



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
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September 6, 2016

Honorable Clayton Stout, Mayor
and Honorable Board of Aldermen
City of Johnson City
P.O. Box 2150
Johnson City, TN 37605

Dear Mayor Stout and Members of the Board:

This letter and report, and the plan of refunding (the "Plan"), are to be posted on the website of the City of Johnson City (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.

This letter acknowledges receipt on September 2, 2016, of the City's request to review its Plan for the issuance of an estimated \$20,740,000 General Obligation Refunding Bonds, Series 2016A (the "Refunding Bonds") at a premium, to current refund \$1,810,000 General Obligation bonds, Series 2006, and advance refund \$21,135,000 General Obligation Refunding Bonds, Series 2009. Collectively these are the "Refunded Bonds." The total amount of refunded principal is \$22,945,000. The City plans to issue new money bonds as a part of the Series 2016A bonds to fund projects in the City.

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 its purpose for the refunding is for present value debt service savings.

Balloon Indebtedness

The City determined the structure of the Refunding Bonds presented in the Plan is balloon indebtedness and therefore, submitted a separate request for approval of a plan of balloon indebtedness in conjunction with its request for the review of the Plan. Approval of the Director of the Office of State and Local Finance is required prior to the City adopting the resolution authorizing the issuance of balloon indebtedness.

The City's plan of balloon indebtedness was approved by our office in a separate letter dated September 6, 2016.

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 has indicated that Public Financial Management, Inc., PFM, 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 their 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 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.

Report on Debt Obligation

We are enclosing State Form CT-0253, Report on Debt Obligation. 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 email to StateandLocalFinance.PublicDebtForm@cot.tn.gov or by mail to the address on this letterhead. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. For your convenience, a fillable PDF of Form CT-0253 is available 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: Mr. Jim Arnette, Director of Local Government Audit, COT
Ms. Janet Jennings, Finance Director, City of Johnson City
Ms. Lauren Lowe, Public Financial Management, LLC
Ms. Lillian Blackshear, Bass, Berry & Sims

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 JOHNSON CITY, TENNESSEE
OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016A**

The City of Johnson City (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of an estimated \$20,740,000 General Obligation Refunding Bonds, Series 2016A (the "Refunding Bonds") at a premium, to current refund \$1,810,000 General Obligation bonds, Series 2006, and advance refund \$21,135,000 General Obligation Refunding Bonds, Series 2009. Collectively these are the "Refunded Bonds." The total amount of refunded principal is \$22,945,000. The City plans to issue new money bonds as a part of the Series 2016A bonds to fund projects in the City.

This report must be presented to the governing body prior to the adoption of a refunding bond resolution. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide 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 City determined the structure of the Refunding Bonds presented in the Plan is balloon indebtedness and therefore, submitted a separate request for approval of a plan of balloon indebtedness in conjunction with its request for the review of the Plan. Approval of the Director of the Office of State and Local Finance is required prior to the City adopting the resolution authorizing the issuance of balloon indebtedness.

The City's plan of balloon indebtedness was approved by our office in a separate letter dated September 6, 2016.

City's Proposed Refunding Objective

The City indicated its purpose for the refunding is for present value debt service savings.

Refunding Analysis

- The results of the refunding are based on the assumption that \$20,740,000 Refunding Bonds will be sold by competitive sale and priced at a premium of \$4,910,799.
- The net present value savings are projected to be \$2,860,267, or 12.47% of the refunded principal of \$22,945,000.
- 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 \$198,495 or \$9.57 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance of Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter's Discount (TBD by competitive sale)	\$ 124,440.00	\$ 6.00
Municipal Advisor (Public Financial Management, Inc.)	26,494.64	\$ 1.28
Bond Counsel (Bass Berry & Sims)	26,494.64	\$ 1.28
Rating Agency Fees	13,777.20	\$ 0.66
Other Costs	7,288.72	\$ 0.35
Total Cost of Issuance	\$ 198,495.20	\$ 9.57

The City has indicated that Public Financial Management, Inc., PFM, 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.

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 of 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 will have to be submitted to this Office for review.

Sandra Thompson
Director of the Office of State and Local Finance

Date: September 6, 2016



City of Johnson City Tennessee

601 East Main Street • P.O. Box 2150 • Johnson City, TN 37605 • (423)434-6000

August 30, 2016

Ms. Sandra Thompson
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 Johnson City, Tennessee General Obligation Improvement and Refunding Bonds, Series 2016A

Dear Ms. Thompson:

We are submitting a plan of refunding for your review pursuant to TCA 9-21-901 et seq.

