



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872  
FAX (615) 741-5986**

November 25, 2014

Honorable Kim McMillan, Mayor  
Members of the City Council  
City of Clarksville  
P.O. Box 928  
Clarksville, TN 37040

Dear Mayor McMillan and Councilmembers:

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

This letter acknowledges receipt of a request on November 20, 2014, from the City to review the Plan for the issuance of an estimated \$38,735,000 Electric System Revenue Refunding Bonds, Series 2015 (the "Refunding Bonds"), to advance refund an estimated \$40,680,000 Electric System Revenue Bonds, Series 2007 (the "Refunded Bonds"). The amount to be refunded represents the 2018 through 2032 maturities of the Refunded Bonds.

Pursuant to the provisions of Tennessee Code Annotated, Title 9, Chapter 21, a plan must be submitted to this 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 government. 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 City has not reported a municipal advisor. Municipal advisors have a fiduciary responsibility to the City. Wiley Bros.-Aintree Capital, LLC will serve as the underwriter. Please note that 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.

## **BALLOON INDEBTEDNESS**

The City requested approval of a plan of balloon indebtedness in association with the Refunding Bonds. In its plan the City stated this transaction is in the public's interest because it reduces the average life of the refunded bonds from 11.536 years to 10.699 years and produces net present savings of \$3,071,534.

The City's plan of balloon indebtedness was approved in a separate letter dated November 25, 2014.

## **THE CITY'S PROPOSED REFUNDING OBJECTIVE**

The Refunding Bonds are being issued for net present value debt service savings and to shorten the average life 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**

This letter, report, and the Plan are to be posted on the City's website. 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 as required by T.C.A. § 9-21-1003.

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.*

### **Report on Debt Obligation**

Enclosed is a Report on Debt Obligation. The report 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 [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.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Ms. Julianne Graham, Wiley Bros.  
Mr. Jeff Oldham, Bass Berry & Sims LLP

Encl: 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 OF  
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2015  
THE CITY OF CLARKSVILLE, TENNESSEE**

The City of Clarksville (“the City”) submitted a plan of refunding (the “Plan”), as required by T.C.A. § 9-21-1003 regarding an issuance of an estimated \$38,735,000 Electric System Revenue Refunding Bonds, Series 2015 (the “Refunding Bonds”), to advance refund an estimated \$40,680,000 Electric System Revenue Bonds, Series 2007 (the “Refunded Bonds”). The amount to be refunded represents the 2018 through 2032 maturities of the Refunded Bonds.

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. 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 from that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The City requested approval of a plan of balloon indebtedness in association with the Refunding Bonds. In its plan, the City stated this transaction is in the public’s interest because it reduces the average life of the refunded bonds from 11.536 years to 10.699 years and produces net present savings of \$3,071,534.

The City’s plan of balloon indebtedness was approved in a separate letter dated November 25, 2014.

**THE CITY’S PROPOSED REFUNDING OBJECTIVE**

The Refunding Bonds are being issued for net present value debt service savings and to shorten the average life of the debt.

**Refunding Analysis**

- The results for the refunding are based on the assumption that an estimated \$38,735,000 Refunding Bonds will be sold by negotiated sale and priced at a premium of \$6,508,584.
- Estimated net present value savings is \$3,071,534 or 7.55% of the refunded principal of \$40,680,000.
- The final maturity of the Refunding Bonds does not extend beyond the maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$282,175 or \$7.28 per \$1,000 of par amount of the Refunding Bonds. See Table 1 for individual costs of issuance.

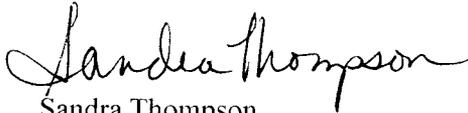
Table 1  
Clarksville Electric  
Costs of Issuance of Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter's Discount (Wiley Bros.)	\$ 193,675	\$ 5.00
Bond Counsel (Bass Berry & Sims)	50,000	1.29
Credit Ratings (Moody's)	28,500	0.74
Verification	3,000	0.08
Other Costs	7,000	0.18
Total Cost of Issuance	\$ 282,175	\$ 7.28

The City has not identified a municipal advisor for this transaction. 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 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 County wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

A handwritten signature in cursive script that reads "Sandra Thompson".

Sandra Thompson  
Director of the Office of State and Local Finance  
Date: November 25, 2014