



City of Chattanooga

Mayor Andy Berke

November 28, 2016

Ms. Sandra Thompson
Director, State and Local Finance
State of Tennessee
Comptroller of the Treasury
James K. Polk State Office Building
505 Deaderick Street, Suite 1600
Nashville, Tennessee 37243-0274

City of Chattanooga, Tennessee

General Obligation Bonds, Series 2017A General Obligation Refunding Bonds, Series 2017B

Dear Ms. Thompson:

We are submitting a plan of refunding for your review pursuant to TCA 9-21-901 et seq.

Plan of Refunding:

The City of Chattanooga, Tennessee (the "City") has a potential opportunity to save debt service costs by current refunding certain maturities of its outstanding tax-exempt General Obligation Refunding Bonds, Series 2007A (the "Series 2007A Bonds"). The City intends to simultaneously issue its new money General Obligation Bonds, Series 2017A to further the efficiencies of its bond sale and issuance. The proposed debt associated with the Series 2007A Bonds is secured by a general obligation pledge. The City currently has an outstanding general obligation rating of AAA by Standard & Poor's and therefore the proposed debt falls under the exception to the balloon indebtedness statute and does not require an approval by the Comptroller's office.

The Series 2007A Bonds have a dated date of April 17, 2007 and were authorized by the City Council on February 6, 2007 and April 10, 2007. A copy of the previously submitted CT-0253 form filed with the State is 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.

| Indenture | Tax Status | Series | Maturities | Coupons | Call Date | Call Price |
|--------------------|------------|--------|------------|-------------|-----------|------------|
| General Obligation | Tax-Exempt | 2007A | 2021-2026 | 4.30%-5.00% | 3/1/2017 | 100% |

The Refunded Bonds will be refunded from proceeds of the General Obligation Refunding Bonds, Series 2017B (the "Series 2017B Bonds"). Proceeds of the Series 2017B Bonds will be used 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 Bonds. In addition to funding the escrow requirements on the Refunded Bonds the City will use proceeds of the Series 2017B Bonds to pay cost of issuance associated with the Series 2017B Bonds.

The amortization of the Series 2017B Bonds will be structured to provide uniform savings compared to the debt service of the Refunded Bonds 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 2017B Bonds
- Weighted Average Maturity of the Refunded Bonds
- Estimated cost of issuance associated with the Series 2017B Bonds

The table below highlights our refunding assumptions:

| Savings Summary - General Obligation Refunding Bonds, Series 2017B (estimated) | |
|---|--------------|
| Series 2017B Bonds Refunding Par Amount | \$16,480,000 |
| Refunded Bonds Par Amount | \$17,750,000 |
| Net Present Value Debt Service Savings | \$2,586,686 |
| PV Savings as a % of Refunded Bonds | 14.57% |

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

| Refunding Assumptions - General Obligation Refunding Bonds, Series 2017B (estimated) | |
|---|---------------------------------|
| Dated & Delivery Date | January 25, 2017 |
| Bonds Refunded | Series 2007A |
| Market Rates | AAA MMD as of November 22, 2016 |
| Cost of Issuance | \$123,778 |
| Underwriter's Discount | \$5 per Bond |

The table below provides the estimated cost of issuance breakdown:

| Cost of Issuance Breakdown (estimated) | | | |
|---|-------------------------------|-------------------------------|--------------|
| General Obligation Bonds, Series 2017A | | | |
| General Obligation Refunding Bonds, Series 2017B | | | |
| | Series 2017A New Money | Series 2017B Refunding | Total |
| | Bonds | Bonds | |
| Bond Counsel | \$26,213 | \$48,786 | \$75,000 |
| Financial Advisor | 17,475 | 32,524 | 50,000 |
| Rating Agency | 10,485 | 19,514 | 30,000 |
| Rating Agency | 9,087 | 16,912 | 26,000 |
| Ipreo | 437 | 813 | 1,250 |
| Printer | 174 | 325 | 500 |
| Paying Agent | 349 | 650 | 1,000 |
| Miscellaneous | 1,747 | 3,252 | 5,000 |
| Escrow Agent | - | 1,000 | 1,000 |
| Totals | \$65,971 | \$123,778 | \$189,750 |

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. If present value savings is less than 3.0%, the City may consider the option value captured as a percent of total

savings. If the option value exceeds 70% and present value savings is less than 3.0%, the City may opt to complete a refunding. The decision to take savings on an upfront or deferred basis must be explicitly approved by the City. The City reserves the right to suspend or terminate all or a portion of the sale of the Bonds should the sale no longer be advantageous for the City.


The City intends to sell the Series 2017B Bonds on a competitive basis. The sale is anticipated to occur in January 2017. The City intends to act expeditiously to take advantage of the low interest rates.

In Summary

Prior to adoption of the resolution authorizing the Series 2017B Bonds on December 20, 2016 the City seeks your refunding report on the General Obligation Refunding Bonds, Series 2017B 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 Daisy Madison at (423) 643-7360 or Lauren Lowe from PFM Financial Advisors LLC at (901) 682-8356.

Sincerely,



Andy Berke, Mayor
City of Chattanooga, Tennessee
mayor@chattanooga.gov

CC: Ms. Daisy Madison, *City Finance Officer, City of Chattanooga*
Ms. Vickie Haley, *Deputy City Finance Officer, City of Chattanooga*
Ms. Fredia Forshee, *Director of Management & Budget Analysis, City of Chattanooga*
Ms. Lauren Lowe, *PFM Financial Advisors LLC*