



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE & LOCAL FINANCE
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505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
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May 25, 2017

Honorable Wallace Cartwright, Mayor
and Honorable City Council
City of Shelbyville
P.O. Box 185
Shelbyville, TN 37160

Dear Mayor Cartwright and Members of the Council:

This letter and report, and the plan of refunding (the "Plan"), are to be posted on the website of the City of Shelbyville (the "City"). Please make these documents available to the public and provide a copy of this report to each member of the Governing Body and present it at the next meeting of the Board of Commissioners.

This letter acknowledges receipt on May 18, 2017, of the City's request to review its Plan for the issuance of an estimated \$2,095,000 General Obligation Refunding and Improvement Bonds, Series 2017 (the "Refunding Bonds"), to current refund an estimated \$2,115,000 Water and Sewer Revenue and Tax Bonds, Series 2007 (the "Refunded Bonds"). The City plans to contribute funds to the transaction.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

City's Proposed Refunding Objective

The City indicated the purpose of the refunding is to achieve net present value debt service savings.

Balloon Indebtedness

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the City should determine if the new structure complies with the requirements of T.C.A. § 9-21-134 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 Office of State and Local Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

Compliance with the City's Debt Management Policy

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

Financial Professionals

The City indicated Raymond James & Associates, Inc. is its municipal advisor. Municipal 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 Plan was prepared by the City with the assistance of its municipal advisor.

Report of the Review of a Plan of Refunding

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 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 ensure that this Office and officials of the local government are aware of any significant changes that occur regarding the issuance of the proposed indebtedness.

Municipal Securities Rulemaking Board (MSRB) Voluntary Disclosure of Bank Loans

The Municipal Securities Rulemaking Board (MSRB) released regulatory notices: MSRB Notice 2011-52, providing guidance on the use of “bank loans” that could be a private placement of municipal securities subject to specific regulatory requirements including disclosure; and MSRB Notice 2012-18, encouraging the voluntary disclosure of bank loan financings through the MSRB’s Electronic Municipal Market Access (EMMA®) website (emma.msrb.org). For more information see the preceding notices on the MSRB’s website (msrb.org). To learn how to submit disclosure see the link at the bottom of the EMMA website labeled Submit Documents or the Education Center of the MSRB’s website.

Report on Debt Obligation

We are enclosing a Report on Debt Obligation, State Form CT-0253. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five (45) days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to StateandLocalFinance.PublicDebtForm@cot.tn.gov. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. A fillable PDF of Form CT-0253 can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

If you should have any questions regarding this information, or we may be of further assistance, please feel free to call.

Sincerely,



Sandra Thompson
Director of the Office of State & Local Finance

cc: Jim Arnette, Director of Local Government Audit, COT
Jamey Owen, City Treasurer, City of Shelbyville
Rick Dulaney, Managing Director, Raymond James & Associates, Inc.
Karen Neal, Esq., Bass, Berry & Sims PLC

Enclosures: Report of the Director of the Office of State & Local Finance
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE
BY THE CITY OF SHELBYVILLE, TENNESSEE OF
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2017**

The City of Shelbyville (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding issuance of an estimated \$2,095,000 General Obligation Refunding and Improvement Bonds, Series 2017 (the "Refunding Bonds"), to current refund an estimated \$2,115,000 Water and Sewer Revenue and Tax Bonds, Series 2007 (the "Refunded Bonds"). The City plans to contribute funds to the transaction.

This report must be presented to the governing body. The Plan was prepared with the assistance of the City's municipal advisor, Raymond James & Associates, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This report provides no assurances of the reasonableness of the underlying assumptions. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

Balloon Indebtedness

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the City should determine if the new structure complies with the requirements of T.C.A. § 9-21-134 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 Office of State and Local Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

City's Proposed Refunding Objective

The City indicated the purpose of the refunding is to achieve net present value debt service savings.

Refunding Analysis

- The results of the refunding assume that an estimated \$2,095,000 Refunding Bonds will be sold by competitive sale and priced at a premium.
- The net present value savings are projected to be \$282,846, or an approximate 13.37% of the refunded principal of \$2,115,000. The City plans to contribute \$111,104 from current debt service funds to the transaction which represents the scheduled payment of the August 1, 2017, maturity of the Refunded Bonds.
- The refunding generates savings by reducing the average coupon from 4.41% for the Refunded Bonds to an average coupon of 2.78% for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.

