

SECOND PARTY OPINION

SUMMARY

Kestrel Verifiers is of the opinion that the City of Gainesville, Florida's Utilities System Revenue Bonds, Subseries A-1 Bonds (Green Bonds) ("Subseries A-1 Bonds") conform with the four core components of the Green Bond Principles 2021 as follows:

Use of Proceeds

The City of Gainesville (the "City" or "Gainesville") intends to issue Green Bonds to finance water and wastewater system projects through Gainesville Regional Utilities ("GRU"). The projects align with GRU's documented commitment to sustainability, reliability, and resiliency. The Subseries A-1 Bonds align with the *Sustainable Water and Wastewater Management* project category under the Green Bond Principles.

Process for Project Evaluation and Selection

Multiple City sustainability initiatives and GRU planning documents guide the project evaluation process for the water and wastewater system. Most pertinent to the Subseries A-1 Bonds is GRU's current five-year capital improvement plan ("CIP"), which guides project selection and prioritization for system improvements and approximates capital expenditures between the fiscal years of 2021 and 2025—including GRU's proposed list of water and wastewater green bond projects.

Management of Proceeds

Proceeds from the Subseries A-1 Bonds will be used to finance water and wastewater projects that align with GRU's CIP for fiscal years 2022 and 2023. A portion of the proceeds of the Subseries A-1 Bonds will be placed in a separate 2021 Green Project Account. Proceeds may be temporarily invested in accordance with tax-exempt requirements and the City's Investment Policy.

Reporting

GRU intends to prepare an updated version of Appendix H of the Official Statement with respect to the Bonds annually until all construction has been completed. The City commits to mandatory continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) so long as the Subseries A-1 Bonds are outstanding.

Impact and Alignment with UN SDGs

By financing projects that improve efficiency and sustainability of Gainesville's water and wastewater systems, the Subseries A-1 Bonds advance multiple UN Sustainable Development Goals ("UN SDGs"), including Goal 6. *Clean Water and Sanitation*, Goal 9. *Industry, Innovation, and Infrastructure*, and Goal 12. *Responsible Consumption and Production*.



ISSUER

City of Gainesville, Florida

BOND ISSUANCE

Utilities System Revenue Bonds,
2021 Subseries A-1 Bonds (Green
Bonds)

GREEN CATEGORY

Sustainable Water and
Wastewater Management

EVALUATION DATE

July 9, 2021

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SECOND PARTY OPINION

Issuer:	City of Gainesville, Florida
Issue Description:	Utilities System Revenue Bonds, Subseries A-1 Bonds (Green Bonds)
Project:	Water and Wastewater System Capital Improvements
Standard:	Green Bond Principles
Green Category:	Sustainable Water and Wastewater Management
Par:	\$39,475,000
Evaluation date:	July 9, 2021

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Green Bond Principles (June 2021) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the Utilities System Revenue Bonds, Subseries A-1 Bonds (Green Bonds) are aligned with the four core components of the Green Bond Principles and qualify for green bonds designation.

ABOUT THE ISSUER

The City of Gainesville, Florida (the "City" or "Gainesville") is the largest city in Alachua County, Florida. As of 2019, the City has a population of 135,400 and is home to the University of Florida, the fifth-largest public university campus by enrollment in the US.

The City is committed to a path to sustainability and has established clear goals to reduce greenhouse gas ("GHG") emissions and overall environmental impact. On October 18, 2018, the Gainesville City Commission unanimously passed a resolution committing to 100% renewable electricity and net zero GHG emissions by 2045. In doing so, Gainesville became the fifth city in Florida to commit to 100% clean, renewable energy.¹ The City has also committed to becoming a zero-waste community by 2040.

Other goals outlined in the City's energy and utility policy include, but are not limited to:

- Reduce residential electricity and natural gas consumption;

¹ "Gainesville Becomes Fifth City in Florida to Commit to 100 Percent Clean, Renewable Electricity." Sierra Club. October 18, 2018. <https://www.sierraclub.org/press-releases/2019/03/gainesville-becomes-fifth-city-florida-commit-100-percent-clean-renewable>

- Improve efficiency in new construction by including microgrids, solar, battery storage or rainwater collection, and/or efficient HVAC systems;
- Improve wastewater efficiencies through reuse or reclaimed water practices including environmental restoration, groundwater recharge, reclaimed water irrigation and reclaimed water cooling tower feed;
- Implement significant water conservation efforts; and
- Expand access to Wi-Fi and broadband.

