



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

January 31, 2018

Honorable Terry Harrell, Mayor
and Honorable City Council
City of Winchester
7 South High Street
Winchester, TN 37398

Dear Mayor Harrell and Members of the Council:

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

We acknowledge receipt on January 19, 2017, of a request from the City to review its plan for the issuance of an estimated \$7,340,000 Water and Sewer Revenue Refunding Bonds, Series 2018 (the "Series 2018 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. The City has indicated that TUA, LLC is its municipal advisor. 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.

City's Proposed Refunding Objective

The Series 2018 Refunding Bonds are being issued to achieve gross and net present value debt service savings.

Plan of Refunding

The City intends to negotiate the sale of approximately \$7,340,000 Series 2018 Refunding Bonds priced at a premium to current refund \$7,680,000 General Obligation Refunding Bonds, Series 2008, dated April 17, 2008, maturing June 1, 2019, through June 1, 2036 (the “Refunded Bonds”).

Balloon Indebtedness

The structure of the Series 2018 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.

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

Report of the Review of a Plan of Refunding

The enclosed report must be presented to the City Council 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 transaction has not been completed 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. We will then issue a report on the new plan for the City Council 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 City’s plan was prepared with the assistance of its municipal advisor, TUA, 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. 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 it is determined prior to the issuance of the debt, that the actual results will significantly differ from the information provided in the submitted Plan and the City decides to proceed with the issue, the City Council 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, and that the Chief Executive Officer was aware of the differences and determined to proceed with the issuance of the debt.

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.

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 City Council and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

Municipal Securities Rulemaking Board (MSRB) Voluntary Disclosure of Bank Loans

The Municipal Securities Rulemaking Board (MSRB) released regulatory notices: MSRB Notice 2011-52, providing guidance on the use of “bank loans” that could be a private placement of municipal securities subject to specific regulatory requirements including disclosure; and MSRB Notice 2012-18, encouraging the voluntary disclosure of bank loan financings through the MSRB’s Electronic Municipal Market Access (EMMA®) website (emma.msrb.org). For more information, see the preceding notices on the MSRB’s website (msrb.org). To learn how to submit disclosures, see the link at the bottom of the EMMA website labeled Submit Documents or the Education Center of the MSRB’s website.

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 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 the form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

If you should have questions or need assistance regarding statutory debt issuance requirements, please refer to our online resources available at <http://www.comptroller.tn.gov/sl/> under Local Government Resources, or feel free to contact your financial analyst, Ron Queen, at 615.401.7862 or Ron.Queen@cot.tn.gov.

You may also contact our office by mail at this address:

Comptroller of the Treasury
Office of State and Local Finance
Cordell Hull Building, 4th Floor
425 Fifth Avenue North
Nashville, TN 37243-3400

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: Mr. Bryan Burklin, Assistant Director, Division of Local Government Audit
Ms. Beth Rhoton, City of Winchester
Mr. Roger Caldwell, Winchester Utility System
Mr. Mark Butler, TUA, LLC
Mr. Jeff Oldham, 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
WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2018
CITY OF WINCHESTER, TENNESSEE**

City of Winchester (the "City") submitted a plan of refunding (the "Plan"), as required by TCA § 9-21-903 regarding the issuance of an estimated \$7,340,000 Water and Sewer Revenue Refunding Bonds, Series 2018 (the "Series 2018 Refunding Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, TUA, 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 2018 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 2018 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 2018 Refunding Bonds are being issued to achieve gross and net present value debt service savings.

Plan of Refunding

The City intends to negotiate the sale of approximately \$7,340,000 Series 2018 Refunding Bonds priced at a premium to current refund \$7,680,000 General Obligation Refunding Bonds, Series 2008, dated April 17, 2008, and maturing June 1, 2019, through June 1, 2036 (the "Refunded Bonds").

Refunding Analysis

- Results of the refunding assume that the City intends to sell \$7,340,000 Series 2018 Refunding Bonds by negotiated sale to Raymond James and priced at a premium of \$619,064.
- The estimated net present value debt service savings is \$585,141 or 7.63% of the refunded principal amount of \$7,680,000, achieved by lowering the average coupon from 4.16% for the Refunded Bonds to 3.98% for the Series 2018 Refunding Bonds.

- The final maturity of the Series 2018 Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- The City may purchase bond insurance if it provides value. The insurance is estimated to cost \$36,539.
- Estimated cost of issuance for the Series 2018 Refunding Bonds is \$138,781 or \$18.91 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance
Series 2018 Refunding Bonds

	Amount	Price per \$1,000 Bond
Estimated Underwriter's Discount	\$ 38,242	\$ 5.21
Municipal Advisor (TUA, LLC)	20,000	2.72
Bond Counsel (Bass Berry & Sims)	15,000	2.05
Rating Agency	20,000	2.72
Bond Insurance	36,539	4.98
Miscellaneous	9,000	1.23
Total Cost of Issuance	\$ 138,781	\$ 18.91

The City has indicated that TUA, LLC is 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 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 all the Refunded Bonds are not refunded as a part of the Series 2018 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 completed 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: January 31, 2018