

**"Chief Financial Officer"** shall mean the Chief Financial Officer for Utilities, including any interim officer.

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

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

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

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

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

"Credit Facility" shall mean (a) the Initial Letter of Credit and (b) upon the effectiveness thereof as provided in subsection 3 of Section 7.06, each Alternate Credit Facility, if any. Notwithstanding any other provision of this Thirty-First Supplemental Resolution, any Credit Facility may be the same instrument as any Liquidity Facility, so long as such instrument satisfies the requirements set forth herein for both a Credit Facility and a Liquidity Facility.

"Credit Facility Issuer(s)" shall mean, with respect to a particular Credit Facility, the Person(s) that is (or are) the issuer(s) or provider(s) of such Credit Facility.

"Daily Mode" shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Daily Rates.

"Daily Rate" shall mean the interest rate applicable to the 2019 Series C Bonds during the Daily Mode, determined as provided in clause (b) of Section 3.03.

"Delivery Date" shall mean the date of the initial issuance and delivery of the 2019 Series C Bonds.

"Differential Interest Amount" shall have the meaning assigned thereto in Section 5.01(3).

"DTC" shall have the meaning given to such term in Section 2.05(2) hereof.

"Eligible Account" shall mean an account that is either (a) maintained with a federal or state-chartered depository institution or trust company; or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulations, Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

"Eligible Moneys" means any one or more of the following:

1. Moneys deposited in the Debt Service Fund that have been continuously on deposit with the Trustee for a period of at least 367 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the City under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or

federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect;

2. Moneys from draws on the Letter of Credit;
3. Any other moneys or securities, if there is delivered to the Trustee an Opinion of Counsel from legal counsel nationally recognized for having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no bondowner is an "insider," as defined in the United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the principal or purchase price of, or premium, if any, or interest on the 2019 Series C Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the City under the United States Bankruptcy Code, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect; and
4. Proceeds from a Series of Bonds issued to refund the 2019 Series C Bonds; and
5. Any investment income from the above.

"Exhibit A" shall mean such Exhibit A as shall be added hereto as a result of the adoption of a Supplemental Resolution in accordance with the provisions of clause (iv) of the first sentence of Section 8.05(1) in connection with the conversion of the 2019 Series C Bonds to the Auction Mode, as the same may be amended from time to time in accordance with the provisions thereof. Such Exhibit A shall contain such provisions relating to the Auction Mode as the City shall determine, including, without limitation, procedures relating to the determination of Auction Dates and Auction Periods, the conduct of Auctions and the determination of the Auction Mode Rate. In such event, Exhibit A shall constitute a part of this Thirty-First Supplemental Resolution for all purposes hereof and of the Bond Resolution.

"Facility Expiration Date" shall mean the date upon which the Liquidity Facility or Credit Facility, as applicable, is stated to expire or terminate by its terms, as such date may be extended from time to time, either by extension or renewal of such Liquidity Facility or Credit Facility.

"Facility Requirement" shall mean, at such time (if any) of the 2019 Series C Bonds are in an Interest Mode other than an Auction Mode or the Fixed Mode, an amount equal to the principal amount of the Outstanding 2019 Series C Bonds (other than 2019 Series C Bank Bonds), plus (a) if the 2019 Series C Bonds shall be in a Daily Mode or a Weekly Mode, 35 days' interest thereon, each computed at a rate per annum equal to the Maximum Rate and on the basis of a 365-day year and (b) if the 2019 Series C Bonds shall be in the Flexible Mode, the Term Mode, the Auction Mode or the Fixed Mode, an amount determined necessary or desirable by the City.

"Fitch" shall mean Fitch Ratings and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"**Fixed Mode**" shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at the Fixed Rate.

"**Fixed Rate**" shall mean the interest rate applicable to the 2019 Series C Bonds during the Fixed Mode, determined as provided in clause (c) of Section 3.03.

"**Flexible Mode**" shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Flexible Rates.

"**Flexible Rate**" shall mean the interest rate applicable to the 2019 Series C Bonds during the Flexible Mode, determined as provided in clause (d) of Section 3.03.

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

"**Initial Letter of Credit**" shall mean the Letter of Credit issued by the Initial Letter of Credit Issuer in favor of the Trustee to secure the payment of the principal or Redemption Price of, and interest on, the 2019 Series C Bonds when due and the Purchase Price of 2019 Series C Bonds that are tendered or deemed tendered for purchase and not remarketed, as the same may be amended, restated or supplemented from time to time. The Initial Letter of Credit shall be and constitute both a "Credit Facility" and a "Liquidity Facility" for the 2019 Series C Bonds within the meaning of this Thirty-First Supplemental Resolution.

"**Initial Letter of Credit Issuer**" shall mean Bank of America, N.A., in its capacity as the issuer of the Initial Letter of Credit.

"**Initial Reimbursement Agreement**" shall mean the Letter of Credit Reimbursement Agreement between the City and the Initial Letter of Credit Issuer, as the same may be amended, restated or supplemented from time to time in accordance with the terms thereof.

"**Interest Accrual Period**" shall mean the period from and including each Interest Payment Date to but excluding the next Interest Payment Date. The initial Interest Accrual Period for the 2019 Series C Bonds shall begin on (and include) the Delivery Date. The final Interest Accrual Period for any 2019 Series C Bond shall end on the day next preceding the maturity or redemption date of such 2019 Series C Bond.

"**Interest Mode**" shall mean a period of time relating to the frequency with which the interest rate on the 2019 Series C Bonds is determined pursuant to Section 3.03. An Interest Mode may be the Auction Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Mode or the Fixed Mode.

"**Interest Payment Date**" shall mean, with respect to each 2019 Series C Bond, (a) each date on which the 2019 Series C Bonds shall be subject to mandatory tender for purchase pursuant to clause (c) of Section 3.06; (b) except as to any 2019 Series C Bank Bond, (i) as to 2019 Series C Bonds in the Auction Mode, the various dates on which interest shall be payable on the 2019 Series C Bonds, which dates shall be set forth in Exhibit A hereto; (ii) as to 2019 Series C Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month; (iii) as to 2019 Series C Bonds in the Flexible Mode, the first Business Day following the end of each Interest Period with respect thereto; and (iv) as to 2019 Series C Bonds in the Term Mode or the Fixed

Mode, semi-annually on each April 1 and October 1 commencing on the first April 1 or October 1 occurring after the conversion to such Interest Mode; *provided, however*, that if such first date occurs less than three (3) months after such conversion, said first Interest Payment Date shall be on the second such date following such conversion; (c) as to any 2019 Series C Bank Bond, unless otherwise provided in the Liquidity Facility Agreement or Reimbursement Agreement or applicable Liquidity Facility or Credit Facility, each date determined pursuant to paragraph 2 of Section 5.02; and (d) the maturity or redemption date thereof.

"**Interest Period**" shall mean the period from and including a Rate Adjustment Date to but excluding the next succeeding Rate Adjustment Date (if any); *provided, however*, that (a) the first Interest Period for the 2019 Series C Bonds shall be the period from and including the Delivery Date to but excluding the first Rate Adjustment Date and (b) the final Interest Period for any 2019 Series C Bond shall be the period from and including the last Rate Adjustment Date preceding the maturity or redemption date of such 2019 Series C Bond to but excluding such maturity or redemption date.

"**Letter of Credit**" shall mean (i) the Initial Letter of Credit and (ii) any other unconditional, irrevocable, direct-pay letter of credit or similar facility issued by one or more Credit Facility Issuers, delivered to the Trustee to provide for the payment of the principal or Redemption Price of, and interest on, the 2019 Series C Bonds when due and the Purchase Price of Series 2019 Series C Bonds that are tendered or deemed tendered for purchase and not remarketed, as the same may be amended, restated and supplemented from time to time.

"**Letter of Credit Issuer(s)**" shall mean, with respect to a particular Letter of Credit, the Person(s) that is (or are) the issuer(s) of such Letter of Credit.

"**Liquidity Facility**" shall mean (a) the Initial Letter of Credit, (b) any standby bond purchase agreement, revolving credit agreement, letter of credit, surety bond or other agreement or instrument under which any Person undertakes to make loans or provide funds to purchase 2019 Series C Bonds upon the tender (or deemed tender) thereof for purchase and as to which the conditions set forth in paragraph 2 of Section 4.02 shall be satisfied, and (c) upon the effectiveness thereof as provided in subsection 2 of Section 4.02, each Substitute Liquidity Facility. Notwithstanding any other provision of this Thirty-First Supplemental Resolution, any Liquidity Facility may be the same instrument as any Credit Facility, so long as such instrument satisfies the requirements set forth herein for both a Liquidity Facility and a Credit Facility.

"**Liquidity Facility Agreement**" shall mean (a) for so long as the Initial Letter of Credit shall be in effect, the Initial Reimbursement Agreement and (b) upon the effectiveness of any Substitute Liquidity Facility as provided in subsection 2 of Section 4.02, the agreement pursuant to which such Substitute Liquidity Facility shall be issued or provided, in each such case, as the same may be amended or supplemented from time to time.

"**Liquidity Provider**" or "**Liquidity Providers**" shall mean, as the context may require, the Person(s) that is (or are) the issuer(s) or provider(s) of a particular Liquidity Facility.

"**Liquidity Provider Purchase Date**" shall mean, with respect to each 2019 Series C Bond purchased by the Liquidity Provider(s) (or any nominee or nominees thereof) pursuant to clause (b) of paragraph 1 of Section 3.11, the date of such purchase.



**"Market Rate"** shall mean any interest rate determined in accordance with the procedures set forth in clause (f) of Section 3.03.

**"Maximum Rate"** shall mean the lesser of (i) the maximum rate permitted by law and (ii) twelve percent (12%) per annum, or such higher rate as shall be approved by the City if (a) an Opinion of Bond Counsel shall have been delivered to the Notice Parties to the effect that any such change in the Maximum Rate (i) is authorized or permitted by the Bond Resolution and the Act and (ii) will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes and (b) if the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, the Credit Facility and/or Liquidity Facility is modified (if necessary) so that its stated amount or the aggregate commitment of the Liquidity Provider(s) and/or Credit Facility Provider thereunder, as the case may be, is increased to give effect to the increased Maximum Rate.

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

**"Mode Adjustment Date"** shall mean any date on which the Interest Mode or Interest Period to which the 2019 Series C Bonds are subject is to be changed to another Interest Mode or Interest Period, as the case may be, determined as provided in clause (a)(i) of Section 3.01.

**"Moody's"** shall mean Moody's Investors Service and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

**"Notice Parties"** shall mean (a) the City, (b) the Trustee, (c) the Paying Agent for the 2019 Series C Bonds, (d) the Bond Registrar, (e) if the 2019 Series C Bonds are in an Interest Mode other than the Auction Mode or the Fixed Mode, the Remarketing Agent, the Tender Agent and the Agent Bank and (f) if the 2019 Series C Bonds are in the Auction Mode, the Auction Agent and each Broker-Dealer.

**"Officer's Certificate"** shall mean a certificate of an Authorized Officer of the City.

**"Official Statement"** shall mean the Official Statement of the City relating to the 2019 Series C Bonds referred to in Section 10.04 hereof.

**"Opinion of Bond Counsel"** means an opinion in writing signed by an attorney or firm of attorneys selected by the City of nationally recognized standing in matters pertaining to the federal income tax treatment of interest on bonds issued by states and their political subdivisions.

**"Person"** shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

**"Purchase Contract"** shall mean the Bond Purchase Contract to be entered into between the City and the Underwriter in connection with the sale of the 2019 Series C Bonds.

**"Purchase Date"** shall mean a Business Day on which 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) are to be purchased upon optional or mandatory tender or deemed tender thereof pursuant to the terms hereof.

**"Purchase Price"** shall mean an amount equal to 100% of the principal amount of any 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered or remarketed pursuant to this Thirty-First Supplemental Resolution plus accrued and unpaid interest, if any, at the 2019 Series C Bond Rate or Rates in effect for the period from and including the first day of the then current Interest Accrual Period through and including the day immediately preceding the Purchase Date or the date of remarketing, as the case may be, unless, in the case of 2019 Series C Bonds in the Term Mode, the date of remarketing is on or after the Record Date for the next succeeding Interest Payment Date for the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) and on or prior to such Interest Payment Date, in which case the accrued and unpaid interest on such 2019 Series C Bonds being remarketed on such date shall not be paid as part of the Purchase Price.

**"Quarterly Payment Date"** shall mean the last Business Day of each March, June, September and December.

**"Rate Adjustment Date"** shall mean the day on which each Auction Mode Rate, Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate on a 2019 Series C Bond shall become effective as provided in Section 3.03.

**"Rate Determination Date"** shall mean the time and date as of which an interest rate for the 2019 Series C Bonds shall be determined, which date shall be determined (a) in the case of any Interest Mode other than the Auction Mode, as provided in Section 3.03 and (b) in the case of the Auction Mode, as shall be provided in Exhibit A.

**"Rating Agency"** shall mean Fitch if the 2019 Series C Bonds are then rated by Fitch, Moody's if the 2019 Series C Bonds are then rated by Moody's, and S&P if the 2019 Series C Bonds are then rated by S&P, in each case, at the request of the City.

**"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.

**"Record Date"** shall mean (a) except as provided in clause (b) below, (i) with respect to an Interest Payment Date for 2019 Series C Bonds in the Term Mode or the Fixed Mode, the close of business on the fifteenth day (whether or not a Business Day) of the next preceding calendar month; and (ii) with respect to an Interest Payment Date for 2019 Series C Bonds in the Auction Mode, the Daily Mode, the Weekly Mode or the Flexible Mode and 2019 Series C Bank Bonds, the close of business on the Business Day immediately preceding such Interest Payment Date; and (b) in the case of any Interest Payment Date described in clause (a) of the definition thereof, the close of business on the Business Day immediately preceding such Interest Payment Date.

**"Refunded Bonds"** means all or a portion 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 refunded

with a portion of the proceeds of the 2019 Series C Bonds and designated in accordance with Section 2.03 hereof.

**"Reimbursement Agreement"** shall mean (a) initially, the Initial Reimbursement Agreement and (b) any other loan agreement or reimbursement agreement that provides for the reimbursement by the City to the Credit Facility Issuer(s) of amounts paid under an Alternate Credit Facility, in each such case, as the same may be amended or supplemented from time to time.

**"Remarketing Agent"** shall mean each firm appointed by the City from time to time as the Remarketing Agent for the 2019 Series C Bonds and that is party to a Remarketing Agreement.

**"Remarketing Agreement"** shall mean the Remarketing Agreement to be entered into between the City and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, in substantially the form attached as Exhibit H hereto, as amended from time to time, or such other remarketing agreement(s) as may be entered into by the City from time to time in replacement that is (or are) designated by an Authorized Officer of the City as constituting a "Remarketing Agreement" hereunder at the time of the execution and delivery thereof.

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

**"S&P"** shall mean Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, and its successors and assigns, and, if such business shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

**"SIFMA Index"** shall mean an index based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association) and effective for a particular Rate Determination Date; *provided, however*, that if such index ceases to be published, it shall be replaced for the foregoing purposes by the most comparable published index designated by the Remarketing Agent or, in the absence of such designation, any other dealer bank or broker-dealer competent in such matters and chosen by the City.

**"Substitute Liquidity Facility"** shall mean any standby bond purchase agreement (other than the Liquidity Facility then in effect), revolving credit agreement, letter of credit, surety bond or other agreement or instrument under which any Person undertakes to make loans or provide funds to purchase 2019 Series C Bonds upon the tender (or deemed tender) thereof for purchase and as to which the conditions set forth in paragraph 2 of Section 4.02 shall be satisfied.

**"Substitution Date"** shall mean the Business Day on which the City (a) causes a new Credit Facility Issuer or Credit Facility Issuers to be substituted for one or more of the Credit Facility Issuers that is (or are) a party to the Credit Facility (if any) then in effect, (b) substitutes the Credit Facility (if any) then in effect with an Alternate Credit Facility, which Business Day shall be not later than the fifth Business Day immediately preceding the Facility Expiration Date for such Credit Facility then in effect, (c) causes a new Liquidity Provider or Liquidity Providers to be substituted for one or more of the Liquidity Providers that is (or are) a party to the Liquidity

Facility then in effect or (d) substitutes the Liquidity Facility then in effect with a Substitute Liquidity Facility, which Business Day shall be not later than the fifth Business Day immediately preceding the Facility Expiration Date for such Liquidity Facility then in effect; any date specified as a Substitution Date in a notice of mandatory tender mailed to Holders of 2019 Series C Bonds pursuant to subsection 2 of Section 3.08 shall be treated as a Substitution Date for purposes of this Thirty-First Supplemental Resolution even if the substitution of the new Credit Facility Issuer(s), the Alternate Credit Facility, the new Liquidity Provider(s) or the Substitute Liquidity Facility, as the case may be, fails to occur.

**"Tender Agency Agreement"** shall mean the Tender Agency Agreement Relating to Variable Rate Utilities System Revenue Bonds, 2019 Series C to be entered into between the City and U.S. Bank National Association, in substantially the form attached as Exhibit I hereto, as amended from time to time, or such other tender agency agreement(s) as may be entered into by the City from time to time in replacement thereof and that is (or are) designated by an Authorized Officer of the City as constituting a "Tender Agency Agreement" hereunder at the time of the execution and delivery thereof.

**"Tender Agent"** shall mean each firm appointed by the City from time to time as the Tender Agent for the 2019 Series C Bonds and that is party to a Tender Agency Agreement.

**"Term Mode"** shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Term Rates.

**"Term Rate"** shall mean the interest rate applicable to the 2019 Series C Bonds during the Term Mode, determined as provided in clause (c) of Section 3.03.

**"Thirty-First Supplemental Resolution"** shall mean this Thirty-First Supplemental Utilities System Revenue Bond Resolution, supplemental to the Master Resolution, as from time to time amended or supplemented in accordance with the terms of the Master Resolution.

**"2005 Series C Bonds"** means the City's Variable Rate Utilities System Revenue Bonds, 2005 Series C.

**"2006 Series A Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2006 Series A.

**"2007 Series A Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2007 Series A.

**"2008 Series B Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2008 Series B.

**"2012 Series B Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2012 Series B.

**"2019 Series C Bank Bond"** shall mean any 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) purchased by the Liquidity Provider(s) (or a nominee or nominees thereof) pursuant to clause (b) of paragraph 1 of Section 3.11; *provided, however*, that any such 2019 Series C Bond shall cease to be a 2019 Series C Bank Bond on the date on which

such 2019 Series C Bond shall be delivered to a purchaser identified by the Remarketing Agent (or, to the extent permitted by the Liquidity Facility, the date on which the Liquidity Provider(s) elect not to sell such 2019 Series C Bond to a purchaser identified by the Remarketing Agent in accordance with paragraph 3 of Section 5.01).

"**2019 Series C Bank Bond Purchase Date**" shall mean, with respect to each 2019 Series C Bond purchased by the Liquidity Provider(s) (or any nominee or nominees thereof) pursuant to clause (b) of subsection 1 of Section 3.11, the date of such purchase.

"**2019 Series C Bond Letter of Credit Proceeds Fund**" shall mean the fund by that name created and established pursuant to Section 8.01 and held by the Trustee separate and apart from any funds, accounts or subaccounts under the Bond Resolution and which shall not constitute a fund or an account for purposes of the Bond Resolution.

"**2019 Series C Bond Liquidity Proceeds Account**" shall mean the account by that name created and established in the 2019 Series C Bond Purchase Fund in Section 6.01.

"**2019 Series C Bond Purchase Fund**" shall mean the fund by that name created and established pursuant to Section 6.01 and held by the Tender Agent separate and apart from any funds, accounts or subaccounts under the Bond Resolution and which shall not constitute a fund or an account for purposes of the Bond Resolution.

"**2019 Series C Bond Rate**" shall mean the interest rate on 2019 Series C Bonds, determined pursuant to Section 3.03, but shall not include the interest rate on any 2019 Series C Bank Bonds.

"**2019 Series C Bond Remarketing Proceeds Account**" shall mean the account by that name created and established in the 2019 Series C Bond Purchase Fund in Section 6.01.

"**2019 Series C Bonds**" shall mean the Series of Refunding Bonds created and issued pursuant to Section 2.01 hereof and designated therein as the "Variable Rate Utilities System Revenue Bonds, 2019 Series C."

"**2019 Series C Project**" means the acquisition, construction, and equipping of the capital projects described on Exhibit B attached hereto, together with such other Cost of Acquisition and Construction related thereto, including reimbursement thereof.

"**Underwriter**" shall mean Merrill Lynch, Pierce Fenner & Smith, Incorporated, as the underwriter referred to in the Purchase Contract.

"**Untendered 2019 Series C Bonds**" shall have the meaning assigned to such term in Section 3.12.

"**Weekly Mode**" shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Weekly Rates.

"**Weekly Rate**" shall mean the interest rate applicable to the 2019 Series C Bonds during the Weekly Mode, determined as provided in clause (e) of Section 3.03.

Unless the context shall clearly indicate some other meaning, all terms used in this Thirty-First Supplemental Resolution, including Exhibit A, that shall be defined in Exhibit A shall for all purposes of this Thirty-First Supplemental Resolution, including Exhibit A, have the same respective meanings as such terms are given in Exhibit A.

**SECTION 1.03 Authority for this Thirty-First Supplemental Resolution.** This Thirty-First Supplemental Resolution is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article II and Article X of the Master Resolution.

**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, among others, of paying all or a portion of the Cost of Acquisition and Construction of the 2019 Series C Project, refunding the Refunded Bonds and paying costs of issuance related thereto.

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

3. The City deems it necessary and in its best interest to issue and sell the 2019 Series C Bonds for the purpose of providing funds for the payment of all or a portion of the Cost of Acquisition and Construction of the 2019 Series C Project, refunding the Refunded Bonds and paying costs of issuance related thereto.

4. Because of the characteristics of the 2019 Series C Bonds, prevailing and anticipated volatile market conditions, and savings and benefits to be realized from an expeditious sale of the 2019 Series C 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 2019 Series C Bonds hereinafter described, it shall be in the best interest of the City to accept the offer of the Underwriter to purchase the 2019 Series C Bonds at a negotiated sale upon the terms and conditions outlined herein.

5. The City desires to delegate the award and sale of the 2019 Series C 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 2019 SERIES C BONDS**

**SECTION 2.01 Principal Amount, Designation of Series and Description of 2019 Series C Bonds.** Pursuant to the provisions of the Master Resolution, a Series of Refunding Bonds is hereby authorized in an aggregate principal amount not to exceed \$70,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Variable Rate Utilities System Revenue Bonds, 2019 Series C". The actual aggregate principal amount of the 2019 Series C Bonds to be issued shall be determined by the General Manager for Utilities of the City, or his designee or such other Authorized Officer, on or prior to the Delivery Date as the amount necessary to accomplish the purposes for which the 2019 Series C Bonds are being issued set forth in Section 2.02 hereof, such determination to be set forth in the certificate referred to in paragraph 2 of Section 2.03 hereof. The 2019 Series C Bonds shall be

and constitute "Variable Rate Bonds," as such term is defined in Section 101 of the Master Resolution. For so long as any 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) shall be a 2019 Series C Bank Bond, such 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) shall be and constitute an "Option Bond," as such term is defined in Section 101 of the Master Resolution and shall be subject to Section 5.04 hereof.

**SECTION 2.02 Purpose.** The 2019 Series C 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 2019 Series C Project, (2) providing for the refunding of the Refunded Bonds, including necessary reserves and deposits related thereto, and (3) paying costs of issuance related to the 2019 Series C Bonds.

**SECTION 2.03 Maturity and Interest; Certain Determinations with Respect to the 2019 Series C Bonds.** 1. The 2019 Series C Bonds shall bear interest from the Delivery Date at the interest rate determined for each Interest Period pursuant to Section 3.03; *provided, however*, that each 2019 Series C Bank Bond shall bear interest as provided in Section 5.02.

Interest on each 2019 Series C Bond accruing during each Interest Accrual Period shall be payable on the Interest Payment Date immediately following the end of such Interest Accrual Period, to the Person in whose name such 2019 Series C Bond is registered at the Record Date therefor; *provided, however*, that the Holder of a 2019 Series C Bond other than the Liquidity Provider(s) (or the nominee(s) thereof) shall be paid interest thereon for an Interest Accrual Period only in the amount that would have accrued thereon at the 2019 Series C Bond Rate or Rates in effect during such Interest Accrual Period, regardless of whether or not such 2019 Series C Bond was a 2019 Series C Bank Bond during any portion of such Interest Accrual Period.

