

ADMINISTRATION



**Dr. Ken Moore**  
Mayor

**Eric S. Stuckey**  
City Administrator

HISTORIC  
FRANKLIN  
TENNESSEE

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*

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SOURCES AND USES OF FUNDS

Franklin, City of  
General Obligation Refunding Bonds, Series 2012 Bank Purchase  
15-Year Bank Purchase - SunTrust  
Appendix A

Sources:

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Bond Proceeds:	
Par Amount	22,640,000.00
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	22,640,000.00

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Uses:

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Refunding Escrow Deposits:	
SLGS Purchases	22,584,315.00
Delivery Date Expenses:	
Cost of Issuance	55,000.00
Other Uses of Funds:	
Additional Proceeds	685.00
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	22,640,000.00

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BOND SUMMARY STATISTICS

Franklin, City of  
 General Obligation Refunding Bonds, Series 2012 Bank Purchase  
 15-Year Bank Purchase - SunTrust  
 Appendix A

Dated Date	10/01/2012
Delivery Date	10/01/2012
Last Maturity	05/01/2027
Arbitrage Yield	2.179850%
True Interest Cost (TIC)	2.179850%
Net Interest Cost (NIC)	2.180000%
All-In TIC	2.212004%
Average Coupon	2.180000%
Average Life (years)	8.504
Duration of Issue (years)	7.650
Par Amount	22,640,000.00
Bond Proceeds	22,640,000.00
Total Interest	4,197,408.33
Net Interest	4,197,408.33
Total Debt Service	26,837,408.33
Maximum Annual Debt Service	2,038,491.00
Average Annual Debt Service	1,840,279.43
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	22,640,000.00	100.000	2.180%	8.504
	22,640,000.00			8.504

	TIC	All-In TIC	Arbitrage Yield
Par Value	22,640,000.00	22,640,000.00	22,640,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-55,000.00	
- Other Amounts			
Target Value	22,640,000.00	22,585,000.00	22,640,000.00
Target Date	10/01/2012	10/01/2012	10/01/2012
Yield	2.179850%	2.212004%	2.179850%

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BOND DEBT SERVICE

Franklin, City of  
General Obligation Refunding Bonds, Series 2012 Bank Purchase  
15-Year Bank Purchase - SunTrust  
Appendix A

Period Ending	Principal	Coupon	Interest	Debt Service
06/30/2013	980,000	2.180%	287,905.33	1,267,905.33
06/30/2014	925,000	2.180%	472,188.00	1,397,188.00
06/30/2015	975,000	2.180%	452,023.00	1,427,023.00
06/30/2016	1,340,000	2.180%	430,768.00	1,770,768.00
06/30/2017	1,390,000	2.180%	401,556.00	1,791,556.00
06/30/2018	1,440,000	2.180%	371,254.00	1,811,254.00
06/30/2019	1,490,000	2.180%	339,862.00	1,829,862.00
06/30/2020	1,545,000	2.180%	307,380.00	1,852,380.00
06/30/2021	1,605,000	2.180%	273,699.00	1,878,699.00
06/30/2022	1,665,000	2.180%	238,710.00	1,903,710.00
06/30/2023	1,725,000	2.180%	202,413.00	1,927,413.00
06/30/2024	1,785,000	2.180%	164,808.00	1,949,808.00
06/30/2025	1,855,000	2.180%	125,895.00	1,980,895.00
06/30/2026	1,925,000	2.180%	85,456.00	2,010,456.00
06/30/2027	1,995,000	2.180%	43,491.00	2,038,491.00
	22,640,000		4,197,408.33	26,837,408.33

SUMMARY OF BONDS REFUNDED

Franklin, City of  
 General Obligation Refunding Bonds, Series 2012 Bank Purchase  
 15-Year Bank Purchase - SunTrust  
 Appendix A

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series 2009 TMBF, 2009 TMB:					
SERIAL	05/25/2013	0.000%	909,000.00	10/31/2012	100.000
	05/25/2014	0.000%	950,000.00	10/31/2012	100.000
	05/25/2015	0.000%	993,000.00	10/31/2012	100.000
	05/25/2016	0.000%	1,038,000.00	10/31/2012	100.000
	05/25/2017	0.000%	1,085,000.00	10/31/2012	100.000
	05/25/2018	0.000%	1,133,000.00	10/31/2012	100.000
	05/25/2019	0.000%	1,184,000.00	10/31/2012	100.000
	05/25/2020	0.000%	1,238,000.00	10/31/2012	100.000
	05/25/2021	0.000%	1,293,000.00	10/31/2012	100.000
	05/25/2022	0.000%	1,352,000.00	10/31/2012	100.000
	05/25/2023	0.000%	1,412,000.00	10/31/2012	100.000
	05/25/2024	0.000%	1,476,000.00	10/31/2012	100.000
	05/25/2025	0.000%	1,542,000.00	10/31/2012	100.000
	05/25/2026	0.000%	1,612,000.00	10/31/2012	100.000
	05/25/2027	0.000%	1,684,000.00	10/31/2012	100.000
	05/25/2028	0.000%	1,760,000.00	10/31/2012	100.000
	05/25/2029	0.000%	1,839,000.00	10/31/2012	100.000
			22,500,000.00		

