



JASON E. MUMFOWER
Comptroller

January 22, 2021

Honorable Michael R. Stanfield, Mayor
and Honorable City Council
City of LaFollette
207 South Tennessee Avenue
LaFollette, TN 37766

Dear Mayor Stanfield and Members of the Council:

Thank you for your recent correspondence. We acknowledge receipt on January 11, 2021, of a request from the City of LaFollette (the "City") for a report on a plan of refunding (the "Plan") for the estimated \$8,475,000 refunding portion of the City's proposed issuance of a maximum of \$9,500,000 General Obligation Bonds, Series 2021. The refunding portion of the issue will refund outstanding debt for the City's electric and water and sewer systems.

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.

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.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Betsy Knotts".

Betsy Knotts
Director of the Division of Local Government Finance

cc: Ms. Jean Suh, Audit Review Manager, Division of Local Government Audit, COT
Mr. Mark Mamantov, Esq., Bass, Berry & Sims
Mr. Joseph K. Ayres, Cumberland Securities Company, Inc.
Mr. Scott P. Gibson, Cumberland Securities Company, Inc.

Enclosure: Report of the Director of the Division of Local Government Finance

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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 2021
City of LaFollette, 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 January 11, 2021, from the City of LaFollette (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 Mayor, we have reviewed the City's Plan, as required by T.C.A. § 9-21-903, and provide the following analysis based upon the assumptions outlined in the Plan:

The City intends to issue by competitive sale a maximum \$9,500,000 General Obligation Bonds, Series 2021 (the "Series 2021 Bonds") priced at par. Our report and analysis are limited to the estimated \$8,475,000 refunding portion of the Series 2021 Bonds (the "Series 2021 Refunding Bonds").

The proceeds of the Series 2021 Refunding Bonds will be used to current refund the following outstanding debt:

- \$1,616,055 Water and Sewer Revenue and Tax Bonds, Series 2012 issued to USDA Rural Development on October 24, 2013, maturing monthly through fiscal year 2052,
- \$3,980,000 General Obligation Bonds, Series 2014A, issued on December 5, 2014, maturing annually through fiscal year 2035, and
- \$2,675,000 General Obligation Refunding Bonds, Series 2015B, issued on March 31, 2015, maturing annually through fiscal year 2030.

The aforementioned bonds will hereinafter be known collectively as the "Refunded Bonds".

- The City's objective for the refunding is debt service savings. The estimated net present value debt savings to be achieved by the refunding is \$623,857, or 7.54% of \$8,271,055, the principal amount

being refunded. Savings will be achieved by lowering the average coupon from 2.83% on the Refunded Bonds to 1.40% on the Series 2021 Refunding Bonds and shortening the life of the debt being refunded.

- The Series 2021 Refunding Bonds will be repaid by the City’s electric and water and sewer systems.
- The proposed structure of the Series 2021 Refunding Bonds is not balloon indebtedness as defined in T.C.A. § 9-21-133.
- Estimated costs of issuance are summarized below and based upon the par amount of \$8,475,000 for the Series 2021 Refunding Bonds:

	Amount	Price per \$1,000 Bond
Estimated Underwriter’s Discount (TBD)	\$ 109,514.46	\$ 12.92
Municipal Advisor (Cumberland Securities)	44,750.00	5.28
Bond Counsel	15,750.00	1.86
Rating Agency	16,000.00	1.89
Miscellaneous	12,700.00	1.50
Total Cost of Issuance	\$ 198,714.46	\$ 23.45

Financial Professionals

The Plan was prepared by the City with the assistance of its financial advisor, Cumberland Securities Company, Inc. 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 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. The Series 2021 Refunding Bonds may be issued with a structure different from that of the Plan.

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.

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. § 9-21-133 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the City must submit a Plan of Balloon Indebtedness to the Director of the Division of Local Government Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

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: January 22, 2021

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: incot.cc/budget.

- **Bonds and Loans not Refunded**

If all the bonds and loans are not refunded as a part of the proposed refunding transaction and local officials wish 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: incot.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 local officials decide to proceed with the issue, the 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 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. § 9-21-134, 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: incot.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.