



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
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NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872  
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May 16, 2012

Mr. Bruce Wyatt, City Manager  
City of Crossville  
99 Municipal Avenue  
Crossville, TN 3855

Dear Mr. Wyatt:

This letter acknowledges receipt on May 7, 2012, of a request to review a plan of refunding (the "Plan") related to the issuance of General Obligation Refunding and Improvements Bonds and Water and Sewer Revenue and Tax Refunding and Improvements Bonds (the "2012 Bonds"). The aggregate amount of the 2012 Bonds is anticipated not to exceed \$17,000,000.

**Proposed Bond Issue**

The General Obligation Refunding and Improvements Bonds will be issued in two series: General Obligation Refunding and Improvements Bonds (Tax-Exempt), Series 2012A (the "2012A Bonds") and General Obligation Improvements Bonds (Taxable), Series 2012B (the "2012 B Bonds").

The 2012A Bonds will current refund:

- \$680,000 of the Tax-Exempt General Obligation Airport Three-Year Capital Outlay Notes, Series 2011 (the "2011 Notes"); and
- \$1,000,000 of the Tax-Exempt General Obligation Loan Agreement, Series 2010 (the "2010 Loan Agreement").

The 2012A Bonds will also provide \$2,449,166 to finance a city hall renovation project and the Northwest connector.

The 2012B bonds will provide reimbursement for \$1,900,000 in project costs related to the city hall renovation project and convert to bonds \$1,818,000 in Five-Year Taxable Capital Outlay Notes, Series 2012 issued to finance the industrial park project. The City had not documented its intent to reimburse the cost for the city hall renovation project with debt at the time of the project authorization and has been advised that it cannot issue tax-exempt debt to reimburse the costs. The conversion of the 2011 Notes to bonds is within the two year period following their issue and does not require approval by this Office.

The Water Revenue and Tax Refunding and Improvements Bonds will be issued in one series: Water Revenue and Tax Refunding and Improvements Bonds, Series 2012C (the "2012C Bonds"). The 2012C Bonds will current refund:

- \$3,335,000 of the 2010 Loan Agreement;
- \$1,410,025 of the Tax-Exempt General Obligation Revenue and Tax Bonds, Series 2003 (the "2003 Bonds"); and
- \$2,520,780 of the Tax-Exempt General Obligation Loan Agreement, Series 1997 (the "1997 Loan Agreement").

The 2012C Bonds will also provide \$1,665,000 to finance sewer improvements.

Collectively, the 2011 Notes, the 2010 Loan Agreement, the 2003 Bonds, and the 1997 Loan Agreement constitute the "Refunded Debt."

Pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, 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 information presented in a plan of refunding 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's Municipal Advisor has stated that the City is issuing the 2012 Bonds to "provide for reductions to annual debt service requirements and allow for the City to conduct efficient operations with tax and user rates at levels lower than would otherwise be possible. Further, "restructuring debt service requirements and modification of related covenants will add protection to the credit position of the City; provide for increases to levels of debt service coverage; increase levels of operating margins; and strengthen the underlying operational, financial, and credit position of the City." With the 2012A Bonds the City intends to extend the final maturity of the 2010 Loan Agreement to fiscal year 2037 from 2023 and to fiscal year 2015 from ? for the 2011 Notes.

#### **Compliance with the City's Debt Management Policy**

The City provided a copy of its debt management policy. When the City submits Form CT-0253 within 45 days of issuance of the debt approved in this letter, the City must describe, in specifics, how the debt complies with its Debt Policy. If the version of the Policy already filed with the Office is the current version of the Policy at the time the debt is issued, The City does not have to resubmit a copy of its Policy.

#### **Private negotiated sale**

The approval of the Office of State and Local Finance is required when a municipality desires to sell refunding general obligation debt through a negotiated sale process. The City requested approval to sell the 2012A and 2012C Bonds through negotiated sale.

