



## The PFM Group

Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

530 Oak Court Drive  
Suite 160  
Memphis, TN  
38117-3722

ITEM #14  
WRKS 05/22/2012

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## Memorandum

**To:** City of Franklin, TN Board of Mayor and Alderman  
**From:** Lauren Lowe, Public Financial Management, Inc.  
**CC:** Eric Stuckey, City Administrator  
Russ Truell, ACA Finance & Administration/CFO  
**Re:** City of Franklin Plan of Refunding Preparation

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Public Financial Management, Inc. ("PFM") as Financial Advisor to the City of Franklin, TN ("City") has reviewed the City's outstanding debt portfolio. Currently, the City does not have any refunding opportunities that produce debt service savings. However, the City has four variable rate loans with the Tennessee Municipal Bond Fund ("TMBF") program in which Bank of America ("BOA") provides a letter of credit. In February 2012, Moody's announced the review of 17 banks and is expected to announce the outcome of pending reviews during the week of May 14<sup>th</sup>. In anticipation of a potential BOA rating downgrade, PFM advises the City to consider refunding all or a portion of the TMBF loans in order to reduce BOA credit exposure. PFM would like to work with the City's Administration to begin the process to develop a Plan of Refunding.

### *Refunding Process*

- Step 1: Pursuant to TCA 9-21-903, the City is required to submit a Plan of Refunding to the Office of State and Local Government, a division of the Comptroller of the Treasury ("State").
- Step 2: Once the State has acknowledged and reported on the City's Plan of Refunding, the City will present an Authorizing Resolution to the Board of Mayor and Alderman ("BOMA").
- Step 3: Preparation for bond sale inclusive of rating agency discussions and documentation necessary to access the bond market.

### *Additional Considerations*

PFM also realizes the City could have financing needs associated with new projects that should be considered during the City's Plan of Refunding. If the City pursues a refunding, PFM would also suggest a review of new money projects and the opportunity to include these projects as part of the City's bond issue. However, if the City does pursue financing for new projects, the City's Administration will present the necessary resolutions to the BOMA for necessary approvals.