



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

May 30, 2019

Honorable Jenny Brock, Mayor
and Honorable Board of Commissioners
City of Johnson City
601 East Main Street
Johnson City, TN 37605

Dear Mayor Brock and Members of the Board:

This letter, report and plan of refunding (the "Plan") are to be posted on the website of the City of Johnson City (the "City"). Please provide a copy of the letter, report, and Plan to each Board member for review at the public meeting for the adoption of the refunding bond authorizing resolution.

We acknowledge receipt on May 22, 2019, of a request from the City to review its Plan for the issuance of an estimated \$38,800,000 General Obligation Refunding Bonds, Series 2019A (the "Series 2019A Refunding Bonds").

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.

Financial Professionals

The Plan was prepared by the City with the assistance of its municipal advisor, PFM Financial Advisors LLC. 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.

Private Negotiated Sale Approval

The approval of this office is required when a city desires to sell refunding general obligation bonds through a negotiated sale process. The City has requested approval to sell the Series 2019A Refunding Bonds through negotiated sale. This letter constitutes approval to negotiate the sale of the Series 2019A Refunding Bonds, conditioned upon the requirement that the Bonds are sold with the debt service payment schedule having the same principal repayment schedule as presented in the plan or the principal repayment schedule is accelerated.

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 debt issued complies with the City's debt policy. If the City amends its policy, please submit the amended policy to this office.

Plan of Refunding

The City intends to sale approximately \$38,800,000 Series 2019A Refunding Bonds priced at a premium of \$5,584,882 to:

- Advance refund \$40,255,000 General Obligation Bonds (Taxable Build America Bonds), Series 2010A, dated June 24, 2010, and maturing June 1, 2020 through June 1, 2040; and
- Current refund \$2,410,000 Local Government Public Improvement Bonds, Series VII-J-1, dated February 24, 2011, and maturing June 1, 2020 through June 1, 2023.

Report of the Review of a Plan of Refunding

The enclosed report must be presented to the City Board for review prior to the adoption of a refunding bond authorizing resolution.

The enclosed report does not constitute approval or disapproval for the 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.

The enclosed report is effective for a period of ninety (90) days from the date of the report. If the refunding bonds have not been sold within the 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 this office. We will then issue a report on the new plan for the governing body to review prior to adopting a new refunding bond authorizing resolution.

This letter and the enclosed report do not address 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. The assumptions of the plan are the assertions of the City. An evaluation of the preparation, support and underlying assumptions of the plan has not been performed by this office. The enclosed report provides no assurances of the reasonableness of the underlying assumptions.

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 the actual results differ significantly from the information provided in the submitted Plan,

the governing body and our office should be notified after the sale by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences.

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 (if applicable).

The notification must include an explanation for any significant differences and the justification for 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.

Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

Municipal Securities Rulemaking Board (MSRB) Rule G-17

MSRB Rule G-17 requires underwriters and municipal advisors to deal fairly with the City in the conduct of its municipal securities or municipal advisory activities. The Securities and Exchange Commission approved MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities on May 4, 2012. On August 2, 2012, this interpretive notice to MSRB Rule G-17 on fair dealing became part of federal securities law and underwriters are required to comply with its provisions.

These duties fall into three areas:

- statements and representations to issuers;
- disclosures to issuers; and
- financial aspects of underwriting transactions.

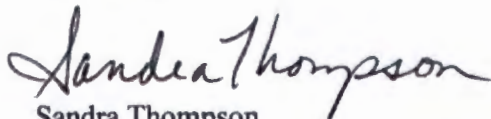
To learn more about the obligations of the City's underwriter (if applicable) and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

Report on Debt Obligation

We are enclosing a Report on Debt Obligation, Form CT-0253. 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 mail to the address on this letterhead or by email to SLF.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 the form can be found on our website at: <https://comptroller.tn.gov/office-functions/state-and-local-finance.html>.

If you should have questions or need assistance, please feel free to contact your financial analyst, Steve Osborne, at 615.747.5343 or Steve.Osborne@cot.tn.gov. You may also contact our office by mail at the address located at the bottom of this page. Please send it to the attention of your analyst at the Office of State and Local Finance.

Sincerely,



Sandra Thompson
Director of the Office of State and Local Finance

cc: Ms. Jean Suh, Audit Review Manager, Division of Local Government Audit, COT
Ms. Janet Jennings, City of Johnson City
Ms. Lauren Lowe, PFM Financial Advisors LLC
Mr. Nicholas Yatsula, PFM Financial Advisors LLC
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State and 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 2019A
CITY OF JOHNSON CITY, TENNESSEE**

The City of Johnson City (the "City") submitted a plan of refunding (the "Plan"), as required by TCA § 9-21-903 regarding the issuance of an estimated \$38,800,000 General Obligation Refunding Bonds, Series 2019A (the "Series 2019A Refunding Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, PFM Financial Advisors LLC. The assumptions of the plan are the assertions of the City. An evaluation of the preparation, support and underlying assumptions of the Plan has not been performed by this office. 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 Series 2019A Refunding Bonds may be issued with a structure different from that of the Plan. The City provided a copy of its debt management policy.

Balloon Indebtedness

The structure of the Series 2019A Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the 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

The Series 2019A Refunding Bonds are being issued to achieve net present value debt service savings.

Plan of Refunding

The City intends to sale by negotiation approximately \$38,800,000 Series 2019A Refunding Bonds priced at a premium to:

- Advance refund \$40,255,000 General Obligation Bonds (Taxable Build America Bonds), Series 2010A, dated June 24, 2010, and maturing June 1, 2020 through June 1, 2040; and
- Current refund \$2,410,000 Local Government Public Improvement Bonds, Series VII-J-1, dated February 24, 2011, and maturing June 1, 2020 through June 1, 2023.