This letter constitutes approval to negotiate the sale of the 2012A and 2012C Bonds, conditioned upon the following requirements:

- The bonds are sold with the debt service payment schedule having the same principal repayment schedule as presented in the Plan or the principal payment schedule is accelerated.

- A copy of this letter and the enclosed reports shall be provided to all members of the City Council, be presented at the next meeting of the Council after receipt, and be spread across the face of the minutes of the meeting.
- The City shall comply with all the requirements of Title 9, Chapter 21 of the *Tennessee Code Annotated*.

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

Enclosed are the reports of the review of the Plan required by *Tennessee Code Annotated* Section 9-21-1003 for distribution to the members of the City Council. The 2012A Bond and 2012C Bond each have a separate report based on the underlying security; the 2012B Bonds .

These reports and the Plan are to be published and placed on the City's website prior to the meeting of Council at which the refunding bond resolution will be considered, The reports and Plan are to be provided to each member of Council, and reviewed at that meeting .

**The enclosed reports do 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 reports 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.

*These reports are 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 Plan 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 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, 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.*

## Public Debt Entity Report

Enclosed is a revised Form CT-0253 - Report on Debt Obligation. The Form CT-0253 must be filed with the governing body of the public entity issuing the Debt not later than forty-five (45) days following the issuance or execution of a debt obligation by or on behalf of any public entity, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by email to the address below or to the mailing address on this letter. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

[StateandLocalFinance.PublicDebtForm@cot.tn.gov](mailto:StateandLocalFinance.PublicDebtForm@cot.tn.gov)

Sincerely,



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

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Honorable J. H. Graham, Mayor of the, City of Crossville  
Mr. Larry Kidwell, Kidwell & Company Inc.

Enclosures (3): Reports of the Director of the Office of State & Local Finance  
State Form CT-0253, Report on Debt Obligation.

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE OF THE CITY OF CROSSVILLE, TENNESSEE  
GENERAL OBLIGATION REFUNDING AND IMPROVEMENTS BONDS, SERIES 2012A**

The City of Crossville (the "City") submitted a plan of refunding (the "Plan"), as required by Tennessee Code Annotated Section 9-21-903 regarding issuance of a proposed \$4,165,000 General Obligation Refunding and improvements Bonds, Series 2012A (the "2012A Bonds"), to current refund by negotiated or competitive sale, an estimated:

- \$680,000 of the Tax-Exempt General Obligation Airport Three-Year Capital Outlay Notes, Series 2011 (the "2011 Notes"); and
- \$1,000,000 of the Tax-Exempt Variable Interest Rate General Obligation Loan Agreement, Series 2010 (the "2010 Loan Agreement").

Collectively these debt obligations are the "Refunded Debt." The new money portion (improvement) of \$2,449,166 will be used to finance the city hall renovation project and the Northwest connector. The Plan was prepared with the assistance of the City's Municipal Advisor, Kidwell & Company, Inc.

**City's Proposed Refunding Objective**

The City's Municipal Advisor states that the City is issuing the 2012A Bonds to "add new debt while achieving a lower and more level annual debt service payments allowing for the City to conduct efficient operations with tax and user rates at levels lower than would otherwise be possible." Further, "the restructuring of debt service requirements adds protection to the credit position of the City; provides for increased levels of debt service coverage; provides opportunity to increase levels of operating margins; all combining to strengthen the underlying operational, financial, and credit position of the City."

**Compliance with the City's Debt Management Policy**

The City provided a copy of its debt management policy. The Plan appears to meet the requirements of the policy.

