



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
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August 5, 2016

Dr. Jon Smith, Chairman  
and Members of the Board  
City of Johnson City Public Building Authority  
300 E. Main Street, Suite 406  
Johnson City, TN 37601

Dear Dr. Smith and Board Members:

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

This letter acknowledges receipt on August 1, 2016, of the PBA's request to review its Plan for the issuance of an amount not to exceed \$7,950,000 Public Facility Refunding Bonds, Series 2016, (taxable) (the "Refunding Bonds") to current refund an estimated:

- \$6,195,000 Public Facility Bonds, Series 2006A, and
- \$1,555,000 Public Facility Bonds, Series 2006B (taxable).

These are collectively the "Refunded Bonds." The total amount of refunded principal is \$7,750,000. The PBA issued the Refunded Bonds as revenue bonds secured by payments from a lease between the PBA and the City of Johnson City on a continuing education conference center. The security for the Refunding Bonds will be this same revenue source.

Pursuant to the provisions of Tennessee Code Annotated Title 12, Chapter 10, Part 1, and 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 PBA and may not reflect either current market conditions or market conditions at the time of sale.

#### **PBA's Proposed Refunding Objective**

The PBA 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 PBA 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 PBA must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the PBA adopting the resolution authorizing the issuance of the debt.

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

The PBA provided a copy of its debt management policy, and within forty-five days (45) 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 PBA amends its policy, please submit the amended policy to this office.

### **Financial Professionals**

The PBA has not reported a municipal advisor. Municipal advisors have a fiduciary responsibility to the PBA. Underwriters have no fiduciary responsibility to the PBA. They represent the interests of their firm and are not required to act in the PBA's best interest without regard to their own or other interests. The PBA prepared the Plan with the assistance of its proposed underwriter Raymond James.

### **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 PBA 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. Either the Chief Executive Officer or the Chief Financial Officer of the local government must submit such statement. 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.

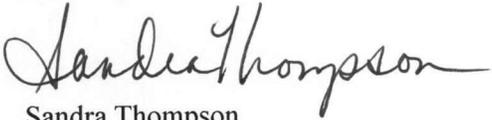
We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations 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 PBA 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](mailto: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 letter or the following report, please feel free to call us.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. Pete Peterson, City of Johnson City  
Ms. Janet Jennings, City of Johnson City  
Mr. Rick Dulaney, Raymond James  
Ms. Karen Neal, 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 OF  
PUBLIC FACILITY REFUNDING BONDS, SERIES 2016 (TAXABLE)  
BY THE CITY OF JOHNSON CITY PUBLIC BUILDING AUTHORITY**

The City of Johnson City Public Building Authority (the "PBA") submitted a plan of refunding (the "Plan"), as required by Tennessee Code Annotated Title 12, Chapter 10, Part 1 and Title 9, Chapter 21, regarding the issuance of an amount not to exceed \$7,950,000 Public Facility Refunding Bonds, Series 2016, (taxable) (the "Refunding Bonds") to current refund an estimated:

- \$6,195,000 Public Facility Bonds, Series 2006A, and
- \$1,555,000 Public Facility Bonds, Series 2006B (taxable).

These are collectively the "Refunded Bonds." The total amount of refunded principal is \$7,750,000. The PBA issued the Refunded Bonds as revenue bonds secured by payments from a lease between the PBA and the City of Johnson City on a continuing education conference center. The security for the Refunding Bonds will be this same revenue source.

The Plan was prepared with the assistance of the PBA's proposed underwriter, Raymond James. This Office has not performed an evaluation of the preparation, support, and underlying assumptions of the Plan. This report provides 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 from that of the Plan. The PBA 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 PBA 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 PBA must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the PBA adopting the resolution authorizing the issuance of the debt.

**PBA's Proposed Refunding Objective**

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

**Refunding Analysis**

- The results of the refunding are based on the assumption that an estimated \$7,905,000 Refunding Bonds will be sold by negotiated sale and priced at par.
- The net present value savings are projected to be \$684,593, or an approximate 8.83% of the refunded principal of \$7,750,000.
- The refunding generates savings by reducing the average coupon of the Refunded Bonds from 4.78% to an average coupon of 1.64% 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 \$97,707, or \$12.36 per \$1,000 of par amount. See Table 1 for individual costs of issuance.

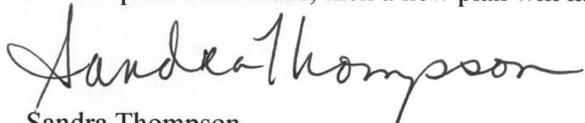
Table 1  
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (Raymond James)	\$ 51,382.50	\$ 6.50
Bond Counsel (Bass Berry & Sims)	20,000.00	2.53
Rating Agency Fees	16,000.00	2.02
Other Costs	10,324.00	1.31
Total Cost of Issuance	<u>\$ 97,706.50</u>	<u>\$ 12.36</u>

The PBA has not reported a municipal advisor. Municipal advisors have a fiduciary responsibility to the PBA. Underwriters have no fiduciary responsibility to the PBA. They represent the interests of their firm and are not required to act in the PBA's best interest without regard to their own or other interests. The PBA prepared the Plan with the assistance of its proposed underwriter, Raymond James.

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 PBA. The assumptions included in the PBA's Plan may not reflect either current market conditions or market conditions at the time of sale.

If not all of the Refunded Bonds are refunded as a part of the Refunding Bonds, and the PBA 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: August 5, 2016