



October 21, 2020

Ms. Betsy Knotts
Director, Division of Local Government Finance
State of Tennessee
Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

**City of Johnson City, Tennessee
General Obligation Bonds, Series 2020**

Dear Ms. Knotts:

We are submitting a plan of refunding for your review pursuant to TCA 9-21-903 et seq.

Plan of Refunding:

The City of Johnson City, Tennessee (the "City") has a potential opportunity to reduce debt service costs by current refunding certain maturities of its outstanding General Obligation Bonds, Series 2012 (the "Series 2012 Bonds") and by current refunding the outstanding debt under a Loan Agreement (the "V-K-1 Loan Agreement") between the City and The Public Building Authority of Sevier County, Tennessee (the "PBA") dated as of March 1, 2009 (collectively, the "Refunded Debt"). The V-K-1 Loan Agreement was financed with the proceeds of the PBA's outstanding Local Government Public Improvement Bonds, Series V-K-1 (the "Series V-K-1 Bonds").

The City proposes to refund the Refunded Debt through the issuance of its General Obligation Bonds, Series 2020 (the "Series 2020 Bonds"). The proposed Series 2020 Bonds are secured by a general obligation pledge of the City.

The Series 2012 Bonds have a dated date of April 30, 2012 and were authorized by the Board of Commissioners of the City (the "Board") on March 1, 2012. The Series V-K-1 Loan Agreement is dated as of March 1, 2009 and was entered into on March 12, 2009. 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.

Tax Status	Series	Maturities	Coupons	Call Date*	Call Price
Tax-Exempt	2012	2020-2040	3.000%	01/07/2021	100%
Tax-Exempt	V-K-1	2020-2023	4.250% - 4.750%	01/07/2021	100%

*Call date of the Refunded Debt is subject to change based on the delivery date of the Series 2020 Bonds.

The Refunded Debt will be refunded from proceeds of the Series 2020 Bonds. A portion of the proceeds of the Series 2020 Bonds will be used to refund Refunded Debt by prepaying such Refunded Debt upon the issuance of the Bonds and/or 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 Debt. In addition to funding the escrow requirements on the Refunded Debt, the City will use proceeds of the Series 2020 Bonds to pay cost of issuance associated with the Series 2020 Bonds and to fund capital projects.

The amortization of the Series 2020 Bonds will be structured to provide overall savings compared to the debt service of the Refunded Debt 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 2020 Bonds
- Weighted Average Maturity of the Refunded Debt
- Estimated cost of issuance associated with the Series 2020 Bonds

The table below highlights our refunding assumptions:

Savings Summary - Series 2020 Bonds (estimated)	
Series 2020 Bonds Refunding Par Amount	\$6,340,000
Refunded Debt Par Amount	\$6,875,000
Net Present Value Debt Service Savings	\$445,969
PV Savings as a % of Refunded Debt	6.5%

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

Refunding Assumptions - Series 2020 Bonds (estimated)	
Dated & Delivery Date	December 8, 2020
Refunded Debt	Series 2012, Series V-K-1 Loan Agreement
Market Rates	MMD as of October 20, 2020 + credit spread
Cost of Issuance	\$121,000
Underwriter's Discount	\$5.00 per Bond

The table below provides the estimated cost of issuance breakdown:

Issuance Expenses (Estimated)	Series 2020- Refunding Portion	Series 2020- New Money Portion
Bond Counsel	7,925.00	29,575.00
Rating Agency- Moody's	6,445.67	24,054.33
Paying Agent	137.37	512.63
Ipreo	264.17	985.83
Printer	105.67	39433
Miscellaneous	1,056.67	3,943.33
Escrow Agent	600.00	
Financial Advisor	9,510.00	35,490.00
Total	26,044.55	94,955.45

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. A copy of the City's Debt Management Policy is included within this plan of refunding.

The City intends to sell the Series 2020 Bonds on a competitive basis. The sale is anticipated to occur in November 2020.



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

In Summary

Prior to adoption of the resolution authorizing the Series 2020 Bonds on November 5, 2020 the City seeks your refunding report on the General Obligation Bonds, Series 2020 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,

A handwritten signature in blue ink that reads 'Jenny F. Brock'.

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*



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

October 26, 2020

Honorable Jenny Brock, Mayor
and Honorable Board of Commissioners
City of Johnson City
P.O. Box 2150
Johnson City, TN 37605-2150

Dear Mayor Brock and Members of the Board:

Thank you for your recent correspondence. We acknowledge receipt on October 23, 2020, of a request from the City of Johnson City (the "City") for a report on a plan of refunding (the "Plan") for the City's proposed issuance of an estimated \$6,340,000 General Obligation Refunding Bonds, Series 2020.

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

Changes to our Office

We are enclosing a memorandum about the newly created Division of Local Government Finance within the Comptroller's Office.

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

Enclosures: Report of the Director of the Division of Local Government Finance
Comptroller's Memorandum Regarding New Division

BK:lb



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

**Report of the Director of the Division of Local Government Finance
Concerning the Proposed Issuance of
General Obligation Refunding Bonds, Series 2020
City of Johnson City, 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 October 23, 2020, from the City of Johnson City (the “City”). 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 City should discuss these issues with bond counsel. This report and the City’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 City’s Plan, as required by TCA § 9-21-903, and provides the following analysis based upon the assumptions outlined in the Plan:

The City intends to issue by competitive sale \$6,340,000 General Obligation Refunding Bonds, Series 2020 (the “Series 2020 Refunding Bonds”) priced at a premium of \$655,733 to current refund: (1) \$3,725,000 General Obligation Bonds, Series 2012, dated April 30, 2012, maturing June 1, 2022, and thereafter; and (2) \$3,150,000 Series V-K-1 Public Building Authority of Sevier County Loan Agreement, dated March 1, 2009, maturing on March 1, 2022, and thereafter. The debt being refunded will hereinafter be known collectively as the “Refunded Debt”.

- The Series 2020 Refunding Bonds will be issued alongside new money bonds as part of a \$30,000,000 bond issue.
- The City’s objective for the refunding is to achieve debt service savings.
- The estimated net present value debt service savings is \$445,969, or 6.49% of the refunded principal amount of \$6,875,000.
- The final maturity of the Series 2020 Refunding Bonds does not extend beyond the final maturity of the Refunded Debt.

- The proposed structure of the Series 2020 Refunding Bonds is not balloon indebtedness as defined in T.C.A. § 9-21-134.
- Estimated cost of issuance is summarized below and is based upon the par amount of \$6,340,000 for the Series 2020 Refunding Bonds:

	Amount	Price per \$1,000 Bond
Estimated Underwriter's Discount	\$ 31,700	\$ 5.00
Municipal Advisor (PFM)	9,510	1.50
Bond Counsel (Bass, Berry & Sims)	7,925	1.25
Rating Agencies	6,446	1.02
Other Fees	2,164	0.34
Total Cost of Issuance	<u>\$ 57,745</u>	<u>\$ 9.11</u>

Changes to the Structure of the Repayment Schedule

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.

Financial Professionals

The Plan was prepared by the City with the assistance of PFM Financial Advisors, LLC. Financial 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 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 City’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 City. 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 City’s Plan may not reflect either current market conditions or market conditions at the time of sale. The Series 2020 Refunding Bonds may be issued with a structure different from that of the Plan.

Debt Management Policy

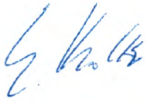
The City has adopted a debt management policy and has indicated in its Plan that the proposed refunding transaction complies with the City's policy.

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 City'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: October 26, 2020

Enclosure: Requirements After Debt is Issued