- Estimated cost of issuance of the Refunding Bonds is \$46,713 or \$22.30 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance of the Refunding Bonds

| | Amount | Price per \$1,000 Bond |
|----------------------------------|-----------|---------------------------|
| Estimated Underwriter's Discount | \$ 15,713 | \$ 7.50 |
| Municipal Advisor | 12,500 | 5.97 |
| Bond Counsel | 7,500 | 3.58 |
| Rating Agency | 5,750 | 2.74 |
| Other Expenses | 5,250 | 2.51 |
| Total Cost of Issuance | \$ 46,713 | \$ 22.30 |

The City indicated Raymond James & Associates, Inc. is its municipal advisor. Municipal 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.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the 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 outstanding 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.

If all the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan must be submitted to this Office for review.



Sandra Thompson
Director of the Office of State and Local Finance
Date: May 25, 2017

City of
SHELBYVILLE
Tennessee

May 17, 2017

Ms. Sandra Thompson, Director
Division of State and Local Finance
James K. Polk Office Building - Suite 1600
505 Deaderick Street
Nashville, Tennessee 37243-1402

Re: *City of Shelbyville Refunding Plan - 2017*

Dear Ms. Thompson:

For your review, consideration and action, we have prepared a refunding report entitled *City of Shelbyville Refunding Plan - 2017* (the "Plan"). This Plan is being delivered to you to comply with applicable sections of Title 9, Chapter 21, Parts 1, 2 and 9, Tennessee Code Annotated (the "Act") pertaining to the proposed sale and issuance of its General Obligation Refunding and Improvement Bonds, Series 2017 (the "Bonds") of the City of Shelbyville, Tennessee (the "City"). The Bonds are composed of refunding and improvement components. Costs of issuance will be allocated to each component of this composite transaction. The City is seeking a *Report of Review of the Plan* relating to the refunding portion of the transaction from your office consistent with the provisions of the Act.

As our Municipal Advisor, Raymond James & Associates, Inc. ("Raymond James") has provided us assistance in the development and preparation of the Plan including the associated exhibits. Rick Dulaney is serving as our Raymond James representative. He is specifically authorized to discuss this transaction with you and the staff on our behalf. His contact information and a list of all other key participants established up to this point is attached as Exhibit II for your convenience.

The Bonds

Information relating to the Bonds is as follows:

- | | |
|---|--|
| a. Maximum Size Authorized (Resolution Sizing): | ✓ Not to exceed \$2,215,000* (Estimated Pro-rata Share) |
| b. Anticipated Size: | ✓ Approximately \$2,095,000* (after estimated premiums) |
| c. Anticipated Final Maturity; Weighted Average Maturity: | ✓ Final maturity date August 1, 2037*; ✓ Weighted average maturity ("WAM") is 11.332 years; ✓ The Refunded Bonds (defined herein) are being refinanced on a current basis; ✓ The overall strategy is to reduce interest rates in order to strengthen the financial position of the City's sewer system enterprise fund and achieve debt service savings over the remaining life of the transaction; ✓ The final maturity of the Refunded Bonds is <u>not</u> being extended beyond its originally scheduled final amortization date; and |

- ✓ The proposed payment dates match up with current maturity dates of the Refunded Bonds.
- d. Estimated Costs of Issuance: ✓ See Attached Detailed Schedule – Exhibit IV
- e. Projected Sources and Uses of Funds: ✓ See Attached Detailed Schedule – Exhibit IV

Refunded Bonds

- | <u>Data Required</u> | <u>Refunded Bonds</u> |
|--|---|
| a. Type of Debt; Original Terms; Tax Status: | <ul style="list-style-type: none"> ✓ The Bonds will refinance the callable balance of the City’s \$2,600,000 Water and Sewer Revenue and Tax Bonds, Series 2007, dated August 24, 2017 (the “Series 2007 Bonds”); ✓ Series 2007 Bonds that are being refunded mature on August 1, 2019, on August 1, 2022, on August 1, 2025, on August 1, 2028, on August 1, 2031, on August 1, 2034 and on August 1, 2037 (the “Refunded Bonds”). ✓ Refunded Bonds are callable on August 1, 2017 and at any time thereafter at par and accrued interest; ✓ Weighted average maturity is 11.508 years; and ✓ Average interest rate is 4.41%. |
| b. Date of Issue - (CT-O253 Attached): | ✓ August 24, 2007 |
| c. Date of Authorization by Governing Body: | ✓ May 10, 2007 |
| d. Bank Qualified: | ✓ Yes |
| e. Projects Funded; Extension of Debt: | ✓ The Series 2007 Bonds were issued: (i) to finance improvements and extensions to the sewer treatment and distribution system, including the acquisition of all property, real and personal, appurtenant thereto or connected with such work; and (ii) to pay costs associated with the sale and issuance of the Series 2007 Bonds. |
| f. Derivative Products: | ✓ None |