Interest accrued at the Auction Mode Rate for an Auction Period of 180 days or less shall (unless otherwise provided in Exhibit A) be computed on the basis of a 360-day year and actual days elapsed, interest accrued at the Daily Rate, the Weekly Rate, the Flexible Rate shall be computed on the basis of a 365- or 366-day year, as applicable, for actual days elapsed, interest accrued at the Bank Rate, unless otherwise provided in the Liquidity Facility, shall be computed on the basis of a 360 day year for actual days elapsed, and interest accrued at the Auction Mode Rate for an Auction Period of more than 180 days, the Term Rate or the Fixed Rate shall (unless otherwise provided in Exhibit A) be computed on the basis of a 360-day year comprised of twelve 30-day months.

Notwithstanding anything to the contrary contained herein, in no event shall any Auction Mode Rate, Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate exceed the Maximum Rate.

2. On or prior to the Delivery Date, the General Manager for Utilities of the City, or his designee or such other Authorized Officer, shall execute and deliver a certificate setting forth the following determinations with respect to the 2019 Series C Bonds:

(a) the Maturity Date which date shall be no later than October 1, 2049 and the aggregate principal amount of the 2019 Series C Bonds shall not exceed \$70,000,000;

(b) the due dates and amounts of the Sinking Fund Installments, if any, for the 2019 Series C Bonds; *provided, however*, that each Sinking Fund Installment due date shall fall upon an April 1 or an October 1;

(c) the initial Interest Mode for the 2019 Series C Bonds, which shall be either the Daily Mode or the Weekly Mode;

(d) (i) the respective maturities and principal amounts (or portion(s) thereof or Sinking Fund Installments), if any, 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 that constitute the Refunded Bonds, which maturities and amounts shall be based upon advice of the Financial Advisor as to which of such Bonds to be refunded would provide the most financial flexibility to the System;

(e) the principal amount of the 2019 Series C Bonds to be used for the 2019 Series C Project which amount shall not exceed \$10,000,000; and

(f) the purchase price for the 2019 Series C Bonds to be paid by the Underwriter pursuant to the Purchase Contract, which shall be equal to the principal amount of the 2019 Series C Bonds less the amount of the Underwriter's discount to be set forth in the Purchase Contract; *provided, however*, that the purchase price for the 2019 Series C Bonds to be paid by the Underwriter pursuant to the Purchase Contract shall not be less than 98% of the original principal amount thereof.

**SECTION 2.04 Denominations, Dates, Numbers and Letters.** The 2019 Series C Bonds shall be issued in fully registered form in the Authorized Denominations. Each 2019 Series C Bond shall be dated the date of its authentication except that all 2019 Series C Bonds issued prior to the first Interest Payment Date shall be dated the Delivery Date.

Unless an Authorized Officer of the City shall otherwise direct, the 2019 Series C Bonds will be numbered from 1001 upward preceded by the letter "RC" prefixed to the number.

**SECTION 2.05 Designation of the 2019 Series C Bonds as Book Entry Bonds; Appointment of Securities Depository for the 2019 Series C Bonds.**

1. Except as provided in paragraph 3. below, the 2019 Series C 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. The Depository Trust Company, New York, New York ("DTC") is hereby appointed as the initial Securities Depository for the 2019 Series C Bonds.

3. The 2019 Series C Bonds shall be issued initially in the form of a single, fully registered Bond in the amount of the 2019 Series C Bonds, registered in the name of Cede & Co. ("Cede"), as nominee of DTC, which will act as securities depository for the 2019 Series C Bonds and so long as the 2019 Series C Bonds are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the 2019 Series C Bonds shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with DTC Participants, either

directly or indirectly ("Indirect Participants"). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of interests in all or any portion of the 2019 Series C Bonds ("Beneficial Owners" or "beneficial owners"). 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 Thirty-First Supplemental Resolution shall refer to such new nominee of DTC. So long as any of the 2019 Series C Bonds is registered in the name of Cede, as nominee of DTC in its capacity as Securities Depository for the 2019 Series C Bonds, all payments with respect to the principal or Redemption Price of, and interest on and Purchase Price of such 2019 Series C Bond and all notices with respect to such 2019 Series C Bond shall be made or given to DTC as provided in the procedures of DTC as in effect from time to time.

The principal of, interest thereon and any redemption premium on the 2019 Series C Bonds shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of the City, DTC, the Trustee, the Paying Agent, the Registrar or the Tender Agent.

During the period for which Cede & Co. is registered owner of the 2019 Series C Bonds, any notice to be provided to any registered owner will be provided to Cede & Co. DTC shall be responsible for notice to DTC Participants and DTC Participants shall be responsible for notice to Indirect Participants, and DTC Participants and Indirect Participants shall be responsible for notice to individual purchasers of beneficial interests.

Notwithstanding anything to the contrary herein, during such time as DTC, or its successor is the Securities Depository, only DTC (or its successor), through its nominee, can give notice of optional tenders and exercise any other rights with respect to the 2019 Series C Bonds and neither the City nor any other Notice Parties will be required to take notice of or respond to any communications or demands from any DTC Participant, Indirect Participant or Beneficial Owner.

4. (a) DTC may determine to discontinue providing its services as Securities Depository for the 2019 Series C 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 2019 Series C 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 Master Resolution upon reasonable and customary terms. If no such successor can be found within such period, the 2019 Series C 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 2019 Series C 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 4, (i) the City shall execute and the Bond Registrar shall authenticate and deliver, upon presentation and surrender of the 2019 Series C Bonds, Bond certificates 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 2019 Series C Bonds and (ii) the Bond Registrar shall notify the Paying Agents that the 2019 Series C Bonds no longer are restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository.

5. Notwithstanding any provision herein to the contrary, so long as the book-entry-only system of transfers provided for in this Section shall remain in effect with respect to the 2019 Series C Bonds, (a) every transfer of such 2019 Series C Bonds made in accordance with the Auction Procedures, (b) every remarketing of such 2019 Series C Bonds (or portions thereof) by the Remarketing Agent and (c) all purchases and transfers of such 2019 Series C Bonds (or portions thereof) by the Tender Agent shall be conducted in accordance with such system.

6. So long as the 2019 Series C Bonds are issued pursuant to this Section 2.05 the City, the Trustee, the Tender Agent, the Paying Agent and the Registrar may treat DTC as, and deem DTC to be, the absolute owner of the 2019 Series C Bonds for all purposes whatsoever, including without limitation:

- (A) the payment of the principal of, interest on, premium if any, and Purchase Price of the 2019 Series C Bonds;
- (B) giving notices of prepayment, tender and other matters with respect to the 2019 Series C Bonds;
- (C) registering transfer with respect to the 2019 Series C Bonds; and
- (D) the selection of 2019 Series C Bonds for prepayment.

7. Notwithstanding anything in this Thirty-First Supplemental Resolution to the contrary, the City acknowledges that it is familiar with the procedures set forth in DTC Notice 3381-08, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("VRDO") Failed Remarketings and Issuance of Bank Bonds," as amended by DTC Notice number B3488-08, dated May 15, 2008 (collectively, the "DTC April 4 Notice") which must be followed in the event that any of the 2019 Series C Bonds that are tendered for purchase become 2019 Series C Bank Bonds. Prior to, and if necessary, after, the issuance of the 2019 Series C Bonds, the City will, or will cause the Trustee, Tender Agent or Remarketing Agent to, apply for one or more CUSIP numbers for potential 2019 Series C Bank Bonds so that such CUSIP numbers will be available, as required by DTC, if any of the 2019 Series C Bonds become 2019 Series C Bank Bonds. By acceptance of their appointment as such hereunder, the Trustee and the Tender Agent agree that if any of the 2019 Series C Bonds become 2019 Series C Bank Bonds, they will follow the DTC procedures set forth in the DTC April 4 Notice, as the same may be amended from time to time, including the withdrawal from DTC of any 2019 Series C Bonds that have become 2019 Series C Bank Bonds and the simultaneous deposit with DTC of the 2019 Series C Bank Bonds, as identified by new CUSIP numbers to be held in the DTC accounts of the Agent Bank.

#### **SECTION 2.06 Redemption Prices and Terms.**

1. The 2019 Series C 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, on the respective dates and in the respective amounts set

forth in the certificate referred to in paragraph 2(b) of Section 2.03, at a Redemption Price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

2. In addition, the 2019 Series C Bonds shall be subject to redemption at the election of the City as follows, in whole or in part, at a Redemption Price of 100% of the principal amount thereof together with accrued interest, if any, to the redemption date:

(a) if the 2019 Series C Bonds are in the Auction Mode, unless otherwise provided in Exhibit A, on any Interest Payment Date immediately following the end of an Auction Period;

(b) if the 2019 Series C Bonds are in the Daily or Weekly Mode, on any Business Day; and

(c) if the 2019 Series C Bonds are in the Flexible or Term Mode, on any Rate Adjustment Date for the 2019 Series C Bonds to be redeemed.

3. In addition, if the 2019 Series C Bonds are in the Term Mode or the Fixed Mode, the 2019 Series C Bonds shall be subject to redemption at the option of the City on any date prior to their stated maturity, in whole or in part:

(a) unless clause (b) below applies, during any Interest Period therefor, on any day, but only after the fifth (5th) anniversary of the first day of such Interest Period, at a Redemption Price equal to 100% of the principal amount thereof; or

(b) during any Interest Period therefor, on any alternate dates and at any alternate prices stated in an Officer's Certificate delivered to the Notice Parties prior to the Rate Determination Date for such Interest Period and accompanied by an Opinion of Bond Counsel to the effect that such substitution of such alternate dates and prices will not adversely affect the exclusion of interest on any 2019 Series C Bond from the gross income of the owner thereof for federal income tax purposes;

together, in each case, with accrued interest, if any, to the redemption date.

4. Notwithstanding anything to the contrary contained herein or in the Master Resolution, in the event that any 2019 Series C Bond in the Auction, Daily, Weekly or Flexible Mode shall become subject to redemption, notice of such redemption shall be given, in the manner provided in Section 405 of the Master Resolution, not less than 15 days before the redemption date.

5. Notwithstanding anything to the contrary contained herein or in the Bond Resolution, in the event that any 2019 Series C Bond is to be redeemed in part, the portion of such 2019 Series C Bond not so redeemed shall be in an Authorized Denomination.

6. Notwithstanding anything to the contrary contained herein or in the Bond Resolution, in the event of any redemption of less than all of the 2019 Series C Bonds, 2019 Series C Bank Bonds shall be redeemed first, prior to the selection of any other 2019 Series C Bonds for redemption.

7. Notwithstanding anything to the contrary contained in this Thirty-First Supplemental Resolution, 2019 Series C Bank Bonds shall be subject to redemption, at the election of the City, in whole or in part at any time at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon to the date of redemption (computed at the Bank Rate or Rates in effect from time to time). Any such redemption shall take place five (5) Business Days after the City shall have given the Agent Bank, the Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and the Remarketing Agent notice thereof, specifying the 2019 Series C Bank Bonds or portions thereof to be so redeemed on such date, unless the Agent Bank shall consent to an earlier redemption date.

8. During the period the Letter of Credit or any Alternate Credit Facility consisting of a direct-pay letter of credit is in effect, there may be no optional prepayment of 2019 Series C Bonds or defeasance of the 2019 Series C Bonds pursuant to Section 1201 of the Bond Resolution with money other than Eligible Moneys and 2019 Series C Bank Bonds may not be defeased pursuant to Section 1201 of the Bond Resolution. In accordance with Section 7.03 hereof, the Trustee shall first draw on the Letter of Credit or such Alternate Credit Facility for such prepayment if such Letter of Credit or such Alternate Credit Facility is then in effect.

**SECTION 2.07 Additional Redemption Provisions for 2019 Series C Bank Bonds.** For purposes of this Section 2.07, each portion of the 2019 Series C Bonds that becomes a 2019 Series C Bank Bond as a result of a purchase on a distinct Liquidity Provider Purchase Date will be deemed to constitute a separate 2019 Series C Bank Bond (referred to as a "Separate 2019 Series C Bank Bond"). Each Separate 2019 Series C Bank Bond shall be subject to mandatory redemption through Sinking Fund Installments as follows: Each Separate 2019 Series C Bank Bond Outstanding shall be redeemed during the period commencing with a date which is 180 days after the Liquidity Provider Purchase Date (or, if the purchase was made in the circumstances referred to in clause (c)(vii) or (viii) of Section 3.06, on the date that is 180 days after the Liquidity Provider Purchase Date) applicable to such Separate 2019 Series C Bank Bond (the "Term-Out Date") and extending to the earlier of (a) the date that is the fifth anniversary of such Liquidity Provider Purchase Date or (b) the maturity date of the 2019 Series C Bonds, in ten equal semi-annual installments of principal, payable on the Term-Out Date and at the end of each six-month period thereafter. In order to provide for such retirement, there are hereby established Sinking Fund Installments with respect to each such Separate 2019 Series C Bank Bond, which Sinking Fund Installments shall be due in semi-annual installments, on the Term-Out Date applicable to such Separate 2019 Series C Bank Bond and at the end of each six-month period thereafter with respect to each such Separate 2019 Series C Bank Bond. For purposes of the two preceding sentences, each semi-annual payment date or due date, as the case may be, hereunder shall be the date that numerically corresponds with the Term-Out Date or, if there is no such numerically corresponding date in the applicable month, on the last day of such month (or, if such day is not a Business Day, the next succeeding Business Day). The Agent Bank shall determine the amount of principal due on each Separate 2019 Series C Bank Bond on each payment date and shall notify the Trustee and the Issuer of such amount at least three (3) Business Day prior to such payment date. The Redemption Price shall be the principal amount of the 2019 Series C Bank Bonds to be redeemed plus accrued interest thereon to the date of redemption. In the event that the principal amount of 2019 Series C Bank Bonds to be redeemed on any such redemption date is not equal to an Authorized Denomination, the principal amount of 2019 Series C Bank Bonds to be redeemed shall be rounded to the next higher Authorized Denomination. In accordance with the provisions of Section 511 of the Master Resolution, 2019 Series C Bank Bonds optionally redeemed by the

City shall be applied against the next succeeding Sinking Fund Installment(s) pursuant to this Section 2.07. When 2019 Series C Bonds are redeemed pursuant to paragraph 1 of Section 2.06 hereof, as provided elsewhere herein, 2019 Series C Bank Bonds shall be redeemed first, and in that event, the amount of 2019 Series C Bonds redeemed shall be applied against the next succeeding Sinking Fund Installments under this Section 2.07 in the order of the due dates thereof.

Notwithstanding anything to contrary contained herein or in the Bond Resolution, in connection with the delivery of any Substitute Liquidity Facility permitted pursuant to paragraph 2 of Section 4.02, the foregoing redemption provisions may be amended by the City in any respect so long as the City shall receive an Opinion of Bond Counsel to the effect that such amendment (a) is authorized or permitted by the Bond Resolution and the Act and (b) will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes.

**SECTION 2.08 Place of Payment and Paying Agents.** Except as provided in subsection 5 of Section 309 of the Master Resolution and paragraph 3 of Section 2.05 hereof, the principal and Redemption Price of the 2019 Series C Bonds will be payable at the principal corporate trust office of U.S. Bank National Association in the City of New York, New York, and such institution is hereby appointed Paying Agent for the 2019 Series C Bonds. Except as provided in subsection 5 of Section 309 of the Master Resolution and paragraph 3 of Section 2.05 hereof, the principal and Redemption Price of the 2019 Series C 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 paragraph 3 of Section 2.05 hereof, interest on the 2019 Series C Bonds shall be paid (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, (ii) in the case of all 2019 Series C Bank Bonds, by wire transfer of immediately available funds at such wire address as the Agent Bank shall specify or (iii) in the case of 2019 Series C Bonds subject to the Auction Mode, the Flexible Mode, the Daily Mode or the Weekly Mode, by wire transfer in immediately available funds to any owner of 2019 Series C Bonds in the denomination of \$1,000,000 or any Authorized Denomination in excess of such amount at such wire transfer address as such owner shall specify if such owner shall provide written notice to the Paying Agent not less than five (5) days prior to the Record Date relating to such Interest Payment Date in which request for wire transfer payment is made and the wire transfer address is specified.

**SECTION 2.09 Application of Proceeds of 2019 Series C Bonds.** In accordance with subsection (7) of paragraph 1 of Section 202, paragraph 2 of Section 203 and paragraph 3 of Section 204 of the Master Resolution, the net proceeds of the 2019 Series C Bonds, to the extent permitted under the Code and not otherwise provided by the City by a certificate of the General Manager or Chief Financial Officer or such other 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 2019 Series C Bonds shall be deposited to the 2019C Project Account created pursuant to Section 2.10 hereof and applied to pay such costs (which any of such costs may be paid directly by the Underwriter).

(B) The amount necessary to pay the principal amount of Refunded Bonds, together with accrued interest to their respective maturity dates shall be transferred to the paying agent for

the payment of such Refunded Bonds on their redemption date or earlier maturity date in accordance with Section 2.11 hereof.

(C) The remaining proceeds shall be deposited into the 2019C Project Account hereafter created and shall be used to pay the Cost of Acquisition and Construction of the 2019 Series C Project, including by reimbursement in accordance with the provisions of Section 503 of the Master Resolution and Section 2.10 below.

**SECTION 2.10 2019 Project Account.** There is hereby created and established in the Construction Fund an account to be held by the City to be designated the "2019C Project Account" (the "2019C Project Account"). The 2019C 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, used and applied by the City solely for the payment of the Cost of Acquisition and Construction related to the 2019 Series C Project and the costs of issuance of the 2019 Series C Bonds.

Any funds on deposit in the 2019C 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 Master Resolution. All income derived from investment of funds in the 2019C Project Account shall be deposited therein and shall be used for the payment of the Cost of Acquisition and Construction related to the 2019 Series C 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 2019 Series C Project of any representation, warranty or performance guaranty shall be deposited 2019C Project Account and shall be used to pay costs associated with the respective project.

Upon completion of the 2019 Series C Project, notwithstanding anything in the Bond Resolution to the contrary, any amounts then remaining in the 2019C Project Account and not reserved by the City for the payment of any remaining Cost of Acquisition and Construction related to the 2019 Series C Project may be deposited into the Debt Service Account and used to pay debt service on the 2019 Series C Bonds next coming due, or to purchase or redeem 2019 Series C Bonds in the manner that the 2019 Series C Bonds are permitted to be purchased or redeemed under the terms of the Bond Resolution and this Thirty-First Supplemental 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 2019 Series C Bonds to be includable in gross income for federal income tax purposes.

**SECTION 2.11 Election for Redemption of the Refunded Bonds.** The City hereby elects and directs the Trustee to redeem, on the Delivery Date, the Refunded Bonds, at the applicable Redemption Prices therefor, together with accrued interest (if any) to the Delivery Date, or such later date as determined by an Authorized Officer upon the advice of the Financial Advisor.

**SECTION 2.12 Tax Covenants.** It is the intention of the City and all parties under its control that the interest on the 2019 Series C 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 2019 Series C 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 2019 Series C 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 2019 Series C Bonds issued hereunder and required payments of the Rebate Amount with respect to the 2019 Series C Bonds for at least six years after the final maturity of the 2019 Series C 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 2019 Series C Bonds issued hereunder to become arbitrage bonds under Section 148 of the Code; and

(F) to refrain from using proceeds of the 2019 Series C Bonds issued hereunder in a manner that would cause the 2019 Series C 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 2019 Series C 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 2019 Series C 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 2019 Series C 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 2019 Series C 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 2019 Series C 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.

**SECTION 2.13 Issuance of 2019 Series C Bonds in Lieu of Those Deemed Purchased.** At such time as any 2019 Series C Bond shall be deemed to have been tendered and

sold as provided in this Thirty-First Supplemental Resolution, the City may issue a new Bond or Bonds in lieu thereof pursuant to Section 307 of the Master Resolution and the 2019 Series C Bond that is deemed purchased shall no longer be Outstanding.

**ARTICLE III  
INTEREST MODES: DETERMINATION OF INTEREST RATES  
FOR 2019 SERIES C BONDS; TENDER AND PURCHASE OF 2019 SERIES C BONDS**

**SECTION 3.01 Determination of Interest Modes.** Interest Modes may be determined as follows:

(a) **By the City.** If the 2019 Series C Bonds shall be in any Interest Mode other than the Fixed Mode, the City may, subject to clause (b) of this Section, designate a different Interest Mode or the Term Mode with an Interest Period of different duration (and, if such new Interest Mode is the Term Mode, designate the duration of the initial Interest Period thereof) for the 2019 Series C Bonds by an Officer's Certificate delivered to the other Notice Parties not less than 45 days, if the 2019 Series C Bonds are then in the Flexible Mode or Term Mode, and not less than seven (7) Business Days if the 2019 Series C Bonds are then in the Auction Mode and otherwise not less than 30 days, prior to the first day of such new Interest Mode or changed Interest Period, as the case may be (unless such shorter period of time prior thereto shall be acceptable to (1) if the 2019 Series C Bonds are then in the Auction Mode, the Auction Agent and each Broker-Dealer or (2) if the 2019 Series C Bonds are then in an Interest Mode other than the Auction Mode, the Tender Agent), stating:

(i) **Effective Date:** the first day of the newly designated Interest Mode or Interest Period for the 2019 Series C Bonds (referred to herein as the "I"), which shall be (A) if the Interest Mode then in effect for the 2019 Series C Bonds is the Auction Mode with an Auction Period other than a daily Auction Period, the second Interest Payment Date following the final Auction Date, (B) if the Interest Mode then in effect for the 2019 Series C Bonds is the Auction Mode with a daily Auction Period, the Daily Mode or the Weekly Mode, an Interest Payment Date, (C) if the Interest Mode then in effect for the 2019 Series C Bonds is the Term Mode, any day following requisite notice on which the 2019 Series C Bonds could be redeemed at the option of the City pursuant to paragraph 2 or 3 of Section 2.06 at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, thereon, and (D) if the Interest Mode then in effect for the 2019 Series C Bonds is the Flexible Mode, the latest Interest Payment Date for all Interest Periods thereon then in effect or any Business Day thereafter,

(ii) **Designation:** that the City has determined that, effective on such Mode Adjustment Date, the Auction Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Mode, a successive Term Mode with an Interest Period of different duration, or the Fixed Mode, as the case may be, shall take effect for the 2019 Series C Bonds, and

(iii) **Auction Period or Interest Period:** if (A) the designated Interest Mode is the Auction Mode, the duration of the Auction Period to be in effect upon the effectiveness of such Auction Mode, which Auction Period shall be any of the Auction Periods referred to in, or permitted by, Exhibit A, or (B) the designated Interest Mode is



the Term Mode, the duration of the initial Interest Period thereof, which Interest Period shall end on the last calendar day of any March or September specified in such Officer's Certificate.

Upon (X) receipt by the other Notice Parties of such Officer's Certificate, (Y) receipt by the Tender Agent of the items referred to in paragraph 2 of Section 4.02, if applicable and (Z) the giving of the notice provided in clause (b) of Section 3.04, the Interest Mode or Interest Period, as the case may be, for the 2019 Series C Bonds shall, subject to clause (b) of this Section and Section 3.02, automatically be converted on the Mode Adjustment Date specified in such Officer's Certificate to the specified Interest Mode or Interest Period, as the case may be, without further act, unless (1) if the designated Interest Mode is any Interest Mode other than the Auction Mode, the Tender Agent or (2) if the designated Interest Mode is the Auction Mode, the Auction Agent and each Broker-Dealer shall have received, prior to the mailing of notice thereof pursuant to clause (b) of Section 3.04, an Officer's Certificate electing not to effect such conversion. The Tender Agent (if the new Interest Mode is any Interest Mode other than the Auction Mode) or the Auction Agent (if the new Interest Mode is the Auction Mode) shall promptly notify the other Notice Parties in writing of the conversion of the 2019 Series C Bonds to a new Interest Mode or Interest Period.

(b) **Limitations on Determinations.** No change to any Interest Mode or in the Interest Period for any Term Mode shall be made for the 2019 Series C Bonds by an Officer's Certificate pursuant to clause (a) of this Section, unless:

(i) **Opinion of Bond Counsel:** such Officer's Certificate is accompanied by, and in addition there is delivered to the Tender Agent (if any), the Agent Bank (if any) and the Remarketing Agent (if any) on the first day of such Interest Mode or Interest Period, as the case may be, an Opinion of Bond Counsel to the effect that such change in the Interest Mode or Interest Period, as the case may be, will not adversely affect the exclusion of interest on any 2019 Series C Bond from gross income for federal income tax purposes and is authorized by applicable law.

(ii) **Consent of Agent Bank:** if the Liquidity Facility is to remain in effect following the change in Interest Mode or Interest Period, such Officer's Certificate shall be accompanied by a written consent of the Agent Bank (if any) to such change in Interest Mode or Interest Period.