The City owns and operates Gainesville Regional Utilities (“GRU”) that provides the City with electric, natural gas, water, wastewater, and telecommunications services. GRU has several key programs and initiatives that support local customers and underserved communities. GRU and the Alachua County Public Schools Foundation jointly established the Brighter Tomorrow Scholarship Program in 2009, which provides scholarships to financially disadvantaged high school students in the Gainesville area to help them pursue engineering degrees at the University of Florida. GRU also offers free educational resources such as books, DVDs, games and other materials to K-12 teachers for students to learn about energy conservation.

GRU’s Water and Wastewater Systems

GRU operates the City of Gainesville’s drinking water system, which supports approximately 73,704 customers in GRU’s service area. The system consists of 1,170 miles of water transmission and distribution lines, 15 water supply wells, one treatment plant (Murphree Plant) with a treatment capacity of 54 million gallons per day (MGD), and 18.5 million gallons of storage capacity. Drinking water is sourced from a well field that pulls from a confined section of the Floridan aquifer. Through studies and assessments, GRU’s consumptive use permit allocates sufficient water supply to meet demands through 2034. Conservation measures and water reuse are integral to the long-term sustainability of the system. As part of future water supply planning, GRU participates in development of the Florida Department of Environmental Protection’s Minimum Flows and Levels program that establishes minimum flow requirements in rivers and streams in order to maintain sufficient groundwater levels.

GRU also manages the City’s wastewater system, which supports approximately 65,797 customers and consists of 673 miles of gravity sewers, 170 pump stations, 153 miles of force mains, and two wastewater treatment plants with a combined treatment capacity of 22.4 MGD. The wastewater system collects and transfers used water to facilities for treatment and subsequent reuse and environmental restoration. GRU’s two wastewater treatment facilities, the Main Street Water Reclamation Facility and the Kanapaha Water Reclamation Facility, receive all flows which is then treated and reused. GRU provides 100 percent beneficial reuse of wastewater and this reuse complements the following services and benefits: (1) groundwater recharge, (2) reclaimed water for irrigation, (3) wellfields and wetlands, (4) industrial cooling, (5) restoration of local environments, and (6) commercial uses. In addition, biosolids are reused and processed by a contractor to produce a fertilizer.

ALIGNMENT TO GREEN STANDARDS

Green Bonds are any type of debt instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles (International Capital Market Association definition).

Use of Proceeds

The Subseries A-1 Bonds will be used to finance improvements to GRU's water and wastewater systems. Projects financed are eligible green projects as defined by the Green Bond Principles in the project category *Sustainable Water and Wastewater Management*.

Water Projects

Conservation efforts, investment in critical infrastructure projects, and increased use of reclaimed water are integral to the long-term sustainability of the water and wastewater systems. In Kestrel's view, the capital improvements to the water system are expected to reduce water use, improve the resiliency of Gainesville's water supply, and provide critical maintenance of aging drinking water infrastructure. Proceeds of the Subseries A-1 Bonds will finance various water projects, including:

- **Water Distribution System & Treatment Plants:** Proceeds will finance extensive rehabilitation projects to GRU's water distribution system, such as improvements to the Murphree Treatment Plant, upgrades to pumping stations and aging infrastructure, and updates to water mains including replacing galvanized steel pipes with industry standard PVC (polyvinyl chloride) water mains and services.
- **Well Maintenance:** A portion of proceeds will finance maintenance of a selection of 15 production wells, which will help ensure long term reliability of water supply infrastructure.
- **Advanced Metering Infrastructure & Water Conservation:** Proceeds will finance GRU's proactive water savings and conservation initiatives. The primary focus is to minimize unaccounted-for water, which involves replacing outdated water service lines and failing meters. GRU's commitment to using the best available technologies for system monitoring and metering allows operators to detect leaks quickly, identify opportunities to improve efficiency, maximize water conservation efforts, and reduce energy and chemical use.

Allocation of bond proceeds will be primarily based on the proposed budget for Fiscal Years 2022 to 2024, as detailed in Table 1 below.

