TENNESSEE
COMPTROLLER
OF THE TREASURY

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

September 16, 2019

Honorable Andy Berke, Mayor
and Honorable City Council
City of Chattanooga
101 East 11th Street, Suite 101
Chattanooga, TN 37402

Dear Mayor Berke and Members of the Council:

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

We acknowledge receipt on September 12, 2019, of a request from the City to review its Plan for the issuance of an estimated $18,575,000 General Obligation Refunding Bonds, Series 2019B ("Series 2019B Refunding Bonds") by competitive sale and priced at a premium to current refund:

- $ 2,010,000 Tax-Exempt General Obligation Bonds, Series 2010A, maturing February 1, 2021 and February 1, 2026 through February 1, 2030, and
- $20,270,000 General Obligation Refunding Bonds, Series 2010B, maturing February 1, 2021 through February 1, 2031.

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, PFM Financial Advisors LLC. Municipal advisors have a fiduciary responsibility to the City; however, 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.

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 debt issued complies with the City's debt policy. If the City amends its policy, please submit the amended policy to our office.

Report of the Review of a Plan of Refunding

The enclosed report must be presented to the City's governing body 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 bonds have not been sold within the 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 our office. We will then issue a report on the new plan for the governing body 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 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 our 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 the actual results differ significantly from the information provided in the submitted Plan, the governing body 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.

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 (if applicable).

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

Municipal Securities Rulemaking Board (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. The Securities and Exchange Commission approved MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities 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 City's underwriter (if applicable) and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

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 SLF.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 on our website at: https://comptroller.tn.gov/office-functions/state-and-local-finance.html.

If you should have questions or need assistance, please feel free to contact your financial analyst, Lori Barnard, at 615.747.5347 or Lori.Barnard@cot.tn.gov. You may also contact our office by mail at the address located at the bottom of this page. Please send it to the attention of your analyst at the Office of State and Local Finance.

Sincerely,

Sandra Thompson

Sandra Thompson
Director of the Office of State and Local Finance

cc: Ms. Jean Suh, Audit Review Manager, Division of Local Government Audit, COT
Ms. Lauren Lowe, PFM Financial Advisors LLC
Mr. Craig Scully, Katten Muchin Rosenman LLP

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE CONCERNING THE PROPOSED ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019B CITY OF CHATTANOOGA, TENNESSEE

The City of Chattanooga (the "City") submitted a plan of refunding (the "Plan"), as required by TCA § 9-21-903 regarding the issuance of estimated $18,575,000 General Obligation Refunding Bonds, Series 2019B ("Series 2019B Refunding Bonds") by competitive sale and priced at a premium to refund:

- $ 2,010,000 Tax-Exempt General Obligation Bonds, Series 2010A ("Series 2010A Bonds"), maturing February 1, 2021 and February 1, 2026 through February 1, 2030, and
- $20,270,000 General Obligation Refunding Bonds, Series 2010B ("Series 2010B Bonds"), maturing February 1, 2021 through February 1, 2031.

The total amount of the Series 2010A Bonds and the Series 2010B Bonds is $22,280,000 and will collectively be known hereinafter as the "Refunded Bonds".

The Plan was prepared by the City with the assistance of its municipal advisor, PFM Financial Advisors 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 our 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 2019B 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 proposed structure of the Series 2019B Refunding Bonds presented in the Plan does appear to be balloon indebtedness. As of the date of this letter, however, the balloon indebtedness statute does not apply to the proposed refunding because the proposed debt issue is secured solely by a general obligation pledge and the City has some amount of long-term general obligation indebtedness outstanding that is rated AA+/Aa1 or better. 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.

City's Proposed Refunding Objective

The Series 2019B Refunding Bonds are being issued to achieve debt service savings.

Refunding Analysis

- The results of the refunding assume that the City intends to sell $18,575,000 Series 2019B Refunding Bonds by competitive sale and priced at an estimated premium of $4,220,605.

- The estimated net present value debt service savings is $3,306,311 or 14.84% of the Refunded Bonds. This meets the requirements of the City's debt management policy adopted on December 6, 2011.
- The Series 2019B Refunding Bonds will be issued simultaneously with its General Obligation Bonds, Series 2019A to maximize efficiencies of the bond sale and issuance.
- Estimated total cost of issuance for the Series 2019B Refunding Bonds is $247,215 or $13.31 per $1,000 of the par amount. See Table 1 for detailed costs of issuance:

Table 1
Costs of Issuance
Series 2019B Refunding Bonds

	Amount	**Price per $1,000 Bond**
Estimated Underwriter's Discount	$ 92,875	$ 5.00
Financial Advisor (PFM)	25,238	1.36
Bond Counsel	99,949	5.38
Rating Agencies	25,098	1.35
Miscellaneous	4,054	0.22
Total Cost of Issuance	$ 247,215	$ 13.31

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 the City does not refund all the Series 2010A Bonds and the Series 2010B Bonds as a part of the Series 2019B Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to our 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 priced 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 our office.

Sandra Thompson

Sandra Thompson
Director of the Office of State and Local Finance
Date: September 16, 2019