



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
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NASHVILLE, TENNESSEE 37243-1402  
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March 7, 2013

Honorable Jim M. Coppinger, Mayor  
Hamilton County  
208 Courthouse  
Chattanooga, TN 37402

Dear Mayor Coppinger:

This letter acknowledges receipt on March 1, 2013, of a request to review a refunding plan for the proposed issuance of \$59,780,000 General Obligation Refunding Bonds, Series 2013B (the "Series 2013B Bonds"). The Series 2013 Bonds will advance refund:

- \$45,255,000 General Obligation Bonds, Series 2008 (the "Series 2008 Bonds")
- \$14,755,000 General Obligation Bonds, Series 2009 (the "Series 2009 Bonds")

The County plans to issue \$59,780,000 of the Series 2013B Bonds by competitive sale priced at a premium of \$8,621,891.

Pursuant to the provisions of Title 9, Chapter 21, Tennessee Code Annotated, a plan 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 County. The information presented in the Plan includes the assertions of the County and may not reflect either current market conditions or market conditions at the time of sale.

#### **FINANCIAL PROFESSIONALS**

The County has reported Public Financial Management, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act on behalf of the County. The Plan was prepared by the County with the assistance of its municipal advisor.

#### **COMPLIANCE WITH THE COUNTY'S DEBT MANAGEMENT POLICY**

The County provided a copy of its debt management policy. When the County submits Form CT-0253 within 45 days of issuance of the debt approved in this letter, the County must describe, in specifics, how

the debt complies with its Debt Policy. If a copy of the Policy has already been filed with the Office, the County does not have to resubmit a copy of the Policy if it is the current version of the policy.

The County's debt management policy requires a threshold of at least 3% present value savings on the current principal and interest payments over the remaining life of the debt in order to proceed with a refunding. The refunding plan reflects a net present value savings of \$3,654,893 or 6.09% of the \$60,010,000 refunded principal. This refunding meets that criterion.

### **MSRB Rule G-17**

MSRB Rule G-17 requires underwriters and municipal advisors to deal fairly with the County in the conduct of its municipal securities or municipal advisory activities. MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities was approved by the Securities and Exchange Commission 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 County's underwriter and municipal advisor have to it based on these duties please read the information posted on the MSRB website: [www.msrb.org](http://www.msrb.org).

### **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be placed on the County's website. The same report is to be provided to each member of the County Commission and reviewed at the Public Meeting at which the proposed refunding bond resolution will be presented as required by Tennessee Code Annotated Section 9-21-903.

**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 enclosed report do not address compliance with federal tax regulations and are not to be relied upon for that purpose. The County should discuss these issues with a bond counsel or tax attorney.**

*This report is effective for a period of one hundred 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 further refunding report will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the*

March 7, 2013

*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 a revised State Form CT-0253, Report on Debt Obligation. Pursuant to Tennessee Code Annotated Section 9-21-151, this form is to be completed and filed with the governing body of the public entity issuing the debt 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.

Sincerely,

Handwritten signature of Mary-Margaret Collier in cursive script, with the initials "J.1." written below the signature.

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

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. Louis Wright, Administrator of Finance, Hamilton County  
Mr. Al Kiser, Assistant Administrator of Finance, Hamilton County  
Ms. Lauren S. Lowe, Public Financial Management, Inc.  
Mr. Thomas Lauth, McKenna Long & Aldridge LLP

Enclosures (2): Report 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  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013  
HAMILTON COUNTY, TENNESSEE**

Hamilton County, Tennessee (the "County") submitted a plan of refunding (the "Plan") as required by *Tennessee Code Annotated* § 9-21-903 regarding the proposed issuance of \$59,780,000 General Obligation Refunding Bonds, Series 2013 (the "Series 2013B Bonds"). The Series 2013 Bonds will advance refund:

- \$45,255,000 General Obligation Bonds, Series 2008 (the "Series 2008 Bonds")
- \$14,755,000 General Obligation Bonds, Series 2009 (the "Series 2009 Bonds")

The Series 2008 and Series 2009 Bonds are the "Refunded Bonds." Total refunded principal is \$60,010,000.

The County plans to issue \$59,780,000 of Series 2013B Bonds as capital market debt by competitive sale priced at a premium of \$8,621,891.

The County intends to issue its proposed \$56,425,000 General Obligation Bonds, Series 2013A, at the same time as the Series 2013B Bonds.

Pursuant to the provisions of Title 9, Chapter 21, Tennessee Code Annotated, a plan 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 County. The information presented in the Plan includes the assertions of the County and may not reflect either current market conditions or market conditions at the time of sale.

#### **FINANCIAL PROFESSIONALS**

The County has reported Public Financial Management, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act on behalf of the County. The Plan was prepared by the County with the assistance of its municipal advisor.

#### **Analysis**

The County indicated in its Plan that the purpose of the proposed refunding is to achieve debt service savings. The County's debt management policy requires a threshold of at least 3% present value savings on the current principal and interest payments over the remaining life of the original debt to proceed with a refunding.

- The refunding plan reflects a net present value savings of \$3,654,893 or 6.09% of the \$60,010,000 refunded principal.
- These proposed savings are achieved by reducing the average coupon of 4.46% for the Refunded Bonds to 3.75% for the Series 2013 Bonds.
- The premium is used to fund the interest in the advance refunding escrow and the cost of issuance.
- The Series 2013 Bonds have the same final maturity as the Refunded Bonds; March 1, 2024.
- Total cost of issuance is \$483,325 or \$8.09 per \$1,000 of par amount for the Series 2013 Bonds. This includes \$298,900 of underwriter's discount.

The County has identified the Public Financial Management, 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 County. The assumptions included in the County's Plan may not reflect either current market conditions or market conditions at the time of sale.

This report does not provide broad approval to refund the Refunded Bonds in a bond issue other than the proposed Series 2013 Bonds. If all of the Refunded Bonds are not refunded as a part of the Series 2013 Bonds, then a new plan must be submitted to this Office for review.

A handwritten signature in cursive script that reads "Mary-Margaret Collier" followed by "S.T." on a new line.

Mary-Margaret Collier  
Director of the Office of State and Local Finance  
Date: March 7, 2013