



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

October 15, 2020

Honorable Bernie Ash, Mayor
and Honorable Board of Commissioners
City of Lebanon
200 North Castle Heights Avenue
Lebanon, TN 37087

Dear Mayor Ash and Members of the Board:

Thank you for your recent correspondence. We acknowledge receipt on October 14, 2020, of a request from the City of Lebanon (the "City") for a report on a plan of refunding (the "Plan") for the City's proposed issuance of an estimated \$12,840,000 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 must be presented to each member of the Board for review prior to the adoption of a refunding bond authorizing resolution.

Private Negotiated Sale Approval

The City requested approval to sell its refunding bonds through a negotiated sale. Pursuant to T.C.A. § 9-21-910, approval of our office is required when a city desires to sell general obligation refunding bonds through a negotiated sale process. This letter constitutes approval for the City to negotiate the sale of the Series 2020 Refunding Bonds, conditioned upon the requirement that the bonds are sold with the same principal repayment schedule as presented in the plan or the principal repayment schedule is accelerated.

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, Steve Osborne, at 615.747.5343 or Steve.Osborne@cot.tn.gov.

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, Audit Review Manager, Division of Local Government Audit, COT
Ms. Sandi Thompson, Assistant Secretary, Tennessee Local Development Authority
Mr. Stuart Lawson, City of Lebanon
Mr. Whit Moloney, Piper Sandler & Company
Ms. Lillian Blackshear, Bass, Berry & Sims

Enclosures: Report of the Director of the Division of Local Government Finance
Comptroller's Memorandum Regarding New Division

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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 Lebanon, 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 October 14, 2020, from the City of Lebanon (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 Finance Commissioner, our office has reviewed the City’s Plan, as required by T.C.A. § 9-21-903, and provides the following analysis based upon the assumptions outlined in the Plan:

The City intends to issue, by negotiated sale, \$12,840,000 General Obligation Refunding Bonds, Series 2020 (the “Series 2020 Refunding Bonds”) priced at a premium of \$2,836,652, to current refund the following:

- \$2,134,937 State of Tennessee Revolving Fund Loan Agreement, Series 02-165, dated January 28, 2004, and maturing through June 30, 2028;
- \$219,483 State of Tennessee Revolving Fund Loan Agreement, Series 08-220, dated June 9, 2008 and maturing through December 31, 2029;
- \$10,257,029 State of Tennessee Revolving Fund Loan Agreement, Series 08-222, dated January 18, 2008, and maturing through June 30, 2030;
- \$1,498,813 State of Tennessee Revolving Fund Loan Agreement, Series 08-079, dated February 15, 2008, and maturing through November 30, 2031;
- \$368,350 State of Tennessee Revolving Fund Loan Agreement, Series 02-080, dated May 5, 2008, and maturing through October 31, 2030; and

- \$1,009,000 Loan Agreement with the Public Building Authority of the City of Clarksville, Tennessee, Series 2010, dated November 30, 2010, and maturing through November 1, 2030.

These are collectively the “Refunded Loan Agreements.” The total amount of refunded principal is \$15,487,612.

- The City’s objective for the refunding is to achieve debt service savings.
- The estimated net present value debt service savings is \$913,536 or 5.90% of the refunded principal amount of \$15,487,612.
- The final maturity of the Series 2020 Refunding Bonds does not extend beyond the final maturity of the Refunded Loan Agreements.
- The proposed structure of the Series 2020 Refunding Bonds is not balloon indebtedness as defined in T.C.A. § 9-21-134.
- Estimated costs of issuance are summarized below and based upon the par amount of \$12,840,000 for the Series 2020 Refunding Bonds:

	Amount	Price per \$1,000 Bond
Estimated Underwriter's Discount (Piper Sandler & Co.)	\$ 77,040	\$ 6.00
Bond Counsel (Bass Berry & Sims)	32,000	2.49
Rating Agencies	23,000	1.79
Other Fees	8,500	0.66
Total Cost of Issuance	\$ 140,540	\$ 10.94

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.

Financial Professionals

The Plan was prepared by the City with the assistance of its proposed underwriter, Piper Sandler & Company. The City has not designated a municipal advisor. 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 non 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.

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.

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 refunding bonds have been 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 bonds authorizing resolution.



Betsy Knotts
Director of the Division of Local Government Finance
Date: October 15, 2020

Enclosure: Requirements After Debt is Issued



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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.

- **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.

- **Debt Report**

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