



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

September 3, 2015

Honorable Andy Berke, Mayor
 Members of the City Council
 City of Chattanooga
 101 East 11th Street, Suite 101
 Chattanooga, TN 37402

Dear Mayor Berke and Councilmen:

Please provide a copy of this report to each member of the City Council at the public meeting during which the report is reviewed and the proposed refunding bond resolution is presented. Additionally, this letter, report, and plan of refunding (the “Plan”), are to be posted on the City of Chattanooga’s (the “City’s”) website, if the City has a website.

This letter acknowledges receipt on August 28, 2015, of the City’s request to review its Plan for the issuance of a maximum \$19,355,000 General Obligation Refunding Bonds, Series 2015B (the “Refunding Bonds”) to advance refund by competitive sale \$19,500,000 of its general obligation debt described below (collectively, the “Refunded Bonds”):

Refunding Candidates	Outstanding Bonds		Average	Call Date	Par Value
	Amount		Coupon Rate		
General Obligation Bonds, Series 2009	\$ 18,160,000		4.000% - 4.625%	11/1/2018	100%
General Obligation Bonds, Series 2010A	\$ 1,340,000		4.000%	2/1/2018	100%

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.

CITY’S PROPOSED REFUNDING OBJECTIVE

The City’s stated objective is to achieve net present value debt service savings.

BALLOON INDEBTEDNESS

Because the proposed indebtedness has a general obligation pledge and the City has some amount of long-term indebtedness outstanding that is rated AA+/Aa1 or better, the balloon indebtedness statute is not applicable to this debt issuance.

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 this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

FINANCIAL PROFESSIONALS

The City has indicated that Public Financial Management, Inc. ("PFM") is its financial advisor. Financial 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 their financial advisor.

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. MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities was approved by the Securities and Exchange Commission 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.

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

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.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) VOLUNTARY DISCLOSURE OF BANK LOANS

The Municipal Securities Rule Making Board (MSRB) released regulatory notices: MSRB Notice 2011-52, providing guidance on the use of “bank loans” that could be a private placement of municipal securities subject to specific regulatory requirements including disclosure; and MSRB Notice 2012-18, encouraging the voluntary disclosure of bank loan financings through the MSRB’s Electronic Municipal Market Access (EMMA®) website (emma.msrb.org). For more information see the preceding notices on the MSRB’s website (msrb.org). To learn how to submit disclosure see the link at the bottom of the EMMA website labeled Submit Documents or the Education Center of the MSRB’s website.

REPORT ON DEBT OBLIGATION

We are enclosing State Form CT-0253, Report on Debt Obligation. 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 email to StateandLocalFinance.PublicDebtForm@cot.tn.gov or by mail to the address on this letterhead. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. A fillable PDF of Form CT-0253 can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

If you should have any questions regarding this information, or we may be of further assistance, please feel free to call.

Sincerely,

A handwritten signature in blue ink that reads "Sandra Thompson". The signature is fluid and cursive, with the first name "Sandra" being more prominent than the last name "Thompson".

Sandra Thompson
Director of the Office of State & Local Finance

Cc: Jim Arnette, Director of Local Government Audit, COT
Daisy Madison, City Finance Officer, City of Chattanooga
Vickie Haley, Deputy City Finance Officer, City of Chattanooga
Fredia Kitchen, Director of Management & Budget Analysis, City of Chattanooga
Lauren Lowe, Public Financial Management, Inc.

Enclosures: 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
BY THE CITY OF CHATTANOOGA, TENNESSEE OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B**

The City of Chattanooga (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of a maximum \$19,355,000 General Obligation Refunding Bonds, Series 2015B, (the "Refunding Bonds") to advance refund \$19,500,000 of the following outstanding indebtedness: \$18,160,000 General Obligation Bonds, Series 2009 and \$1,340,000 General Obligation Bonds, Series 2010A (collectively, the "Refunded Bonds") by competitive sale.

This report must be presented to the governing body prior to the adoption of a refunding bond resolution. 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. 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

Because the proposed indebtedness has a general obligation pledge and the City has some amount of long-term indebtedness outstanding that is rated AA+/Aa1 or better, the balloon indebtedness statute is not applicable to this debt issuance.

CITY'S PROPOSED REFUNDING OBJECTIVE

The City's stated objective is to achieve net present value savings on their debt service.

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that \$19,355,000 Refunding Bonds will be sold by competitive sale and priced at a premium of \$2,555,311. (See Attachment A, Table 1 for Sources and Uses.)
- The net present value savings are projected to be \$1,078,868, or 5.53% of the refunded bonds.
- The proposed average interest rate on the Refunding Bonds is 4.000% compared to the interest rates on the Refunded Bonds which range from 4.000% to 4.625%.
- Estimated cost of issuance of the Refunding Bonds is \$170,999 or \$8.83 per \$1,000 of the par amount. See Table 2 for individual costs of issuance.

The City has indicated that Public Financial Management, Inc. ("PFM") is its financial advisor. Financial 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 their financial advisor.

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: September 3, 2015

Attachment A

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Table 1

**City of Chattanooga, Tennessee
General Obligation Refunding Bonds, Series 2015B**

Sources and Uses

Sources:

Bond Proceeds

Par Amount, Refunding of Series 2009	\$ 18,065,000.00
Premium, Refunding of Series 2009	\$ 2,383,829.00
Par Amount, Refunding of Series 2010A	\$ 1,290,000.00
Premium, Refunding of Series 2010A	<u>171,482.45</u>
	\$ 21,910,311.45

Uses:

Refunding Escrow Deposits

Cash Deposit	\$ 0.96
SLGS Purchases	<u>21,734,391.00</u>
	\$ 21,734,391.96

Delivery Date Expenses

Cost of Issuance	\$ 74,223.29
Underwriter's Discount	<u>96,775.00</u>
	\$ 170,998.29

Other Uses of Funds

Additional Proceeds	\$ <u>4,921.20</u>
	\$ 21,910,311.45

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Table 2

**City of Chattanooga
General Obligation Refunding Bonds, Series 2015B**

Costs of Issuance of the Refunding Bonds

	Amount	\$1,000 Bond
Underwriter's Discount	\$ 96,775	\$ 5.00
Bond Counsel - Estimated	19,636	1.01
Financial Advisor - Estimated	17,672	0.91
Rating Agency	15,709	0.81
Other Costs	<u>21,207</u>	<u>1.10</u>
Total Cost of Issuance	\$ 170,999	\$ 8.83