



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE & LOCAL FINANCE  
SUITE 1600 JAMES K. POLK BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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October 7, 2014

The Honorable Mayor and Town Council  
Mr. Harry Gill, Town Manager  
Town of Smyrna  
P.O. Box 487  
Smyrna, TN 37058

Dear Mayor Reed, Mr. Gill, and Councilmembers:

This letter, report, and plan of refunding (the "Plan"), are to be posted on the Town of Smyrna's (the "Town's") website, if the Town has a website. These documents shall be made available to the public. The same report is to be provided to each member of the Council and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

This letter acknowledges receipt on September 30, 2014, from the Town of a request to review its Plan to issue an amount not to exceed \$6,300,000 General Obligation Refunding Bonds, Series 2014A (the "Refunding Bonds"), to advance refund an estimated \$4,975,000 General Obligation Public Improvement Bonds, Series 2006, dated November 14, 2006 (the "Refunded Bonds"). The information presented in the Plan includes the assertions of the Town and may not reflect either current market conditions or market conditions at the time of sale.

Pursuant to the provisions of Title 9 Chapter 21 of the 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 a Town. Enclosed is the report of the review of this Plan required by T.C.A. § 9-21-903 for distribution to the members of the local governing body to review prior to adopting the refunding bond resolution.

### **FINANCIAL PROFESSIONALS**

The Town reported Stephens Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the Town. Underwriters have no fiduciary responsibility to the Town. They represent the interests of their firm and are not required to act in the Town's best interest without regard to their own or other interests. The Plan was prepared by the Town with the assistance of its municipal advisor.

## **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 Town should determine if the new structure complies with the requirements of Public Chapter 766 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the Town must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the Town adopting the resolution authorizing the issuance of the debt.

## **PRIVATE NEGOTIATED SALE APPROVAL**

The approval of the Office of State and Local Finance is required when a Town desires to sell refunding General Obligation bonds through a negotiated sale process. The Town has requested approval to sell the Refunding Bonds through negotiated sale.

This letter constitutes approval to negotiate the sale of the 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.

## **TOWN'S PROPOSED REFUNDING OBJECTIVE**

The Town indicated its purpose for the refunding is for debt service savings.

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

The Town 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 Town amends its policy, please submit the amended policy to this office.

## **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 Town 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. 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 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 the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the Town no later than forty-five 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. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. Rex Gaither, Finance Director, Town of Smyrna  
Mr. Sam Crewse, Stephens, Inc.  
Ms. Karen Neal, Esq., Bass berry & Sims

Enclosures (2): 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  
BY THE TOWN OF SMYRNA, TENNESSEE  
OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A**

The Town of Smyrna (the "Town") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 to issue an amount not to exceed \$6,300,000 General Obligation Refunding Bonds, Series 2014A (the "Refunding Bonds"), to advance refund an estimated \$4,975,000 General Obligation Public Improvement Bonds, Series 2006, dated November 14, 2006 (the "Refunded Bonds").

The Plan was prepared with the assistance of the Town's municipal advisor, Stephens, Inc. The information presented in the Plan includes the assertions of the Town and may not reflect either current market conditions or market conditions at the time of sale. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide 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 than that of the Plan. The Town 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 Town should determine if the new structure complies with the requirements of Public Chapter 766 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the Town must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the Town adopting the resolution authorizing the issuance of the debt.

**TOWN'S PROPOSED REFUNDING OBJECTIVE**

The Town indicated its purpose for the refunding is for debt service savings.

**REFUNDING ANALYSIS**

- The results of the refunding are based on the assumption that the Town will issue \$5,275,000 fixed interest rate Refunding Bonds priced at par by private negotiated sale to advance refund \$4,975,000 Refunded Bonds.

Table 1  
Town of Smyrna  
General Obligation Refunding Bonds, Series 2014A  
Refunding Analysis

YR	FY	Refunding Bonds			Refunded Bonds			FY
		Principal	Interest	Total	Principal	Interest	Total	Debt Service Savings
1	2015	\$ 20,000.00	\$ 38,878.22	\$ 58,878.22	\$ -	\$ 94,486.88	\$ 94,486.88	\$ 35,608.66
2	2016	65,000.00	88,809.50	153,809.50	-	188,973.76	188,973.76	35,164.26
3	2017	65,000.00	87,711.00	152,711.00	-	188,973.76	188,973.76	36,262.76
4	2018	990,000.00	86,612.50	1,076,612.50	920,000.00	188,973.76	1,108,973.76	32,361.26
5	2019	1,005,000.00	69,881.50	1,074,881.50	955,000.00	154,933.76	1,109,933.76	35,052.26
6	2020	1,025,000.00	52,897.00	1,077,897.00	995,000.00	119,121.26	1,114,121.26	36,224.26
7	2021	1,040,000.00	35,574.50	1,075,574.50	1,030,000.00	81,311.26	1,111,311.26	35,736.76
8	2022	1,065,000.00	17,998.50	1,082,998.50	1,075,000.00	41,656.26	1,116,656.26	33,657.76
		\$ 5,275,000.00	\$ 478,362.72	\$ 5,753,362.72	\$ 4,975,000.00	\$ 1,058,430.70	\$ 6,033,430.70	\$ 280,067.98

Interest Savings	Gross Savings	NPV Savings	NPV Savings as % of Refunded Principal	Cost of Issuance	Cost of Issuance Per \$1,000 of Bond Par Value
\$ 580,067.98	\$ 280,067.98	\$ 264,458.67	5.32%	\$ 36,248.88	\$ 6.87

- The difference between the interest savings and gross savings is the additional \$300,000 in Refunding Bond principal issued to fund the refunding escrow and to pay the cost of issuance.
- The Refunded Bonds are callable on April 1, 2016 at par and interest payable. The Town does not have to pay a call premium.
- The Town intends to use \$5,238,751 of the Refunding Bond proceeds to fund a refunding escrow to pay the interest and principal payments of the Refunded Bonds until the call date of April 1, 2016.
- No preliminary offering disclosure was submitted with the request. It appears the Town intends to issue the bonds structured as a security.
- The estimated net present value savings of the refunding is \$264,459 or 5.32% of the refunded principal amount of \$4,975,000.
- The savings are generated by reducing the interest rate of the Refunded Bonds from 3.81% for the Refunded Bonds to an interest rate of 1.69% 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 \$36,248 or \$6.87 per \$1,000 of the par amount. See Table 2 for detailed cost of issuance. The Town intends to pay the cost of issuance from the Refunding Bond proceeds.

**Table 2**  
**Costs of Issuance of the Refunding Bonds**

	<b>Amount</b>	<b>Price per \$1,000 Bond Par Value</b>
Bond Counsel (Bass Berry & Sims)	\$12,500.00	\$ 2.37
Financial Advisor (Stephens, Inc.)	17,500.00	3.32
Other Costs	6,248.88	1.18
Total Cost of Issuance	\$36,248.88	\$ 6.87

The Town has reported Stephens, 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 Town. The assumptions included in the Town's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the Town 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: October 7, 2014