Table 1. Water Fiscal Years 2022 to 2023 Capital Budget for Green Bond Projects

Project	Estimated Costs
Water Service and Reducing Unaccounted for Water	\$4,055,000
Water Reclamation Facility Improvements	\$7,200,000
Total	\$11,255,000

Wastewater Projects

The Subseries A-1 Bonds will finance wastewater collection and treatment systems projects that are critical for public health and the environment. Preventing overflows and spills, designing for prolonged system lifespans, and maximizing reuse practices are central to these capital improvement projects. In Kestrel's view, the capital improvements to the wastewater system will increase GRU's capacity for beneficial water reuse, improve the overall efficiency of the system, reduce nutrient levels in effluent, and

provide critical maintenance of wastewater infrastructure. Proceeds of the Subseries A-1 Bonds will finance various wastewater projects, including:


- **Wastewater System Rehabilitation & Treatment Plant Upgrades:** The projects planned by GRU will address aging infrastructure and improve treatment plant efficiencies. Improvements to the collection system include replacing deteriorating pipes that have potential to leak or overflow into environmentally sensitive areas. GRU uses a cured-in-place lining method to rehabilitate existing pipes, which restores rather than replaces pipes, thereby minimizing construction materials and activities. Projects to reduce inflow and infiltration include flow monitoring, hydraulic monitoring, and sealing manholes and service laterals. Improvements planned at the Main Street Water Reclamation Facility include upgrades to increase treatment capacity from 7.5 MGD to 10 MGD; upgrades to improve phosphorus removal; enhancements to clarification, filtration, and disinfection processes; and upgrades to electrical systems to improve resiliency in the case of an electrical system failure. Improvements planned at the Kanapaha Treatment Plant include treatment plant infrastructure rehabilitation and replacements, expansion of beneficial reuse, and improvements to increase service reliability and efficiency.
- **Groundwater Recharge & Wetland Projects:** A portion of the Subseries A-1 Bonds proceeds will finance construction of a 75-acre groundwater recharge wetland park developed in coordination with Florida Department of Environmental Protection, Suwannee River Water Management, and Alachua County. The wetland park is expected to open to the public in 2025. The purpose of this groundwater recharge project is to reduce nutrient loads, such as nitrogen accumulation, allow for additional polishing of drinking water, and replenish the aquifer. New man-made wetlands will provide an additional water recycling process by transmitting flow from the Kanapaha Water Reclamation Site and allowing for future drainage into aquifers. This new wetland will be similar to the 125 acres of wetland GRU preserved approximately seven years ago, which has not only increased the drinking water supply but has proven to boost local spring and river water levels. Additionally, the wetland park will include recreation features such as trails and walking paths for passive community recreation.
- **Septic to Sewer Conversions:** Proceeds of the Subseries A-1 Bonds will also finance septic to sewer conversions in GRU's service area. GRU has a cost-saving and efficient process to identify and prioritize septic to sewer conversions. Septic systems can be difficult to maintain and, if not properly taken care of, can leak into surrounding bodies of water and soils and cause negative environmental and public health impacts. Therefore, extending centralized wastewater collection systems safeguards both environmental and public health.

Allocation of bond proceeds will be primarily based on the proposed budget for Fiscal Years 2022 to 2023, as detailed in Table 2.

Table 2. Wastewater Fiscal Years 2022 to 2023 Capital Budget for Green Bond Projects

Project	Estimated Costs
Inflow and Infiltration Improvements	\$850,000
Recharge Wetland	\$2,350,000
Septic to Sewer	\$50,000
Wastewater Rehabilitation	\$15,430,000
Water Reclamation Facility Improvements	\$22,670,000
Total	\$41,350,000

The Subseries A-1 projects conform with the Green Bond Principles:

STANDARD	ELIGIBLE PROJECT CATEGORY
	Sustainable Water and Wastewater Management

Process for Project Evaluation and Selection

Gainesville Regional Utilities has several commitments, procedures, and planning documents to prioritize projects for funding. The City has laid out clear goals in collaboration with GRU to reach emission reduction goals, improve energy and water use efficiency, enhance efficiency of power generation, and increase use of renewable resources to generate electricity. The Utility Advisory Board, established in 2015, advises the City Commission on operations and governance of all GRU's utility systems. The Subseries A-1 Bonds finance activities that directly improve sustainable water and wastewater management in Gainesville.

All aspects of GRU's project selection process are centered on sustainability, reliability, and resiliency. GRU's current five-year capital improvement program ("CIP") guides project selection and prioritization for wastewater and drinking water system improvements and approximates capital expenditures between the fiscal years of 2021 and 2025. To develop the CIP, the Utility conducts annual performance analyses on both systems and identifies predictive failures. CIP projects are developed by the system leads and then prioritized based on safety/liability, reliability of the system and environmental compliance and benefits. Any issues that arise that might require action to prevent significant damage, such as reducing inflow/infiltration, are prioritized. GRU's engineering group works with other operational teams to identify and prioritize these projects. Projects are vetted through the budget process and approved by the General Manager. Respective 2-year, 6-year, and 30-year projected budgets complement the CIP. While GRU's CIP is developed internally, there is some community involvement in decision-making regarding wetland projects.

