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August 10, 2012

Ms. Mary-Margaret Collier  
Director, State and Local Finance  
State of Tennessee  
Comptroller of the Treasury  
James K. Polk State Office Building  
505 Deaderick Street, Suite 1600  
Nashville, Tennessee 37243-0274

City of Franklin, Tennessee  
General Obligation Refunding Bonds, Series 2012 Bank Purchase

Dear Ms. Collier:

We are submitting a plan of refunding for your review pursuant to TCA 9-21-903.

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 program in which Bank of America ("BOA") provides a letter of credit. In June 2012, Moody's downgraded BOA's credit rating. Also, in July, 2012, the BOA letter of credit fee associated with the City's loan agreement between the City and the Public Building Authority of the Montgomery County, Tennessee dated April 8, 2009 was extended for two years at an increased premium of 0.45% (originally 0.15%). With the recent BOA rating downgrade and increased cost related to the letter of credit, the City is planning to refund out of the 2009 loan agreement with the Public Building Authority of the Montgomery County, Tennessee.

**Plan of Refunding**

The City plans to reduce their variable rate debt exposure by current refunding all or certain maturities of its outstanding tax-exempt, variable rate loan agreement between the City and the Public Building Authority of the Montgomery County, Tennessee dated April 8, 2009 (the "Refunded Bonds"). The preliminary financing plan includes refunding all of the maturities listed below. The Refunded Bonds are variable rate bonds and BOA provides a letter of credit. By pursuing this refunding, the City will reduce its' third party credit provider exposure to BOA.

| Indenture          | Tax Status | Series     | Maturities | Coupons       | Call Date - Estimated | Call Price |
|--------------------|------------|------------|------------|---------------|-----------------------|------------|
| General Obligation | Tax-Exempt | TCSLP 2009 | 2013-2029  | Variable Rate | 10/3/2012             | 100%       |

The Refunded Bonds were authorized by the City pursuant to a resolution adopted by the Board of Mayor and Aldermen of the City on January 13, 2009. A copy of the previously submitted CT-0253 form filed with the State is attached to this plan of refunding.

The City intends to refund the Refunded Bonds from proceeds of a Bank Purchase ("2012 Bank Purchase"). Proceeds of the 2012 Bank Purchase will be used to fund an escrow comprised of cash, which would be sufficient, to pay the principal and interest on the Refunded Bonds. The amortization of the 2012 Bank Purchase will be structured to produce level debt service in each fiscal year. Neither the final maturity nor the weighted average maturity of the



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debt associated with the Refunded Bonds is being extended. Attached in Appendix A, are schedules demonstrating the proposed refinancing opportunity and include the following information:

- Weighted Average Maturity of the 2012 Bank Purchase
- Weighted Average Maturity of the Refunded Bonds
- Estimated costs of issuance associated with the 2012 Bank Purchase
- Detailed Costs of Issuance associated with the 2012 Bank Purchase

The City intends to pursue this plan of refunding in order to mitigate irregular debt service payments that could be associated with a third party letter of credit provider. The objective to reduce the City's exposure to irregular debt service payments is in compliance with the City's adopted Debt Management Policy which was previously submitted to the Office of State and Local Finance in August 2011.

The City has notified the Tennessee Municipal Bond Fund of their intent to refund the stated loan agreement. A draft of such notice to the Public Building Authority of the County of Montgomery, Tennessee and The Bank of New York Mellon Trust Company, N.A. is attached to this plan of refunding.

### **Issuance Type**

PFM, at the request of the City, has surveyed the bank purchase market through an informal request for proposal process. The rate proposed under the bank purchase process compares very favorably to the current low market rates expected under a competitive sale. Through this process, SunTrust provided an indicative fifteen-year rate of 2.18%. The debt service schedules included in Appendix A account for the SunTrust indicative rate.

### **In Summary**

Prior to adoption of the resolution authorizing the 2012 Bank Purchase on August 28, 2012, the City seeks your refunding report on the 2012 Bank Purchase provisions. A copy of the draft Authorizing Resolution related to the Refunded Bonds is attached to this plan of refunding which includes a not-to-exceed par amount of \$23,000,000.

If you have any questions or comments on the above plan of refunding or require any additional information with respect thereto, please do not hesitate to contact Russ Truell, CFO at (615) 791-1457 or Lauren Lowe from Public Financial Management at (901) 682-8356.

Sincerely,

Ken Moore  
City of Franklin, Tennessee  
Mayor  
[ken.moore@franklintn.gov](mailto:ken.moore@franklintn.gov)

CC: Mr. Eric Stuckey, *City Administrator City of Franklin*  
Mr. Russell Truell, *CFO City of Franklin*  
Ms. Lauren S. Lowe, *Public Financial Management, Inc.*  
Ms. Karen Neal, *Bass, Berry & Sims PLC*