Interest Rate Swaps; Consistency with Established Municipal Debt Policy and Practices

There are no interest rate swaps or other hedging instruments in place pertaining to the Series 2007 Bonds.

The City has adopted a formal debt policy (the “Policy”) in compliance with State requirements. The goals and objectives of this Plan are consistent with the Policy. For example, the proposed refunding is being pursued with the objective of achieving net present value savings greater than 3% of refunded principal. Furthermore, the Plan calls for no extension of debt beyond the originally scheduled fiscal years resulting in a composite structure that does not exceed the useful life of the projects originally funded. Additionally, all financial professionals will have written agreements and all official meetings will be fully advertised.

Security Pledged

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. The Bonds are payable from, but not secured by, the net sewer revenues of the City’s sewerage

system.

Purpose of the Refinancing

Consistent with the City's Policy, the Refunded Bonds will be refinanced to achieve net present value debt service savings of not less than 3% of refunded principal through a traditional "high-to-low" interest rate refunding (i.e., the purpose is an economic refunding for cost savings). As part of this strategy, the transaction is designed to strengthen the overall financial position of the City's sewerage enterprise system. The existing amortization periods for the Refunded Bonds will not be extended beyond their originally established dates scheduled.

Market Rates; Competitive Sale; Other

Exhibit IV included in the required attachments to this Plan outlines the projected structure and rates based upon current market conditions for similarly structured, fixed rate debt. The Bonds are expected to carry a credit rating of "Aa3" from Moody's. Accordingly, rates and yields (see Exhibit IV) carry projections based on those assumptions and reflecting a "snap-shot" of current estimated market conditions.

The capital markets remain volatile and hard to predict, but expectations are that the goals of the Plan can be met in current or similar conditions prevail at the time of the sale. Naturally, actual results will be determined on the date of the competitive public sale. If the City's basic goals and objectives cannot be achieved, then the refinancing will not proceed at that time. As is standard practice, the City will reserve the right to reject all bids in the "Official Notice of Sale".

If the Bond sale proceeds as anticipated, then proceeds from the transaction will be used to retire Refunded Bonds as soon as practical following the distribution of the required redemption notices. The August 1, 2017 maturity and associated interest costs of the Series 2007 Bonds will be paid as scheduled since it is not callable.

Lastly, we do not believe that the Plan and associated Exhibits meet the requirements of Section 9-21-134 of the Act or the Funding Board's related regulations. Therefore, no approval is sought pursuant to that section of the Act.

Exhibits

Please find attached several exhibits which are an integral part of the Plan which include:

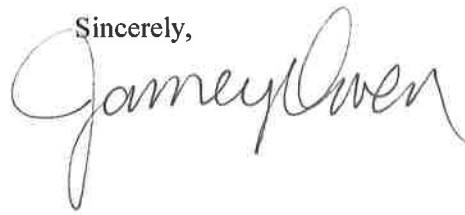
- I. A copy of the CT-0253 Form for of the Series 2007 Bonds;
- II. A copy of the initial Distribution List;
- III. A projected timetable and calendar of events;
- IV. Detailed schedules relating to the transaction including, but not limited to, projected yields, transaction costs and other required statistical data;

Proposed Schedule

Once the *Report of Review of Plan* has been received from your office, the City Council of the City (the "Governing Body") will consider a formal detailed resolution authorizing the sale and issuance of the Bonds. In preparation for its regular meeting, the Governing Body will meet for its usual and customary agenda review session on Tuesday, May 30, 2017. The Governing Body's regular meeting is scheduled for Thursday, June 8, 2017 at 6:00 p.m., local time.

If you have any questions or need any additional information with respect to the Plan, please do not hesitate to contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Jamey Owen". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Copies: Rick Dulaney - Raymond James
Karen S. Neal, Esq. - Bass, Berry & Sims PLC
Attachments: Exhibits I through IV