



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE & LOCAL FINANCE
SUITE 1600 JAMES K. POLK BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872 FAX (615) 741-5986

August 15, 2014

Honorable J. H. Graham, Mayor
City of Crossville
P.O. Box 300
Crossville, TN 38555

Dear Mayor Graham:

This letter acknowledges receipt on July 28, 2014, from the City of Crossville (the "City") of a request to review a plan of refunding (the "Plan") to enter into an estimated \$6,385,500 Public Building Authority Loan Agreement with the Public Building Authority of the City of Clarksville, Tennessee (the "Refunding Loan Agreement"), to refund an estimated:

- \$796,232 Water and Sewer Revenue and Tax Bonds (USDA), Series 2010;
- \$1,648,406 Water and Sewer Revenue and Tax Bonds (USDA), Series 2010A; and
- \$3,902,418 Water and Sewer Revenue and Tax Bonds (USDA), Series 2011.

Collectively these are the "Refunded Bonds." The total refunded principal is \$6,347,056.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

BALLOON INDEBTEDNESS

The City, in a letter dated August 15, 2014, requested approval to issue the Refunding Loan Agreement as balloon indebtedness. In its letter, the City described the risk involved in this transaction and methods of mitigating that risk. The Refunding Loan Agreement contains a provision that states that, the principal of the debt will be treated as being payable or amortized upon its stated maturity, upon any mandatory redemption date, and upon any date on which the holder of the debt has the option to require the debt to be prepaid, redeemed, or purchased, other than with the proceeds of a liquidity facility provided by a third party. If the bank, or lender, should give notice that it is opting out of the debt issue, the Tennessee Municipal Bond Fund (TMBF) has agreed that it will do one of the following: 1) find another bank, or lender, to purchase the debt with the same principal payments, 2) assume the entire debt outstanding, or 3) find an underwriter or financial advisor to issue the debt, with

the same principal payments, through a competitive public sale or negotiated sale as the City determines is in its best interest and in compliance with State statutes.

This letter constitutes approval of the plan of balloon indebtedness because the risk inherent in the loan agreement is being mitigated by the TMBF's agreement to provide one of the three options indicated above.

FINANCIAL PROFESSIONALS

The City has not reported a municipal advisor. Municipal advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of the loan administrator the Tennessee Municipal Bond Fund (TMBF).

CITY'S PROPOSED REFUNDING OBJECTIVE

The City indicated its purpose for the refunding is to "shorten the term of the [refunded] bonds from 36 and 38 years to 20 years, thereby reducing the total amount of interest payable on such bonds."

COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY

The City provided a copy of its debt management policy, and within forty-five days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the City Commission and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.

This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government.

We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.

We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.

REPORT ON DEBT OBLIGATION

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to stateandlocalfinance.publicdebtform@cot.tn.gov. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



Sandra Thompson
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Ms. Linda Mooningham, TMBF

Enclosures: Report of the Director of the Office of State & Local Finance
Report on Debt Obligation
Public Chapter 766

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE CITY OF CROSSVILLE, TENNESSEE
PROPOSED ENTRANCE INTO A
PUBLIC BUILDING AUTHORITY LOAN AGREEMENT WITH THE PUBLIC BUILDING AUTHORITY OF THE CITY OF
CLARKSVILLE, TENNESSEE**

City of Crossville (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding the entrance into an estimated \$6,385,500 Public Building Authority Loan Agreement with the Public Building Authority of the City of Clarksville, Tennessee (the "Refunding Loan Agreement"), to refund an estimated:

- \$796,232 Water and Sewer Revenue and Tax Bonds (USDA), Series 2010;
- \$1,648,406 Water and Sewer Revenue and Tax Bonds (USDA), Series 2010A; and
- \$3,902,418 Water and Sewer Revenue and Tax Bonds (USDA), Series 2011.

Collectively these are the "Refunded Bonds." The total refunded principal is \$6,347,056.