**Refunding Analysis**

- The Plan assumes that the \$1,715,834 refunding portion of the 2012A Bonds will be sold by negotiated sale.
- The proposed 2012A Bonds are fixed interest rate bonds versus variable interest rate for the \$1,000,000 of the 2010 Loan Agreement reducing the amount of variable rate debt in the City's debt portfolio.
- The proposed life of the 2012A Bonds is 25 years.
- The final maturity of the 2012A Bonds is fiscal year 2037 versus 2023 for the 2010 Loan Agreement and 2015 for the 2011 Notes. Final maturity is extended for 14 years for the 2010 Loan Agreement.
- The projected increase in total debt service payments is \$994,703.
- Principal payments are shifted to fiscal year 2029 through 2037 with minimal principal payments in fiscal years 2013 through 2028.
- The proposed transaction appears to create approximately level debt service payments for the City including the new debt for improvements.
- The estimated cost of issuance of the 2012A Bonds is \$83,303 or \$20.00 per \$1,000 par amount of the 2012A Bonds. Included in the cost of issuance is an estimated underwriter's discount of \$20,826. The following table illustrates the estimated cost for the refunding and improvement (new money portions of the 2012A Bonds) (all data from the Plan).

Table 1

**Costs of issuance**

Par Amount Cost	Refunding		2012A Bonds Improvement		Total	
	\$ Amount	1,715,84.00 Cost/\$1,000	\$ Amount	2,449,166.00 Cost/\$1,000	\$ Total	4,165,000.00 Cost/\$1,000
Municipal Advisor	\$ 17,155.55	\$ 10.00	\$ 24,496.02	\$ 10.00	\$ 41,651.57	\$ 10.00
Legal Fees:						
Bond Counsel	4,288.89	2.50	6,124.01	2.50	\$ 10,412.90	\$ 2.50
Issuer's Counsel	1,767.28	1.03	2,523.46	1.03	\$ 4,290.74	\$ 1.03
Registration and Paying Agent Fees	107.76	0.06	153.87	0.06	\$ 261.63	\$ 0.06
Rating Agency Fees	1,875.04	1.09	2,677.33	1.09	\$ 4,552.37	\$ 1.09
Underwriter's Discount	8,577.78	5.00	12,248.01	5.00	\$ 20,825.79	\$ 5.00
Printing and Advertising Fees	538.81	0.31	769.35	0.31	\$ 1,308.15	\$ 0.31
Estimated Total Costs of Issuance	\$ 34,311.10	\$ 20.00	\$ 48,992.05	\$ 20.00	\$ 83,303.15	\$ 20.00

Please note these bonds will be sold in increments of \$5,000. This calculation for the cost of issuance is based on assigning a portion of the costs of issuance to the portion of the bonds related to the refunding the portion for improvements. The actual transaction may require an amount for rounding these portions up to sell a whole bond and change the actual cost of issuance amount.

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 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.

The City has reported Kidwell & 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 applies only to the transaction described. Should the District decide to refund less than \$1,680,000 of the Refunded Debt and to refund the remainder at a later date, it must submit another request for a report to refund the debt at that time.



Mary-Margaret Collier  
Director of the Office of State and Local Finance  
Date: May 16, 2012

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CITY OF CROSSVILLE, TENNESSEE  
CONCERNING THE PROPOSED ISSUANCE OF ITS  
WATER REVENUE AND TAX REFUNDING AND IMPROVEMENTS BONDS, SERIES 2012C**

The City of Crossville (the "City") submitted a plan of refunding (the "Plan"), as required by Tennessee Code Annotated Section 9-21-903 regarding for the proposed issuance of \$9,055,000 Water Revenue and Tax Refunding and improvements Bonds, Series 2012C (the "2012C Bonds"), to current refund by negotiated sale, an estimated:

- \$3,335,000 Tax-Exempt Variable Interest Rate General Obligation Loan Agreement, Series 2010 (the "2010 Loan Agreement");
- \$1,410,025 Tax-Exempt General Obligation Revenue and Tax Bonds, Series 2003 (the "2003 Bonds"); and
- \$2,520,780 Tax-Exempt Variable Interest Rate General Obligation Loan Agreement, Series 1997 (the "1997 Loan Agreement").

