

City of Franklin, TN Sewer and Water Revenue and Tax Refunding Bonds, Series 2011A

ITEM #6  
FINANCE  
08-18-11

6A

Begin	Activity Name	Responsibility
7/22/2011	Distribute Distribution List & Financing Calendar	PFM
8/3/2011	Submit refunding letter to State	PFM / Franklin
8/10/2011	Receive State Refunding Letter	
8/12/2011	Distribute first draft of Preliminary Official Statement (POS) & Notice of Sale (NOS)	PFM
8/16/2011	Distribute first draft of POS Part II to the City	PFM
8/16/2011	Distribute W/S Loan prepayment letter to Bond Fund, PBA and Trustee	City
8/19/2011	Finance Committee meeting - Refunding Resolution	City
8/19/2011	Submit Comments to NOS & POS	Working Group
8/23/2011	Distribute RFP for Support Services (Printer & Paying Agent)	PFM
8/23/2011	Distribute 2nd Draft of POS/NOS	PFM
8/23/2011	Submit information to the rating agencies	PFM / Franklin
8/23/2011	Franklin Board Meeting	Working Group
8/24/2011	Bond Refunding Notice given to Bond Fund	BC
9/2/2011	Submit Comments on 2nd Draft of NOS & POS	Working Group
9/5/2011	Labor Day Holiday	
Week of September 5	Rating Agency Discussions	PFM / Franklin
9/6/2011	Selection of support services providers	PFM / Franklin
9/14/2011	Distribute Final Draft of POS/NOS	PFM
9/14/2011	Receive Ratings	PFM / Franklin
9/14/2011	Distribute POS/NOS through Competitive Bidding website	PFM
9/19/2011	Obtain Copies of Rating Letters Prior to Pricing	PFM / Franklin
9/19/2011	Submit pre-pricing book to Franklin	PFM
9/19/2011	Marketing Calls to potential bidders	PFM
9/21/2011	<b>Bond Pricing</b>	PFM / Franklin
9/22/2011	Revise POS Into Finalize OS and Distribute	PFM
9/23/2011	Submit Comments on OS	Working Group
9/23/2011	Prepare Bond Closing Instructions Memorandum	PFM
9/23/2011	Prepare a List of Closing Documents and Responsibility	BC
9/23/2011	Prepare Financial Advisory Memo	PFM
9/24/2011	Distribute Final OS	PFM
9/24/2011	Send Finalized OS to Printer/ Mail to Working Group	PFM
9/24/2011	Distribute Closing Documents	Bond Counsel
9/28/2011	Bond Pre-Closing	Working Group
9/29/2011	<b>Bond Closing, Money Received</b>	Working Group
9/29/2011	<b>Escrow money transferred to Bond Fund Trustee</b>	City
9/30/2011	<b>End of 45 day notice period to Bond Fund, PBA and Trustee</b>	
10/30/2011	<b>Bonds Called</b>	Trustee
10/30/2011	Prepare and Distribute Final Transcript	

August						
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October						
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**STATE OF TENNESSEE**  
**COMPTROLLER OF THE TREASURY**  
**OFFICE OF STATE AND LOCAL FINANCE**  
**SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING**  
**505 DEADERICK STREET**  
**NASHVILLE, TENNESSEE 37243-1402**  
**PHONE (615) 401-7872**  
**FAX (615) 741-5986**

August 8, 2011

Honorable Dr. Ken Moore, Mayor  
 City of Franklin  
 109 Third Avenue South  
 Franklin, TN 37064

Dear Mayor Moore:

This letter acknowledges receipt of a request on August 3, 2011, to review a refunding plan for the proposed issuance of \$19,625,150 Sewer and Water Revenue and Tax Refunding Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2011A Bonds will currently refund \$19,362,000 of the July 9, 2008 Loan Agreement with the Public Building Authority of the City of Clarksville, Tennessee, Series TCSLP 2008 (the "2008 Loan Agreement").

