



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

May 5, 2015

Honorable Patti Carroll, Mayor
City of Fairview
7100 City Center Way
Fairview, TN 37062

Dear Mayor Carroll:

This letter, report, and the submitted plan of refunding (the "Plan"), are to be posted on the City of Fairview's (the "City") website. Please make these documents available to the public and provide a copy of this report to each member of the governing body and review it at the meeting held to consider the refunding bond resolution.

This letter acknowledges receipt on April 20, 2015, of the City's request to review the Plan for the issuance of an estimated \$1,250,000 General Obligation Refunding Bonds, Series 2015 (the "Refunding Bonds") to current refund an estimated \$1,204,000 General Obligation Loan Agreement, Series 2001, (the "Refunded Loan Agreement").

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

According to the City, the Refunding Bonds are being issued to restructure all of the City's outstanding debt to make cash available to build reserves in fiscal year 2016 back to a target level. The refunding will also eliminate variable interest rate risk associated with the 2001 Loan Agreement.

BUDGETING AND CASH MANAGEMENT ISSUES

In the period from fiscal year 2010 to fiscal year 2014, the City's General Fund expenditures have exceeded revenues by \$2.2 million. This overspending has reduced the City's cash balance by \$1,206,407 from \$1,835,160 at June 30, 2010, to \$628,753 at June 30, 2014. The City also issued debt and entered into capital leases during this period. The City is seeking to increase its cash balance by restructuring its currently outstanding debt portfolio and capital leases. New debt, including refunding bonds, is being issued to extend the final maturity of the City's debt portfolio by four years to fiscal year 2030. This extension will create nearly level debt service payments of approximately \$260,000, but, will come at a cost of additional interest expense and reduced future debt capacity. This extension also permits the City to delay the first principal payment of the refunding bonds to fiscal year 2017.

In its future budgets, the City Commission should consider appropriating less money than anticipated cash receipts in order to maintain adequate cash for working capital and contingencies. We recommend that the City Commission adopt a cash management policy for the City's funds indicating an appropriate level of cash for each fund at the beginning of the fiscal year for working capital and contingencies. We recommend that the City use the Statement of Cash Flow Analysis included with our office's Annual Budget Memo as part of the process to determine and monitor the appropriate level of cash for each fund.

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 Refunding Bonds, 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 reported Cumberland Securities Company, Inc. as 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 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 the Form CT-0253, Report on Debt Obligation. The form must be completed for all debt issued. 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 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. The form can be found at comptroller.tn.gov/sl/pubdebt.asp.

Sincerely,



Sandra Thompson

Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Mr. Wayne Hall, City of Fairview
Mr. John Werner, Cumberland Securities Company, Inc.
Mr. Scott Gibson, Cumberland Securities Company, Inc.
Ms. Nina Kumar, Nelson, Mullins, Riley & Scarborough, LLP

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 OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015
THE CITY OF FAIRVIEW**

The City of Fairview (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of an estimated \$1,250,000 General Obligation Refunding Bonds, Series 2015 (the "Refunding Bonds") to current refund an estimated \$1,204,000 General Obligation Loan Agreement, Series 2001, (the "Refunded Loan Agreement").

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. 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. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. 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

According to the City, the Refunding Bonds are being issued to restructure all of the City's outstanding debt to make cash available to build reserves in fiscal year 2016 back to a target level. The refunding will also eliminate variable interest rate risk associated with the 2001 Loan Agreement.

BUDGETING AND CASH MANAGEMENT ISSUES

In the period from fiscal year 2010 to fiscal year 2014, the City's General Fund expenditures have exceeded revenues by \$2.2 million. This overspending has reduced the City's cash balance by \$1,206,407 from \$1,835,160 at June 30, 2010, to \$628,753 at June 30, 2014. The City also issued debt and entered into capital leases during this period. The City is seeking to increase its cash balance by restructuring its currently outstanding debt portfolio and capital leases. New debt, including refunding bonds, is being issued to extend the final maturity of the City's debt portfolio by four years to fiscal year 2030. This extension will create nearly level debt service payments of approximately \$260,000, but, will come at a cost of additional interest expense and reduced future debt capacity. This extension also permits the City to delay the first principal payment of the refunding bonds to fiscal year 2017.

In its future budgets, the City Commission should consider appropriating less money than anticipated cash receipts in order to maintain adequate cash for working capital and contingencies. We recommend that the City Commission adopt a cash management policy for the City's funds indicating an appropriate level of cash for each fund at the beginning of the fiscal year for working capital and contingencies. We recommend that the City use the Statement of Cash Flow Analysis included with our office's Annual Budget Memo as part of the process to determine and monitor the appropriate level of cash for each fund.

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that \$1,250,000 Refunding Bonds will be sold by competitive sale and priced at par.
- The Refunding Bonds will be issued with a fixed interest rate structure. The Refunded Loan Agreement has a variable interest rate structure.
- The issuance of the Refunding Bonds will eliminate all of the City's variable interest rate debt.
- The City is extending the maturity schedule of the Refunded Loan Agreement by four years from 2026 to 2030.
- The extension of the maturity schedule of the Refunded Loan Agreement will increase interest expense from \$148,033, (calculated at the budgeted rate of 2%) to \$273,587; an increase of \$125,554.
- Estimated cost of issuance of the Refunding Bonds is \$43,993 or \$35.19 per \$1,000 of the par amount of the Refunding Bonds. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (TBD by Competitive Sale)	\$ 12,500.00	\$ 10.00
Financial Advisor (Cumberland Securities Company, Inc.)	13,319.64	10.66
Bond Counsel (Nelson, Mullins, Riley & Scarborough, LLP)	5,653.27	4.52
Rating Agency Fees	6,072.03	4.86
Other Costs	6,448.39	5.16
Total Cost of Issuance	\$ 43,993.33	\$ 35.19

The City has identified Cumberland Securities Company, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

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 Loan Agreement is not refunded as a part of the Refunding Bonds, and the City wishes to refund any part 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: May 5, 2015