



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
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November 5, 2012

Honorable Richard Johnson, Mayor  
City of Ashland City  
P.O. Box 36  
Ashland City, TN 37015

Dear Mayor Johnson:

This letter acknowledges receipt on November 2, 2012, of a request to review a plan of refunding (the "Plan") for an issuance of an amount not to exceed \$2,900,000 Revenue and Tax Refunding Bonds, Series 2012 (the "2012 Refunding Bonds"). The 2012 Refunding Bonds will current refund, an estimated \$2,787,474 Water and Sewer Revenue and Tax (Rural Development Loan) Bonds, Series 2005 (the "Refunded 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 City. 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.

**City's Proposed Refunding Objective**

The 2012 Refunding Bonds are being issued for net present value savings. The Plan estimates net present value savings of \$684,561 or 24.56% of the refunded principal.

**Compliance with the City's Debt Management Policy**

The City provided a copy of its debt management policy. When the City submits Form CT-0253 within 45 days of issuance of the debt approved in this letter, the City 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 City does not have to resubmit a copy of the Policy if it is the current version of the policy.

The Municipal Securities Rule Making Board (MSRB) has released guidance that may impact the City's Policy and may require amendment of the Policy.

## **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. 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 the City's underwriter (if applicable) and municipal advisor have to do, based on these duties, please read the information posted on the MSRB website: [www.msrb.org](http://www.msrb.org).

### **Private Negotiated Sale**

The approval of the Office of State and Local Finance is required when a municipality desires to sell refunding General Obligation debt 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 2012 Bonds, conditioned upon the following requirements:

- The bonds are sold with the debt service payment schedule having a similar proportional principal repayment schedule as presented in the plan or the principal repayment schedule is accelerated.
- A copy of this letter and the enclosed report shall be provided to all members of the Board of Mayor and Aldermen, be presented at the next meeting of the Board after receipt, and be spread across the face of the minutes of the meeting.
- The Town shall comply with all the requirements of Title 9, Chapter 21 of the Tennessee Code Annotated.

### **Report of the Review of a Plan of Refunding**

Distribute this letter and the enclosed report of the review of the Plan to the members of the Board of Mayor and Aldermen as required by Tennessee Code Annotated Section 9-21-903.

This letter, report, and the Plan are to be placed on the City's website. The same report is to be provided to each member of the Board of Mayor and Aldermen and reviewed at the Public Meeting at which the proposed refunding bond resolution will be presented.

**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 City 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.

#### **Public Debt Entity Report**

Enclosed is a revised Form CT-0253 - Report on Debt Obligation. The Form CT-0253 must be filed with the governing body of the public entity issuing the debt not later than forty-five (45) days following the issuance or execution of a debt obligation by or on behalf of any public entity, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance either by mail to the address on this letterhead or by email to the address below. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

[StateandLocalFinance.PublicDebtForm@cot.tn.gov](mailto:StateandLocalFinance.PublicDebtForm@cot.tn.gov)

Sincerely,



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

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT

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  
CITY OF ASHLAND CITY, TENNESSEE  
CONCERNING THE PROPOSED ISSUANCE OF ITS  
WATER AND SEWER REVENUE AND TAX REFUNDING BONDS, SERIES 2012**

The City of Ashland City (the "City") submitted a plan of refunding (the "Plan"), as required by Tennessee Code Annotated Section 9-21-903 regarding the issuance of not to exceed \$2,900,000 Revenue and Tax Refunding Bonds, Series 2012 (the "2012 Refunding Bonds"). The 2012 Refunding Bonds will current refund, an estimated \$2,787,474 Water and Sewer Revenue and Tax (Rural Development Loan) Bonds, Series 2005 (the "Refunded Bonds").

The Plan was prepared with the assistance of the City's Underwriter, Raymond James | Morgan Keegan. The City's debt management policy has been filed with this Office.

**Refunding Analysis**

- The 2012 Refunding Bonds are to be sold as "Bank Qualified" federally tax-exempt debt in the capital markets.
- The results for the refunding are based on the assumption that an estimated \$2,780,000 2012 Refunding Bonds will be sold by negotiated sale and priced at a premium of \$77,030.
- Estimated net present value savings is \$684,561 or 24.56% of the refunded principal amount of \$2,787,474.
- The savings are achieved by accelerating the final maturity of the bonds from November 25, 2044 to June 1, 2037, and reducing the average coupon of the Refunded Bonds from 4.38% to 2.90% for the 2012 Refunding Bonds.
- Estimated cost of issuance of the 2012 Refunding Bonds is \$59,250 or \$21.31 per \$1,000 of par amount for the 2012 Refunding Bonds. Underwriter's discount is \$32,500.

**The City is not using a 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.**

**This report does not provide broad approval to refund the Refunded Bonds in a bond issue other than the proposed 2012 Refunding Bonds. If all of the Refunded Bonds are not refunded as a part of the 2012 Refunding Bonds, then a new plan will have to be submitted to this Office for review.**

*Mary-Margaret Collier*

Mary-Margaret Collier

Director of the Office of State and Local Finance

Date: November 5, 2012