



JASON E. MUMPOWER
Comptroller

April 9, 2021

Honorable Mark Potts, County Mayor
and Honorable Board of Commissioners
Jefferson County
P.O. Box 710
Dandridge, TN 37725

Dear Mayor Potts and Members of the Board:

Thank you for your recent correspondence. We acknowledge receipt on March 29, 2021, of a request from Jefferson County (the "County") for a report on a plan of refunding (the "Plan") for the County's proposed issuance of a maximum of \$5,800,000 General Obligation Refunding Bonds, Series 2021B.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, enclosed is a report based upon our review of the County's Plan. The Plan, this letter, and the enclosed report should be made available on the County's website and must be presented to each member of the Board for review prior to the adoption of a refunding bond authorizing resolution.

If you should have questions or need assistance, please feel free to contact your financial analyst, Lori Barnard, at 615.747.5347 or Lori.Barnard@cot.tn.gov.

Very truly yours,

A handwritten signature in blue ink, appearing to read "B. Knotts".

Betsy Knotts
Director of the Division of Local Government Finance

cc: Mr. Bryan Burklin, Assistant Director, Division of Local Government Audit, COT
Mr. Langdon Potts, Director of Finance, Jefferson County
Mr. Scott Gibson, Cumberland Securities Company, Inc.
Mr. Joe Ayres, Cumberland Securities Company, Inc.
Mr. Mark Mamantov, Bass, Berry & Sims

Enclosure: Report of the Director of the Division of Local Government Finance

BK:lb



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**Report of the Director of the Division of Local Government Finance
Concerning the Proposed Issuance of
General Obligation Refunding Bonds, Series 2021B
Jefferson County, Tennessee**

This report is being issued pursuant to T.C.A. § 9-21-903 and is based upon information as presented in a plan of refunding (the “Plan”) received by our office on March 29, 2021, from Jefferson County, Tennessee (the “County”). Our report provides information to assist the governing body in its responsibility to understand the nature of the refunding transaction, including the costs, risks, and benefits, prior to approving the issuance of the refunding bonds and is designed to provide consistent and comparable information for all local governments in Tennessee.

This report does not constitute approval or disapproval of the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be refinanced or remain outstanding until their respective dates of maturity. This report does not address compliance with federal tax regulations and is not to be relied upon for that purpose. The County should discuss these issues with bond counsel. This report and the County’s Plan must be presented to the governing body prior to the adoption of a refunding bond resolution.

Refunding Analysis

At the request of the Mayor, our office has reviewed the County’s Plan, as required by T.C.A. § 9-21-903, and provides the following analysis based upon the assumptions outlined in the Plan:

The County plans to issue by competitive sale \$5,750,000 General Obligation Refunding Bonds, Series 2021B (the “Series 2021B Refunding Bonds”) priced at par to current refund \$1,670,000 General Obligation Refunding Bonds, Series 2014, dated May 15, 2014, maturing June 1, 2022 through June 1, 2027; and \$3,940,000 General Obligation Refunding Bonds, Series 2016, dated May 13, 2016, maturing June 1, 2021 through June 1, 2037 (the “Refunded Bonds”).

- The County’s stated objective for the refunding is to achieve savings. The anticipated net present value savings are \$303,204, or 5.40% of the total refunded principal amount of \$5,610,000. Savings will be achieved by reducing the average coupon rate from 2.55% on the Refunded Bonds to 1.61% on the Series 2021B Refunding Bonds.
- The proposed structure of the Series 2021B Refunding Bonds is not balloon indebtedness as defined in T.C.A. § 9-21-133 because the repayment structure is substantially level.