(iii) **Facility Requirement:** except in the case of a change to the Auction Mode or the Fixed Mode, the Liquidity Facility and Credit Facility, as applicable shall be in an amount at least equal to the Facility Requirement applicable to the Interest Mode to become effective.

(iv) **Qualified Interest Period:** if the Interest Mode to become effective for the 2019 Series C Bonds is the Term Mode, the duration of the first Interest Period thereof designated by such Officer's Certificate is in accordance with the provisions of Section 3.02.

(v) **Book-Entry System:** if the Interest Mode to become effective for the 2019 Series C Bonds is the Auction Mode, the 2019 Series C Bonds shall, on the Mode Adjustment Date, be a Book-Entry Only 2019 Series C Bond, and

(vi) **Interest Mode and Period.** All 2019 Series C Bonds shall be in the same Interest Mode and have the same Interest Rate Period.

(c) **Restoration of Positions.** If, after notice to any Person of any change in the Interest Mode or Interest Period for the 2019 Series C Bonds, such change may not be effected on the Mode Adjustment Date specified therefor in the Officer's Certificate designating such change because of any failure to satisfy the conditions of clause (b) of this Section, then the 2019 Series C Bonds shall remain in the Interest Mode which they are then in or remain subject to the same Interest Period as then is applicable, as the case may be; *provided, however*, that if the proposed change was from the Term Mode to any other Interest Mode and the City causes to be delivered to the Tender Agent and the Remarketing Agent an Opinion of Bond Counsel to the effect that such change in Interest Mode will not adversely affect the exclusion of interest on any 2019 Series C Bond from gross income for federal income tax purposes and is authorized by applicable law, then, so long as the Liquidity Facility or Credit Facility then in effect (taking into account any amendments being made thereto in connection therewith) shall satisfy the Facility Requirement for the Weekly Mode, the 2019 Series C Bonds shall be changed to the Weekly Mode. In any such event, the 2019 Series C Bonds shall be subject to mandatory tender as and to the extent provided in clause (c)(iii) of Section 3.06.

**SECTION 3.02 Duration of Interest Modes and Interest Periods.** The duration of Interest Modes and Interest Periods will be as follows:

(a) **Interest Modes.** Each Interest Mode for the 2019 Series C Bonds other than the Fixed Mode shall extend through the day prior to the effective date of any other Interest Mode for the 2019 Series C Bonds established in accordance with Section 3.01. Any Fixed Mode for the 2019 Series C Bonds shall extend to the stated maturity date of the 2019 Series C Bonds.

(b) **Interest Periods Generally.** No Interest Period for any 2019 Series C Bond (or portion thereof) during the Flexible Mode or the Term Mode shall extend beyond (1) the fifth (5th) Business Day preceding the Facility Expiration Date or (2) the day prior to the effective date of any other Interest Mode for the 2019 Series C Bonds to become effective pursuant to the prior Officer's Certificate given in accordance with clause (a) of Section 3.01.

(c) **Interest Periods During Auction Mode.** Each Interest Period for each 2019 Series C Bond (or beneficial ownership interest therein) while in the Auction Mode shall be the same as each Auction Period with respect thereto, which Auction Periods shall be determined in the manner to be provided in Exhibit A.

(d) **Interest Periods During Flexible Mode.** The Interest Period for each 2019 Series C Bond (or beneficial ownership interest therein) while in the Flexible Mode shall be the period determined by the Remarketing Agent, on or before the Rate Adjustment Date therefor, to be the Interest Period which, in its judgment, will produce the greatest likelihood of the lowest overall debt service costs on the 2019 Series C Bonds prior to the maturity thereof, given prevailing market conditions. The Remarketing Agent may determine different Interest Periods for different

2019 Series C Bonds (or beneficial ownership interests therein) on or before the same Rate Adjustment Date. Each Interest Period for any 2019 Series C Bond (or beneficial ownership interest therein) while in the Flexible Mode shall commence on the first day of such Flexible Mode for such 2019 Series C Bond (or beneficial ownership interest therein) or on the day immediately succeeding the immediately preceding Interest Period for such 2019 Series C Bond (or beneficial ownership interest therein) during such Flexible Mode, shall end on a day preceding a Business Day, and shall be not less than one nor more than 270 days in length. No Interest Period for any 2019 Series C Bond (or beneficial ownership interest therein) while in the Flexible Mode shall end later than the day preceding any redemption date described in paragraph 1 of Section 2.06, unless the principal amount of 2019 Series C Bonds (or beneficial ownership interests therein) with an Interest Period which ends on or prior to such preceding day is at least equal to the principal amount of 2019 Series C Bonds to be redeemed on such redemption date pursuant to said paragraph 1 of Section 2.06.

(c) **Interest Period During Term Mode.** Each Interest Period for any 2019 Series C Bond (or beneficial ownership interest therein) while in the Term Mode shall commence on the Mode Adjustment Date with respect thereto or on the day immediately succeeding the immediately preceding Interest Period for such 2019 Series C Bond during such Term Mode. The initial Interest Period of each Term Mode for the 2019 Series C Bonds shall end on the last calendar day of any March or September specified in the Officer's Certificate designating such Interest Mode pursuant to clause (a) of Section 3.01 which occurs at least one year after the effective date of such Interest Mode. Each successive Interest Period during such Term Mode shall end on the day immediately preceding the anniversary of the last Interest Payment Date for interest accrued in the immediately preceding Interest Period which occurs the same number of 12-month periods after the first day of such successive Interest Period as the number of 12-month periods or portions thereof during the initial Interest Period in such Term Mode, unless changed by Officer's Certificate pursuant to Section 3.01.

**SECTION 3.03 Determination of Interest Rates; Effectiveness Thereof.** The various interest rates for the 2019 Series C Bonds will be determined as follows, and shall be effective for the periods described below:

(a) **Auction Mode Rate.** During each Auction Mode for 2019 Series C Bonds, the Auction Mode Rates to be in effect from time to time shall be determined by the Auction Agent and notice thereof shall be given in the manner to be provided in Exhibit A, and each such Auction Mode Rate shall be effective for the Auction Period to which such Auction Mode Rate relates; *provided, however*, that in the event of a change to the Auction Mode from another Interest Mode, the Auction Mode Rate for the Auction Period commencing on the Mode Adjustment Date applicable thereto shall be determined by such Broker-Dealer as shall be specified by the City as the lowest rate which, in the judgment of such Broker-Dealer, is necessary to enable the 2019 Series C Bonds (or beneficial ownership interests therein) to be remarketed on such Mode Adjustment Date at a price (without regard to accrued interest) equal to 100% of the principal amount thereof.

(b) **Daily Rate.** During each Daily Mode for 2019 Series C Bonds, by 11:00 a.m., New York City time, on each Business Day, the Remarketing Agent shall determine the Daily Rate for the 2019 Series C Bonds by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Daily Rate shall be effective for the

Interest Period beginning on such Business Day and ending on the day preceding the next succeeding Business Day.

(c) **Weekly Rate.** During each Weekly Mode for the 2019 Series C Bonds, by 5:00 p.m., New York City time, on the last Business Day for the Remarketing Agent before the commencement of such Weekly Mode and before each succeeding Wednesday (or such other day as may be specified by the Remarketing Agent after notice to the Tender Agent and the Holders of the 2019 Series C Bonds) thereafter during such Weekly Mode, the Remarketing Agent shall determine the Weekly Rate for the 2019 Series C Bonds by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Weekly Rate shall be effective for the Interest Period beginning on Wednesday of such week and ending on the next succeeding Tuesday.

(d) **Flexible Rate.** By not later than 12:30 p.m., New York City time, on or before the first Business Day for the Remarketing Agent in each Interest Period for each 2019 Series C Bond (or beneficial ownership interest therein) which is in the Flexible Mode, the Remarketing Agent shall determine the Flexible Rate for such 2019 Series C Bond (or beneficial ownership interest therein), in each case by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Flexible Rate shall be effective for such Interest Period.

(e) **Term Rate; Fixed Rate.** On any date designated by the Remarketing Agent which is not more than 35 days preceding nor later than the last Business Day for the Remarketing Agent preceding each Interest Period for 2019 Series C Bonds during which such 2019 Series C Bonds are in the Term Mode or the Fixed Mode, the Remarketing Agent shall determine the Term Rate or the Fixed Rate, as the case may be, for the 2019 Series C Bonds by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Term Rate or Fixed Rate, as the case may be, shall be effective for such Interest Period.

(f) **Procedure for Market Rate Determination.** The Remarketing Agent shall make each determination of the Market Rate for any 2019 Series C Bond (or beneficial ownership interest therein) pursuant to this Section by determining in its judgment the minimum interest rate necessary to be borne by such 2019 Series C Bond (or beneficial ownership interest therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2019 Series C Bond (or beneficial ownership interest therein) on the Rate Adjustment Date therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; *provided, however*, that in no event shall any rate so determined exceed the Maximum Rate.

If there shall be no Remarketing Agent to establish a Daily Rate for any Business Day, then the Daily Rate with respect to 2019 Series C Bond in the Daily Mode for such Business Day shall be the Maximum Rate. If there shall be a Remarketing Agent and for any reason it fails to establish a Daily Rate for any Business Day for such 2019 Series C Bond in the Daily Mode, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Rate or (B) the seventh day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven days as described in clause (B) of the immediately preceding

sentence (for any reason other than there not having been a Remarketing Agent), the interest rate for such Business Day shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by such Remarketing Agent.

If there shall be no Remarketing Agent to establish a Weekly Rate for any week, then the Weekly Rate with respect to 2019 Series C Bond in the Weekly Mode for such week shall be the Maximum Rate. If there shall be a Remarketing Agent and it fails to establish a Weekly Rate for any week then the Weekly Rate with respect to for such 2019 Series C Bond in the Weekly Mode for such week shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent (for any reason other than there not having been a Remarketing Agent), or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Rate would otherwise be determined as provided herein for such Interest Period.

If the 2019 Series C Bonds are in an Interest Mode other than a Daily Mode or a Weekly Mode, if for any reason the Remarketing Agent fails to determine the Market Rate for any 2019 Series C Bond on a Rate Determination Date, or any Market Rate for any 2019 Series C Bond determined by the Remarketing Agent on a Rate Determination Date is determined by a court of competent jurisdiction to be invalid or unenforceable, then, commencing on such Rate Determination Date or the date with respect to which such court's determination shall be effective, as the case may be, such 2019 Series C Bond shall bear interest at a rate equal to one hundred percent (100%) of the SIFMA Index most recently announced on or prior to each Rate Determination Date until the next Rate Adjustment Date, provided, however, that in no event shall any such rate exceed the Maximum Rate.

**SECTION 3.04 Notice of Interest Rates and Interest Modes.** Notice of interest rates and Interest Modes will be given as follows:

(a) **Notice to the Broker-Dealers, the Tender Agent, the Trustee and the City.** If the 2019 Series C Bonds shall be in the Auction Mode, the Auction Agent shall give notice to the City and the Trustee of each Auction Mode Rate determined pursuant to Exhibit A at the time and in the manner to be provided in Exhibit A. If the 2019 Series C Bonds shall be in any Interest Mode other than the Auction Mode, the Remarketing Agent shall give notice to the Tender Agent, the Trustee and the City, at the times determined pursuant to the next sentence, of each interest rate determination made by it pursuant to Section 3.03 and of each determination of the duration of an Interest Period for any 2019 Series C Bond in the Flexible Mode made by it pursuant to clause (d) of Section 3.02, which notice shall be in writing (including by facsimile or other electronic means) or may be by telephone, promptly confirmed in writing (including by facsimile or other electronic means). Such notice shall be given (i) if the 2019 Series C Bonds shall be in the Daily Mode, at the option of the Remarketing Agent therefor, either (A) on each Business Day,

as to the rate determined on such Business Day or (B) on (1) each Friday, as to each rate determined during the week ending on such Friday and (2) the last day of such Interest Period, as to each rate determined during the week in which such last day occurs and (ii) if the 2019 Series C Bonds shall be in the Weekly Mode, the Flexible Mode, the Term Mode or the Fixed Mode, on each day on which such rate is determined, as to the interest rate and, in the case of the Flexible Mode, the Interest Period so determined. In lieu of any notice in writing as aforesaid, the Remarketing Agent may make such information available to the Tender Agent, the Trustee and the City (as applicable) by any readily available electronic means (e.g., by posting such information on the Internet); *provided, however*, that the Remarketing Agent shall have given the Tender Agent, the Trustee and/or the City, as applicable, at least five days' prior written notice of its intention to make such information available in such manner.

(b) **Notice to Holders of 2019 Series C Bonds of Interest Modes or Interest Periods.** Not less than 15 days, if the 2019 Series C Bonds are in the Daily Mode or Weekly Mode, not less than 20 days if the 2019 Series C Bonds are in the Auction Mode, and not less than 30 days, if the 2019 Series C Bonds are in any other Interest Mode, and, in any such case, not more than 60 days, prior to (1) the effective date of a change in the Rate Determination Date for 2019 Series C Bonds in the Weekly Mode, as provided in clause (c) of Section 3.03, (2) any Mode Adjustment Date or (3) the first day of any new Interest Period for 2019 Series C Bonds in the Term Mode, the Tender Agent shall give notice to the Auction Agent (if any), the Broker-Dealers (if any), the Remarketing Agent (if any), the Agent Bank (if any), and the Holders of the 2019 Series C Bonds, stating:

(i) that the interest rate on the 2019 Series C Bonds will be converted to the Auction Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Mode or the Fixed Mode, or that the duration of the Interest Period or the Rate Determination Date for such 2019 Series C Bond then in effect will be altered, as the case may be, and

(ii) the other information required by paragraph 2 of Section 3.08.

The Tender Agent shall provide a copy of each notice from the Tender Agent given pursuant to this clause (b) to each transferee, if any, of a 2019 Series C Bond to be converted to a new Interest Mode or to an Interest Period of different duration in the Term Mode that is authenticated by it on or after the date of such notice and prior to the effective date of the Interest Mode or Interest Period described therein.

(c) **Notice to Owners of 2019 Series C Bonds of Interest Rates.** The Remarketing Agent shall provide the rate of interest constituting the Daily Rate, the Weekly Rate or the Flexible Rate for the 2019 Series C Bonds, and the Tender Agent shall provide the rate of interest constituting the Term Rate or the Fixed Rate for the 2019 Series C Bonds, from time to time to each owner thereof who requests such information, by telephone or in writing (including by facsimile or other electronic means).

While in the Daily Mode or Weekly Mode, the Tender Agent shall provide to the City and the Trustee and, upon written request, to any Holder of a 2019 Series C Bond to whom such interest is due the interest rates in effect since the preceding Interest Accrual Period therefor.

**SECTION 3.05 Effect of Determinations.** Each designation of an Interest Mode made pursuant to Section 3.01, each determination of the duration of an Interest Period made pursuant to Section 3.02, and each determination of an Auction Mode Rate, a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate made pursuant to Section 3.03 shall be conclusive and binding upon (a) the City, (b) the Trustee, (c) the Auction Agent and the Broker-Dealers (if the 2019 Series C Bonds shall be in the Auction Mode), (d) the Tender Agent, the Remarketing Agent, the Agent Bank, the Liquidity Provider(s) (if any) and the Credit Facility Issuer(s) (if any) (if the 2019 Series C Bonds shall be in an Interest Mode other than the Auction Mode) and (e) the Holders of the 2019 Series C Bonds, and neither the City nor the Trustee nor the Auction Agent nor the Broker-Dealers nor the Tender Agent nor the Remarketing Agent shall have any liability to any such Person for any such determination, whether due to any error in judgment, failure to consider any information, opinion or other resource, or otherwise.

**SECTION 3.06 Purchase of 2019 Series C Bonds.** The Tender Agent shall effect the purchase of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein in a principal amount equal to, and leaving untendered, an Authorized Denomination) from any Person at the Purchase Price therefor, payable in immediately available funds by the close of business on the applicable Purchase Date, but solely from and to the extent of the funds described in Section 3.10, for the account of the Persons described in paragraph 1 of Section 3.11:

(a) **Daily Mode Tender Option:** while the 2019 Series C Bonds are in the Daily Mode, upon delivery (or deemed tender pursuant to Section 3.12) for purchase of such 2019 Series C Bonds at the option of the Holder thereof on any Business Day, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, at the office of the Tender Agent by 12:00 p.m., New York City time, on such Business Day, if notice of such tender shall have been given to the Tender Agent in strict compliance with the provisions of Section 3.07, and

(b) **Weekly Mode Tender Option:** while the 2019 Series C Bonds are in the Weekly Mode, upon delivery (or deemed tender pursuant to Section 3.12) for purchase of such 2019 Series C Bonds at the option of the Holder thereof (or, if the 2019 Series C Bonds shall be a Book-Entry Only 2019 Series C Bond, at the option of the beneficial owner thereof) on any Business Day, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, at the office of the Tender Agent by 12:00 p.m., New York City time, on such Business Day, if notice of such tender shall have been given to the Tender Agent in strict compliance with the provisions of Section 3.07, and

(c) **Mandatory Tender:** upon tender (or deemed tender pursuant to Section 3.12) for purchase of such 2019 Series C Bonds as required by paragraph 1 of Section 3.08:

(i) **Expiration of Liquidity Facility or Credit Facility:** on the fifth (5th) Business Day prior to the Facility Expiration Date,

(ii) **Substitution of Liquidity Facility or Credit Facility:** on the Substitution Date; *provided, however,* that if the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to paragraph 2 of Section 3.08, written evidence from each Rating Agency then rating the 2019 Series C Bonds to the

effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility or the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect, the proposed Alternate Credit Facility or the substitution of one or more Credit Facility Issuers for one or more of the Credit Facility Issuers that are party to the Credit Facility then in effect, as the case may be, and that such substitution will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on the 2019 Series C Bonds, then the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on the Substitution Date,

(iii) **Interest Mode or Interest Period Changes:** on any Mode Adjustment Date designated by an Officer's Certificate pursuant to clause (a) of Section 3.01, whether or not such change to a new Interest Mode or Interest Period, as applicable, is effected,

(iv) **Rate Adjustment Dates:** on each Rate Adjustment Date while the 2019 Series C Bonds are in (A) the Flexible Mode or (B) the Term Mode.

(v) **City Option in Term Mode:** on any day while the 2019 Series C Bonds are in the Term Mode, upon delivery of an Officer's Certificate, if such 2019 Series C Bonds may then be redeemed at the option of the City pursuant to paragraph 2 or 3 of Section 2.06 at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, thereon; *provided, however,* that such Officer's Certificate shall be accompanied by the written consent of the Agent Bank to the 2019 Series C Bonds being so subject to mandatory tender on such date,

(vi) **Amendment to this Thirty-First Supplemental Resolution or the Bond Resolution:** on (A) any Business Day while the 2019 Series C Bonds are in the Daily Mode or Weekly Mode, (B) any Rate Adjustment Date while the 2019 Series C Bonds are in the Flexible Mode, or (C) any Business Day on which the 2019 Series C Bonds may then be redeemed at the option of the City pursuant to paragraph 2 or 3 of Section 2.06 at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, thereon while the 2019 Series C Bonds are in the Term Mode, in any such case, that is at least fifteen (15) days following delivery to the Notice Parties of an Officer's Certificate to the effect that the City is causing the 2019 Series C Bonds to become subject to mandatory tender in order to enable any Supplemental Resolution amending this Thirty-First Supplemental Resolution or the Bond Resolution to take effect pursuant to paragraph 2 of Section 11.05; *provided, however,* that such Officer's Certificate shall be accompanied by (X) the written consent of the Agent Bank to the 2019 Series C Bonds being so subject to mandatory tender on such date and (Y) an Opinion of Bond Counsel to the effect that such amendments are authorized or permitted by the Bond Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes,

(vii) **Liquidity Facility Default:** on the fifteenth (15th) day (or if such day shall not be a Business Day, on the next preceding Business Day) after receipt by the Tender Agent of notice from the Agent Bank to the effect that an "event of default" (or similar event) on the part of the City has occurred and is continuing under the Liquidity Facility that entitles the Liquidity Provider(s) party thereto to terminate the Liquidity

Facility (or the commitment thereunder of the Liquidity Provider(s) to purchase 2019 Series C Bonds) following the honoring by the Liquidity Provider(s) of a final demand for payment thereunder to purchase all of the 2019 Series C Bonds upon the resultant mandatory tender for purchase thereof and directing the mandatory tender thereof.

(viii) **Credit Facility Default:** on the fifteenth (15th) day (or if such day shall not be a Business Day, on the next preceding Business Day) after receipt by the Tender Agent therefor of notice from the Agent Bank therefor to the effect that an "event of default" (or similar provision) on the part of the City has occurred and is continuing under the Credit Facility therefor, and directing such Tender Agent to make a draw or request for funding, as the case may be, under such Credit Facility to effect a mandatory tender of all of the 2019 Series C Bonds of such series, and

(ix) **Upon Purchase in Lieu of Prepayment:** The 2019 Series C Bonds shall, upon the written consent of the Liquidity Provider, be subject to mandatory tender for purchase if in accordance with Section 2.06 hereof the City gives written direction to the Tender Agent not less than ten (10) days prior to a prepayment date under Sections 2.06 herein (other than scheduled Sinking Fund Installments), to purchase the 2019 Series C Bonds rather than redeem them on such date and such purchase shall be made on the date the 2019 Series C Bonds are otherwise scheduled to be redeemed and upon such purchase such 2019 Series C Bonds shall not be required to be cancelled by the Trustee.

**SECTION 3.07 Optional Tender of 2019 Series C Bonds for Purchase.** Notice (which notice shall be irrevocable and effective upon receipt) of the tender of any 2019 Series C Bond (or portion thereof) for purchase pursuant to clause (a) or (b) of Section 3.06 shall be delivered by the Holder (or, if the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, by the Beneficial Owner through its DTC Participant in the Securities Depository) to the Tender Agent at its notice addresses and shall be in form satisfactory to the Tender Agent and shall specify the principal amount (or portion thereof) of such 2019 Series C Bond so to be purchased, the Purchase Date therefor, and the name of the Holder thereof (or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, the name and number of the account to which such beneficial ownership interest in the 2019 Series C Bonds is credited by the Securities Depository) and shall be given by the Holder thereof or such Holder's attorney-in-fact duly authorized in writing or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, by the beneficial owner thereof or such owner's attorney-in-fact duly authorized in writing, to:

(a) **Daily Mode:** the Tender Agent by 11:00 a.m., New York City time, on such Purchase Date, if such 2019 Series C Bond is in the Daily Mode, by telephone, facsimile or other electronic means, and

(b) **Weekly Mode:** the Tender Agent by 5:00 p.m., New York City time, on a Business Day which is at least seven calendar days prior to such Purchase Date, if such 2019 Series C Bond is in the Weekly Mode, in writing (including by facsimile or other electronic means).

Holders (or, if the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, the Beneficial Owner) of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) that have elected to require purchase as provided above will be deemed, by such election, to have agreed irrevocably to sell the 2019 Series C Bonds (or portions thereof or beneficial

ownership interests therein) to any purchaser determined in accordance with the provisions of Section 3.10 and paragraph 1 of Section 3.11, on the Purchase Date at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, endorsed in blank (or accompanied by a bond power executed in blank).

The delivery of such optional tender notice shall automatically constitute (A) an irrevocable offer to sell the 2019 Series C Bonds or beneficial interest (or portion thereof) to which the notice relates on the purchase date at the Purchase Price, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2019 Series C Bonds (or portion thereof) upon payment of the purchase price to the Paying Agent on the purchase date, (C) an agreement of such owner (or beneficial owner through its participation in the Securities Depository) to make arrangements to deliver and transfer such 2019 Series C Bonds or beneficial interest being tendered, with all necessary endorsements for transfer and signature guarantees, by delivery to the Paying Agent at its designated payment office in accordance with the terms of this Thirty-First Supplemental Resolution, on the purchase date, or by causing its Direct Participant to transfer its interest in the 2019 Series C Bonds equal to such beneficial owner's interest on the records of the Securities Depository to the participant account of the Paying Agent or its agent with the Securities Depository, and (D) an acknowledgment that such owner will have no further rights with respect to such 2019 Series C Bonds (or portion thereof) upon payment of the Purchase Price thereof to the Paying Agent on the purchase date, except for the right of such owner to receive such Purchase Price upon delivery of such 2019 Series C Bonds to the Paying Agent, and that after the purchase date such owner will hold any undelivered bond certificate as agent for the Paying Agent.

Promptly upon receipt of such notice in respect of 2019 Series C Bonds (or portions thereof), the Tender Agent shall give notice by telephone, promptly confirmed in writing (including by facsimile or other electronic means) to the City, the Remarketing Agent and the Agent Bank, specifying the principal amount of the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) so tendered for purchase and the Purchase Date for such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein).

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Holders.

