



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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March 4, 2015

Honorable Jim Copping, Mayor
Board of County Commissioners
Hamilton County
625 Georgia Avenue, Suite 208
Chattanooga, TN 37402

Dear Mayor Copping and Commissioners:

This letter, report, and plan of refunding (the "Plan") are to be posted on Hamilton County's (the "County") website. Please make these documents available to the public and provide a copy of this report to each Commissioner at the next meeting of the County's Board of Commissioners.

This letter acknowledges receipt on February 26, 2015, of the County's request to review the Plan for the issuance of approximately \$47,825,000 General Obligation Refunding Bonds, Series 2015B, (the "Refunding Bonds") to advance refund an estimated:

- \$14,755,000 General Obligation Bonds, Series 2009; and
- \$33,965,000 General Obligation Bonds, Series 2011A.

Collectively these are the "Refunded Bonds." The total refunded principal is \$48,720,000.

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 County and may not reflect either current market conditions or market conditions at the time of sale.

BALLOON INDEBTEDNESS

The proposed debt to be issued is secured solely by a general obligation pledge and the County has some amount of long-term general obligation indebtedness outstanding that is rated AA+/Aa1 or better; therefore, because the debt falls under an exception to the balloon

indebtedness statute, this issuance of balloon indebtedness does not require an approval by the Comptroller's Office.

FINANCIAL PROFESSIONALS

The County has reported Public Financial Management, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act in the County's best interest without regard to their own or other interests. The Plan was prepared by the County with the assistance of its municipal advisor.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The Refunding Bonds are being issued to achieve net present value debt service savings.

COMPLIANCE WITH THE COUNTY'S DEBT MANAGEMENT POLICY

The County provided a copy of its debt management policy, and within forty-five (45) 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 County 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 County's website, if there is one. The same report is to be provided to each member of the County 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 County 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 Form CT-0253, 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 County 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
Mr. Albert Kiser, Hamilton County
Ms. Lauren Lowe, Public Financial Management, Inc.
Mr. Tom Lauth, McKenna Long & Aldridge, LLP

Enclosures (2): Report of the Director of the Office of State & Local Finance
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B
HAMILTON COUNTY, TENNESSEE**

Hamilton County (the “County”) submitted a plan of refunding (the “Plan”), as required by T.C.A. § 9-21-903 regarding an issuance of approximately \$47,825,000 General Obligation Refunding Bonds, Series 2015B, (the “Refunding Bonds”) to advance refund an estimated:

- \$14,755,000 General Obligation Bonds, Series 2009; and
- \$33,965,000 General Obligation Bonds, Series 2011A.

Collectively these are the “Refunded Bonds.” The total refunded principal is \$48,720,000.

The Plan was prepared with the assistance of the County’s municipal advisor, Public Financial Management, Inc. 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 County provided a copy of its debt management policy.

BALLOON INDEBTEDNESS

The proposed debt to be issued is secured solely by a general obligation pledge and the County has some amount of long-term general obligation indebtedness outstanding that is rated AA+/Aa1 or better; therefore, because the debt falls under an exception to the balloon indebtedness statute, this issuance of balloon indebtedness does not require an approval by the Comptroller’s Office.

COUNTY’S PROPOSED REFUNDING OBJECTIVE

The County indicated its purpose for the refunding is to achieve net present value debt service savings.

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that \$47,825,000 Refunding Bonds will be sold by competitive sale and priced at a premium of \$6,715,163.
- The estimated net present value savings of the refunding is \$1,798,261 or 3.69% of the refunded principal amount of \$48,720,000.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$395,996, or \$8.28 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance of Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter's Discount (TBD by competitive sale)	\$ 239,125.00	\$ 5.00
Municipal Advisor (Public Financial Management, Inc.)	38,179.15	0.80
Bond Counsel (McKenna Long & Aldridge, LLP)	38,179.15	0.80
Other Costs (Includes \$74,112.48 for rating agency fees)	80,513.11	1.68
Total Cost of Issuance	<u>\$ 395,996.41</u>	<u>\$ 8.28</u>

The County has identified Public Financial Management, Inc. as its 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 County. The assumptions included in the County'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 County wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

A handwritten signature in cursive script, reading "Sandra Thompson".

Sandra Thompson
Director of the Office of State and Local Finance
Date: March 4, 2015