Management of Proceeds

Proceeds from the Subseries A-1 Bonds will be used to finance the proposed water and wastewater projects identified in GRU's CIP and Fiscal Year 2022 capital budgets. Proceeds will be placed in a construction fund and separate 2021 Green Project Accounts, which will be managed by GRU's treasury manager and accounting division. Proceeds may be temporarily invested in accordance with tax-exempt requirements and the City's Investment Policy, which has primary goals to preserve capital, maintain

liquidity to meet cash flow needs, and provide returns while meeting risk limitations of the program. Any interest earned will be used on Subseries A-1 Bond-financed projects. GRU expects to spend the bond proceeds within three years with approximately 95% of proceeds going towards the water and wastewater projects. The remaining proceeds will finance the costs of issuance.

Reporting

The City intends to prepare an updated version of Appendix H of the Official Statement with respect to the Bonds annually until all construction has been completed. This report will include information about the construction status and expected impact. This report will be made available on the Electronic Municipal Market Access (EMMA), as specified in the City’s continuing disclosure undertaking in Appendix F.



In line with the City’s continuing disclosure agreement in Appendix F, the City has committed to submitting mandatory continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) so long as the Subseries A-1 Bonds are outstanding. These annual reports will include updates on the status of projects until they are complete and reports will be made available on the Electronic Municipal Market Access (EMMA). GRU has demonstrated a commitment to reporting on its water and wastewater systems by publishing a Resiliency Review of the Wastewater Collection System in 2018, in coordination with the City’s Environmental Protection Department.

Impact and Alignment with UN SDGs




Gainesville Regional Utilities, and the Subseries A-1 Bonds specifically, support and advance the vision of the UN SDGs. A comprehensive list of targets and background on UN SDGs 6, 9, and 12 are available on the United Nation’s website:

www.un.org/sustainabledevelopment/

UN SDG Goals	GBP Project Category (SDG Targets) ²	Possible Indicators
	Clean Water and Sanitation (Targets 6.1, 6.3, 6.4, 6.5)	<ul style="list-style-type: none"> • Proportion of population using safely managed drinking water services • Proportion of domestic and industrial wastewater flows safely treated • Proportion of bodies of water with good ambient water quality • Change in water-use efficiency over time • Degree of integrated water resources management
	Industry, Innovation, and Infrastructure (Target 9.4)	<ul style="list-style-type: none"> • Impact of wetland on groundwater recharge • Proportion of treated water beneficially reused

² Full text of SDG Targets available in Appendix A.

UN SDG Goals	GBP Project Category (SDG Targets) ²	Possible Indicators
	Responsible Consumption and Production (Target 12.2)	<ul style="list-style-type: none"> • Increased energy use efficiency • Reduced water leakage • Installation of automated metering infrastructure

At a bond-financed activity scale, the Subseries A-1 Bonds directly support SDGs 6, 9, and 12 by financing upgrades and improvements to the City of Gainesville’s water and wastewater systems that reinforce the City’s commitment to conservation and resiliency. The Subseries A-1 Bonds advance Targets 6.1 and 6.5 because the bond-financed projects support coordinated efforts to provide equitable access to clean drinking water and safe wastewater infrastructure. Because GRU will implement advanced metering practices and expand water reuse strategies, the projects advance Targets 6.3, 6.4, and 9.4. GRU’s process for selecting capital projects for the CIP focuses on preventative and sustainable solutions to the water and wastewater systems, as demonstrated with the decision to finance wetland and groundwater recharge projects, and thus supports Target 12.2.

CONCLUSION

Based on our independent verification, the Subseries A-1 Bonds (Green Bonds) conform, in all material respects, with the Green Bond Principles (2021) and are in complete alignment with the eligible project category *Sustainable Water and Wastewater Management*. GRU has identified and prioritized projects that support resilient, reliable, and sustainable water and wastewater systems. Financed upgrades and improvements will promote water conservation and recycling, encourage environmental protection and restoration, and improve aging infrastructure. The City of Gainesville and GRU are exemplary in their leadership on effectively designing and maintaining sustainable water and wastewater systems.



ABOUT KESTREL VERIFIERS



For 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (June - July 2021) only. By providing this Opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. Kestrel Verifiers relied on information provided by the Issuer and publicly available information. The Opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.



APPENDIX A

SDG Targets Defined:

- **Target 6.1:** By 2030, achieve universal and equitable access to safe and affordable drinking water for all
- **Target 6.3:** By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- **Target 6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- **Target 6.5:** By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
- **Target 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
- **Target 12.2:** By 2030, achieve the sustainable management and efficient use of natural resources

