



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

February 6, 2020

Honorable Robbie Fox, Mayor
and Honorable Board of Aldermen
Ms. Lynn McClurg, CFO/City Recorder
City of Sevierville
120 Church Street
Sevierville, TN 37864

Dear Mayor Fox, Ms. McClurg, and Members of the Board:

Thank you for your recent correspondence. We acknowledge receipt on January 31, 2020, of a request from Ms. Lynn McClurg, CFO/City Recorder of the City of Sevierville (the "City") to review the City's plan of refunding (the "Plan") for the proposed issuance of a maximum amount of \$8,910,000 General Obligation Refunding Bonds, Series 2020.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, enclosed is a report based upon our review of the City's Plan. The Plan, this letter, and the enclosed report should be made available on the City's website and reviewed by the City's Board prior to adoption of the refunding bond authorizing resolution.

Changes to our Office

We are enclosing a memorandum about the newly created Division of Local Government Finance within the Comptroller's Office.

If you should have questions or need assistance, please feel free to contact your financial analyst, Ron Queen, at 615.401.7862 or Ron.Queen@cot.tn.gov. You may also contact our office by mail at the address located at the bottom of this page.

Very truly yours,

A handwritten signature in blue ink, appearing to read "B. Knotts".

Betsy Knotts
Director of the Division of Local Government Finance

cc: Ms. Jean Suh, Contract Review Audit Manager, Division of Local Government Audit
Mr. Chris Bessler, Cumberland Securities Company, Inc.
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Division of Local Government Finance
Comptroller's Memorandum and LGF Contact Information Effective March 1, 2020



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**Report of the Director of the Division of Local Government Finance
Concerning the Proposed Issuance of
General Obligation Refunding Bonds, Series 2020
City of Sevierville, Tennessee**

This report is being issued pursuant to T.C.A. § 9-21-903 and is based upon information as presented in a plan of refunding (the "Plan") received by our office on January 31, 2020, from the City Recorder of City of Sevierville, Tennessee, (the "City"). Our report provides information to assist the governing body in its responsibility to understand the nature of the refunding transaction, including the costs, risks, and benefits, prior to approving the issuance of the refunding bonds and is designed to provide consistent and comparable information for all local governments in Tennessee.

This report does not constitute approval or disapproval of the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be refinanced or remain outstanding until their respective dates of maturity. This report does not address compliance with federal tax regulations and is not to be relied upon for that purpose. The City should discuss these issues with bond counsel. This report and the City's Plan must be presented to the governing body prior to the adoption of a refunding bond resolution.

Refunding Analysis

At the request of the City Recorder, our office has reviewed the City's Plan and is providing the following analysis based upon the assumptions outlined in the Plan.

The Board intends to competitively sell approximately \$8,820,000 General Obligation Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds") priced at par to current refund \$8,660,000 General Obligation Bonds, Series 2013 (the "Series 2013 Bonds").

- The City's objective for the refunding is to achieve net present value debt service savings.
- The estimated net present value debt service savings is \$612,712, or 7.07% of the refunded principal amount of \$8,660,000 achieved by lowering the average coupon from 2.98% for the Series 2013 GO Bonds to 1.94% for the Series 2020 Refunding Bonds.
- Total interest cost is projected to decrease from \$2,541,525 to \$1,468,935 after the refunding.
- The Series 2020 Refunding Bonds are being issued to generate proceeds to fund a \$8,660,000 refunding cash escrow to retire the Series 2013 Bonds as well as to pay \$160,000 in costs of issuance.
- The Series 2020 Refunding Bonds will be structured as fixed interest rate bonds with a debt service payment structure paying 76% of principal within 10 years from the date of issuance

and paying no more than 25% of principal in any one year; therefore, the proposed structure of the Series 2020 Refunding Bonds is not balloon indebtedness as defined in T.C.A. § 9-21-134.