The Plan was prepared with the assistance of the Tennessee Municipal Bond Fund. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

BALLOON INDEBTEDNESS

The City, in a letter dated August 15, 2014, requested approval to issue the Refunding Loan Agreement as balloon indebtedness. In its letter, the City described the risk involved in this transaction and methods of mitigating that risk. The Refunding Loan Agreement contains a provision that states that, the principal of the debt will be treated as being payable or amortized upon its stated maturity, upon any mandatory redemption date, and upon any date on which the holder of the debt has the option to require the debt to be prepaid, redeemed, or purchased, other than with the proceeds of a liquidity facility provided by a third party. If the bank, or lender, should give notice that it is opting out of the debt issue, the Tennessee Municipal Bond Fund (TMBF) has agreed that it will do one of the following: 1) find another bank, or lender, to purchase the debt with the same principal payments, 2) assume the entire debt outstanding, or 3) find an underwriter or financial advisor to issue the debt, with the same principal payments, through a competitive public sale or negotiated sale as the City determines is in its best interest and in compliance with State statutes.

This letter constitutes approval of the plan of balloon indebtedness because the risk inherent in the loan agreement is being mitigated by the TMBF's agreement to provide one of the three options indicated above.

CITY'S PROPOSED REFUNDING OBJECTIVE

The City indicated its purpose for the refunding is to "shorten the term of the [refunded] bonds from 36 and 38 years to 20 years, thereby reducing the total amount of interest payable on such bonds."

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that the City will enter into a \$6,385,500 variable rate loan agreement.
- The final maturity of the Refunding Loan Agreement does not extend beyond the final maturity of the Refunded Bonds.

- Estimated cost of issuance of the Refunding Loan Agreement is \$38,082 or \$5.96 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance of the Refunding Loan Agreement

	Amount	Price per \$1,000 bond	
Loan Administrator (TMBF)	\$ 29,420.00	\$	4.61
Bond Counsel	6,385.00		1.00
Other Costs	2,277.00		0.36
Total Cost of Issuance	\$ 38,082.00	\$	5.96

The City has not identified a municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.



Sandra Thompson
Director of the Office of State and Local Finance
Date: August 15, 2014



State of Tennessee

PUBLIC CHAPTER NO. 766

HOUSE BILL NO. 1446

By Representative Curtis Johnson

Substituted for: Senate Bill No. 1512

By Senators Haile, Kelsey

AN ACT to amend Tennessee Code Annotated, Title 4; Title 7; Title 9; Title 11; Title 12; Title 13; Title 40; Title 41; Title 42; Title 49; Title 64; Title 65; Title 68 and Title 69, relative to public finance.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-21-151(c)(2), is amended by adding the following sentence to the end of the subdivision:

If an open meeting of the governing body is not scheduled within the forty-five-day period, then the public entity shall give a copy to each member of the body within such period and present the information in subdivision (c)(1) to the body at the next scheduled meeting.

SECTION 2. Tennessee Code Annotated, Section 9-21-401, is amended by deleting the existing language and substituting instead the following:

The terms of this part and part 1 of this chapter shall be applicable to the authorization and issuance by any local government of debt under this chapter.

SECTION 3. Tennessee Code Annotated, Section 9-21-403, is amended by deleting in subsection (a) the language "interest-bearing notes"; in subsection (b) the language "serial bonds and notes"; and in subsection (c) the word "notes"; and by substituting instead the word "debt" in each instance.

SECTION 4. Tennessee Code Annotated, Section 9-21-403(c), is amended by deleting the language "which were issued under this chapter" and by substituting instead the language "which was issued under this chapter".

SECTION 5. Tennessee Code Annotated, Title 9, Chapter 21, Part 1, is amended by adding the following as a new, appropriately designated section:

(a) As used in this section:

(1) "Balloon indebtedness":

(A) Means any indebtedness that:

(i) Has a final maturity date thirty-one (31) or more years after the date of issuance;

(ii) Delays principal repayment for more than three (3) years after the date of issuance;

(iii) Capitalizes interest beyond the later of the construction period or three (3) years from the date of issuance; or

(iv) Does not have substantially level or declining debt service; and

(B) Does not include any indebtedness that:

(i) Has at least seventy-five percent (75%) of total principal amortized within ten (10) years from the date of issuance with no more than twenty-five percent (25%) of principal subject to payment in any one year;

(ii) Has a debt service schedule in which each annual principal installment is not more than fifty percent (50%) in excess of the smallest prior installment;

(iii) Has a general obligation pledge and is being issued by a local government or local government instrumentality that has some amount of long-term general obligation indebtedness outstanding or proposed to be issued that is rated in the highest rating category for long-term debt instruments (AAA/Aaa) or the first tier (AA+/Aa1) of the second highest rating category for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with such rated indebtedness;