While the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, on the same date as delivery of the notice described above, a Beneficial Owner shall also require its DTC Participant in the Securities Depository to deliver to the Securities Depository a notice irrevocably instructing it to transfer on the registration books of the Securities Depository the beneficial ownership interests in the 2019 Series C Bond being tendered to the account of the Tender Agent, for settlement on the purchase date as described in clause (3) above on a "free delivery" basis, with a copy of such notice delivered to the Paying Agent on the same date.

So long as any Liquidity Facility, which is not a Letter of Credit, is in effect with the respect to the 2019 Series C Bonds, notwithstanding anything to the contrary herein, so long as the 2019 Series C Bonds are rated by S&P, if the long term rating of the 2019 Series C Bonds is reduced to below "BBB-" by S&P, the right of holders to tender 2019 Series C Bonds for remarketing shall be suspended until such time as the long term rating on such 2019 Series C Bonds is at least "BBB-" by S&P.

**SECTION 3.08 Mandatory Tender of 2019 Series C Bonds for Purchase.** 1. *Mandatory Tender.* Each Holder of a 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) upon notice given by the Tender Agent pursuant to paragraph 2 of this Section 3.08 and, if in the Flexible Mode or the Term Mode, on each Rate Adjustment Date therefor, shall tender, and in any event shall be deemed to have tendered, to the Tender Agent as agent for the Persons which purchase the same pursuant to Section 3.10 and paragraph 1 of Section 3.11, such 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) as shall become subject to mandatory tender for purchase pursuant to clause (c) of Section 3.06.

Holders (or, if applicable, beneficial owners) of 2019 Series C Bonds (or beneficial ownership interests therein) will be deemed to have agreed irrevocably to sell 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) subject to mandatory tender for purchase to any purchaser determined in accordance with the provisions of Section 3.10 and paragraph 1 of Section 3.11, on the date fixed for purchase at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, endorsed in blank (or accompanied by a bond power executed in blank).

2. *Notice.* The Tender Agent shall give notice of each Purchase Date for 2019 Series C Bonds described in clause (c) of Section 3.06 (except clauses (c)(iv)(A) and (c)(vii) thereof) to the City, the Agent Bank, the Remarketing Agent and each Holder of 2019 Series C Bonds by mail, first-class postage prepaid, not less than 15 days, if such 2019 Series C Bonds are in the Daily or Weekly Mode, not less than 30 days, if such 2019 Series C Bonds are in the Term or Flexible Mode, and in either case not more than 60 days preceding such Purchase Date. The Tender Agent shall give notice of any Purchase Date for 2019 Series C Bonds described in clause (c)(vii) of Section 3.06 to the City, the Agent Bank, the Remarketing Agent and each Holder of 2019 Series C Bonds by mail, first-class postage prepaid, as promptly as practicable following receipt by it of the notice from the Agent Bank referred to in said clause (c)(vii). Each such notice shall state:

- (a) the date of such Purchase Date,
- (b) that each 2019 Series C Bond (or portion thereof) not tendered for purchase pursuant to clause (c) of Section 3.06 by 12:00 p.m., New York City time, on such Purchase Date shall be deemed to have been tendered for purchase on such Purchase Date at the Purchase Price therefor, and that, if due provision is made for the payment of such Purchase Price on such Purchase Date, such Holder shall not be entitled to any payment (including any interest accrued subsequent thereto) in respect of such 2019 Series C Bond (or portion thereof) other than the Purchase Price for such 2019 Series C Bond (or portion thereof) and, unless such Purchase Price shall include accrued interest thereon to such Purchase Date, such accrued interest,
- (c) the time and place for the tender of such 2019 Series C Bond (or portion thereof) and the then current name and address of the Tender Agent, and
- (d) if applicable, the matters described in clause (b) of Section 3.04.

**SECTION 3.09 Remarketing of 2019 Series C Bonds.** 1. The Remarketing Agent shall offer for sale for the account of the respective owners thereof and use its best efforts to sell an aggregate principal amount of 2019 Series C Bonds equal to the aggregate principal amount of

2019 Series C Bonds which are required to be tendered for purchase pursuant to Section 3.06 hereof, at a price equal to the Purchase Price thereof, on the Purchase Date of such 2019 Series C Bonds or as soon thereafter as possible, without selling any such 2019 Series C Bonds at a discount or a premium; provided, however, the Remarketing Agent shall not remarket 2019 Series C Bonds (x) to the City, or (y) upon a mandatory tender pursuant to Section 3.06(c)(i) or (vii), or unless consented to by the Agent Bank, under Section 3.06(c)(viii).

2. By not later than 12:00 p.m., New York City time, on each Purchase Date for 2019 Series C Bonds, the Remarketing Agent shall give the Tender Agent notice by telephone, facsimile or other electronic means of the principal amount of such 2019 Series C Bonds tendered for purchase or deemed tendered on such Purchase Date that the Remarketing Agent has been able to remarket by such time.

3. If the Remarketing Agent is able to sell all or any portion of the 2019 Series C Bonds described in paragraph 1 of this Section at the price described in such paragraph, the Remarketing Agent shall cause the proceeds of the sale of such 2019 Series C Bonds to be transferred to the Tender Agent, by 12:15 p.m., New York City time, on such Purchase Date, in immediately available funds, for deposit in the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund.

**SECTION 3.10 Purchase of Tendered 2019 Series C Bonds.** The Tender Agent shall apply the money in the 2019 Series C Bond Purchase Fund on and after each Purchase Date to pay the Purchase Price of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered pursuant to Section 3.06 from the following sources in the following order of priority:

- (a) first, from proceeds of the remarketing of such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) deposited to the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund on such Purchase Date, and
- (b) second, from amounts drawn under or derived from the Liquidity Facility pursuant to Section 4.01 and deposited to the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund on such Purchase Date.

Upon tender for purchase of any 2019 Series C Bond (or portion thereof) on the Purchase Date therefor or of any Untendered 2019 Series C Bond on or after the Purchase Date therefor in accordance with Section 3.06, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, the Tender Agent shall pay to the Holder of such 2019 Series C Bond (or portion thereof) or such Untendered 2019 Series C Bond the Purchase Price therefor on behalf of the purchaser thereof specified in paragraph 1 of Section 3.11 from funds available for such purchase held in the applicable account in the 2019 Series C Bond Purchase Fund.

Upon tender for purchase or deemed tender for purchase of any beneficial ownership interest in a Book-Entry Only 2019 Series C Bond to be purchased in accordance with Section 3.06, the Tender Agent shall pay to the Securities Depository, for credit to the account to which such beneficial ownership interest is credited, the Purchase Price therefor on behalf of the

purchaser thereof specified in paragraph 1 of Section 3.11 from funds available for such purchase held in the applicable account in the 2019 Series C Bond Purchase Fund, in each such case, by 5:00 p.m., New York City time, on the date of such payment.

The Tender Agent shall hold all money delivered to it hereunder and deposited (or required to be deposited) to the applicable account in the 2019 Series C Bond Purchase Fund for the purchase of 2019 Series C Bonds (or portions thereof) in trust solely for the benefit of the respective Persons which shall have so delivered such money until the 2019 Series C Bonds (or portions thereof) purchased with such money are delivered pursuant to paragraph 2 of Section 3.11 and, thereafter, for the benefit of the Persons to whom such money is to be paid hereunder, in each such case, by 5:00 p.m., New York City time, on the date of such payment.

Except with respect to a 2019 Series C Bank Bond in accordance with the Liquidity Facility Agreement or Reimbursement Agreement and Section 5.04 hereof, the City shall not be obligated to provide funds for the payment of the Purchase Price of 2019 Series C Bonds upon any tender.

**SECTION 3.11 Disposition of Tendered 2019 Series C Bonds.** 1. **Purchasers of Tendered 2019 Series C Bonds.** 2019 Series C Bonds (or portions thereof) tendered or deemed tendered pursuant to Section 3.06, the Purchase Price for which has been paid pursuant to Section 3.10, shall be purchased:

(a) by the Persons to whom such 2019 Series C Bonds (or portions thereof) have been remarketed, to the extent the Purchase Price for such 2019 Series C Bond has been paid pursuant to clause (a) of the first paragraph of Section 3.10; and

(b) by the Tender Agent, as custodian, to the extent the Purchase Price therefor is paid from amounts drawn under or derived from the Liquidity Facility pursuant to clause (b) of the first paragraph of Section 3.10.

2. **Delivery of Purchased 2019 Series C Bonds.** Whenever any 2019 Series C Bond (or portion thereof), other than a beneficial ownership interest in a Book-Entry Only 2019 Series C Bond, tendered or deemed tendered pursuant to Section 3.06 is purchased pursuant to Section 3.10 and paragraph 1 of this Section 3.11, the City shall execute, and the Tender Agent shall authenticate and deliver, in the name of the Person deemed to have purchased the same or its designee, one or more new 2019 Series C Bonds of any Authorized Denomination and of a like aggregate principal amount. Whenever any beneficial ownership interest in a Book-Entry Only 2019 Series C Bond tendered or deemed tendered pursuant to Section 3.06 is purchased pursuant to Section 3.10 and paragraph 1 of this Section 3.11, the Tender Agent shall cause such beneficial ownership interest to be credited to the account at the Securities Depository of (a) the Liquidity Provider(s) or any nominee or nominees thereof, as pledgee, in the case of beneficial ownership interests purchased by the Tender Agent with amounts drawn under or derived from the Liquidity Facility, and (b) otherwise, the Person deemed to have purchased the same or any nominee thereof specified by such Person, subject in each instance to Section 2.06 herein. Notwithstanding anything in this paragraph 2 to the contrary, no 2019 Series C Bond (or portion thereof) shall be released by the Tender Agent (and the Tender Agent shall not cause the transfer of the beneficial ownership of any Book-Entry Only 2019 Series C Bond to any Person) if (x) such 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) was purchased with funds drawn under or derived from the Liquidity Facility, and (y) the limit of the obligations of the Liquidity

Provider(s) thereunder was thereby reduced, until the limit of the obligations of the Liquidity Provider(s) under the Liquidity Facility has been reinstated to an amount equal to the Facility Requirement.

3. **Tendered 2019 Series C Bonds to be Held in Trust.** The Tender Agent shall hold all 2019 Series C Bonds or portions thereof (or beneficial interests therein) delivered to it hereunder in trust solely for the benefit of the respective Persons who have so delivered such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) until money representing the Purchase Price of such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) shall have been delivered to or for the account of or to the order of such Persons.

4. **Agency; No Extinguishment.** In carrying out its responsibilities with respect to the purchase of 2019 Series C Bonds under Sections 3.06 through 3.12, the Tender Agent shall be acting solely as the agent of the Holders or owners from time to time of the 2019 Series C Bonds tendered or deemed tendered pursuant to Section 3.06 and of the Persons purchasing the same pursuant to Section 3.10 and paragraph 1 of Section 3.11, respectively. No delivery of 2019 Series C Bonds to the Tender Agent or purchase of 2019 Series C Bonds by the Tender Agent pursuant to Sections 3.06 through 3.12 shall constitute a redemption of 2019 Series C Bonds or other extinguishment of the debt evidenced thereby.

**SECTION 3.12 Untendered 2019 Series C Bonds; Book-Entry Only 2019 Series C Bonds.** Any 2019 Series C Bond (or portion thereof):

(a) for which notice of tender thereof on any Purchase Date is given in accordance with Section 3.07, but which is not tendered for purchase by the applicable time, on such Purchase Date, or

(b) which is required to be but which is not tendered for purchase by 12:00 p.m., New York City time, on any Purchase Date determined pursuant to clause (c) of Section 3.06 (such 2019 Series C Bonds (or portions thereof) being referred to herein as "Untendered 2019 Series C Bonds") shall, upon deposit in the applicable account in the 2019 Series C Bond Purchase Fund of an amount sufficient to pay the Purchase Price of such 2019 Series C Bond (or portion thereof) on such Purchase Date, be deemed to have been tendered and sold on such Purchase Date to the Person specified in paragraph 1 of Section 3.11, and thereafter (1) the Person who has failed to deliver such 2019 Series C Bond (or portion thereof) shall not be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than the Purchase Price for such 2019 Series C Bond (or portion thereof) and, unless such Purchase Price shall include accrued interest thereon to such Purchase Date, such accrued interest, and such Untendered 2019 Series C Bond shall no longer be entitled to the benefit of the Bond Resolution, except for the purpose of payment of the Purchase Price therefor and such accrued interest, if any, and (2) the City shall execute, and the Registrar shall authenticate and deliver, in the name of the Person specified in paragraph 1 of Section 3.11, one or more new 2019 Series C Bonds of any Authorized Denomination and of a like aggregate principal amount.

To the extent permitted pursuant to the procedures of the Securities Depository, any beneficial ownership interest in a Book-Entry Only 2019 Series C Bond for which notice of tender thereof on any Purchase Date is given in accordance with Section 3.07 or which is required to be

tendered for purchase pursuant to paragraph 1 of Section 3.08 shall be deemed tendered to the Tender Agent endorsed in blank when the Securities Depository or any direct or indirect participant in its depository system which owns such beneficial ownership interest as nominee for the beneficial owner thereof shall have received sufficient instructions from the Person to whose account at the Securities Depository or participant such beneficial ownership interest is credited to transfer such beneficial ownership interest to the account of the Tender Agent and such transfer is effected, and payment of the Purchase Price of such beneficial ownership interest shall be deemed to be made when the Tender Agent gives sufficient instructions to (while maintaining sufficient funds at or delivering such funds to) the Securities Depository or such participant to credit such Purchase Price to the account of such Person at the Securities Depository or such participant.

**ARTICLE IV**  
**LIQUIDITY FACILITY; DRAWINGS THEREUNDER;**  
**SUBSTITUTE LIQUIDITY FACILITIES**

**SECTION 4.01 Drawings to Make Payments of Purchase Price.** 1. The Tender Agent shall present all drafts, demands and other documents and give such notices and do all such other acts as may be required by the Liquidity Facility (in the manner and to the extent therein permitted and by the time required thereby) to cause a draw on or request for funding under, as applicable, the Liquidity Facility in an amount sufficient to purchase at the Purchase Price, on each Purchase Date, all 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) (other than any 2019 Series C Bonds registered in the name of or held for the benefit of the City) (i) that are required to be purchased pursuant to Sections 3.06 through 3.12 on such Purchase Date and (ii) for which the Purchase Price thereof has not been paid (as provided by Section 3.12 or otherwise) or deposited in immediately available funds to the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund from the proceeds of the remarketing of such 2019 Series C Bonds by 12:15 p.m., New York City time, on such Purchase Date.

2. On each Purchase Date, the Tender Agent shall give notice to the City by telephone, promptly confirmed in writing (including by facsimile or other electronic means) specifying the Purchase Price of the 2019 Series C Bonds to be purchased pursuant to or with funds drawn or claimed under the Liquidity Facility on such date. All funds drawn or claimed under the Liquidity Facility by the Tender Agent to pay the Purchase Price of 2019 Series C Bonds shall be credited to the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund and applied in accordance with this Thirty-First Supplemental Resolution.

**SECTION 4.02 Extension of Term of Liquidity Facility; Substitution of Liquidity Facilities; Surrender of Liquidity Facility.** 1. If, at any time, the City shall obtain a renewal or extension of the Liquidity Facility then in effect (or a written commitment which evidences such renewal or extension) on substantially the same terms, unless the Agent Bank already shall have given notice thereof, the City shall promptly give notice to the other Notice Parties of such renewal or extension, and the Tender Agent shall promptly give notice thereof to the Holders of the 2019 Series C Bonds. Any such renewal or extension shall not constitute substitution of a Liquidity Facility.

2. At any time prior to the giving by the Tender Agent, pursuant to paragraph 2 of Section 3.08, of notice of the mandatory tender of the 2019 Series C Bonds as a result of the

expiration of the Liquidity Facility then in effect, the City may deliver to the Tender Agent a Substitute Liquidity Facility supporting the 2019 Series C Bonds in an amount at least equal to the Facility Requirement, which Substitute Liquidity Facility shall be accompanied by (i) an Opinion of Bond Counsel to the effect that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect is authorized or permitted by the Bond Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes of the Owners thereof, (ii) either (A) written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and stating the ratings of the 2019 Series C Bonds after substitution of such Substitute Liquidity Facility or (B) a statement of an Authorized Officer of the City that no ratings have been obtained, (iii) if such Substitute Liquidity Facility is other than a Letter of Credit issued by a domestic commercial bank, an opinion of counsel to the effect that no registration of the 2019 Series C Bonds or such Substitute Liquidity Facility is required under the Securities Act of 1933, as amended, (iv) an opinion of counsel satisfactory to an Authorized Officer of the City to the effect that such Substitute Liquidity Facility is a valid and enforceable obligation of the issuer or provider thereof, and (v) all information required to give (X) notice of mandatory tender for purchase of the 2019 Series C Bonds if required by paragraph 2 of Section 3.08 or (Y) the notice required by paragraph 4 of this Section 4.02, if applicable. In such event, the Tender Agent shall accept such Substitute Liquidity Facility, which shall become effective with respect to the 2019 Series C Bonds on the Substitution Date therefor. Promptly following such Substitution Date, the Tender Agent shall surrender the Liquidity Facility so substituted to the Agent Bank with respect to such Liquidity Facility, for cancellation in accordance with its terms, or shall deliver any document necessary to terminate such Liquidity Facility.

Notwithstanding anything to the contrary contained herein, if, on any Substitution Date, (a) a Substitute Liquidity Facility is being substituted for the Liquidity Facility then in effect, (b) any 2019 Series C Bonds (or portions thereof or beneficial interests therein) shall be subject to tender for purchase and (c) the Tender Agent shall not have received remarketing proceeds in an amount sufficient to pay the Purchase Price of all 2019 Series C Bonds (or portions thereof or beneficial interests therein) so subject to tender for purchase, then the Tender Agent shall make a draw on or request for funding under, as applicable, such Liquidity Facility then in effect in order to obtain funds for the purchase of such 2019 Series C Bonds (or portions thereof or beneficial interests therein) so subject to tender for purchase as to which it shall not have received proceeds of the remarketing thereof.

3. Notwithstanding any other provision of the Bond Resolution or this Thirty-First Supplemental Resolution, the City may determine to deliver more than one Liquidity Facility pursuant to paragraph 2 of this Section 4.02. In such event, (a) the City shall take such actions (including, without limitation, obtaining such additional CUSIP number(s) for the 2019 Series C Bonds) as shall be necessary to identify separately the 2019 Series C Bonds (or beneficial ownership interests therein) to be supported by each such Liquidity Facility and (b) each such Liquidity Facility shall be in a stated amount, or the aggregate commitment of the Liquidity Provider(s) thereunder shall be, at least equal to the Facility Requirement calculated with respect to the particular portion of the 2019 Series C Bonds supported thereby. In the event more than one Liquidity Facility shall be delivered as aforesaid (a) each such Liquidity Facility shall be applicable only to the particular 2019 Series C Bonds to which such Liquidity Facility relates, determined as aforesaid, (b) any reference herein to "the Agent Bank" or the "the Liquidity Provider(s)" shall be deemed to refer to the appropriate Agent Bank or the appropriate Liquidity Provider(s) or all such



Agent Banks or Liquidity Providers, as the case may be, as the context may require and (c) any reference herein to "the Liquidity Facility" shall be deemed to refer to the Liquidity Facility to which the appropriate Agent Bank and/or the appropriate Liquidity Provider(s) is (or are) a party, or all such Liquidity Facilities, as the context may require.

4. In the event that the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, if, in connection with the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect or the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, as the case may be, the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on a Substitution Date, as provided in the proviso contained in clause (c)(ii) of Section 3.06, the Tender Agent shall give notice as hereinafter provided to the Holders of the 2019 Series C Bonds by mail, first-class, postage prepaid, not less than 15 and not more than 60 days preceding the Substitution Date of such substitution. Such notice shall (a) state the Substitution Date on which such substitution is expected to become effective; (b) contain a description of (i) the new bank(s) or (ii) such Substitute Liquidity Facility and the Liquidity Provider(s) that is (or are) the issuer or provider thereof, as the case may be; and (c) state that if any Holder of a 2019 Series C Bond (or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, any beneficial owner thereof) does not desire to continue to hold such 2019 Series C Bond (or beneficial ownership interest therein) following such substitution, such Holder (or beneficial owner) must give notice of the tender of such 2019 Series C Bond (or beneficial ownership interest therein) by the time and in the manner provided in Section 3.07. In addition, the Tender Agent shall provide a copy of such notice to each transferee, if any, of a 2019 Series C Bond that is authenticated by it on or after the date of the giving of such notice and prior to such Substitution Date.

5. In the event that the 2019 Series C Bonds shall be in the Daily Mode, the Weekly Mode or the Flexible Mode, if, in connection with the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect or the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, as the case may be, the Remarketing Agent shall remarket any 2019 Series C Bond (or portion thereof or beneficial interest therein) prior to such Substitution Date, the Remarketing Agent shall advise the purchaser of such Bond (or portion thereof or beneficial interest therein) that the new bank or banks (and not such Liquidity Provider(s) that are party to such Liquidity Facility then in effect) or the issuer or provider of such Substitute Liquidity Facility (and not such issuer or provider of such Liquidity Facility then in effect), as the case may be, shall be responsible for providing liquidity support for 2019 Series C Bonds tendered or deemed tendered for purchase from and after such Substitution Date.

6. In connection with the delivery of any Substitute Liquidity Facility permitted pursuant to paragraph 2 of this Section, the City shall be authorized to amend the provisions of this Thirty-First Supplemental Resolution if and to the extent necessary to give effect to such Substitute Liquidity Facility (including, without limitation, any amendments that are necessary or desirable in connection with the provision by the City of more than one such Substitute Liquidity Facility, as permitted by paragraph 3 of this Section 4.02). Notwithstanding the foregoing, no such amendment shall be or become effective unless the City shall have received an Opinion of Bond Counsel to the effect that such amendment (a) is authorized or permitted by the Bond Resolution, (b) will not cause the interest on the 2019 Series C Bonds to become includable in gross income

for federal income tax purposes and (c) will not adversely affect the rights of the Holders of the 2019 Series C Bonds.

7. Promptly following the conversion of the 2019 Series C Bonds to the Auction Mode or the Fixed Mode, the Tender Agent shall surrender the Liquidity Facility to the Agent Bank for cancellation in accordance with its terms, or shall deliver any document necessary to terminate the Liquidity Facility.

8. If the Liquidity Facility shall be deemed hereunder to also be a Credit Facility, the provisions of paragraph 2 of this Section 4.02 shall not apply and paragraph 3 of Section 7.06 hereof shall apply in lieu thereof.

#### ARTICLE V 2019 SERIES C BANK BONDS

**SECTION 5.01 Remarketing of 2019 Series C Bank Bonds.** 1. With respect to each particular 2019 Series C Bank Bond, the Remarketing Agent shall use its best efforts to remarket such 2019 Series C Bank Bond at a price equal to the principal amount thereof plus, in the event the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) are subject to an Interest Mode other than the Flexible Mode, accrued interest, if any, to the date of such remarketing (computed in accordance with the provisions of paragraph 3 of this Section 5.01); provided, however, that the Remarketing Agent shall not remarket the 2019 Series C Bank Bonds upon a mandatory tender pursuant to Section 3.06(c)(i) or (vii) or unless consented by the Agent Bank, under Section 3.06(c)(viii).

2. In attempting to remarket any 2019 Series C Bank Bond, the Remarketing Agent shall treat such 2019 Series C Bank Bond for all purposes as if it were governed by the Interest Mode which governs the 2019 Series C Bonds (other than 2019 Series C Bank Bonds).