- Estimated costs of issuance are summarized below and based upon the par amount of \$5,750,000 of the Series 2021B Refunding Bonds:

	Amount	Price per \$1,000 Bond
Estimated Underwriter's Discount	\$ 69,619	\$ 12.11
Municipal Advisor (Cumberland Securities)	29,995	5.22
Bond Counsel (Bass, Berry & Sims)	14,000	2.43
Rating Agency	14,500	2.52
Miscellaneous Fees (Paying Agent, POS, Etc.)	11,500	2.00
Total Cost of Issuance	<u>\$ 139,614</u>	<u>\$ 24.28</u>

Financial Professionals

The Plan was prepared by the County with the assistance of its financial advisor, Cumberland Securities Company, Inc. Financial advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act in the County's best interest without regard to their own or other interests.

The Municipal Securities Rulemaking Board (MSRB) establishes rules and notices that municipal advisors and underwriters must follow when engaging in municipal securities transactions and advising investors and local governments. To learn more about the obligations of the County's underwriter and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

Plan Assumptions

The assumptions of the Plan are the assertions of the County. An evaluation of the preparation, support and underlying assumptions of the Plan has not been performed by our office. This report provides non assurances of the reasonableness of the underlying assumptions. The assumptions included in the County's Plan may not reflect either current market conditions or market conditions at the time of sale. The Series 2021B Refunding Bonds may be issued with a structure different from that of the Plan.

Debt Management Policy

The County has adopted a debt management policy and has indicated in its Plan that the proposed refunding transaction complies with the County's policy.

Requirements After the Refunding Bonds Have Been Issued

We have included a listing of certain compliance requirements your local government will be responsible for once the refunding bonds have been issued. The listing is not all inclusive and you

should work with your municipal advisor and bond counsel to ensure compliance with legal and regulatory requirements related to the proposed refunding.

Effective Date for this Report

This report is effective for a period of ninety (90) days from the date of the report. If the refunding transaction has not been priced during this ninety (90) day period, a new plan of refunding, with new analysis and estimates based on market conditions at that time, must be submitted to our office. We will then issue a report on the new plan for the County’s governing body to review prior to adopting a new refunding bonds authorizing resolution.



Betsy Knotts
Director of the Division of Local Government Finance
Date: April 9, 2021

Enclosure: Requirements After Debt is Issued



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Requirements After Debt is Issued

- **Annual Budget Approval**

Your local government will be subject to an annual budget approval process for the life of the outstanding debt as required by TCA § 9-21-403. Please refer to our online guidance at: tncot.cc/budget.

- **Bonds and Loans not Refunded**

If all the bonds and loans are not refunded as a part of the proposed refunding transaction and local officials wish to refund them in a subsequent bond issue, then a new plan must be submitted to our office for review.

- **Debt Management Policy**

Your local government should regularly review and, if necessary, amend its debt management policy. Please submit any amended policy to our office immediately upon adoption. Guidance concerning debt management policies is available at: tncot.cc/debt-policy.

- **Required Notification**

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. However, if it is determined prior to the issuance of the debt, that the actual results will differ significantly from the information provided in the submitted Plan and the local officials decide to proceed with the issue, the governing body and our office should be notified after the sale by the local government's Chief Executive Officer or the Chief Financial Officer regarding these differences. The Chief Executive Officer must state that they were aware of the differences and determined to proceed with the issuance of the debt. Notification will be necessary only if there is a change of ten percent (10%) or more in any of the following:

- (1) An increase in the principal amount of the debt issued;
- (2) An increase in costs of issuance; or
- (3) A decrease in the cumulative savings or increase in the loss.

The notification must include an explanation for any significant differences and the justification for a change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the governing body and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

- **Debt Report**

Pursuant to T.C.A. § 9-21-134, a Debt Report (the “Report”) shall be completed and filed with the governing body of the local government no later than forty-five (45) days after the issuance of the debt, with a copy (including attachments, if any) filed with the Division of Local Government Finance. The Report and instructions may be accessed at: tncot.cc/debt-report.

- **Rule 15c2-12 of the Securities Exchange Act**

Local governments that have issued municipal securities on or after February 27, 2019, are required to report certain information related to the issuance of financial obligations. Information on the reporting requirements is available on the Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access EMMA® website: emma.msrb.org.