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SUMMARY OF REFUNDING RESULTS

Franklin, City of  
General Obligation Refunding Bonds, Series 2012 Bank Purchase  
15-Year Bank Purchase - SunTrust  
Appendix A

Dated Date	10/01/2012
Delivery Date	10/01/2012
Arbitrage yield	2.179850%
Escrow yield	0.078917%
Bond Par Amount	22,640,000.00
True Interest Cost	2.179850%
Net Interest Cost	2.180000%
Average Coupon	2.180000%
Average Life	8.504
Par amount of refunded bonds	22,500,000.00
Average coupon of refunded bonds	
Average life of refunded bonds	9.697
PV of prior debt to 10/01/2012 @ 2.179850%	22,575,349.85
Net PV Savings	-63,965.15
Percentage savings of refunded bonds	-0.284290%
Percentage savings of refunding bonds	-0.282532%

PRIOR BOND DEBT SERVICE

Franklin, City of  
 General Obligation Refunding Bonds, Series 2012 Bank Purchase  
 15-Year Bank Purchase - SunTrust  
 Appendix A

Period Ending	Principal	Interest	Debt Service
06/30/2013	909,000	198,000.00	1,107,000.00
06/30/2014	950,000	233,182.80	1,183,182.80
06/30/2015	993,000	222,922.80	1,215,922.80
06/30/2016	1,038,000	520,672.00	1,558,672.00
06/30/2017	1,085,000	493,165.00	1,578,165.00
06/30/2018	1,133,000	464,412.50	1,597,412.50
06/30/2019	1,184,000	434,388.00	1,618,388.00
06/30/2020	1,238,000	403,012.00	1,641,012.00
06/30/2021	1,293,000	370,205.00	1,663,205.00
06/30/2022	1,352,000	335,940.50	1,687,940.50
06/30/2023	1,412,000	300,112.50	1,712,112.50
06/30/2024	1,476,000	262,694.50	1,738,694.50
06/30/2025	1,542,000	223,580.50	1,765,580.50
06/30/2026	1,612,000	182,717.50	1,794,717.50
06/30/2027	1,684,000	139,999.50	1,823,999.50
06/30/2028	1,760,000	95,373.50	1,855,373.50
06/30/2029	1,839,000	48,733.50	1,887,733.50
	22,500,000	4,929,112.10	27,429,112.10

Note: Prior Debt Service is based on current rates + fees for 2013 and 0.20% increase in 2014 and 14-year historical average of SIMFA + fees thereafter

SAVINGS

Franklin, City of  
 General Obligation Refunding Bonds, Series 2012 Bank Purchase  
 15-Year Bank Purchase - SunTrust  
 Appendix A

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 10/01/2012 @ 2.1798497%
06/30/2013	1,107,000.00	1,267,905.33	-160,905.33	-159,398.03
06/30/2014	1,183,182.80	1,397,188.00	-214,005.20	-209,695.13
06/30/2015	1,215,922.80	1,427,023.00	-211,100.20	-202,444.58
06/30/2016	1,558,672.00	1,770,768.00	-212,096.00	-197,875.77
06/30/2017	1,578,165.00	1,791,556.00	-213,391.00	-194,821.27
06/30/2018	1,597,412.50	1,811,254.00	-213,841.50	-191,058.98
06/30/2019	1,618,388.00	1,829,862.00	-211,474.00	-184,928.30
06/30/2020	1,641,012.00	1,852,380.00	-211,368.00	-180,894.57
06/30/2021	1,663,205.00	1,878,699.00	-215,494.00	-180,462.72
06/30/2022	1,687,940.50	1,903,710.00	-215,769.50	-176,841.71
06/30/2023	1,712,112.50	1,927,413.00	-215,300.50	-172,701.60
06/30/2024	1,738,694.50	1,949,808.00	-211,113.50	-165,769.33
06/30/2025	1,765,580.50	1,980,895.00	-215,314.50	-165,442.15
06/30/2026	1,794,717.50	2,010,456.00	-215,738.50	-162,242.54
06/30/2027	1,823,999.50	2,038,491.00	-214,491.50	-157,887.49
06/30/2028	1,855,373.50		1,855,373.50	1,321,893.73
06/30/2029	1,887,733.50		1,887,733.50	1,315,920.28
	27,429,112.10	26,837,408.33	591,703.77	-64,650.15

Savings Summary

PV of savings from cash flow	-64,650.15
Plus: Refunding funds on hand	685.00
Net PV Savings	-63,965.15