3. Unless otherwise provided in a Liquidity Facility, by becoming a Holder or beneficial owner of a 2019 Series C Bank Bond, the Liquidity Provider(s) agree to transfer (or cause any nominee(s) or transferee(s) thereof to transfer) such Bond to any Person to whom such Bond is remarketed by or through the Remarketing Agent, but only, however, against receipt of a purchase price therefor equal to the principal amount thereof plus, in the event the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) are subject to an Interest Mode other than the Flexible Mode, accrued interest, if any, to the date of such remarketing, with such accrued interest being computed at the 2019 Series C Bond Rate or Rates in effect for the period beginning on the later of (i) the Liquidity Provider Purchase Date with respect to such 2019 Series C Bank Bond and (ii) the most recent Interest Payment Date relating to such 2019 Series C Bank Bond on which interest accrued on such Bond has been paid in full and ending on the day preceding the day of such remarketing. If more than one 2019 Series C Bank Bond shall be owned by the Liquidity Provider(s) (or any nominee(s) or transferee(s) thereof), the Tender Agent, in its sole discretion, shall select the particular 2019 Series C Bank Bond(s) that are so remarketed. If a 2019 Series C Bank Bond is transferred by the Liquidity Provider(s) (or any nominee(s) or transferee(s) thereof) in accordance with the second preceding sentence, the City agrees to pay to the Agent Bank, for the account of the Liquidity Provider(s), or to such transferee(s), as the case may be, on the date of such remarketing, the amount of interest, if any, resulting from the Bank Rate or Rates in effect from time to time during the period referred to in the second preceding sentence being in excess

of such 2019 Series C Bond Rate or Rates in effect during such period (said amount being referred to herein as the "Differential Interest Amount"). Any sale of a 2019 Series C Bank Bond pursuant to this Section 5.01(3) shall be without recourse to or warranty by the Agent Bank. In the event that the Liquidity Provider(s) is (or are) entitled (pursuant to its (or their) Liquidity Facility) to elect not to so transfer any such 2019 Series C Bond, and the Liquidity Provider(s) so elect, the Tender Agent shall, upon notice thereof from the Agent Bank, promptly notify the City and the Remarketing Agent of such fact by telephone, promptly confirmed in writing (including by facsimile or other electronic means), and such 2019 Series C Bond thereupon shall cease to be a 2019 Series C Bank Bond.

4. In the event that the Remarketing Agent shall identify a purchaser for any 2019 Series C Bank Bond pursuant to the provisions of paragraph 1 of this Section, the Remarketing Agent shall give notice thereof to the Tender Agent, which notice shall specify the principal amount of the 2019 Series C Bank Bond(s) for which the Remarketing Agent has identified a purchaser and the purchase price thereof (which shall be the principal amount thereof plus, in the event the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) are subject to an Interest Mode other than the Flexible Mode, accrued interest, if any, to the date of the proposed remarketing thereof (computed in accordance with the provisions of paragraph 3 of this Section 5.01)). If such notice shall be given by 12:30 p.m., New York City time, on a Business Day, then the date of the giving of such notice shall be the date of such remarketing. If such notice shall be given after 12:30 p.m., New York City time, on a Business Day, then the next succeeding Business Day shall be the date of such remarketing. Promptly following the receipt of any such notice, the Tender Agent shall notify the City and the Agent Bank thereof by telephone, promptly confirmed in writing (including by facsimile or other electronic means), which notice shall specify the principal amount of the 2019 Series C Bank Bond(s) for which the Remarketing Agent has identified a purchaser, and the purchase price thereof.

5. Except in a case where the Liquidity Provider(s) shall have elected not to sell any 2019 Series C Bank Bond as permitted by paragraph 3 of this Section 5.01, by not later than 2:30 p.m., New York City time, on the remarketing date for any 2019 Series C Bank Bond(s) for which the Remarketing Agent has identified a purchaser, in exchange for possession of such 2019 Series C Bond(s), the Remarketing Agent shall deliver or cause to be paid, in immediately available funds, to the Tender Agent for deposit in the 2019 Series C Bond Remarketing Proceeds Account, the purchase price for such 2019 Series C Bank Bond(s).

6. Notwithstanding anything to the contrary contained herein, in the event that any 2019 Series C Bank Bonds shall be Outstanding following the conversion of the 2019 Series C Bonds to the Auction Mode, all references in this Section 5.01 to the "Remarketing Agent" shall be deemed to refer to the Broker-Dealers, and all references in this Section 5.01 to the "remarketing" of any such 2019 Series C Bank Bonds shall be deemed to refer to the transfer of 2019 Series C Bonds in accordance with the Auction Procedures.

**SECTION 5.02 Interest on 2019 Series C Bank Bonds.** 1. Unless otherwise provided in the Liquidity Facility therefor, each 2019 Series C Bank Bond shall bear interest from and including the Liquidity Provider Purchase Date with respect thereto to but not including the earliest of (a) the date (if any) on which such 2019 Series C Bank Bond is remarketed as provided in Section 5.01, (b) the date (if any) on which such 2019 Series C Bank Bond ceases to be a 2019 Series C Bank Bond, as provided in paragraph 3 of Section 5.01 and (c) the maturity or redemption

date thereof, at an annual rate equal to the Bank Rate or Rates in effect from time to time during such period computed on the basis of a 360 day year for the actual number of days elapsed.

2. Unless otherwise provided in the Liquidity Facility therefor, interest on a 2019 Series C Bank Bond shall be paid on each Interest Payment Date.

3. Notwithstanding anything to the contrary contained herein, on the Liquidity Provider Purchase Date with respect any 2019 Series C Bank Bond, the amount of accrued interest, if any, included in the purchase price of such 2019 Series C Bank Bond shall be paid to the Agent Bank, for the account of the Liquidity Provider(s).

**SECTION 5.03 Principal Repayment of 2019 Series C Bank Bonds.** A particular 2019 Series C Bank Bond shall, as to the repayment of principal thereof, be governed solely by the provisions of Sections 2.03, 2.06, 2.07, 2.08 and 5.04.

**SECTION 5.04 Optional Tender of 2019 Series C Bank Bonds for Payment.** If and to the extent provided in the applicable Liquidity Facility, and subject to the conditions and limitations set forth therein, any 2019 Series C Bank Bond may be tendered (or deemed tendered) to the City for payment prior to the due date(s) of the Outstanding principal amount thereof, whereupon the City shall be obligated to pay the Outstanding principal amount of each such 2019 Series C Bank Bond (together with accrued interest thereon) so tendered (or deemed tendered) without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City. Any 2019 Series C Bank Bond immediately shall be due and payable upon its becoming subject to payment by the City pursuant to this Section.

**ARTICLE VI  
ESTABLISHMENT OF 2019 SERIES C  
BOND PURCHASE FUND**

**SECTION 6.01 2019 Series C Bond Purchase Fund.** There is hereby created a fund to be held by the Tender Agent and known as the "2019 Series C Bond Purchase Fund", consisting of a 2019 Series C Bond Liquidity Proceeds Account and a 2019 Series C Bond Remarketing Proceeds Account. The 2019 Series C Bond Purchase Fund and the Accounts therein (a) shall constitute Eligible Accounts, as such term is defined in Section 1.01 hereof and (b) shall not constitute funds or accounts for purposes of the Bond Resolution. In the event that the 2019 Series C Bond Purchase Fund or any Account therein shall no longer comply with the requirements set forth in said definition of the term "Eligible Account," the Tender Agent promptly (and, in any case, within not more than 30 calendar days) shall move the 2019 Series C Bond Purchase Fund and the Accounts therein to another financial institution such that such requirements again shall be satisfied. Amounts on deposit in the 2019 Series C Bond Purchase Fund shall not be commingled with the amounts held in any fund or account under the Bond Resolution. All amounts received by the Tender Agent from the Remarketing Agent representing the Purchase Price of 2019 Series C Bonds remarketed by the Remarketing Agent shall be deposited in the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund. All amounts received by the Tender Agent from the Agent Bank representing the proceeds of a drawing or request for funding, as the case may be, under the Liquidity Facility to pay the Purchase Price of 2019 Series C Bonds tendered or deemed tendered for purchase shall be deposited in the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund. All

amounts on deposit in such Accounts in the 2019 Series C Bond Purchase Fund shall be used only to pay the Purchase Price of the 2019 Series C Bonds so remarketed (i) as provided in Section 3.10 in the case of 2019 Series C Bonds tendered for purchase and (ii) as provided in paragraph 5 of Section 5.01 in the case of 2019 Series C Bank Bonds being remarketed; *provided, however*, that in the event that there shall not be sufficient funds on deposit in the 2019 Series C Bond Purchase Fund to purchase all 2019 Series C Bonds subject to purchase on a particular date as a result of any Liquidity Provider failing to honor its commitment to advance funds under the Liquidity Facility, the Tender Agent shall select the particular 2019 Series C Bonds (or portions thereof or beneficial interests therein) to be so purchased at random in such manner as the Tender Agent in its discretion may deem fair and appropriate; and *provided, further*, that any funds on deposit in the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund that will not be required to be applied to the purchase of 2019 Series C Bonds tendered or deemed tendered for purchase shall be returned to the Agent Bank, in immediately available funds, by close of business of the Tender Agent, on the date on which such funds shall have been received by the Tender Agent (or such later time as may be specified in the Liquidity Facility).

**SECTION 6.02** Moneys Held in Trust. All moneys deposited in the 2019 Series C Bond Purchase Fund shall be held in trust by the Tender Agent and applied only for the purposes set forth in, and in accordance with the provisions of, this Thirty-First Supplemental Resolution. The 2019 Series C Bond Purchase Fund shall be a trust fund for such purposes. Amounts on deposit in the 2019 Series C Bond Purchase Fund shall not be commingled with any other funds held by the Tender Agent, and all amounts on deposit in such Fund are hereby pledged and assigned to the purchase of the 2019 Series C Bonds in accordance with the terms hereof. Such amounts on deposit in the 2019 Series C Bond Purchase Fund hereby pledged and assigned shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

**SECTION 6.03** No Investment. Amounts on deposit in the 2019 Series C Bond Purchase Fund shall be held in cash, uninvested.

**SECTION 6.04** No Lien for Tender Agent. Notwithstanding anything in the Bond Resolution or this Thirty-First Supplemental Resolution to the contrary, the Tender Agent shall not have any right to, or lien whatsoever upon, any of the amounts on deposit in the 2019 Series C Bond Purchase Fund for the payment of fees, expenses or other compensation due and owing by the City to the Tender Agent for any services rendered under the Bond Resolution or this Thirty-First Supplemental Resolution.

**SECTION 6.05** Reimbursement Obligation. The Trust Estate is hereby pledged to pay the Differential Interest Amount and amounts owing under the Credit Facility, if any, for payment of the principal or Redemption Price, if applicable, and interest on 2019 Series C Bonds not otherwise evidenced by a 2019 Series C Bank Bond, on a parity with the pledge and assignment created by paragraph 1 of Section 501 of the Bond Resolution to secure the Bonds, in accordance with Section 207 of the Bond Resolution.

**ARTICLE VII**  
**CREDIT FACILITY; DRAWINGS THEREUNDER;**  
**ALTERNATE CREDIT FACILITIES**

**SECTION 7.01** Drawings Under Letter of Credit to Make Payments of Interest on the 2019 Series C Bonds. In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, the Trustee shall, on or prior to each Interest Payment Date for the 2019 Series C Bonds, make a drawing under such Letter of Credit in an amount equal to the amount of interest due on such Interest Payment Date on the 2019 Series C Bonds, and shall use the proceeds of such drawing solely to pay such interest due on the 2019 Series C Bonds on such Date. In determining the amount of any interest then due, the Trustee shall not take into consideration any interest due on 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City and no drawings under a Letter of Credit shall be made, or be used, to pay any interest on any such 2019 Series C Bonds. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to make such payment of interest due on such Interest Payment Date in a timely manner.

**SECTION 7.02** Drawings Under Letter of Credit to Pay Principal Installments. In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, the Trustee shall, on or prior to each date on which a Principal Installment is due on the 2019 Series C Bonds (other than any principal due on 2019 Series C Bank Bonds), make a drawing under such Letter of Credit in an amount equal to such regularly scheduled Principal Installment on the 2019 Series C Bonds, and shall use the proceeds of such drawing solely to pay such regularly scheduled Principal Installment on the due date thereof. In determining the amount of any regularly scheduled Principal Installment then due on the 2019 Series C Bonds, the Trustee shall not take into consideration any principal repayments required on 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City and no drawings under a Letter of Credit shall be made, or be used, to pay any principal repayments of any such 2019 Series C Bonds. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to make such payment of such regularly scheduled Principal Installment on the 2019 Series C Bonds on such due date in a timely manner.

**SECTION 7.03** Drawings Under Letter of Credit to Effect Redemptions at the Election of the City. In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, on any date upon which the City shall have called for redemption at its election any 2019 Series C Bonds (other than 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City), the Trustee shall make a drawing under such Letter of Credit in an amount equal to the Redemption Price of such 2019 Series C Bonds so called for redemption, and shall use the proceeds of such drawing solely to pay such Redemption Price; provided, however, upon direction of the City and deposit with the Trustee of Eligible Moneys, such payment of the Redemption Price may be made with Eligible Moneys in accordance with subsection 8 of Section 2.06. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to pay such Redemption Price in a timely manner on the due date thereof. The Trustee shall make no drawing under a Letter of Credit, and no such drawing shall be used, to pay any 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City called for redemption at the election of the City.

**SECTION 7.04 Drawings Under Letter of Credit Upon Acceleration of Bonds.**

1. In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds and the 2019 Series C Bonds shall become and be immediately due and payable, as provided in Section 801 of the Bond Resolution, the Trustee shall make a drawing or drawings under such Letter of Credit equal to the principal amount of the 2019 Series C Bonds (other than 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City) and the accrued interest thereon, and shall use the proceeds of such drawing or drawings solely to pay such principal and accrued interest. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to pay such principal and interest in a timely manner on the date fixed for the payment thereof. The Trustee shall make no drawing under a Letter of Credit, and no such drawing shall be used, to pay any principal of, or accrued interest on, 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City.

2. Notwithstanding any other provision of this Thirty-First Supplemental Resolution or the Bond Resolution, in the event that (a) the 2019 Series C Bonds shall have become immediately due and payable, as provided in Section 801 of the Bond Resolution and (b) the Trustee shall have made a drawing or drawings under the Letter of Credit to pay the principal of the 2019 Series C Bonds (other than 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City) and the accrued interest thereon as provided in subsection 1 of this Section 7.04, then the Trustee shall not thereafter waive the default with respect to the 2019 Series C Bonds giving rise to such acceleration of the 2019 Series C Bonds and rescind its consequences pursuant to Section 801 of the Bond Resolution unless and until either (x) the proceeds of such drawing or drawings shall have been applied to the payment of such principal of and accrued interest on such 2019 Series C Bonds, in which event such 2019 Series C Bonds shall cease to be Outstanding for all purposes of the Bond Resolution or (y) the amount available for drawings under the Letter of Credit shall have been reinstated to the amount that was available thereunder immediately prior to such acceleration.

**SECTION 7.05 Application of Amounts in the 2019 Series C Bond Purchase**

**Fund.** 1. Notwithstanding any other provision of this Thirty-First Supplemental Resolution or of the Bond Resolution, in the event that any drawing under a Letter of Credit to pay the principal or Redemption Price of, or interest on, the 2019 Series C Bonds shall not be honored in the full amount so drawn by the time provided therein for the honoring of drawings thereunder, the Trustee immediately shall (a) notify the City as to the occurrence of such circumstance and (b) apply amounts on deposit in the 2019 Series C Bond Purchase Fund and available therefor to the payment of such principal or Redemption Price or interest.

2. On any day on which a drawing under a Letter of Credit to pay the principal or Redemption Price of, or interest on, the 2019 Series C Bonds shall be honored by the Letter of Credit Issuer(s) of such Letter of Credit, the Trustee shall apply amounts on deposit in the 2019 Series C Bond Purchase Fund and available to pay such principal or Redemption Price or interest to reimburse such Letter of Credit Issuer(s) for the amount of such drawing by the time and in the manner provided in the Reimbursement Agreement relating to such Letter of Credit, but only after the application of such amounts pursuant to subsection 1 of this Section 7.05.

**SECTION 7.06 Provision of Credit Facility; Extension of Term of Credit Facility; Substitution of Credit Facilities; Surrender of Credit Facility.**

1. Nothing in this Thirty-First Supplemental Resolution shall be deemed to require the City to maintain a Credit

Facility in effect with respect to the 2019 Series C Bonds at any time or from time to time, but the City, in its sole discretion, may choose to do so. Without limiting the generality of the foregoing, the City may, in its sole discretion, (a) elect not to replace any Credit Facility with an Alternate Credit Facility upon the termination or expiration of the Credit Facility then in effect with respect to the 2019 Series C Bonds and (b) at such time, if any, as no Credit Facility shall be in effect with respect to the 2019 Series C Bonds, obtain an Alternate Credit Facility for the 2019 Series C Bonds upon such terms and conditions as the City, in its sole discretion, may determine.

2. If, at any time, the City shall obtain a renewal or extension of the Credit Facility then in effect (or a written commitment which evidences such renewal or extension) on substantially the same terms, unless the Agent Bank already shall have given notice thereof, the City shall promptly give notice to the other Notice Parties of such renewal or extension, and the Trustee shall promptly give notice thereof to the Holders of the 2019 Series C Bonds. Any such renewal or extension shall not constitute substitution of a Credit Facility.

3. At any time prior to the giving by the Tender Agent, pursuant to subsection 2 of Section 3.08, of notice of the mandatory tender of the 2019 Series C Bonds as a result of the expiration of the Credit Facility then in effect, the City may deliver to the Trustee an Alternate Credit Facility covering the 2019 Series C Bonds. In the event that such Alternate Credit Facility shall be in the form of a Letter of Credit, such Credit Facility shall be in an amount at least equal to the Facility Requirement. Any such Alternate Credit Facility shall be accompanied by (i) an Opinion of Bond Counsel as to the substitution of such Alternate Credit Facility for the Credit Facility then in effect, (ii) either (A) written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and stating the ratings of the 2019 Series C Bonds after substitution of such Alternate Credit Facility or (B) a statement of an Authorized Officer of the City that no ratings have been obtained, (iii) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an Opinion of Counsel to the effect that no registration of the 2019 Series C Bonds or such Alternate Credit Facility is required under the Securities Act of 1933, as amended, (iv) an Opinion of Counsel satisfactory to an Authorized Officer of the City to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof, and (v) all information required to give the notice of mandatory tender for purchase of the 2019 Series C Bonds provided for in subsection 2 of Section 3.08, if required. In such event, the Trustee shall accept such Alternate Credit Facility, which shall become effective with respect to the 2019 Series C Bonds on the Substitution Date therefor. Promptly following the honoring by the Credit Facility Issuer(s) of the Credit Facility so substituted of any drawing on or request for funding under, as applicable, such Credit Facility so substituted on the Substitution Date, the Trustee shall surrender such Credit Facility so substituted to the Agent Bank with respect to such Credit Facility, for cancellation in accordance with its terms, or shall deliver any document necessary to terminate such Credit Facility.

Notwithstanding anything to the contrary contained herein, if, on any Substitution Date with respect to the 2019 Series C Bonds, (a) an Alternate Credit Facility is being substituted for the Credit Facility then in effect and (b) the principal or Redemption Price of, or interest on, any 2019 Series C Bonds is to be paid from the proceeds of a drawing on or request for funding under, as applicable, such Credit Facility then in effect, then the Trustee shall make a drawing on or request for funding under, as applicable, such Credit Facility then in effect that is being replaced

by such Alternate Credit Facility, in order to obtain funds for the payment of such principal or Redemption Price or interest.

4. In connection with the delivery of any Alternate Credit Facility permitted pursuant to subsection 3 of this Section, the City shall be authorized to amend the provisions of this Thirty-First Supplemental Resolution if and to the extent necessary to give effect to such Alternate Credit Facility. Notwithstanding the foregoing, no such amendment shall be or become effective unless the City shall have received an Opinion of Bond Counsel, which Opinion of Bond Counsel shall, in addition, state that such amendment will not adversely affect the rights of the Holders of the 2019 Series C Bonds.

5. In the event that the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, if, in connection with the substitution of one or more Credit Facility Issuers for one or more of the Credit Facility Issuers that are party to the Credit Facility then in effect or the substitution of an Alternate Credit Facility for the Credit Facility then in effect, as the case may be, the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on a Substitution Date, as provided in the proviso contained in clause (c)(ii) of Section 3.06, the Tender Agent shall give notice as hereinafter provided to the Holders of the 2019 Series C Bonds by mail, first-class, postage prepaid, not less than 15 and not more than 60 days preceding the Substitution Date of such substitution. Such notice shall (a) state the Substitution Date on which such substitution is expected to become effective; (b) contain a description of (i) the new Credit Facility Issuer(s) or (ii) such Alternate Credit Facility and the Credit Facility Issuer(s) that is (or are) the issuer or provider thereof, as the case may be; and (c) state that if any Holder of a 2019 Series C Bond (or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, any beneficial owner thereof) does not desire to continue to hold such 2019 Series C Bond (or beneficial ownership interest therein) following such substitution, such Holder (or beneficial owner) must give notice of the tender of such 2019 Series C Bond (or beneficial ownership interest therein) by the time and in the manner provided in Section 3.07.

**SECTION 7.07 Authorization to Extend the Term of a Particular Liquidity Facility or Credit Facility.** The General Manager, the Chief Financial Officer or such other Authorized Officer is hereby authorized, from time to time, (1) to extend the term of a particular Liquidity Facility or Credit Facility for the 2005 Series C Bonds, upon such terms and conditions as shall be determined by such Authorized Officer, to be advantageous to the City and commercially reasonable (which terms and conditions (including, without limitation, the amounts of the "commitment fee" and other fees payable by the City thereunder and the specification of the interest rates payable on loans or advances thereunder) may differ from the terms and conditions then in effect pursuant to such Liquidity Facility and/or Credit Facility then in effect), such determination to be confirmed in writing by the firm serving at that time as the System's financial advisor to the extent provided below.

In connection with any such extension of the term of a particular Liquidity Facility and/or Credit Facility, such Authorized Officer is hereby further authorized to execute and deliver, on behalf of the City, such documents and instruments (including, without limitation, an amendment to such Liquidity Facility and/or Credit Facility) as shall be determined by such Authorized Officer, to be (a) necessary or desirable and advantageous to the City and (b) in commercially reasonable form; provided, however, that if any such extension shall be on terms and conditions different from the terms and conditions of such Liquidity Facility and/or Credit Facility as then in

effect, then (a) such determination of such Authorized Officer, shall be confirmed in writing by the firm serving at that time as the System's financial advisor and (b) the form of each such document or instrument shall be approved by the City Attorney of the City or his designee as to form and legality prior to the execution thereof by such Authorized Officer.

**ARTICLE VIII  
ESTABLISHMENT OF 2019 SERIES C BOND  
LETTER OF CREDIT PROCEEDS FUND**

**SECTION 8.01 2019 Series C Bond Letter of Credit Proceeds Fund.** There is hereby created a fund to be held by the Trustee for the benefit of the Holders of the 2019 Series C Bonds and known as the "2019 Series C Bond Letter of Credit Proceeds Fund". The 2019 Series C Bond Letter of Credit Proceeds Fund (a) shall at all times constitute an Eligible Account, as such term is defined in Section 1.02 hereof and (b) shall not constitute a fund or account for purposes of this Thirty-First Supplemental Resolution or the Bond Resolution. Amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall not be commingled with the amounts held in any fund or account under this Thirty-First Supplemental Resolution or the Bond Resolution. All amounts received by the Trustee from the issuer(s) of a Letter of Credit representing the proceeds of a drawing on or request for funding under, as the case may be, such Letter of Credit to pay principal or Redemption Price of or interest on 2019 Series C Bonds shall be deposited in the 2019 Series C Bond Letter of Credit Proceeds Fund. All amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall be used only to pay the principal or Redemption Price of or interest on the 2019 Series C Bonds (other than 2019 Series C Bank Bonds and 2019 Series C Bonds held by or for the account of the City) when due.

**SECTION 8.02 Moneys Held in Trust.** All moneys deposited in the 2019 Series C Bond Letter of Credit Proceeds Fund shall be held in trust by the Trustee and applied only for the purposes set forth in, and in accordance with the provisions of, this Thirty-First Supplemental Resolution. The 2019 Series C Bond Letter of Credit Proceeds Fund shall be a trust fund for such purposes. Amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall not be commingled with any other funds held by the Trustee, and all amounts on deposit in such Fund are hereby pledged and assigned to the payment of the principal or Redemption Price of and interest on the 2019 Series C Bonds when due in accordance with the terms hereof. Such amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund hereby pledged and assigned shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

**SECTION 8.03 No Investment.** Amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall be held in cash, uninvested.

**SECTION 8.04 No Lien for Trustee.** Notwithstanding anything in the Resolution or this Thirty-First Supplemental Resolution to the contrary, the Trustee shall not have any right to, or lien whatsoever upon, any of the amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund for the payment of fees, expenses or other compensation due and owing by the City to the Trustee for any services rendered under the Bond Resolution or this Thirty-First Supplemental Resolution.

**ARTICLE IX  
FORM OF 2019 SERIES C BONDS**

The 2019 Series C Bonds shall be issued in such form as shall be approved by the officers of the City executing and delivering the same, such approval to be evidenced by the execution and delivery thereof. Each 2019 Series C Bond shall bear thereon a certificate of authentication in substantially the following form:

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

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

U.S. BANK TRUST NATIONAL ASSOCIATION,  
Trustee

By \_\_\_\_\_  
Authorized Signature

**ARTICLE X  
APPROVAL OF DOCUMENTS**

**SECTION 10.01 Authorization and Approval of the Negotiated Sale of the 2019 Series 2019 C Bonds; Execution of the 2019 Series C 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 C 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 Underwriter 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 Underwriter to purchase the 2019 Series C 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 the Purchase Contract for and on behalf of the City pursuant to the terms hereof and of the Purchase Contract and the Clerk is hereby authorized to attest such signature to the extent required by the form of the Purchase Contract, subject to the approval of the City Attorney as to form and legality.