The 2010 Loan Agreement, 2003 Bonds, and the 1997 Loan Agreement are collectively the "Refunded Debt." The new money portion (improvement) of \$1,699,410 will be used to finance additions and improvements to the Water and Sewer System. The Plan was prepared with the assistance of the City's Municipal Advisor, Kidwell & Company, Inc.

**City's Proposed Refunding Objective**

The City's Municipal Advisor states that the City is issuing the 2012C Bonds to "add new debt while achieving a lower and more level annual debt service payments allowing for the City to conduct efficient operations with tax and user rates at levels lower than would otherwise be possible" Further, "the restructuring of debt service requirements adds protection to the credit position of the City; provides for increased levels of debt service coverage; provides opportunity to increase levels of operating margins; all combining to strengthen the underlying operational, financial, and credit position of the City."

**Compliance with the City's Debt Management Policy**

The City provided a copy of its debt management policy. The Plan appears to meet the requirements of the policy.

**Refunding Analysis**

- The Plan assumes that the \$7,355,590 refunding portion of the 2012C Bonds will be sold by negotiated sale priced at par.
- The 2012C bonds will be issued with a fixed interest rate eliminating the variable interest rate risk on the 2010 and 1997 Loan Agreements.
- The proposed life of the 2012C Bonds is 20 years.
- The final maturity of the 2012C Bonds is fiscal year 2032 versus 2025 for the Refunded Debt.
- The 2012C Bonds are extending the life of the 2010 and 1997 Loan Agreements, the 2003 Bonds life is being shortened.
- Principal repayment does not resume until 2015 for the 2012C Bonds, with the majority of repayment in years 2024 through 2032.
- The projected increase in total debt service payments is \$2,736,042.
- Principal payments are shifted to fiscal year 2024 through 2032 with balloon principal payments in fiscal years 2031 and 2032 totaling \$2,302,937 or 31% of the \$7,355,590 of the proposed refunding portion of the 2012C Bonds.
- The proposed transaction appears to create approximately level debt service payments for the City including the new debt for improvements.
- The estimated cost of issuance of the 2012C Bonds is \$181,100 or \$20.00 per \$1,000 par amount of the 2012 Bonds (all data from the Plan).

Table 1

Costs of issuance

Par Amount	Refunding		2012C Bonds Improvement		Total	
	\$	7,355,590.00	\$	1,699,410.00	\$	9,055,000.00
Cost	Amount	Cost/\$1,000	Amount	Cost/\$1,000	Total	Cost/\$1,000
Municipal Advisor	\$ 73,555.90	\$ 10.00	\$ 16,994.10	\$ 10.00	\$ 90,550.00	\$ 10.00
Legal Fees:						
Bond Counsel	18,389.38	2.50	4,248.62	2.50	22,638.00	2.50
Issuer's Counsel	4,061.62	0.55	938.38	0.55	5,000.00	0.55
Registration and Paying Agent Fees	406.16	0.06	93.84	0.06	500.00	0.06
Rating Agency Fees	12,184.85	1.66	2,815.15	1.66	15,000.00	1.66
Underwriter's Discount	36,777.95	5.00	8,497.05	5.00	45,275.00	5.00
Printing and Advertising Fees	1,735.94	0.24	401.06	0.24	2,137.00	0.24
Estimated Total Costs of Issuance	\$ 147,111.80	\$ 20.00	\$ 33,988.20	\$ 20.00	\$ 181,100.00	\$ 20.00

Please note these bonds will be sold in increments of \$5,000. This calculation for the cost of issuance is based on assigning a portion of the costs of issuance to the portion of the bonds related to the refunding the portion for improvements. The actual transaction may require an amount for rounding these portions up to sell a whole bond and change the actual cost of issuance amount.

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 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.

The City has reported Kidwell & 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 applies only to the transaction described. Should the District decide not to refund all of the Refunded Debt and to refund the remainder at a later date, it must submit another request for a report to refund the debt at that time.

*Mary-Margaret Collier*

Mary-Margaret Collier  
 Director of the Office of State and Local Finance  
 Date: May 16, 2012