Pursuant to the provisions of *Tennessee Code Annotated* Title 9, Chapter 21, a plan of refunding must be submitted to our Office for review prior to the adoption of a resolution by the governing body of a local government authorizing the issuance of refunding bonds secured, in whole or in part, by the full faith and credit and unlimited taxing power of the City. The data presented in the plan of refunding are the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

The City's debt management policy requires a threshold of at least 3% present value savings in order to proceed with a refunding. The refunding plan reflects a net present value savings of \$1,590,091 or 8.21% of the \$19,362,000 refunded principal. This refunding meets that criterion. The City stated its purpose in performing this refunding is for savings and to reduce the City's variable rate exposure from 40% to 0% in the Water and Sewer Fund. The City plans to issue the Refunding Bonds using the competitive sale process.

**Report of the Review of a Plan of Refunding**

Enclosed is the report of the review of this plan of refunding required by *Tennessee Code Annotated* Section 9-21-903 for distribution to the members of the local governing body.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity.**

**This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

This report and the submitted plan of refunding are to be published and placed on the City's website prior to the meeting of the City Commission on August 23, 2011. The same report is to be provided to each member of the City Commission and reviewed at the Public Meeting on August 23, 2011.

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office, at that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*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 of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to Tennessee Code Annotated Title 9, Chapter 21, Section 151, this form is to be completed and filed with this Office within 45 days after the issuance of the refunding bonds.

Sincerely,



Mary-Margaret Collier  
Director of the Office of State & Local Finance

Cc: Mr. Dennis Dycus, Director of Municipal Audit, COT  
Mr. Eric Stuckey, City Administrator, City of Franklin  
Mr. Russell Truell, CFO, City of Franklin  
Ms. Lauren S. Lowe, Public Financial Management, Inc.  
Mr. Ryan Childs, Public Financial Management, Inc.  
Ms. Karen Neal, Bass, Berry & Sims PLC

Enclosures (2): Report of the Director of the Office of State & Local Finance  
State Form CT-0253, Report on Debt Obligation.

**REPORT OF THE TENNESSEE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE OF  
Sewer and Water Revenue and Tax Refunding Bonds, Series 2011A  
City of Franklin, Tennessee**

The City of Franklin (the "City") submitted a plan dated August 2, 2011, as required by *Tennessee Code Annotated* Section 9-21-903 regarding the proposed issuance of \$19,625,150 Sewer and Water Revenue and Tax Refunding Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2011A Bonds will currently refund \$19,362,000 of the July 9, 2008 Loan Agreement with the Public Building Authority of the City of Clarksville, Tennessee, Series TCSLP 2008 (the "2008 Loan Agreement"). The plan of refunding (the "Plan"), was prepared with the assistance of the City's Financial Advisor, Public Financial Management, Inc. The City plans to issue the Refunding Bonds by competitive sale.

**Analysis**

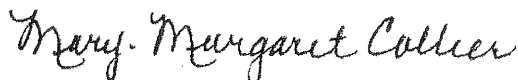
The City's debt management policy requires a 3% threshold of savings in order to proceed with a refunding. This refunding meets that criterion. The savings are achieved by reducing the currently budgeted rate on the variable rate loan agreement from 4.5% to an average coupon of 3.95% for the refunding bonds. The estimated total savings produced by the refunding are \$2,314,228 or an average annual savings of approximately \$121,801 per year (See page 9 of the Plan).

The City stated its purpose in performing this refunding is for savings and to reduce the City's variable rate exposure from 40% to 0% in the Water and Sewer Fund. A savings schedule was included with the request that shows the net present value savings (NPV Savings) to the City are \$1,590,091 or 8.21% of the \$19,362,000 refunded principal (see page 3 of the Plan).

The average life for the Series 2011A Bonds is 10.398 years versus the average life of the refunded loan agreement of 10.941 with the final maturity of the 2011A Bonds on June 30, 2030 (See page 3 of the Plan). The amortization of the Series 2011A bonds will be structured to produce level debt service in each fiscal year. The 2011A Bonds are being offered at an estimated price of 104.947 creating \$925,150 in premium. This premium will be used to lower the amount of bonds needed to refund the debt and to cover issuance costs.

A sources and uses schedule can be found on page 1 of the Plan. Total cost of issuance is \$259,050 or \$13.85 per \$1,000 of par amount for the Series 2011A Bonds.

**This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the Refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain Refunded until their respective dates of maturity. This report is based on information as presented in the plan by the City. The assumptions included in the City's plan may not reflect either current market conditions or market conditions at the time of sale.**



Mary-Margaret Collier  
Director of the Office of State and Local Finance  
Date: August 8, 2011