Note: Prior Debt Service is based on current rates + fees for 2013 and 0.20% increase in 2014 and 14-year historical average of SIMFA + fees thereafter

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COST OF ISSUANCE

Franklin, City of  
General Obligation Refunding Bonds, Series 2012 Bank Purchase  
15-Year Bank Purchase - SunTrust  
Appendix A

Cost of Issuance	\$/1000	Amount
SunTrust	0.22085	5,000.00
PFM - Estimate	1.10424	25,000.00
Bond Counsel - Estimate	1.10424	25,000.00
	2.42933	55,000.00

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FORM 8038 STATISTICS

Franklin, City of  
 General Obligation Refunding Bonds, Series 2012 Bank Purchase  
 15-Year Bank Purchase - SunTrust  
 Appendix A

Dated Date 10/01/2012  
 Delivery Date 10/01/2012

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	05/01/2013	980,000.00	2.180%	100.000	980,000.00	980,000.00
	05/01/2014	925,000.00	2.180%	100.000	925,000.00	925,000.00
	05/01/2015	975,000.00	2.180%	100.000	975,000.00	975,000.00
	05/01/2016	1,340,000.00	2.180%	100.000	1,340,000.00	1,340,000.00
	05/01/2017	1,390,000.00	2.180%	100.000	1,390,000.00	1,390,000.00
	05/01/2018	1,440,000.00	2.180%	100.000	1,440,000.00	1,440,000.00
	05/01/2019	1,490,000.00	2.180%	100.000	1,490,000.00	1,490,000.00
	05/01/2020	1,545,000.00	2.180%	100.000	1,545,000.00	1,545,000.00
	05/01/2021	1,605,000.00	2.180%	100.000	1,605,000.00	1,605,000.00
	05/01/2022	1,665,000.00	2.180%	100.000	1,665,000.00	1,665,000.00
	05/01/2023	1,725,000.00	2.180%	100.000	1,725,000.00	1,725,000.00
	05/01/2024	1,785,000.00	2.180%	100.000	1,785,000.00	1,785,000.00
	05/01/2025	1,855,000.00	2.180%	100.000	1,855,000.00	1,855,000.00
	05/01/2026	1,925,000.00	2.180%	100.000	1,925,000.00	1,925,000.00
	05/01/2027	1,995,000.00	2.180%	100.000	1,995,000.00	1,995,000.00
		22,640,000.00			22,640,000.00	22,640,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	05/01/2027	2.180%	1,995,000.00	1,995,000.00		
Entire Issue			22,640,000.00	22,640,000.00	8.5045	2.1798%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	55,000.00
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	22,584,315.00
Proceeds used to advance refund prior issues	0.00
Remaining weighted average maturity of the bonds to be currently refunded	9.6968
Remaining weighted average maturity of the bonds to be advance refunded	0.0000

FORM 8038 STATISTICS

Franklin, City of  
 General Obligation Refunding Bonds, Series 2012 Bank Purchase  
 15-Year Bank Purchase - SunTrust  
 Appendix A

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Series 2009 TMBF:					
SERIAL	05/25/2013	909,000.00	0.000%	100.000	909,000.00
SERIAL	05/25/2014	950,000.00	0.000%	100.000	950,000.00
SERIAL	05/25/2015	993,000.00	0.000%	100.000	993,000.00
SERIAL	05/25/2016	1,038,000.00	0.000%	100.000	1,038,000.00
SERIAL	05/25/2017	1,085,000.00	0.000%	100.000	1,085,000.00
SERIAL	05/25/2018	1,133,000.00	0.000%	100.000	1,133,000.00
SERIAL	05/25/2019	1,184,000.00	0.000%	100.000	1,184,000.00
SERIAL	05/25/2020	1,238,000.00	0.000%	100.000	1,238,000.00
SERIAL	05/25/2021	1,293,000.00	0.000%	100.000	1,293,000.00
SERIAL	05/25/2022	1,352,000.00	0.000%	100.000	1,352,000.00
SERIAL	05/25/2023	1,412,000.00	0.000%	100.000	1,412,000.00
SERIAL	05/25/2024	1,476,000.00	0.000%	100.000	1,476,000.00
SERIAL	05/25/2025	1,542,000.00	0.000%	100.000	1,542,000.00
SERIAL	05/25/2026	1,612,000.00	0.000%	100.000	1,612,000.00
SERIAL	05/25/2027	1,684,000.00	0.000%	100.000	1,684,000.00
SERIAL	05/25/2028	1,760,000.00	0.000%	100.000	1,760,000.00
SERIAL	05/25/2029	1,839,000.00	0.000%	100.000	1,839,000.00
		22,500,000.00			22,500,000.00

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Series 2009 TMBF	10/31/2012	04/08/2009	9.6968
All Refunded Issues	10/31/2012		9.6968