



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

September 20, 2019

REVISED

Honorable Dr. Ken Moore, Mayor
and Honorable Board of Aldermen
City of Franklin
109 Third Avenue South
Franklin, TN 37064

Dear Mayor Moore and Members of the Board:

This letter, report and plan of refunding (the "Plan") are to be posted on the website of the City of Franklin (the "City"). Please provide a copy of the letter, report, and Plan to each board member for review at the public meeting for the adoption of the refunding bond authorizing resolution.

We acknowledge receipt on August 20, 2019, of a request from the City to review its Plan for the issuance of refunding bonds: (1) Estimated \$15,660,000 General Obligation Refunding Bonds, Series 2019C (the "Series 2019C Refunding Bonds") and (2) Estimated \$12,890,000 General Obligation Refunding Bonds, Series 2019D (the "Series 2019D Refunding Bonds"), hereinafter collectively referred to as the "Refunding Bonds." The City also plans to simultaneously issue \$3,325,000 General Obligation Bonds, Series 2019E (Taxable) (the "Series 2019E Taxable Bonds").

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.

Plan of Refunding

The City intends to issue the Refunding Bonds by competitive sale and priced at a premium. The Series 2019C Refunding Bonds will current refund \$20,000,000 outstanding Local Government Public Improvement Bonds, Series 101-A-1, dated January 25, 2007, ("Series 101-A-1 Bonds") issued under the terms of a loan agreement with the Public Building Authority of the City of Franklin, maturing June 1, 2025 through June 1, 2037. The Series 2019D Refunding Bonds will advance refund \$15,725,000 outstanding General Obligation Public Improvement Bonds (Federally Taxable – Recovery Zone Economic Development Bonds), Series 2010, maturing March 1, 2024 through March 1, 2030.

In addition to refunding the aforementioned bonds, the City plans to issue the Series 2019E Taxable Bonds to finance a portion of the termination cost of the constant maturity swap associated with the Series 101-A-1 Bonds.

Financial Professionals

The Plan was prepared by the City with the assistance of its municipal advisor, PFM Financial Advisors LLC. Municipal advisors have a fiduciary responsibility to the City; however, 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.

Compliance with the City's Debt Management Policy

The City 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 debt issued complies with the City's 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

The enclosed report must be presented to the City's governing body for review prior to the adoption of a refunding bond authorizing resolution.

The enclosed report does not constitute approval or disapproval for the 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.

The enclosed report is effective for a period of ninety (90) days from the date of the report. If the refunding bonds have not been sold within the 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 this office. We will then issue a report on the new plan for the governing body to review prior to adopting a new refunding bond authorizing resolution.

This letter and the enclosed report do not address 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. 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 this office. The enclosed report provides no assurances of the reasonableness of the underlying assumptions.

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 the actual results differ significantly from the information provided in the submitted Plan, the governing body and our office should be notified after the sale by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences.

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 (if applicable).

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

Municipal Securities Rulemaking Board (MSRB) Rule G-17

MSRB Rule G-17 requires underwriters and municipal advisors to deal fairly with the City in the conduct of its municipal securities or municipal advisory activities. The Securities and Exchange Commission approved MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities on May 4, 2012. On August 2, 2012, this interpretive notice to MSRB Rule G-17 on fair dealing became part of federal securities law and underwriters are required to comply with its provisions.

These duties fall into three areas:

- statements and representations to issuers;
- disclosures to issuers; and
- financial aspects of underwriting transactions.

To learn more about the obligations of the City's underwriter (if applicable) and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

Report on Debt Obligation

We are enclosing a Report on Debt Obligation, Form CT-0253. 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 (45) 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 SLF.PublicDebtForm@cot.tn.gov. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. A fillable PDF of the form can be found on our website at: <https://comptroller.tn.gov/office-functions/state-and-local-finance.html>.

If you should have questions or need assistance, please feel free to contact your financial analyst, Lori Barnard, at 615.747.5347 or Lori.Barnard@cot.tn.gov. You may also contact our office by mail at the address located at the bottom of this page. Please send it to the attention of your analyst at the Office of State and Local Finance.

Sincerely,



Sandra Thompson
Director of the Office of State and Local Finance

cc: Ms. Jean Suh, Audit Review Manager, Division of Local Government Audit, COT
Ms. Lauren Lowe, PFM Financial Advisors LLC
Ms. Lillian Blackshear, Bass, Berry & Sims, PLC

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019C AND
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019D
CITY OF FRANKLIN, TENNESSEE**

The City of Franklin (the “City”) submitted a plan of refunding (the “Plan”), as required by TCA § 9-21-903 regarding the issuance of estimated:

- (1) \$15,660,000 General Obligation Refunding Bonds, Series 2019C (the “Series 2019C Refunding Bonds”);
- (2) \$12,890,000 General Obligation Refunding Bonds, Series 2019D (the “Series 2019D Refunding Bonds”); and
- (3) \$3,325,000 General Obligation Bonds, Series 2019E Bonds (Taxable) (the “Series 2019E Taxable Bonds”).

The Series 2019C Refunding Bonds and the Series 2019D Refunding Bonds will hereinafter collectively be referred to as the “Refunding Bonds.”