(iv) Is secured solely by a revenue pledge and is being issued by a local government or local government instrumentality that has some amount of long-term revenue indebtedness outstanding or proposed to be issued that is rated in the highest rating category for long-term debt instruments (AAA/Aaa) or the first tier (AA+/Aa1) of the second highest rating category for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with such rated indebtedness;

(v) State or federal law requires the local government or local government instrumentality to participate in the financing program;

(vi) Is a conduit transaction for a nongovernmental entity;

(vii) Is evidenced by a loan with either the United States department of agriculture or the United States department of housing and urban development; or

(viii) Is a note the issuance of which is otherwise subject to the approval of the comptroller of the treasury.

(2) "Indebtedness" means:

(A) Any bond, note, loan agreement or any other evidence of a debt obligation in which a local government or local government instrumentality, either directly or indirectly, incurs a definite and absolute obligation to the payment of the principal of and interest on the debt obligation; and

(B) Does not include bonds and loan agreements authorized by title 7, chapter 53;

(3) "Local government" means, solely for the purposes of this section, any incorporated city or town, metropolitan government, county, or utility district; and

(4) "Substantially level or declining debt service" means an amortization schedule in which the aggregate amount of debt service calculated as principal plus interest that is payable in each year is not in excess of the lowest aggregate amount of debt service payable in any prior year by more than the greater of five percent (5%) or ten thousand dollars (\$10,000). For purposes of determining whether debt service is substantially level or declining in accordance with the preceding sentence, the first three (3) years of debt service do not need to be taken into account. For purposes of determining whether debt service is substantially level or declining on bonds issued with a variable interest rate, the average rate of interest at which fixed interest rate bonds of the same maturities would be sold should be estimated and the total principal amount should be amortized based upon such interest rate assumption.

(b) For purposes of this section, principal of debt will be treated as being payable or amortized upon its stated maturity, upon any mandatory redemption date, and upon any date on which the holder of the debt has the option to require the debt to be prepaid, redeemed, or purchased (other than with the proceeds of a liquidity facility provided by a third party).

(c) Solely for purposes of this section, a local government may account for the amortization of principal and the payment of debt service on:

- (1) A fiscal year basis;
- (2) A calendar year basis; or
- (3) An annual basis commencing on the date upon which debt is issued.

(d) On and after July 1, 2014, if any local government or local government instrumentality proposes to issue any balloon indebtedness, then the local government or local government instrumentality shall first obtain approval from the comptroller of the treasury in accordance with subsection (e).

(e) Prior to the adoption by the local government or local government instrumentality of any action authorizing the issuance of balloon indebtedness, the local government or local government instrumentality shall submit a plan of balloon indebtedness to the comptroller of the treasury or the comptroller's designee for approval. The comptroller of the treasury or the comptroller's designee may request any additional information as may be required to properly review the proposed plan of balloon indebtedness. The comptroller of the treasury or the comptroller's designee shall evaluate each plan of balloon indebtedness based on the plan's particular circumstances and shall approve the plan only if a determination is made that the repayment structure is in the public's interest.

(f) The comptroller of the treasury or the comptroller's designee shall report his or her approval or disapproval of the plan of balloon indebtedness to the governing body within fifteen (15) business days after receipt of the plan and all requested supplemental documentation. After receiving the approval of the comptroller of the treasury or the comptroller's designee of the plan of balloon indebtedness or after the expiration of fifteen (15) business days from the date the plan of balloon indebtedness is received by the comptroller of the treasury or the comptroller's designee and no disapproval having been reported by the comptroller of the treasury or the comptroller's designee, whichever date is earlier, the governing body may take such action with reference to the proposed plan of balloon indebtedness as it deems advisable in accordance with this part.

(g) The state funding board is authorized to establish guidelines, rules, or regulations with respect to the comptroller of the treasury's approval of balloon indebtedness and may exempt certain classes or issues of indebtedness from such approval.

SECTION 6. This act shall take effect July 1, 2014, the public welfare requiring it.

HOUSE BILL NO. 1446

PASSED: April 9, 2014


BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES


RON RAMSEY
SPEAKER OF THE SENATE

APPROVED this ^{24th}~~20th~~ day of April 2014


BILL HASLAM, GOVERNOR