



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

**Report of the Director of the Division of Local Government Finance
Concerning the Proposed Issuance of
General Obligation Improvement and Refunding Bonds, Series 2020A
Hamilton County, 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 July 24, 2020, from Hamilton County (the "County"). 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 County should discuss these issues with bond counsel. This report and the County'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 County Mayor, our office has reviewed the County's Plan, as required by TCA § 9-21-903, and provides the following analysis based upon the assumptions outlined in the Plan. Our analysis is limited to the refunding portion of the proposed issuance.

The County intends to issue by competitive sale approximately \$14,480,000 (refunding portion) General Obligation Improvement and Refunding Bonds, Series 2020A, (the "Series 2020A Refunding Bonds") priced at a premium of \$2,745,507 to current refund:

- \$1,360,000 General Obligation Bonds, Series 2010C, (Federally Taxable Recovery Zone Economic Development Bonds) dated March 23, 2010, maturing March 1, 2022 through March 1, 2025;
- \$10,725,000 General Obligation Bonds, Series 2011A, dated November 8, 2011, maturing January 1, 2026 through January 1, 2027; and
- \$4,830,000 General Obligation Bonds, Series 2011B, dated November 8, 2011, maturing January 1, 2022 through January 1, 2031.

These are collectively known hereinafter as the "Refunded Bonds." The total principal amount being refunded is \$16,915,000.

- The County’s objective for the refunding is to achieve net present value debt service savings. The estimated net present value debt service savings is \$2,388,107 or 14.1% of the refunded principal amount of \$16,915,000.
- The final maturity of the Series 2020A Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- The County’s current rating of AAA from S&P on its general obligation debt exempts the County from T.C.A. § 9-21-134 regarding balloon indebtedness.
- Estimated costs of issuance are summarized below and are based upon the par amount of \$14,480,000 for the Series 2020A Refunding Bonds:

	Amount	Price per \$1,000 Bond
Underwriter's Discount	72,400	5.00
Financial Advisor (PFM Financial Advisors)	14,480	1.00
Rating Agencies	24,811	1.71
Bond Counsel (Kutak Rock)	19,917	1.38
Miscellaneous	<u>2,007</u>	<u>0.14</u>
Total Cost of Issuance	\$ 133,615	\$ 9.23

Financial Professionals

The Plan was prepared with the assistance of the County’s financial advisors, PFM Financial Advisors LLC. Financial 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 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 County’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 County. 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 County’s Plan may not reflect either current market conditions or market conditions at the time of sale.

Debt Management Policy

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

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 County Commission to review prior to adopting a new refunding bond authorizing resolution.



Betsy Knotts
Director of the Division of Local Government Finance
Date: July 30, 2020

Enclosure: Requirements After Debt is Issued



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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 County 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 County decides to proceed with the issue, the County Commission 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 County Commission and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

- **Debt Report**

Pursuant to T.C.A. § 9-21-151(6)(c), a Report on Debt Obligation 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 debt, 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.