**SECTION 10.02 Authorization of Authentication.** U.S. Bank National Association, as Trustee under the Bond Resolution, is hereby requested and authorized to authenticate the 2019 Series C Bonds in the aggregate principal amount determined as provided in Section 2.01 hereof, and to deliver such Bonds to or on behalf of the Underwriter, upon payment

for the account of the City of the sum specified in the Purchase Contract pursuant to the terms of the Bond Resolution and the Purchase Contract.

**SECTION 10.03 Authorization and Approval of the Execution and Delivery of the Initial Reimbursement Agreement.** The forms of the Initial Reimbursement Agreement and associated Fee Letter, substantially in the forms attached hereto as Exhibit D-1 and D-2, 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 Initial Reimbursement Agreement and Fee Letter 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. 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 Initial Reimbursement Agreement and Fee Letter for and on behalf of the City pursuant to the terms hereof and of the Initial Reimbursement Agreement and Fee Letter and the Clerk is hereby authorized to attest such signature to the extent required by the form of the Initial Reimbursement Agreement and Fee Letter, subject to the approval of the City Attorney as to form and legality.

**SECTION 10.04 Official Statement.** The General Manager or such other Authorized Officer is authorized and directed to execute and deliver said Official Statement substantially in the form attached hereto as Exhibit E in the name and on behalf of the City, and thereupon to cause such Official Statement to be delivered to the Underwriter with such changes, amendments, modifications, omissions and additions as may be approved by such Authorized Officers executing the same. Said 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 2019 Series C Bonds to the public. Execution by said Authorized Officers of the Official Statement shall be deemed to be conclusive evidence of approval of such changes.

**SECTION 10.05 Secondary Market Disclosure.** The City hereby covenants and agrees that, in order to provide for compliance by the Underwriter with the secondary market disclosure requirements of Rule 15c2-12, the City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the City, as it may be amended from time to time in accordance with the terms thereof. The Continuing Disclosure Certificate shall be substantially in the form of Exhibit F 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 such Continuing Disclosure Certificate shall not be considered an event of default under the Bond Resolution; provided, however, any 2019 Series C 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 10.05 and the Continuing Disclosure Certificate. For purposes of this Section 10.05, "Series 2019 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2019 Series C Bonds (including persons holding 2019 Series C Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any 2019 Series C Bond for federal income tax purposes.

**SECTION 10.06 Further Actions.** Each Authorized Officer 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 the Purchase Contract, the Initial Reimbursement Agreement and Fee Letter, the Continuing Disclosure Certificate and the carrying out of their terms and the terms of the Bond Resolution; the issuance, sale, execution and delivery of the 2019 Series C Bonds, and the use of the Official Statement, including, but not limited to, the execution of delivery of a Remarketing Agreement and Tender Agency Agreement in connection with the 2019 Series C Bonds.

**ARTICLE XI  
MISCELLANEOUS**

**SECTION 11.01 The Tender Agent.** 1. U.S. Bank National Association is hereby appointed as the initial Tender Agent for the 2019 Series C Bonds. The Tender Agent shall accept the duties and obligations thereof by execution and delivery of a written instrument of acceptance delivered to the other Notice Parties.

2. The Tender Agent agrees to:

(a) hold all 2019 Series C Bonds (or beneficial ownership interests therein) properly tendered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Persons which shall have so tendered such 2019 Series C Bonds (or beneficial ownership interests therein) until moneys representing the Purchase Price of such 2019 Series C Bonds (or beneficial ownership interests therein) shall have been delivered to or for the account of or to the order of such Persons;

(b) hold all 2019 Series C Bank Bonds (or beneficial ownership interests therein) as agent and bailee of, and in escrow for the benefit of, the Liquidity Provider(s) or any assignee(s) or transferee(s) thereof;

(c) hold all moneys delivered to it hereunder for the purchase of 2019 Series C Bonds (or beneficial ownership interests therein) as agent and bailee of, and in escrow for the benefit of, the respective Persons which shall have so delivered such moneys, until the 2019 Series C Bonds (or beneficial ownership interests therein) purchased with such moneys shall have been delivered to or for the account of such Persons;

(d) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the other Notice Parties at all reasonable times;

(e) provide to the Trustee as soon as practicable after each Record Date prior to the 2019 Series C Bonds being in the Fixed Mode, but in no case later than 10:00 a.m., New York City time, on the applicable Interest Payment Date, a list of the names and addresses of the Holders of the 2019 Series C Bonds as of such Record Date;

(f) provide to the Trustee as soon as practicable after the Mode Adjustment Date in connection with a conversion of the 2019 Series C Bonds to the Fixed Mode, the books of

registry of the City containing the names and addresses of the Holders of 2019 Series C Bonds as of such Mode Adjustment Date; and

(g) give notices as required hereunder at the times and in the manner specified herein.

3. Upon receipt by the Tender Agent of any notice of optional tender of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) and the 2019 Series C Bonds (or beneficial ownership interests therein) delivered pursuant to such notice for purchase in accordance with this Thirty-First Supplemental Resolution, the Tender Agent shall deliver to the Person delivering such notice and such 2019 Series C Bonds (or beneficial ownership interests therein) written evidence of the Tender Agent's receipt of such materials. The Tender Agent shall promptly return any such notice (together with the 2019 Series C Bonds (or beneficial ownership interests therein) submitted in connection therewith) that is incomplete or improperly completed or not delivered by the date and time required hereunder to the Person submitting such notice upon surrender of the receipt, if any, issued therefor. The Tender Agent's determination of whether any such notice is properly completed or delivered on a timely basis shall be binding on the City, the Remarketing Agent and the Person that submitted such notice.

4. Each Tender Agent (other than the initial Tender Agent appointed hereunder) shall be a bank having corporate trust powers or a trust company organized under the laws of any state of the United States or a national banking association having corporate trust powers, having capital and surplus aggregating at least \$25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Thirty-First Supplemental Resolution. In the event that the 2019 Series C Bonds no longer shall be a Book-Entry Only 2019 Series C Bond, the Tender Agent shall maintain an office or agency in New York, New York at which its duties hereunder are to be performed. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Thirty-First Supplemental Resolution by giving at least thirty (30) days' notice to the other Notice Parties. The Tender Agent may be removed at any time by the City upon at least seven (7) days' notice to the other Notice Parties and the Holders of the 2019 Series C Bonds, other than 2019 Series C Bonds then in the Fixed Mode. Prior to the 2019 Series C Bonds being converted to the Auction Mode or the Fixed Mode, no such resignation or removal shall take effect until the appointment of, and the acceptance of such appointment by, a successor Tender Agent which acceptance shall be evidenced by the execution and delivery by such successor of a Tender Agency Agreement. Successor Tender Agents may be appointed from time to time by the City with the written approval of the Agent Bank (if any). Upon the resignation or removal of the Tender Agent, the Tender Agent shall deliver any 2019 Series C Bonds (or beneficial ownership interests therein) and moneys, Liquidity Facilities and other records held by it in such capacity to its successor.

5. The Tender Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Thirty-First Supplemental Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Thirty-First Supplemental Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Tender Agent may consult with counsel, who may or may not be counsel to the City, and the opinion of such counsel shall be full

and complete authorization and protection in respect of any action taken or suffered by it under this Thirty-First Supplemental Resolution in good faith and in accordance therewith.

6. Whenever the Tender Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Thirty-First Supplemental Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Thirty-First Supplemental Resolution upon the faith thereof; but in its discretion the Tender Agent may in lieu thereof accept other evidence of such fact or may require such further or additional evidence as to it may seem reasonable.

7. Except as otherwise expressly provided in this Thirty-First Supplemental Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of this Thirty-First Supplemental Resolution by the City to the Tender Agent shall be sufficiently executed when the same is executed in the name of the City by an Authorized Officer of the City.

8. In the event that the Tender Agent is required to act pursuant to the terms of this Thirty-First Supplemental Resolution upon the receipt of telephonic notice, such notice shall be promptly confirmed in writing. If such notice shall not be so confirmed, the Tender Agent shall be entitled to rely upon such telephonic notice for all purposes whatsoever.

9. In purchasing 2019 Series C Bonds (or beneficial ownership interests therein) hereunder, the Tender Agent shall be acting as a conduit and shall not be purchasing such 2019 Series C Bonds (or beneficial ownership interests therein) for its own account.

10. Upon any change in the Tender Agent, the City shall furnish to each Rating Agency the notice provided for in Section 11.04 hereof, but the failure to provide such notice shall not affect the validity of any change in the Tender Agent.

11. Notwithstanding anything to the contrary contained herein, in the Bond Resolution or in the Tender Agency Agreement to which it is a party, no Tender Agent shall require indemnity as a condition to (a) drawing on or requesting funding under, as applicable, any Liquidity Facility, (b) giving notice of any mandatory tender of the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) for purchase or (c) paying the Purchase Price of any 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered for purchase at the times and from the sources specified herein.

12. The form of the Tender Agency Agreement substantially in the form attached hereto as Exhibit G is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Tender Agency 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. 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 Tender Agency Agreement for and on behalf of the City pursuant to the terms hereof and of the Tender Agency Agreement and the Clerk is hereby authorized to attest

such signature to the extent required by the form of the Tender Agency Agreement, subject to the approval of the City Attorney as to form and legality.

**SECTION 11.02 The Remarketing Agent.** 1. Merrill Lynch, Pierce Fenner & Smith, Incorporated is hereby appointed as the initial Remarketing Agent for the 2019 Series C Bonds.

2. Notwithstanding any other provision of the Bond Resolution or this Thirty-First Supplemental Resolution, the City may determine to appoint multiple Remarketing Agents for the 2019 Series C Bonds. In such event, the City shall take such actions (including, without limitation, obtaining such additional CUSIP number(s) for the 2019 Series C Bonds) as shall be necessary to identify separately the 2019 Series C Bonds (or beneficial ownership interests therein) to be remarketed by each such Remarketing Agent, and for which each such Remarketing Agent shall be responsible for determining the 2019 Series C Bond Rate. In the event multiple Remarketing Agents shall be appointed as aforesaid (a) any reference herein to "the Remarketing Agent" shall be deemed to refer to the appropriate Remarketing Agent, or all such Remarketing Agents, as the context may require and (b) any reference herein to "the Remarketing Agreement" shall be deemed to refer to the Remarketing Agreement to which the appropriate Remarketing Agent is a party, or all such Remarketing Agreements, as the context may require.

3. Each Remarketing Agent shall accept the duties and obligations thereof under this Thirty-First Supplemental Resolution by execution and delivery of an agreement with the City under which such Remarketing Agent will agree, among other things, to keep such books and records regarding the remarketing of 2019 Series C Bonds (or beneficial ownership interests therein) and determining the interest rates on the 2019 Series C Bonds as provided herein as shall be consistent with prudent industry practice and to make such books and records available for inspection by the other Notice Parties at all reasonable times.

4. Each Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000 and be authorized by law to perform all the duties imposed upon it by this Thirty-First Supplemental Resolution. Any Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Thirty-First Supplemental Resolution by giving such number of days' written notice to the other Notice Parties as shall be provided in the Remarketing Agreement relating to it and complying with such other conditions to such resignation as may be provided in such Remarketing Agreement. Any Remarketing Agent may be removed at any time by the City upon such number of days' written notice to the other Notice Parties as shall be provided in the applicable Remarketing Agreement. Prior to the 2019 Series C Bonds being converted to the Auction Mode or the Fixed Mode, no such removal shall be effective until a successor Remarketing Agent shall have been appointed and shall have accepted such appointment. A successor Remarketing Agent may be appointed from time to time by the City with the written approval of the Agent Bank.

5. If a Remarketing Agent resigns or is removed, such Remarketing Agent shall pay over, assign and deliver any moneys and 2019 Series C Bonds (or beneficial ownership interests therein) held by it in such capacity, other than 2019 Series C Bonds (or beneficial ownership interests therein) held for its own account, to its successor. Upon any change in a Remarketing Agent, the City shall furnish to each Rating Agency the notice provided for in Section 11.04 hereof.



but the failure to provide such notice shall not affect the validity of any change in a Remarketing Agent.

6. The form of the Remarketing Agreement substantially in the form attached hereto as Exhibit H is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Remarketing 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. 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 Remarketing Agreement for and on behalf of the City pursuant to the terms hereof and of the Remarketing Agreement and the Clerk is hereby authorized to attest such signature to the extent required by the form of the Remarketing Agreement, subject to the approval of the City Attorney as to form and legality.

**SECTION 11.03 Dealings in 2019 Series C Bonds.** The Trustee, the Auction Agent, each Broker-Dealer, the Tender Agent, any Liquidity Provider, any Credit Facility Provider and the Remarketing Agent, and their officers, directors, employees and agents, may in good faith buy, sell, own, hold and deal in any of the 2019 Series C Bonds (or beneficial ownership interests therein) and may join in any action which any Holder of the 2019 Series C Bonds may be entitled to take, with like effect as if it did not act in any capacity hereunder. The Trustee, the Auction Agent, each Broker-Dealer, the Tender Agent, any Liquidity Provider, any Credit Facility Issuer and the Remarketing Agent may in good faith hold any other form of indebtedness of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City, and make disbursements for the City and enter into any commercial or business arrangement therewith.

**SECTION 11.04 Notices.** Written notice of (i) a change in the Trustee, Auction Agent, Paying Agent, Remarketing Agent or Tender Agent for the 2019 Series C Bonds, (ii) any amendment to this Thirty-First Supplemental Resolution or the Liquidity Facility or any Credit Facility, (iii) an extension, expiration or termination of the Liquidity Facility or any Credit Facility, (iv) any change in the Interest Mode applicable to the 2019 Series C Bonds, (v) any mandatory tender of the 2019 Series C Bonds, other than any mandatory tender provided for in clause (c)(iv)(A) of Section 3.06, (vi) any declaration that the principal of all the Bonds then Outstanding, and the interest due thereon, shall be due and payable immediately, as provided in Section 801 of the Master Resolution, (vii) any substitution of a new Liquidity Provider for any Liquidity Provider party to the Liquidity Facility then in effect or substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, (viii) any substitution of a new Credit Facility Issuer for any Credit Facility Issuer party to the Credit Facility then in effect or a substitution of any Alternate Credit Facility for the Credit Facility (if any) then in effect or (ix) a redemption or defeasance of all of the 2019 Series C Bonds, shall be given by the Trustee to each Rating Agency, at the following addresses (or such other address as any such Rating Agency shall advise the Trustee or the City in writing from time to time):

**If to Fitch, to:**

Fitch Ratings  
33 Whitehall Street  
New York, NY 10004  
Attn: MSF Surveillance Group  
[msf\\_surveillance@fitchratings.com](mailto:msf_surveillance@fitchratings.com)  
Telephone: (212) 908-0689  
Telecopier: (212) 612-7797

**If to Moody's, to:**

Moody's Investors Service  
7 World Trade Center at 250 Greenwich Street  
Public Finance Group - Attn: MSPG - 23rd Floor  
New York, New York 10007  
Telecopier: (212) 553-1066  
Email: [MSPGSurveillance@Moody's.com](mailto:MSPGSurveillance@Moody's.com)

**If to S&P, to:**

Standard & Poor's  
55 Water Street  
38th Floor  
New York, New York 10041  
Attention: Municipal Structured Surveillance  
Telephone: (212) 438-2021  
Telecopier: (212) 438-2151  
E-mail: [pubfin\\_structured@sandp.com](mailto:pubfin_structured@sandp.com)

In addition, the City shall provide to each Rating Agency any other information reasonably requested by such Rating Agency in order to maintain its rating on the 2019 Series C Bonds.

**SECTION 11.05 Amendments to this Thirty-First Supplemental Resolution or the Bond Resolution.** 1. This Thirty-First Supplemental Resolution may be amended, at any time or from time to time, without the consent of the Holders of the Outstanding 2019 Series C Bonds or the Holders of 2019 Series C Bonds Outstanding under the Bond Resolution but with the written consent of the Agent Bank (if any), (i) for the purpose of making changes in the provisions hereof relating to the characteristics and operational provisions of the Interest Modes, (ii) to amend the provisions hereof relating to the mandatory redemption of 2019 Series C Bank Bonds, as provided in the second paragraph of Section 2.07, (iii) in order to add Exhibit A hereto in connection with the first conversion of the 2019 Series C Bonds to the Auction Mode, (iv) in order to provide for and accommodate Substitute Liquidity Facilities as permitted by paragraph 6 of Section 4.02 and (v) in order to provide for and accommodate Alternate Credit Facilities as permitted by paragraph 4 of Section 7.06. Each such amendment shall become effective on the Rate Adjustment Date next following the filing of a copy thereof with the Trustee, the Agent Bank, the Auction Agent (if any), the Broker-Dealers (if any), the Tender Agent (if any), and the Remarketing Agent (if any), together with an Opinion of Bond Counsel with respect to such amendment, which opinion shall

state, in addition, that such amendments are authorized or permitted by the Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes. In addition, (a) in the case of amendments pursuant to clause (iv) of the first sentence of this subsection, no such amendment shall be effective until the date on which such Substitute Liquidity Facility becomes effective with respect to the 2019 Series C Bonds and (b) in the case of amendments pursuant to clause (v) of the first sentence of this subsection, no such amendment shall be effective until the date on which such Alternate Credit Facility becomes effective with respect to the 2019 Series C Bonds.

2. In the event that the City shall adopt any Supplemental Resolution making any amendment to this Thirty-First Supplemental Resolution or to the Bond Resolution for which the consent of the Holders of the 2019 Series C Bonds shall be required, the consent of the Agent Bank, if any, shall be required and an Authorized Officer of the City may deliver to the Tender Agent an Officer's Certificate in accordance with the provisions of clause (c)(vi) of Section 3.06, requiring that the 2019 Series C Bonds be subject to mandatory tender for purchase at the time and in the manner provided in said clause (c)(vi). Following the date on which such mandatory tender shall occur, all subsequent Holders of the 2019 Series C Bonds shall be deemed to have consented to such Supplemental Resolution, notwithstanding anything to the contrary contained in the Bond Resolution or this Thirty-First Supplemental Resolution.

3. In addition, the provisions of this Thirty-First Supplemental Resolution, including Exhibit A, may be amended at any time or from time to time without the consent of the Holders of the Outstanding 2019 Series C Bonds or the Holders of Bonds Outstanding under the Bond Resolution, if and to the extent provided in Exhibit A.

4. No amendment permitted by the terms of this Section 11.05 which is reasonably believed by the Auction Agent (if the 2019 Series C Bonds shall be in the Auction Mode) or the Tender Agent (if the 2019 Series C Bonds shall be in an Interest Mode other than the Auction Mode) to adversely affect its rights, immunities and duties hereunder shall be effective without the written consent thereto of the Auction Agent or the Tender Agent, as applicable.

**SECTION 11.06 Defeasance.** At such times as the 2019 Series C Bonds are in any Interest Mode other than the Auction Mode or the Fixed Mode, the City agrees not to take any action or allow any action to be taken so that any 2019 Series C Bonds (or portions thereof) shall be deemed to have been paid within the meaning of Section 1201 of the Master Resolution unless the City shall have received written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such action will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on any of the 2019 Series C Bonds.

**SECTION 11.07 Resignation or Removal of the Trustee.** For so long as any 2019 Series C Bonds shall remain Outstanding, the City and the Trustee hereby agree as follows, for the benefit of the Holders and beneficial owners of the 2019 Series C Bonds:

(a) Notwithstanding the provisions of Section 907 of the Master Resolution, the Trustee shall not resign pursuant to said Section 907 unless the effectiveness of such resignation is conditioned upon (i) the appointment of a successor and (ii) the acceptance of such appointment by such successor.

(b) Notwithstanding the provisions of Section 908 of the Master Resolution, the City shall not exercise its right to remove the Trustee unless the effectiveness of such removal is conditioned upon (i) the appointment of a successor and (ii) the acceptance of such appointment by such successor.

**SECTION 11.08 Trustee and Tender Agent Not to Seek Indemnity For Certain Acts.** Notwithstanding anything to the contrary contained herein or in the Resolution:

(a) the Trustee shall not require indemnity as a condition to (i) drawing on or requesting funding under, as applicable, any Credit Facility or any Liquidity Facility, (ii) making payments of principal or Redemption Price of, and interest on, the 2019 Series C Bonds when due or (iii) causing or declaring the 2019 Series C Bonds to become and be immediately due and payable, as provided in Section 801 of the Bond Resolution; and

(b) the Tender Agent shall not require indemnity as a condition to (i) giving notice in accordance with subsection 2 of Section 3.08 that the 2019 Series C Bonds have become subject to mandatory tender for purchase or (ii) making payment of the Purchase Price of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered for purchase as provided in Article III hereof.

## **ARTICLE XII LETTER OF CREDIT PROVISIONS**

**SECTION 12.01 Letter of Credit to Constitute a Credit Facility; Letter of Credit Issuer(s) to Constitute Credit Facility Issuer(s).** Each Letter of Credit is hereby determined to be a "Credit Facility" and "Liquidity Facility" within the meaning of this Thirty-First Supplemental Resolution, and each Letter of Credit Issuer is hereby determined to be a "Credit Facility Issuer" and "Liquidity Provider" within the meaning of this Thirty-First Supplemental Resolution.

**SECTION 12.02 Action by Letter of Credit Issuer(s) When Action by Bondholders Required.** For so long as a Letter of Credit is in full force and effect, and the Credit Facility Issuer has not wrongfully failed to honor a properly presented draw made under the terms of the Credit Facility then, in all such events, the Letter of Credit Issuer(s), and not the actual Holders of the 2019 Series C Bonds, shall be deemed to be the Holder of 2019 Series C Bonds at all times for the purpose of (i) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Bond Resolution as specified in Bond Resolution which requires the written approval or consent of Holders; *provided, however,* that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding 2019 Series C Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or any change that reduces the percentages or otherwise affects the 2019 Series C Bonds the consent of the Holders of which is required to effect any such modification or amendment, or changes or modifies any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of Article VIII of the Bond Resolution or otherwise.

**LIST OF ATTACHMENTS AND EXHIBITS**

**SECTION 12.03 Security for Reimbursement of Drawings Under Letter of Credit to Pay Principal or Redemption Price of or Interest on 2019 Series C Bonds.** In the event that the principal or Redemption Price, if applicable, and interest due on any 2019 Series C Bonds shall be paid with the proceeds of a drawing under a Letter of Credit, all covenants, agreements and other obligations of the City to the Holders of such 2019 Series C Bonds shall continue to exist and the Letter of Credit Issuer(s) of such Letter of Credit shall be subrogated to the rights of such Holders in accordance with the terms of the Reimbursement Agreement pursuant to which such Letter of Credit is issued.

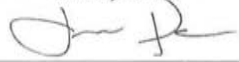
**SECTION 12.04 Agreement of the City Concerning the Trustee, Paying Agent and Tender Agent.** Notwithstanding any other provision of this Thirty-First Supplemental Resolution or the Bond Resolution, in the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, the City covenants and agrees that the same entity shall hold the positions of Trustee and Paying Agent for the 2019 Series C Bonds and, if the 2019 Series C Bonds shall be in an Interest Mode other than the Auction Mode or the Fixed Mode, Tender Agent.

**ARTICLE XIII  
EFFECTIVE DATE**

**SECTION 13.01 Effective Date.** This Thirty-First Supplemental 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 of the City with the Trustee.

Thirty-First Supplemental Utilities System Revenue Bond Resolution approved and adopted March 21, 2019.

CITY OF GAINESVILLE, FLORIDA

  
\_\_\_\_\_  
Mayor

ATTESTED:

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

Approved as to Form and Legality:

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

- Attachment A Acceptance of Office of Paying Agent
- Exhibit A Auction Procedures
- Exhibit B Project Description
- Exhibit C Form of Purchase Contract
- Exhibit D-1 Form of Reimbursement Agreement (w/ Form of Letter of Credit attached as Exhibit A)
- Exhibit D-2 Form of Fee Letter
- Exhibit E Form of Official Statement
- Exhibit F Form of Continuing Disclosure Certificate
- Exhibit G Tender Agency Agreement
- Exhibit H Remarketing Agreement

ATTACHMENT A

**ACCEPTANCE OF OFFICE OF PAYING AGENT, TRUSTEE AND TENDER AGENT**

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

City of Gainesville, Florida  
200 East University Avenue  
Gainesville, Florida 32601

Dear Sirs:

The undersigned hereby accepts the duties and obligations of Paying Agent, Trustee and Tender Agent for the Variable Rate Utilities System Revenue Bonds, 2019 Series C of the City of Gainesville, Florida (the "City") imposed upon the undersigned by the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as heretofore amended, restated and supplemented.