Collectively these are the (Refunded Bonds"). The total amount of refunded principal is \$42,665,000.

Refunding Analysis

- The results of the refunding assume that the City intends to sell \$38,800,000 Series 2019A Refunding Bonds by negotiated sale and priced at a premium of \$5,584,882.
- The estimated net present value debt service savings is \$3,082,368 or 7.22% of the refunded principal amount of \$42,665,000.

- The final maturity of the Series 2019A Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance for the Series 2019A Refunding Bonds is \$341,750 or \$8.81 per \$1,000 of the par amount of the Series 2019A Refunding Bonds. See Table 1 for individual costs of issuance.

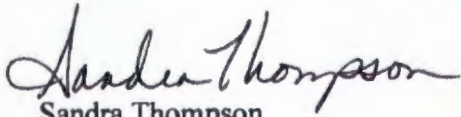
Table 1
Costs of Issuance
Series 2019A Refunding Bonds

| | Amount | Price per \$1,000 Bond |
|--|-------------------|------------------------|
| Estimated Underwriter's Discount (TBD) | \$ 204,300 | \$ 5.26 |
| Municipal Advisor (PFM) | 53,800 | 1.39 |
| Bond Counsel (Bass Berry & Sims) | 45,000 | 1.16 |
| Rating Agency | 29,000 | 0.75 |
| Miscellaneous | 9,650 | 0.25 |
| Total Cost of Issuance | \$ 341,750 | \$ 8.81 |

This report of the Office of State and Local Finance does not constitute approval or disapproval by our 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 the City does not refund all the Refunded Bonds as a part of the Series 2019A 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.

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 this office.



Sandra Thompson
Director of the Office of State and Local Finance
Date: May 30, 2019



CITY OF JOHNSON CITY
601 East Main Street
www.JohnsonCityTN.org
423.434.6000

May 14, 2019

Ms. Sandra Thompson
Director, State and Local Finance
State of Tennessee
Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243-0274

**City of Johnson City, Tennessee
General Obligation Refunding Bonds, Series 2019A**

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 advance refunding certain maturities of its outstanding taxable General Obligation Bonds, Series 2010A (Federally Taxable Build America Bonds) (the "Series 2010A Bonds") and current refunding certain maturities of outstanding tax-exempt Local Government Public Improvement Bonds, Series VII-J-1 (the "Series VII-J-1 Bonds"). The Series 2010A Bonds and the Series VII-J-1 Bonds are collectively the "Refunded Bonds". The proposed debt associated with the Refunded Bonds is secured by a general obligation pledge.

The Series 2010A Bonds have a dated date of June 24, 2010 and were authorized by the Board of Commissioners of the City (the "Board") on April 15, 2010. The Series VII-J-1 Bonds have a dated date of February 24, 2011; a loan agreement between the City and the Public Building Authority of Sevier County, TN was authorized by the Board on December 22, 2010. 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 | Taxable | 2010A | 2020-2040 | 4.65% - 5.80% | 6/1/2020 | 100% |
| General Obligation | Tax-Exempt | VII-J-1 | 2020-2023 | Variable | 7/25/2019 | 100% |

The Refunded Bonds will be refunded from proceeds of the General Obligation Refunding Bonds, Series 2019A (the "Series 2019A Bonds"). A portion of the proceeds of the Series 2019A 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.

The amortization of the Series 2019A 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 2019A Bonds
- Weighted Average Maturity of the Refunded Bonds
- Estimated cost of issuance associated with the Series 2019A Bonds

The table below highlights our refunding assumptions:

| Savings Summary - General Obligation Refunding Bonds, Series 2019A (estimated) | |
|---|--------------|
| Series 2019A Bonds Refunding Par Amount | \$36,685,000 |
| Refunded Bonds Par Amount | \$42,665,000 |
| Net Present Value Debt Service Savings | \$2,515,132 |
| PV Savings as a % of Refunded Bonds | 5.9% |

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

| Refunding Assumptions - General Obligation Refunding Bonds, Series 2019A (estimated) | |
|---|--|
| Dated & Delivery Date | July 10, 2019 |
| Bonds Refunded | Series 2010A, Series VII-J-1 |
| Market Rates | MMD as of May 13, 2019 + credit spread |
| Cost of Issuance | \$170,335.00 |
| Underwriter's Discount | \$5.00 per Bond |

The table below provides the estimated cost of issuance breakdown:

| Cost of Issuance (Estimated) | |
|-------------------------------------|---------------------|
| Bond Counsel | \$45,000.00 |
| Financial Advisor | 51,685.00 |
| Rating Agency | 29,000.00 |
| Printer | 2,000.00 |
| Paying Agent | 650.00 |
| Underwriter's Counsel | 35,000.00 |
| Miscellaneous | 5,000.00 |
| Verification Agent | 1,500.00 |
| Escrow Agent | 500.00 |
| Totals | \$170,335.00 |

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.

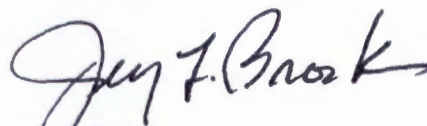
The City intends to sell the Series 2019A Bonds on a negotiated basis. The sale is anticipated to occur in June 2019. The City intends to act expeditiously to take advantage of the low interest rates.

In Summary

Prior to adoption of the resolution authorizing the Series 2019A Bonds on June 6, 2019, the City seeks your refunding report on the General Obligation and Refunding Bonds, Series 2019A 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,



Jenny Brock
City of Johnson City, Tennessee
Mayor
jbrock@johnsoncitytn.org

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