Plan of Refunding:

The City of Johnson City, Tennessee (the "City") has a potential opportunity to save debt service costs by current refunding certain maturities of its outstanding tax-exempt General Obligation Refunding Bonds, Series 2006 (the "Series 2006 Bonds") and advance refunding certain maturities of its outstanding tax-exempt General Obligation Refunding Bonds, Series 2009 (the "Series 2009 Bonds"). The Series 2006 Bonds and the Series 2009 Bonds are collectively the "Refunded Bonds". The proposed debt associated with the Refunded Bonds is secured by a general obligation pledge.

The Series 2006 Bonds have a dated date of March 30, 2006 and were authorized by the Board of Commissioners of the City (the "Board") on November 3, 2005. The Series 2009 Bonds have a dated date of June 30, 2009 and were authorized by the Board on June 4, 2009. Copies of the previously submitted CT-0253 forms filed with the State are attached.

The preliminary plan of finance includes refunding all or a portion of the following maturities listed below which will generate debt service savings to the City.

Indenture	Tax Status	Series	Maturities	Coupons	Call Date	Call Price
General Obligation	Tax-Exempt	2006	2018-2020	4.000 - 4.125%	12/17/2016	100%
General Obligation	Tax-Exempt	2009	2021-2031	4.250 - 5.00%	6/1/2019	100%

The Refunded Bonds will be refunded from proceeds of its General Obligation Improvement and Refunding Bonds, Series 2016A (the "Series 2016A Bonds"). A portion of the proceeds of the Series 2016A Bonds will be used to fund an escrow comprised of SLGS (if available) or Open Market Securities, the principal and interest on which would be sufficient, together with the cash on deposit, to pay the principal and interest on the Refunded Bonds. In addition to funding the escrow requirements on the Refunded Bonds, the City will use proceeds of the Series 2016A Bonds to fund capital projects and pay cost of issuance associated with the Series 2016A Bonds.

The amortization of the Series 2016A Bonds will be structured to provide uniform savings compared to the debt service of the Refunded Bonds in each fiscal year. Neither the final maturity nor the weighted average maturity of the debt is being extended. Attached as Appendix A are schedules demonstrating the proposed refinancing opportunity and includes the following information:

- Weighted Average Maturity of the Series 2016A Bonds
- Weighted Average Maturity of the Refunded Bonds
- Estimated cost of issuance associated with the Series 2016A Bonds

The table below highlights our refunding assumptions:

Savings Summary - General Obligation Improvement and Refunding Bonds, Series 2016A (estimated)	
Series 2016A Bonds Refunding Par Amount	\$20,740,000
Refunded Bonds Par Amount	\$22,945,000
Net Present Value Debt Service Savings	\$2,860,267
PV Savings as a % of Refunded Bonds	12.5%

The table below provides the estimated refunding results based on the current market conditions:

Refunding Assumptions - General Obligation Improvement and Refunding Bonds, Series 2016A (estimated)	
Dated & Delivery Date	November 17, 2016
Bonds Refunded	Series 2006, Series 2009
Market Rates	MMD as of 8/25/2016 + credit spread
Cost of Issuance	\$74,055
Underwriter's Discount	\$6 per Bond

The table below provides the estimated cost of issuance breakdown:

Cost of Issuance Breakdown - General Obligation Improvement and Refunding Bonds, Series 2016A (estimated)			
	Series 2016A New Money Bonds	Series 2016A Refunding Bonds	Total
Bond Counsel	\$23,505	\$26,495	\$50,000
Financial Advisor	23,505	26,495	50,000
Rating Agency	12,223	13,777	26,000
Printer	235	265	500
Paying Agent	188	212	400
Ipreo	588	662	1,250
Miscellaneous	2,351	2,649	5,000
Verification Agent	-	2,500	2,500
Escrow Agent	-	1,000	1,000
Totals	\$62,595	\$74,055	\$136,650

The City establishes a minimum net present value savings threshold of 3.0% of the refunded bond principal amount. The present values savings will be net of all costs related to the refinancing. The City intends to monitor the Refunded Bonds on a maturity-by-maturity basis in order to comply with its debt management policy. A copy of the City's Debt Management Policy is included within this plan of refunding.

The City intends to sell the Series 2016A Bonds on a competitive basis. The sale is anticipated to occur in November 2016. The City intends to act expeditiously to take advantage of the low interest rates.

In Summary

Prior to adoption of the resolution authorizing the Series 2016A Bonds on September 15th, the City seeks your refunding report on the General Obligation and Refunding Bonds, Series 2016A pursuant to the provisions of Title 9, Chapter 21, Tennessee Code Annotated.

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 me or Lauren Lowe from PFM Financial Advisors LLC at (901) 682-8356.

Sincerely,



Clayton Stout
Johnson City, Tennessee
Mayor
stoutclay@aol.com

CC: Ms. Janet Jennings, *Finance Director/City Recorder, Johnson City, TN*
Ms. Lauren Lowe, *PFM Financial Advisors LLC*
Ms. Lillian Blackshear, *Bass, Berry & Sims*