**U.S. BANK TRUST NATIONAL  
ASSOCIATION, as Paying Agent, Trustee and  
Tender Agent**

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

[SEAL]

Attest:

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

**EXHIBIT A**

**AUCTION PROCEDURES**

[To be provided if 2019 Series C Bonds are converted to Auction Mode]

C-88

**EXHIBIT B**  
**2019 SERIES C PROJECT**

**2019 SERIES C PROJECT**

Murphree Water Treatment Plant Wellfield Projects  
Murphree Water Treatment Plant Pumping Equipment  
Murphree Water Treatment Plant Electrical Upgrade

Together with such other projects as shall be included in the capital improvement plan for the System and authorized by an Authorized Officer.

**AMENDMENT TO**  
**THIRTY-FIRST SUPPLEMENTAL UTILITIES SYSTEM**  
**REVENUE BOND RESOLUTION NO. 180818**

WHEREAS, pursuant to (a) Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended and supplemented (the "Resolution") and (b) the Thirty-First Supplemental Utilities System Revenue Bond Resolution No. 180818 adopted by the City on March 21, 2019 (the "Thirty-First Supplemental Resolution"), the City heretofore has authorized the issuance of its Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019 Series C Bonds"); and

WHEREAS the 2019 Series C Bonds were authorized to be issued as variable rate demand obligations, initially in the Daily Mode or Weekly Mode (such term, and all other capitalized terms used herein without definition, having the respective meanings assigned thereto in the Resolution or, if not defined therein, in the Thirty-First Supplemental Resolution), and will upon issuance subject to mandatory and optional tender for purchase at certain times and under certain circumstances; and

WHEREAS, in order to enhance the marketability of the 2019 Series C Bonds and thereby reduce the interest cost to the City of the 2019 Series C Bonds, it is desirable that the 2019 Series C Bonds have short-term ratings assigned by Moody's, S&P and Fitch (the "Rating Agencies"); and

WHEREAS, in the course of assigning their respective ratings to the 2019 Series C Bonds, the Rating Agencies requested that certain technical amendments be made to the Thirty-First Supplemental Resolution; and

WHEREAS, the 2019 Series C Bonds have not been issued and therefor the City is authorized to amend the Thirty-First Supplemental Resolution, without the consent of the Holders of Outstanding Bonds; and

WHEREAS, it is hereby determined to be necessary and desirable that the Thirty-First Supplemental Resolution be amended in the manner provided herein in order to reflect the changes thereto requested by the Rating Agencies;

NOW, THEREFORE, BE IT RESOLVED by the City Commission of the City of Gainesville, Florida as follows:

**ARTICLE I**

**AUTHORITY**

**SECTION 101. Supplemental Resolution.** This Amendment to Thirty-First Supplemental Utilities System Revenue Bond Resolution (this "Amendment") is supplemental to, and is adopted in accordance with Article X of, the Resolution to amend the Thirty-First Supplemental Resolution prior to the issuance of the 2019 Series C Bonds.

**SECTION 102. Authority for this Amendment.** This Amendment is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with the Resolution and the Thirty-First Supplemental Resolution.

## ARTICLE II

### AMENDMENT OF THIRTY-FIRST SUPPLEMENTAL RESOLUTION

**SECTION 201. Amendment of Section 1.01 of the Thirty-First Supplemental Resolution.** The definition of "Eligible Moneys" in Section 1.01 of the Thirty-First Supplemental Resolution is hereby deleted.

**SECTION 202. Amendment of Section 2.06 of the Thirty-First Supplemental Resolution.** Paragraph 8 of Section 2.06 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

8. During the period the Letter of Credit or any Alternate Credit Facility consisting of a direct-pay letter of credit is in effect and the 2019 Series C Bonds are in the Weekly Mode or Daily Mode, there may be no defeasance of the 2019 Series C Bonds or 2019 Series C Bank Bonds pursuant to Section 1201 of the Bond Resolution.

**SECTION 203. Amendment of Section 3.01 of the Thirty-First Supplemental Resolution.** Paragraph (a)(i) of Section 3.01 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

(i) **Effective Date:** the first day of the newly designated Interest Mode or Interest Period for the 2019 Series C Bonds (referred to herein as the "Mode Adjustment Date"), which shall be (A) if the Interest Mode then in effect for the 2019 Series C Bonds is the Auction Mode with an Auction Period other than a daily Auction Period, the second Interest Payment Date following the final Auction Date, (B) if the Interest Mode then in effect for the 2019 Series C Bonds is the Auction Mode with a daily Auction Period, the Daily Mode or the Weekly Mode, an Interest Payment Date, (C) if the Interest Mode then in effect for the 2019 Series C Bonds is the Term Mode, any day following requisite notice on which the 2019 Series C Bonds could be redeemed at the option of the City pursuant to paragraph 2 or 3 of Section 2.06 at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, thereon, and (D) if the Interest Mode then in effect for the 2019 Series C Bonds is the Flexible Mode, the latest Interest Payment Date for all Interest Periods thereon then in effect or any Business Day thereafter.

**SECTION 204. Amendment of Section 6.01 of the Thirty-First Supplemental Resolution.** Section 6.01 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

**SECTION 6.01 2019 Series C Bond Purchase Fund.** There is hereby created a fund to be held by the Tender Agent and known as the "2019 Series C Bond Purchase Fund", consisting of a 2019 Series C Bond Liquidity Proceeds Account and a 2019 Series C Bond Remarketing Proceeds Account. The 2019 Series C Bond Purchase Fund and the Accounts therein (a) shall constitute Eligible Accounts, as such term is defined in Section 1.01 hereof and (b) shall not constitute funds or accounts for purposes of the Bond Resolution. In the event that the 2019 Series C Bond Purchase Fund or any Account therein shall no longer comply with the requirements set forth in said definition of the term "Eligible Account," the Tender Agent promptly (and, in any case, within not more than 30 calendar days) shall move the 2019 Series C Bond Purchase Fund and the Accounts therein to another financial institution such that such requirements again shall be satisfied. Amounts on deposit in the 2019 Series C Bond Purchase Fund shall not be commingled with the amounts held in any fund or account under the Bond Resolution. All amounts received by the Tender Agent from the Remarketing Agent representing the Purchase Price of 2019 Series C Bonds remarketed by the Remarketing Agent shall be deposited in the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund. All amounts received by the Tender Agent from the Agent Bank representing the proceeds of a drawing or request for funding, as the case may be, under the Liquidity Facility to pay the Purchase Price of 2019 Series C Bonds tendered or deemed tendered for purchase shall be deposited in the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund. All amounts on deposit in such Accounts in the 2019 Series C Bond Purchase Fund shall be used only to pay the Purchase Price of the 2019 Series C Bonds so remarketed (i) as provided in Section 3.10 in the case of 2019 Series C Bonds tendered for purchase and (ii) as provided in paragraph 5 of Section 5.01 in the case of 2019 Series C Bank Bonds being remarketed; *provided, however*, that in the event that there shall not be sufficient funds on deposit in the 2019 Series C Bond Purchase Fund to purchase all 2019 Series C Bonds subject to purchase on a particular date as a result of any Liquidity Provider failing to honor its commitment to advance funds under the Liquidity Facility, the Tender Agent shall select the particular 2019 Series C Bonds (or portions thereof or beneficial interests therein) to be so purchased at random in such manner as the Tender Agent in its discretion may deem fair and appropriate; and *provided, further*, that any funds on deposit in the 2019 Series C Bond Purchase Fund in the 2019 Series C Bond Purchase Fund that will not be required to be applied to the purchase of 2019 Series C Bonds tendered or deemed tendered for purchase shall be returned to the Agent Bank, in immediately available funds, by close of business of the Tender Agent, on the date on which such funds shall have been received by the Tender Agent (or such later time as may be specified in the Liquidity Facility).

**SECTION 205. Amendment of Section 7.03 of the Thirty-First Supplemental Resolution.** Section 7.03 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

**SECTION 7.03 Drawings Under Letter of Credit to Effect Redemptions at the Election of the City.** In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, on any date upon which the City shall have called for redemption at its election any 2019 Series C Bonds (other than 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City), the Trustee shall make a drawing under such Letter of Credit in an amount equal to the Redemption Price of such 2019 Series C Bonds so called for redemption, and shall use the proceeds of such drawing solely to pay such Redemption Price. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to pay such Redemption Price in a timely manner on the due date thereof. The Trustee shall make no drawing under a Letter of Credit, and no such drawing shall be used, to pay any 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City called for redemption at the election of the City.

**SECTION 206. Amendment of Section 7.05 of the Thirty-First Supplemental Resolution.** Section 7.05 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

**SECTION 7.05 Notice of Failure to Honor Drawing Under Letter of Credit.** 1. Notwithstanding any other provision of this Thirty-First Supplemental Resolution or of the Bond Resolution, in the event that any drawing under a Letter of Credit to pay the principal or Redemption Price of, or interest on, the 2019 Series C Bonds shall not be honored in the full amount so drawn by the time provided therein for the honoring of drawings thereunder, the Trustee immediately shall (a) notify the City as to the occurrence of such circumstance and (b) apply amounts on deposit in the Debt Service Account and available therefor to the payment of such principal or Redemption Price or interest.

2. On any day on which a drawing under a Letter of Credit to pay the principal or Redemption Price of, or interest on, the 2019 Series C Bonds shall be honored by the Letter of Credit Issuer(s) of such Letter of Credit, the Trustee shall apply amounts on deposit in the Debt Service Account and available to pay such principal or Redemption Price or interest to reimburse such Letter of Credit Issuer(s) for the amount of such drawing by the time and in the manner provided in the Reimbursement Agreement relating to such Letter of Credit, but only after the application of such amounts pursuant to subsection 1 of this Section 7.05.

**SECTION 207. Amendment of Section 7.06 of the Thirty-First Supplemental Resolution.** The second paragraph of Paragraph 3 of Section 7.06 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

Notwithstanding anything to the contrary contained herein, if, on any Substitution Date with respect to the 2019 Series C Bonds, (a) an Alternate Credit

Facility is being substituted for the Credit Facility then in effect and (b) the Purchase Price, if any, principal or Redemption Price of, or interest on, any 2019 Series C Bonds is to be paid from the proceeds of a drawing on or request for funding under, as applicable, such Credit Facility then in effect, then the Trustee shall make a drawing on or request for funding under, as applicable, such Credit Facility then in effect that is being replaced by such Alternate Credit Facility, in order to obtain funds for the payment of such Purchase Price, if any, principal or Redemption Price or interest.

**SECTION 208. Amendment of Section 7.07 of the Thirty-First Supplemental Resolution.** The first paragraph of Section 7.07 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

**SECTION 7.07 Authorization to Extend the Term of a Particular Liquidity Facility or Credit Facility.** The General Manager, the Chief Financial Officer or such other Authorized Officer is hereby authorized, from time to time, (1) to extend the term of a particular Liquidity Facility or Credit Facility for the 2019 Series C Bonds, upon such terms and conditions as shall be determined by such Authorized Officer, to be advantageous to the City and commercially reasonable (which terms and conditions (including, without limitation, the amounts of the "commitment fee" and other fees payable by the City thereunder and the specification of the interest rates payable on loans or advances thereunder) may differ from the terms and conditions then in effect pursuant to such Liquidity Facility and/or Credit Facility then in effect), such determination to be confirmed in writing by the firm serving at that time as the System's financial advisor to the extent provided below.

**SECTION 209. Amendment of Section 11.08 of the Thirty-First Supplemental Resolution.** Paragraph (b) of Section 11.08 of the Thirty-First Supplemental Resolution is hereby amended and restated to read in its entirety as follows:

(b) the Tender Agent shall not require indemnity as a condition to (i) drawing on or requesting funding under, as applicable any Credit Facility or any Liquidity Facility, (ii) giving notice in accordance with subsection 2 of Section 3.08 that the 2019 Series C Bonds have become subject to mandatory tender for purchase or (iii) making payment of the Purchase Price of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered for purchase as provided in Article III hereof.

### ARTICLE III

#### MISCELLANEOUS PROVISIONS

**SECTION 301. Further Actions.** Each Authorized Officer (as defined in the Thirty-First Supplemental Resolution) 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 Supplemental Resolution. Notwithstanding anything to the contrary contained in the Thirty-First

Supplemental Resolution, the General Manager, the Chief Financial Officer or any other Authorized Officer may determine the initial Interest Payment Date which date shall be set forth in the Purchase Contract or a certificate of such Authorized Officer.

**Annex A**

**SECTION 302. Effective Date.** This Amendment shall be effective upon (i) the delivery to the Trustee of a copy hereof certified by an Authorized Officer of the City and (ii) the filing with the City of an instrument in writing made by the Trustee consenting hereto, in substantially the form attached hereto as Annex A.

Amendment to Thirty-First Supplemental Utilities System Revenue Bond Resolution approved and adopted April 18, 2019.

**THE CITY OF GAINESVILLE, FLORIDA**

\_\_\_\_\_  
Mayor

ATTESTED:

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

Approved as to Form and Legality:

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

**CONSENT OF TRUSTEE**

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

The undersigned, as Trustee, under Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City of Gainesville, Florida (the "City") on September 21, 2017 (the "Bond Resolution"), as heretofore supplemented and amended hereby acknowledges the filing with it of a copy of the Amendment to Thirty-First Supplemental Utilities System Revenue Bond Resolution (the "Amendment") adopted by the City on April 18, 2019, certified by an Authorized Officer of the City pursuant to Section 1002 of the Bond Resolution, and hereby consents to the adoption of the Amendment.

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

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

[SEAL]

Attest:

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

#66900881\_v6

C-92



**APPENDIX D**

**DEBT SERVICE REQUIREMENTS**

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**DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS  
(ACCRUAL BASIS)**

Period Ending 09/30	Total Debt Service on Bonds Outstanding After Issuance of 2019 Bonds (Without Giving Effect of Issuance of 2019 Series C Bonds) <sup>(1)</sup>	Less: Debt Service on Refunded Bonds <sup>(1)</sup>	Plus: Debt Service on 2019C Bonds			Total Debt Service on Bonds to be Outstanding After Issuance of 2019 Bonds and 2019 Series C Bonds
			Principal	Interest <sup>(2)</sup>	Total	
2019	\$94,970,960	\$(5,936,631)	-	\$435,001	\$435,001	\$89,469,330
2020	107,124,267	(10,134,203)	-	1,178,712	1,178,712	98,168,777
2021	107,367,977	(12,886,202)	-	1,515,488	1,515,488	95,997,263
2022	109,031,666	(12,269,586)	-	1,768,069	1,768,069	98,530,149
2023	108,848,681	(10,641,539)	-	1,852,263	1,852,263	100,059,404
2024	108,800,305	(12,242,858)	-	1,852,263	1,852,263	98,409,709
2025	107,534,979	-	-	1,852,263	1,852,263	109,387,242
2026	106,825,814	-	-	1,852,263	1,852,263	108,678,077
2027	107,711,018	-	-	1,852,263	1,852,263	109,563,281
2028	107,451,057	-	-	1,852,263	1,852,263	109,303,320
2029	106,465,596	-	-	1,852,263	1,852,263	108,317,859
2030	106,637,871	-	-	1,852,263	1,852,263	108,490,134
2031	106,525,146	-	-	1,852,263	1,852,263	108,377,409
2032	106,457,486	-	-	1,852,263	1,852,263	108,309,748
2033	107,776,228	-	-	1,852,263	1,852,263	109,628,491
2034	107,589,001	-	-	1,852,263	1,852,263	109,441,264
2035	107,416,744	-	-	1,852,263	1,852,263	109,269,007
2036	104,200,324	-	-	1,852,263	1,852,263	106,052,587
2037	103,689,070	-	-	1,852,263	1,852,263	105,541,332
2038	102,971,690	-	-	1,852,263	1,852,263	104,823,953
2039	102,222,736	-	-	1,852,263	1,852,263	104,074,998
2040	101,426,568	-	-	1,852,263	1,852,263	103,278,831
2041	76,213,204	-	\$8,855,000	1,852,263	10,707,263	86,920,467
2042	76,209,789	-	9,100,000	1,608,750	10,708,750	86,918,539
2043	76,213,967	-	9,350,000	1,358,500	10,708,500	86,922,467
2044	76,215,371	-	9,605,000	1,101,375	10,706,375	86,921,746
2045	76,210,769	-	9,870,000	837,237	10,707,237	86,918,006
2046	76,205,638	-	10,150,000	565,812	10,715,812	86,921,450
2047	76,210,406	-	10,425,000	286,687	10,711,687	86,922,094
2048	-	-	-	-	-	-
	\$2,862,524,331	\$(64,111,020)	\$67,355,000	\$45,848,620	\$113,203,620	\$2,911,616,931

[Footnotes continued on next page]

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- (1) Debt service on the Outstanding Bonds has been calculated based upon the following assumptions:
- (a) Interest on the 2005 Series C Bonds has been calculated at an assumed rate of 3.20% per annum, the fixed rate payable by the City under the 2005 Series C Swap Transaction. For more information, see "THE SYSTEM – Management's Discussion of System Operations - *Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2005 Series C Swap Transaction during any fiscal year differ from interest payable on the 2005 Series C Bonds during such fiscal year, net debt service on the 2005 Series C Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
  - (b) Interest on the 2006 Series A Bonds has been calculated at an assumed rate of 3.224% per annum, the fixed rate payable by the City under the 2006 Series A Swap Transaction. For more information, see "THE SYSTEM – Management's Discussion of System Operations - *Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2006 Series A Swap Transaction during any fiscal year differ from interest payable on the 2006 Series A Bonds during such fiscal year, net debt service on the 2006 Series A Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
  - (c) Interest on the 2007 Series A Bonds has been calculated at an assumed rate of 3.944% per annum, the fixed rate payable by the City under the 2007 Series A Swap Transaction. For more information, see "THE SYSTEM – Management's Discussion of System Operations - *Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2007 Series A Swap Transaction during any fiscal year differ from interest payable on the 2007 Series A Bonds during such fiscal year, net debt service on the 2007 Series A Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
  - (d) Interest on the 2008 Series B Bonds has been calculated at an assumed rate of 4.229% per annum, the fixed rate payable by the City under the 2008 Series B Swap Transactions. For more information, see "THE SYSTEM – Management's Discussion of System Operations -- *Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2008 Series B Swap Transactions during any fiscal year differ from interest payable on the 2008 Series B Bonds during such fiscal year, net debt service on the 2008 Series B Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
  - (e) Reflects total interest on the 2009 Series B Bonds and 2010 Series B Bonds, each of which the City has designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, and is not net of the cash subsidy payments that the City expects to receive from the United States Treasury with respect to such Bonds. At the time of issuance of the 2009 Series B Bonds and 2010 Series B Bonds the subsidy payments on such Bonds was 35%.
  - (f) Pursuant to the Sequestration Transparency Act of 2012 (P.L. 112-155), as a consequence of the Joint Select Committee on Deficit Reduction's failure to propose, and Congress' failure to enact, a plan to reduce the federal deficit by \$1.2 trillion (as required by the Budget Control Act of 2011 by January 2, 2013), the President of the United States, in his report to Congress of sequestration for fiscal year 2013, included in such sequestration the payments authorized for direct-pay bonds, such as the 2009 Series B Bonds and 2010 Series B Bonds, issued under the Recovery and Reinvestment Act of 2009. As a result of

the sequestration payments to issuers of direct-pay bonds, such as the 2009 Series B Bonds and 2010 Series B Bonds, were subject to a reduction of 7.2% of the amount budgeted for such payment through September 30, 2014, a reduction of 7.3% through September 30, 2015, a reduction of 6.8% through September 30, 2016, a reduction of 6.9% through September 30, 2017, a reduction of 6.6% through September 30, 2018, and a reduction of 6.2% through September 30, 2019. No assurance can be given that legislative proposals may be introduced or enacted by Congress that would or might apply to, or have an adverse effect upon, the City's receipt of the subsidy payments.

- (g) Interest on the 2012 Series B Bonds has been calculated at an assumed rate of approximately 3.25% per annum.
  - (h) Interest on the 2017 Series B Bonds has been calculated at an assumed rate of 2.119% per annum, the fixed rate payable by the City under the 2017 Series B Swap Transaction where Goldman Sachs Bank, USA is the counterparty. The current notional amount with respect to Goldman Sachs Bank, USA is \$105,000,000. Interest on the 2017 Series B Bonds has been calculated at an assumed rate of 2.110% per annum, the fixed rate payable by the City under the 2017 Series B Swap Transaction where Citibank N.A. is the counterparty. Additionally, an assumed ongoing cost of 35 basis points (0.35%) is added to the assumed rate for interest calculations. For more information, see "THE SYSTEM – Management's Discussion of System Operations -- Interest Rate Swap Transactions" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2017 Series B Swap Transaction during any fiscal year differ from interest payable on the 2017 Series B Bonds during such fiscal year, net debt service on the 2017 Series B Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
  - (i) Interest on the 2017 Series C Bonds has been calculated at an assumed rate of approximately 2.00% for the period October 1, 2018 through October 1, 2019, approximately 2.50% for the period October 1, 2019 through October 1, 2020 and approximately 2.75% for the period October 1, 2020 through October 1, 2047.
- (2) Interest on the 2019 Series C Bonds has been calculated at an assumed rate of approximately 1.50% for the period April 26, 2019 through April 1, 2020, approximately 2.00% for the period April 1, 2020 through April 1, 2021, approximately 2.50% for the period April 1, 2021 through April 1, 2022, and approximately 2.75% for the period April 1, 2022 through October 1, 2047.

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**APPENDIX E**

**FORM OF OPINION OF BOND COUNSEL**

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

City of Gainesville, Florida  
Gainesville, Florida

Re: \$67,355,000 City of Gainesville, Florida Variable Rate Utilities System  
Revenue Bonds, 2019 Series C

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 \$67,355,000 Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019 Bonds").

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 (the "Master Resolution"), and as supplemented by the Thirty-First Supplemental Utilities System Revenue Bond Resolution No. 180818 adopted by the City on March 21, 2019, and as amended by a resolution adopted on April 18, 2019 (collectively, the "Thirty-First Supplemental Resolution" and together with the Master Resolution, the "Bond Resolution").

The 2019 Bonds are dated the date of their issuance and delivery, have been issued in fully registered form, finally mature on October 1, 2047, bear interest from the date thereof at such Interest Mode as set forth therein and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Bond Resolution.

The 2019 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 2019 Series C Project, (2) providing for the refunding of the Refunded Bonds, including necessary reserves and deposits related thereto and (3) providing for the payment of the costs of issuance related to the 2019 Bonds.

Pursuant to the Bond Resolution, the principal of, premium, if any, and interest on the 2019 Bonds shall be payable from and secured by a lien upon and pledge of the Trust Estate (the "Pledged Funds") on a parity with the Outstanding Bonds and Parity Hedging Contract Obligations (collectively, the "Parity Indebtedness").

In no event shall the 2019 Bonds or any interest or premium thereon be payable from the ad valorem tax revenues of the Issuer. The 2019 Bonds and the obligations evidenced thereby do not constitute a general liability or obligation of the Issuer or the State of Florida or any political subdivision or agency thereof, or a pledge of the faith and credit or taxing power of the Issuer, the State of Florida or any political subdivision or agency thereof. In no event shall the 2019

Bonds or the interest or premium thereon be payable out of any funds or property other than those of the Issuer and then only to the extent of the Pledged Funds in the manner and to the extent expressly provided in the Bond Resolution.

The description of the 2019 Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the 2019 Bonds do not purport to set forth all of the terms and conditions of the 2019 Bonds or of any other document relating to the issuance of the 2019 Bonds, but are intended only to identify the 2019 Bonds and to describe briefly certain features thereof. This opinion shall not be deemed or treated as an offering circular, prospectus or official statement and is not intended in any way to be a disclosure document for use in connection with the sale or delivery of the 2019 Bonds.

In rendering the opinions set forth below, we have examined certified copies of the Bond Resolution and various other agreements, certificates and opinions delivered in connection therewith, and are relying on the covenants, representations and agreements of the Issuer and certain reports contained or referenced therein, including, without limitation, the Certificate Relating to Tax, Arbitrage and Other Matters of the Issuer delivered on the date herewith and the covenant of the Issuer to comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder, to the extent necessary to preserve the exclusion of interest on the 2019 Bonds from gross income for federal income tax purposes.