- The final maturity of the Series 2020 Refunding Bonds is April 1, 2032 and does not extend beyond the final maturity of the Series 2013 Bonds.
- Estimated costs of issuance is summarized below:

	Amount	Price per \$1,000 Bond
Estimated Underwriter's Discount	\$ 69,505	\$ 7.88
Municipal Advisor (Cumberland Securities)	44,100	5.00
Bond Counsel (BBS)	17,500	1.98
Rating Agency	17,000	1.93
Miscellaneous	11,895	1.35
Total Cost of Issuance	\$160,000	\$ 18.14

Financial Professionals

The Plan was prepared with the assistance of the City’s municipal advisor, Cumberland Securities Company, Inc. 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 Municipal Securities Rulemaking Board (MSRB) establishes rules and notices that municipal advisors and underwriters must follow when engaging in municipal securities transactions and advising investors and local governments. To learn more about the obligations of the City’s underwriter and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

Plan Assumptions

The assumptions of the Plan are the assertions of the City. An evaluation of the preparation, support and underlying assumptions of the Plan has not been performed by our office. This report provides no assurances of the reasonableness of the underlying assumptions. The assumptions included in the City’s Plan may not reflect either current market conditions or market conditions at the time of sale. The Series 2020 Refunding Bonds may be issued with a structure different from that of the Plan.

Debt Management Policy

The City has adopted a debt management policy and has indicated in its Plan that the proposed refunding transaction complies with the City’s policy.

Changes to the Structure of the Repayment Schedule

If the structure is revised, the City should determine if the new structure complies with the requirements of T.C.A. § 9-21-134 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the City must submit a Plan of Balloon Indebtedness to the Director of the Division of Local Government Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

Requirements After the Refunding Bonds Have Been Issued

We have included a listing of certain compliance requirements your local government will be responsible for once the bonds are issued. The listing is not all inclusive and you should work with your municipal advisor and bond counsel to ensure compliance with legal and regulatory requirements related to the proposed refunding.

Effective Date for this Report

This report is effective for a period of ninety (90) days from the date of the report. If the refunding transaction has not been priced during this ninety (90) day period, a new plan of refunding, with new analysis and estimates based on market conditions at that time, must be submitted to our office. We will then issue a report on the new plan for the City's governing body to review prior to adopting a new refunding bond authorizing resolution.



Betsy Knotts
Director of the Division of Local Government Finance
Date: February 6, 2020

Enclosure: Requirements After Debt is Issued
 Report on Debt Obligation



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Requirements After Debt is Issued

- **Annual Budget Approval**

Your local government will be subject to an annual budget approval process for the life of the outstanding debt as required by TCA § 9-21-403. Please refer to our online guidance at: tncot.cc/budget.

- **Bonds not Refunded**

If all the bonds are not refunded as a part of the proposed refunding transaction and the City wishes to refund them in a subsequent bond issue, then a new plan must be submitted to our office for review.

- **Debt Management Policy**

Your local government should regularly review and, if necessary, amend its debt management policy. Please submit any amended policy to our office immediately upon adoption. Guidance concerning debt management policies is available at: tncot.cc/debt-policy.

- **Required Notification**

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. However, if it is determined prior to the issuance of the debt, that the actual results will differ significantly from the information provided in the submitted Plan and the City decides to proceed with the issue, the City's governing body and our office should be notified after the sale by the local government's Chief Executive Officer or the Chief Financial Officer regarding these differences. The Chief Executive Officer must state that they were aware of the differences and determined to proceed with the issuance of the debt. Notification will be necessary only if there is a change of ten percent (10%) or more in any of the following:

- (1) An increase in the principal amount of the debt issued;
- (2) An increase in costs of issuance; or
- (3) A decrease in the cumulative savings or increase in the loss.

The notification must include an explanation for any significant differences and the justification for a change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the City's governing body and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

- **Report on Debt Obligation (State Form CT – 0253)**

Pursuant to T.C.A. § 9-21-151(6)(c), a Report on Debt Obligation (the “Report”) shall be completed and filed with the governing body of the local government no later than forty-five (45) days after the issuance of the Notes, with a copy (including attachments, if any) filed with the Division of Local Government Finance. The Report and instructions may be accessed at: tncot.cc/debt-report. No public entity may enter into additional debt if it has failed to file the Report.

- **Rule 15c2-12 of the Securities Exchange Act**

Local governments that have issued municipal securities on or after February 27, 2019, are required to report certain information related to the issuance of financial obligations. Information on the reporting requirements is available on the Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access EMMA® website: emma.msrb.org.