The Plan was prepared by the City with the assistance of its municipal advisor, PFM Financial Advisors LLC. 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. 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 from that of the Plan. The City provided a copy of its debt management policy.

Balloon Indebtedness

The proposed structure of each series of refunding bonds presented in the Plan does appear to be balloon indebtedness. As of the date of this letter, however, the balloon indebtedness statute does not apply to these proposed refundings because the proposed debt issue is secured solely by a general obligation pledge and the City has some amount of long-term general obligation indebtedness outstanding that is rated AA+/Aa1 or better. If either of the structures are revised, the City should determine if the new structure complies with the requirements of T.C.A. § 9-21-134 concerning balloon indebtedness.

City’s Proposed Refunding Objectives

The Series 2019C Refunding Bonds are being issued to provide overall savings and accelerate the maturity of the outstanding debt. The Series 2019D Refunding Bonds are being issued to achieve debt service savings. The proceeds of the Series 2019E Taxable Bonds will finance a portion of the swap termination payment associated with the bonds being refunded by the Series 2019C Bonds.

Refunding Analysis

Series 2019C Bonds

- The results of the refunding assume that the City intends to sell \$15,660,000 Series 2019C Refunding Bonds by competitive sale and priced at an estimated premium of \$4,727,822.
- The Series 2019C Refunding Bonds will current refund \$20,000,000 outstanding Local Government Public Improvement Bonds, Series 101-A-1, dated January 25, 2007, (“Series 101-A-1 Bonds”) issued under the terms of a loan agreement with the Public Building Authority of the City of Franklin, maturing June 1, 2025 through June 1, 2037.
- The Series 2019C Refunding Bonds will mature June 1, 2032, five years earlier than the Series 101-A-1 Bonds.
- The Series 101-A-1 Bonds being refunded by the Series 2019C Bonds are synthetically fixed at an average coupon of 4.17%. The net interest cost of the Series 2019C Bonds will be 1.90%.
- The City plans to contribute \$2,500,000 from cash on hand together with the proceeds of the Series 2019E Taxable Bonds to finance the termination cost of the constant maturity swap contract associated with the Series 101-A-1 Bonds. At the time the Plan was published, the estimated cost to terminate the swap was \$5,763,390.

Series 2019D Bonds

- The results of the refunding assume that the City intends to sell \$12,890,000 Series 2019D Refunding Bonds by competitive sale and priced at an estimated premium of \$3,324,634.
- The Series 2019D Refunding Bonds will advance refund \$15,725,000 outstanding General Obligation Public Improvement Bonds (Federally Taxable – Recovery Zone Economic Development Bonds), Series 2010 (“Series 2010 Bonds”), maturing March 1, 2024 through March 1, 2030.
- The average coupon of the Series 2010 Bonds is 5.13%. The net interest cost of the Series 2019D Bonds will be 1.50%.
- The estimated net present value debt service savings is \$1,507,150 or 9.58% of the refunded principal amount of \$15,725,000.

Refunding Bonds (Series 2019C Bonds and Series 2019D Bonds)

- Estimated total cost of issuance for the Refunding Bonds is \$317,762 or \$11.13 per \$1,000 of the par amount of the Refunding Bonds. See Table 1 for costs of issuance by series:

**Table 1
Costs of Issuance**

	<u>Series 2019C Refunding Bonds</u>		<u>Series 2019D Refunding Bonds</u>	
	<u>Amount</u>	<u>Price per \$1,000 Bond</u>	<u>Amount</u>	<u>Price per \$1,000 Bond</u>
Estimated Underwriter's Discount (TBD)	\$ 78,300	\$ 5.00	\$ 64,450	\$ 5.00
Municipal Advisor (PFM)	29,171	1.86	24,011	1.86
Bond Counsel (Bass, Berry & Sims)	27,021	1.73	22,242	1.73
Rating Agency	30,706	1.96	25,275	1.96
Miscellaneous	7,924	0.51	8,664	0.67
Total Cost of Issuance	\$ 173,121	\$ 11.06	\$ 144,641	\$ 11.22

Series 2019E Bonds

- The City intends to issue \$3,325,000 Series 2019E Bonds on a taxable basis to finance a portion of the cost to terminate the swaps associated with the Series 101-A-1 Bonds.
- The cost of issuance for the Series 2019E Bonds is \$59,488 or \$17.89 per \$1,000 bond. See Table 2 for detailed costs of issuance:

**Table 2
Costs of Issuance**

	<u>Series 2019E Bonds</u>	
	<u>Amount</u>	<u>Price per \$1,000 Bond</u>
Estimated Underwriter's Discount (TBD)	\$ 16,625	\$ 5.00
Municipal Advisor (PFM)	6,194	1.86
Swap Advisor	22,500	6.77
Bond Counsel (Bass, Berry & Sims)	5,737	1.73
Rating Agency	6,520	1.96
Miscellaneous	1,913	0.58
Total Cost of Issuance	\$ 59,488	\$ 17.89

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 the City does not refund all the Series 101-A-1 Bonds and Series 2010 Bonds 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.

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 this office.



Sandra Thompson
Director of the Office of State and Local Finance
Date: September 20, 2019