We have also examined certified copies of the proceedings of the Issuer, and other information submitted to us relative to the issuance and sale by the Issuer of the 2019 Bonds. In addition, we have examined and relied upon the opinions of Nicolle M. Shalley, Esq. City Attorney, as to the due organization and valid existence of the Issuer, the due adoption of the Bond Resolution and the due authorization, execution and delivery of the 2019 Bonds and all other documents associated with the issuance thereof and the compliance of the Issuer with all conditions precedent to the issuance of the 2019 Bonds. We have also relied on such other agreements, certificates, documents and opinions, including certificates and representations of public officials and other officers and representatives of the various other parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions expressed below. We have not undertaken an independent audit, examination, investigation or inspection of the matters described, contained or referenced in such agreements, documents, certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that, as of the date hereof and under existing law:

(i) The Issuer is a political subdivision of the State of Florida, duly organized and validly existing under the laws of the State of Florida.

(ii) The Bond Resolution constitutes a valid and legally binding obligation of the Issuer, enforceable in accordance with the laws of the State of Florida.

(iii) The 2019 Bonds are valid and legally binding special obligations of the Issuer, enforceable in accordance with the laws of the State of Florida and the terms of the Resolution and are payable solely from and secured solely by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in, and subject to the provisions of, the Bond Resolution, on a parity with the Parity Indebtedness and any additional Bonds or Parity Hedging Contract Obligations currently Outstanding or hereafter issued or incurred.

(iv) The interest on the 2019 Bonds is excludable from gross income for federal income tax purposes. Moreover, such interest will not be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on certain taxpayers other than corporations (as defined for federal income tax purposes).

The opinions expressed in the preceding paragraph are conditioned upon compliance by the Issuer with its covenants relating to certain arbitrage rebate and other tax requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code (including, without limitation, its covenants not to use any proceeds of the 2019 Bonds in a manner that would cause the 2019 Bonds to be classified as private activity bonds under Sections 141(a) and 141(d) of the Code and to comply with the requirements contained in Section 148 of the Code), to the extent necessary to preserve the exclusion of interest on the 2019 Bonds from gross income for federal income tax purposes. Failure of the Issuer to comply with such requirements could cause the interest on the 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019 Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular bondholders. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the 2019 Bonds. We express no opinion regarding any state tax consequences of acquiring, carrying, owning or disposing of the 2019 Bonds.

Notwithstanding the opinion rendered in this Paragraph (iv), we express no opinion to whether a conversion of the interest rate determination method and interest period applicable to the Bonds from a Daily Mode to any other Interest Mode will adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Our opinions expressed herein are predicated upon current facts and circumstances, and upon present laws and interpretations thereof, and we assume no affirmative obligation to update

the opinions expressed herein if such facts or circumstances, or laws or interpretations thereof, change after the date hereof, even if such changes come to our attention. All opinions as to legal obligations of the Issuer set forth above are subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (b) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (c) judicial discretion which may be exercised in applicable cases to adversely affect the enforcement of certain rights or remedies. Owners of the 2019 Bonds should consult their tax advisors regarding any state tax consequences of owning the 2019 Bonds.

The scope of our engagement in relation to the issuance of the 2019 Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. We have not been engaged, nor have we undertaken, to confirm or verify and therefore express no opinion as to the accuracy, completeness, fairness or sufficiency of the Official Statement or any exhibits or appendices thereto or any other offering material relating to the 2019 Bonds and therefore express no opinion in regard thereto, except as otherwise set forth in our separate opinions to the underwriter and the Issuer each dated as of the date hereof. In addition, we have not been engaged to and therefore express no opinion herein regarding the perfection or priority of the lien on the Pledged Funds created by the Master Resolution or as to the compliance by the Issuer, the underwriter with any federal or state registration requirements or securities laws, regulations or rulings with respect to the offer, sale or distribution of the 2019 Bonds.

Our opinion is limited solely to the matters stated herein, and no opinion is to be implied or is intended beyond the opinions expressly stated herein.

Sincerely yours,

HOLLAND & KNIGHT LLP

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Gainesville, Florida (the "Issuer") in connection with the issuance of its \$67,355,000 Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the Issuer on September 21, 2017, and as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the Issuer on February 21, 2019, and as supplemented by the Thirty-First Supplemental Utilities System Revenue Bond Resolution No. 180818 adopted by the Issuer on March 21, 2019, as amended by Amendment to Thirty-First Supplemental Utilities System Revenue Bond Resolution adopted by the Issuer on April 18, 2019 (collectively, the "Resolution").

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

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

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

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

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

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

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

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity or credit facilities).

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the MSRB, which currently accepts continuing disclosure submissions through EMMA.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

### SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by not later than April 30<sup>th</sup> following the end of the prior fiscal year, beginning with the fiscal year ending September 30, 2018 with respect to the report for the 2017-2018 fiscal year, provide to any Repository in electronic format as prescribed by such Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If on the fifteenth (15th) day prior to the annual filing date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the



Annual Report pursuant to Section 3(a). Upon such reminder, the Issuer shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report no later than two (2) business days prior to the annual filing date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a failure to file has occurred and to immediately send a notice to the Repository in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

- (c) The Dissemination Agent shall:
  - (i) determine each year prior to the date for providing the Annual Report the name and address of any Repository;
  - (ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing any Repository to which it was provided; and
  - (iii) if the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the annual filing date (or, if such annual filing date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a failure to file shall have occurred and the Issuer irrevocably directs the Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated April 19, 2019 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates to the financial information and operating data contained in "THE SYSTEM" section of the Official Statement under the captions entitled:

- (i) "The Electric System – Customers", "- Retail and Wholesale Energy Sales", "- Generating Facilities" and "- Capital Improvement Program";
- (ii) "The Natural Gas System – Customers" and "- Capital Improvement Program";
- (iii) "The Water System – Customers" and "- Capital Improvement Program";

- (iv) "The Wastewater System – Customers" and "- Capital Improvement Program";
- (v) "Rates"; and
- (vi) "Summary of Combined Net Revenues" (fiscal year only).

The information provided under Section 4(b) may be included by specific reference to documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the Repository's Internet Web site or filed with the Securities and Exchange Commission.

The Issuer reserves the right to modify from time to time the specific types of information provided in its Annual Report or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

#### SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds. Such notice shall be given in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the exception of the event described in number 15 below, which notice shall be given in a timely manner:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. ratings changes;
12. an Event of Bankruptcy or similar event of an Obligated Person;

13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof;
16. Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material; and
17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties.

(b) The notice required to be given in paragraph 5(a) above shall be filed with any Repository, in electronic format as prescribed by such Repository.

SECTION 6. IDENTIFYING INFORMATION. In accordance with the Rule, all disclosure filings submitted pursuant to this Disclosure Certificate to any Repository must be accompanied by identifying information as prescribed by the Repository. Such information may include, but not be limited to:

- (a) the category of information being provided;
- (b) the period covered by any annual financial information, financial statement or other financial information or operation data;
- (c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);
- (d) the name of any Obligated Person other than the Issuer;
- (e) the name and date of the document being submitted; and
- (f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, so long as there is no remaining liability of the Issuer, or if the Rule is repealed or no longer in effect. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may

discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Digital Assurance Certification, LLC.

SECTION 9. AMENDMENT. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate provided that the following conditions are satisfied:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does (i) does not materially impair the interests of the holders, as determined either by parties unaffiliated with the Issuer (such as the trustee or bond counsel), or by approving vote of bondholders pursuant to the terms of the governing instrument at the time of the amendment.

In the event of any amendment of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. The continuing disclosure obligations of the Issuer set forth herein constitute a contract with the holders of the Bonds. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party.

SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of April 26, 2019

CITY OF GAINESVILLE, FLORIDA

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

ACKNOWLEDGED BY:

DIGITAL ASSURANCE CERTIFICATION L.L.C.,  
as Dissemination Agent

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

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Gainesville, Florida  
Name of Bond Issue: Variable Rate Utilities System Revenue Bonds, 2019 Series C  
Date of Issuance: April 26, 2019

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate between the Issuer and Digital Assurance Certification, L.L.C., as Dissemination Agent. The Issuer has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by\_\_\_\_\_.

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

Digital Assurance Certification, L.L.C., as Dissemination Agent, on behalf of the Issuer

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

Date: \_\_\_\_\_

**EXHIBIT B**  
**EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

---

Issuer's Six-Digit CUSIP Number:

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---

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

---

Number of pages attached: \_\_\_\_\_

\_\_\_\_ Description of Notice Events (Check One):

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform;"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."
16. \_\_\_\_\_ "Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material;" and
17. \_\_\_\_\_ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties."

\_\_\_\_ Failure to provide annual financial information as required.

\_\_\_\_ Change in fiscal year of the Issuer.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

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

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

Digital Assurance Certification, L.L.C.

390 N. Orange Avenue

Suite 1750

Orlando, FL 32801

407-515-1100

Date: \_\_\_\_\_



**APPENDIX G**

**FORM OF INITIAL LETTER OF CREDIT**

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**APPENDIX G- FORM OF INITIAL LETTER OF CREDIT**

**IRREVOCABLE LETTER OF CREDIT**

April 26, 2019

Letter of Credit No: XXXXXXXXX

U.S. Bank National Association, as Trustee and Tender Agent  
100 Wall Street, 16th Floor  
New York, New York 10005  
Attention: Corporate Trust Department

Ladies and Gentlemen:

1. We hereby establish in your favor at the request and for the account of City of Gainesville, Florida (the "City") our irrevocable Letter of Credit in the amount of the Stated Amount (as defined below) in connection with the Bonds (as defined below) available with ourselves by sight payment against presentation of one or more signed and dated demands addressed by you to Bank of America, N.A., [REDACTED], or to such other address as we shall have notified you in writing from time to time (the "Presentation Office"), each in the form of Annex A (an "A Drawing"), Annex B (a "B Drawing"), Annex C (a "C Drawing"), or Annex D (a "D Drawing") hereto (with all instructions in brackets therein being complied with). Each such demand must be presented to us (1) in its signed and dated original form at the Presentation Office, or (2) by facsimile transmission of such signed and dated original form to [REDACTED], or to such other telephone number as we shall have notified you in writing from time to time (the "Fax Number").

2. The maximum aggregate amount available under this Letter of Credit shall be U.S. \$68,130,043.84, which amount, as from time to time reduced and reinstated as provided in paragraphs 4 and 5 of this Letter of Credit, is hereinafter referred to as the "Stated Amount." Of the Stated Amount, up to \$67,355,000.00 is available for the payment of the unpaid principal of, or the portion of the Purchase Price (as defined below) corresponding to principal of, the City's Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "Bonds") and up to \$775,043.84 is available for the payment of the unpaid interest accrued on, or the portion of the Purchase Price corresponding to interest accrued on, the Bonds for the immediately preceding 35 days, calculated at a rate of twelve percent per annum based on a year of 365 days. "Purchase Price" means, with respect to any Bond tendered for purchase pursuant to the Resolution (as defined below), an amount equal to the principal amount of such Bond plus, with respect to any Bond tendered for purchase on a date which is not a scheduled interest payment date for such Bond, accrued but unpaid interest.

3. Each such presentation must be made to the Presentation Office on a Business Day (a day on which the Presentation Office is open to conduct its Letter of Credit business) at or before 5:00 p.m. local time at the Presentation Office. Each presentation shall be deemed to have been presented when actually received by us. The documents you are required to present to us must be prepared in the form of a letter on your letterhead signed by your authorized officer.

4. This Letter of Credit automatically shall expire at 5:00 p.m. local time at the Presentation Office on the earliest of (the "Termination Date"):

(a) April 25, 2022, or, if such date is not a Business Day, then on the first succeeding Business Day thereafter (the "Stated Termination Date"); provided that, if on or before such date, or such later date to which the term of this Letter of Credit is extended, as provided herein, we provide you with a written notice in the form of Annex G hereto that this Letter of Credit shall be extended, the Stated Termination Date shall be extended to the date provided in such notice;

(b) the date we have honored a D Drawing following our receipt of your certificate in the form of Annex D hereto appropriately completed, together with the original of this Letter of Credit and any amendments hereto; and

(c) twenty-five days after you have received notice from us stating that an Event of Default has occurred under the Letter of Credit Reimbursement Agreement, dated April 26, 2019, between us and the City (as amended, restated, supplemented or otherwise modified from time to time, the "Reimbursement Agreement") and requesting the mandatory tender of the Bonds.

5. The amount of any demand presented hereunder will be the amount inserted in numbered Paragraph 4 of said demand. By honoring any such demand we make no representation as to the correctness of the amount demanded. No demand may be made hereunder with respect to any Bond that is an Excluded Bond (as defined in the Reimbursement Agreement).

6. We hereby agree with you that each demand presented hereunder in full compliance with the terms hereof will be duly honored by our payment to you of the amount of such demand, in immediately available funds of Bank of America, N.A.:

(i) not later than 10:00 a.m., local time, at the Presentation Office, on the Business Day following the Business Day on which such demand is presented to us as aforesaid if such presentation is made to us at or before noon, local time at the Presentation Office, or

(ii) not later than 10:00 a.m., local time, at the Presentation Office, on the second Business Day following the Business Day on which such demand is presented to us as aforesaid, if such presentation is made to us after noon, local time at the Presentation Office.

Notwithstanding the foregoing, any demand presented hereunder, in full compliance with the terms hereof, for a C Drawing will be duly honored (i) not later than 2:30 p.m., local time at the Presentation Office, on the Business Day on which such demand is presented to us as aforesaid if such presentation is made to us at or before 12:30 p.m., local time at the Presentation Office, and (ii) not later than 12:30 p.m., local time at the Presentation Office, on the Business Day following the Business Day on which such demand is presented to us as aforesaid if such presentation is made to us after 12:30 p.m., local time at the Presentation Office.

If the remittance instructions included with any demand presented under this Letter of Credit require that payment is to be made by transfer to an account with us or with another Bank, we and/or such other Bank may rely solely on the account number specified in such instructions even if the account is in the name of a person or entity different from the intended payee.

7. If a demand for payment made by you does not conform to the terms and conditions of this Letter of Credit, we will notify you thereof, by written notice (including bank wire, telefacsimile, email or similar writing), within six hours (including only hours or portions thereof occurring between 9:00 A.M. and 5:00 P.M. local time at the Presentation Office on a Business Day) after our receipt of such demand for payment. Any such notice shall state that the purported presentation was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we are holding any documents at your disposal or are returning the same to you, as we may elect. Upon being notified that the purported presentation was not effected in accordance with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you are entitled without regard to the provisions of this sentence and you are able to do so.

8. With respect to any demand that is honored hereunder, the Stated Amount of this Letter of Credit shall be reduced as follows:

(A) With respect to each A Drawing paid by us, the Stated Amount of this Letter of Credit shall be reduced by the amount of such A Drawing with respect to all demands presented to us after the time we receive such A Drawing, and on the date each such A Drawing is honored by us, an amount equal to the amount of such A Drawing shall be automatically and immediately reinstated by us following the honoring of such A Drawing.

(B) With respect to each B Drawing paid by us, the Stated Amount of this Letter of Credit shall be reduced with respect to all demands presented to us after the time we receive such B Drawing by the sum of (1) the amount inserted as principal in paragraph 5(A) of the B Drawing plus (2) the greater of (a) the amount inserted as interest in paragraph 5(B) of the B Drawing and (b) interest on the amount inserted as principal in paragraph 5(A) of the B Drawing calculated for 35 days at the rate of twelve percent per annum based on a year of 365 days, and no part of such sum shall be reinstated;

(C) With respect to each C Drawing paid by us, the Stated Amount of this Letter of Credit shall be reduced with respect to all demands presented to us after the time we receive such C Drawing by the sum of (1) the amount inserted as principal in paragraph 5(A) of the C Drawing plus (2) the greater of (a) the amount inserted as interest in paragraph 5(B) of the C Drawing and (b) interest on the amount inserted as principal in paragraph 5(A) of the C Drawing calculated for 35 days at the rate of twelve percent per annum based on a year of 365 days; provided, however, that if the Bonds related to such C Drawing are remarketed and the remarketing proceeds are paid to us prior to the Termination Date, then on the day we receive such remarketing proceeds the amount of this Letter of Credit shall be reinstated by an amount which equals the sum of (i) the amount paid to us from such remarketing proceeds and (ii) interest on such amount calculated for the same number of days, at the same interest rate, and on the basis of a year of the same number of days as is specified in (2)(b) of this paragraph (C), with such reinstatement and its amount being promptly advised to you; provided, however, that in no event will the total amount of all C Drawing reinstatements exceed the total amount of all Letter of Credit reductions made pursuant to this paragraph (C).

(D) Upon presentation to us of a D Drawing in compliance with the terms of this Letter of Credit, no further demand whatsoever may be presented hereunder.

(E) No A Drawing which we honor shall be for an amount more than U.S. \$775,043.84.

It is a condition of this Letter of Credit that the Stated Amount of this Letter of Credit shall be decreased automatically without amendment upon our receipt of each reduction authorization in the form of Annex E to this Letter of Credit (with all instructions therein in brackets being complied with) sent to us (1) in its signed and dated original form at the Presentation Office, or (2) by facsimile transmission of such signed and dated original form to the Fax Number.

9. Only you or your transferee may make a drawing under this Letter of Credit. By paying to you an amount demanded in accordance herewith, we make no representation as to the correctness of the amount demanded. Upon the termination of this Letter of Credit, we shall be fully discharged of our obligation hereunder.

10. This Letter of Credit shall be governed by and construed in accordance with the International Standby Practices (ISP98) and shall, as to matters not governed thereby, be governed by and construed in accordance with Chapter 675, Florida Statutes.

11. This Letter of Credit is transferable and may be transferred more than once, but in each case only in the amount of the full unutilized balance hereof to any single transferee who you shall have advised us pursuant to Annex F has succeeded U.S. Bank National Association, or a successor, as Tender Agent and Trustee pursuant to the Thirty-First Supplemental Utilities System Revenue Bond Resolution adopted by the City on March 21, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Resolution"), pursuant to which the Bonds were issued. Transfers may be effected only through ourselves and only upon presentation to us at the Presentation Office of a duly signed and dated instrument of transfer in the form attached hereto as Annex F (with all instructions therein in brackets complied with). Any transfer of this Letter of Credit as aforesaid must be endorsed by us on the reverse hereof and may not change the place for presentation of demands to a place other than the Presentation Office.

12. Communications with respect to this Letter of Credit shall be in writing, addressed to us at our Presentation Office (telefacsimile is acceptable only for drawings), and specifically referring thereon to this Letter of Credit by number.

13. All payments hereunder shall be made from our own funds.

14. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

BANK OF AMERICA, N.A.

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

**DRAWING FOR INTEREST ON AN INTEREST PAYMENT DATE**

Bank of America, N.A.



Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Trustee") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit" (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

- (1) the Trustee is the Trustee or a successor Trustee under the Resolution.
- (2) the Trustee is making a demand under the Letter of Credit for payment, on an interest payment date (as defined in the Resolution), of unpaid interest on the Bonds.
- (3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions].

- (4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date].

- (5) if this demand is received at the Presentation Office by you at or before noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the next Business Day. If this demand is received by you at the Presentation Office after noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the second Business Day following such Business Day.

[insert name of beneficiary]

[insert signature and date]

**DRAWING FOR PRINCIPAL AND INTEREST UPON AN OPTIONAL OR  
MANDATORY REDEMPTION OF LESS THAN ALL THE BONDS**

Bank of America, N.A.



Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Trustee") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit"; (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

- (1) the Trustee is the Trustee or a successor Trustee under the Resolution.
- (2) the Trustee is making a demand under the Letter of Credit for payment of the principal amount of, and the unpaid interest on, redeemed Bonds upon an optional and/or mandatory redemption of less than all of the Bonds currently outstanding.
- (3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions].

(4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date] which is the sum of the two amounts inserted in paragraph 5 below.

(5) the amount hereby demanded is equal to the sum of (A) \$[insert amount] being drawn with respect to the payment of the principal of the redeemed Bonds and (B) \$[insert amount] being drawn with respect to the payment of the unpaid interest on the redeemed Bonds.

(6) if this demand is received by you at the Presentation Office at or before noon, local time at the Presentation Office on a Business Day, you must make payment on this demand at or before 10.00 a.m., local time at the Presentation Office, on the next Business Day. If this demand is received by you at the Presentation Office after noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the second Business Day following such Business Day.

[insert name of beneficiary]

[insert signature and date]



**DRAWING FOR PRINCIPAL AND INTEREST ON BONDS WHICH  
THE REMARKETING AGENT CANNOT REMARKET**

Bank of America, N.A.



Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Tender Agent") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit"; (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

(1) the Tender Agent is the Tender Agent or a successor Tender Agent under the Resolution.

(2) the Tender Agent is making a demand under the Letter of Credit for payment of the principal amount of, and interest due on, those Bonds which the Remarketing Agent (as defined in the Resolution) has been unable to remarket within the time limits established in the Resolution.

(3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions]

(4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date] which is the sum of the two amounts inserted in paragraph 5 below.

(5) the amount of this demand is equal to the sum of (A) \$[insert amount] being drawn with respect to the payment of principal of the Bonds and (B) \$[insert amount] being drawn with respect to the payment of interest due on the Bonds.

(6) if this demand is received by you at the Presentation Office at or before 12:30 p.m., local time at the Presentation Office on a Business Day, you must make payment on this demand at or before 2:30 p.m., local time at the Presentation Office, on said Business Day. If this demand is received by you at the Presentation Office after 12:30 p.m., local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 12:30 p.m., local time at the Presentation Office, on the Business Day following said Business Day.

[insert name of beneficiary]

[insert signature and date]

**DRAWING FOR TOTAL UNPAID PRINCIPAL AND INTEREST  
ON ALL BONDS**

Bank of America, N.A.



Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Tender Agent" or the "Trustee") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit"; (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

(1) the Tender Agent or the Trustee is the Tender Agent or the Trustee or a successor Tender Agent or Trustee under the Resolution.

(2) the Tender Agent or the Trustee is making a demand under the Letter of Credit for payment of the total unpaid principal of, and unpaid interest on, all of the Bonds which are currently outstanding upon (a) the stated maturity of all such Bonds, (b) the acceleration of all such Bonds following an event of default under the Resolution, (c) the mandatory tender of all such Bonds, (d) the redemption of all such Bonds or (e) the delivery of a Substitute Liquidity Facility or Alternate Credit Facility (as defined in the Resolution).

(3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions].

(4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date] which is the sum of the two amounts inserted in paragraph 5 below.

(5) the amount of this demand is equal to the sum of (a) \$[insert amount] being drawn with respect to the payment of the unpaid principal of the outstanding Bonds and (b) \$[insert amount] being drawn with respect to the payment of the unpaid interest on the outstanding Bonds.

(6) if this demand is received by you at the Presentation Office at or before noon, local time at the Presentation Office on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the next Business Day. If this demand is received by you at the Presentation Office after noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the second Business Day following such Business Day.

[insert name of beneficiary]  
[insert signature and date]

**LETTER OF CREDIT REDUCTION AUTHORIZATION**

Bank of America, N.A.



Attn: Standby Letter of Credit Unit

**FOR THE URGENT ATTENTION OF THE STANDBY LETTER OF CREDIT OFFICE**

[Insert name of beneficiary], with reference to Letter of Credit no. XXXXXXXXX issued by Bank of America, N.A. (the "Bank"), hereby unconditionally and irrevocably requests that the Bank decrease the amount available for drawing under the Letter of Credit by \$[insert amount] to \$[insert amount].

[insert name of beneficiary]

[insert signature and date]

(Transfer Demand)

Bank of America, N.A.



Attn: Standby Letter of Credit Unit

Re: Instruction to Transfer Letter of Credit No. XXXXXXXXX

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably advises you that it transferred to:

\_\_\_\_\_  
(Name of Transferee)

\_\_\_\_\_  
(Address)

all rights of the undersigned beneficiary to draw under the above captioned Letter of Credit. We certify that the transferee has succeeded the undersigned as Tender Agent under the Resolution.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise; provided, however, that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

All capitalized terms used herein and not defined shall have the respective meanings assigned to such terms in the above referenced Letter of Credit.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of transfer.

[insert name of beneficiary]

[insert signature and date]

Acknowledged by

[insert name of Transferee]

as Transferee and successor Trustee and Tender Agent

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

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

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

**NOTICE OF EXTENSION**

[DATE]

[INSERT NAME OF BENEFICIARY], as Trustee and Tender Agent  
[ADDRESS]

Ladies and Gentlemen:

This amendment is to be considered an integral part of the above credit and must be attached thereto.

The above mentioned letter of credit is amended as follows:

1. The Letter of Credit Stated Expiration Date is extended to \_\_\_\_\_, \_\_\_\_\_.

All other terms and conditions remain unchanged.

Very truly yours,

BANK OF AMERICA, N.A.

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

Name:

Title:

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