



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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Revised
March 24, 2016

Honorable Tom Rowland, Mayor
City of Cleveland
P.O. Box 1519
Cleveland, TN 37364

Dear Mayor Rowland:

Please publish and post this letter and the report including the submitted plan of refunding (the "Plan") on the City's website prior to the meeting at which the Board of Mayor and Aldermen adopts the refunding bond resolution. The same letter and report for the Plan are to be provided to each Alderman for review at the Public Meeting adopting the refunding bond resolution.

This letter acknowledges receipt of a request on March 15, 2016, from the City of Cleveland (the "City") to review a plan of refunding (the "Plan") for the issuance of an amount not to exceed \$7,484,640 General Obligation Refunding Bonds, Series 2016B (the "Refunding Bonds") to current refund \$7,440,000 General Obligation Bonds, Series 2007B (the "Refunded 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 Plans 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 City indicated the purpose of the refunding is for net present value savings.

BALLOON INDEBTEDNESS

The City determined that this indebtedness is balloon indebtedness pursuant to T.C.A. § 9-21-134(d). The City stated that it intends to meet the requirements for the State Funding Board's Blanket Exemption for Approval adopted at its December 16, 2014, meeting (the "Blanket Exemption"). The language in Section 5(c) of the draft Resolution to authorize the loan agreement appears to meet the requirements of item 5 of the Blanket Exemption.

PRIVATE NEGOTIATED SALE APPROVAL

The approval of this Office is required when a City desires to sell refunding general obligation bonds through a negotiated sale process. The City has requested approval to sell the Refunding Bonds through negotiated sale. This letter constitutes approval to negotiate the sale of the Refunding Bonds, conditioned upon the requirement that the Bonds are sold with the debt service payment schedule having the same principal repayment schedule as presented in the plan or the principal repayment schedule is accelerated.

COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY

The City provided a copy of its debt management policy, and within forty-five days (45) 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.

FINANCIAL PROFESSIONALS

The City has not reported a 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. The City prepared the Plan with the assistance of the Tennessee Municipal Bond Fund (TMBF).

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

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. Either the Chief Executive Officer or the Chief Financial Officer of the local government must submit such statement. 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

We are enclosing State Form CT-0253, Report on Debt Obligation. 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 Form CT-0253 can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

If you should have any questions regarding this letter or the following report, please feel free to call us.

Sincerely,



Sandra Thompson
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Ms. Linda Mooningham, TMBF

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
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016B
CITY OF CLEVELAND, TENNESSEE
REVISED**

The City of Cleveland (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding the issuance of \$7,484,640 General Obligation Refunding Bonds, Series 2016B (the "Refunding Bonds") to current refund \$7,440,000 General Obligation Bonds, Series 2007B (the "Refunded Bonds").

The Plan was prepared with the assistance of the Tennessee Municipal Bond Fund (TMBF). This Office has not performed an evaluation of the preparation, support, and underlying assumptions of the Plan. 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 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 determined that this indebtedness is balloon indebtedness pursuant to T.C.A. § 9-21-134(d). The City stated that it intends to meet the requirements for the State Funding Board's Blanket Exemption for Approval adopted at its December 16, 2014, meeting (the "Blanket Exemption"). The language in Section 5(c) of the draft Resolution to authorize the loan agreement appears to meet the requirements of item 5 of the Blanket Exemption.

CITY'S PROPOSED REFUNDING OBJECTIVE

The City indicated the purpose of the refunding is for net present value savings.

REFUNDING ANALYSIS

- The results of the refunding are based on the issuance of \$7,484,640 Refunding Bonds through private placement with a bank and priced at par.
- The estimated net present value savings of the refunding is \$813,490 or 10.93% of the refunded principal amount of \$7,440,000.
- The refunding generates savings by reducing the average coupon of 4.35% for the Refunded Bonds to an estimated interest rate of 3.14% for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$44,640 or \$5.96 per \$1,000 of par amount. See Table 1 for individual costs of issuance.

**Table 1
Costs of Issuance of the Refunding Bonds**

	Amount	\$1,000 Bond
Tennessee Municipal Bond Fund	\$ 37,200	\$ 4.97
Bond Counsel	7,440	0.99
Total Cost of Issuance	\$ 44,640	\$ 5.96

The City has not reported 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.

If not all of the Refunded Bonds are refunded as a part of the 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.

A handwritten signature in blue ink that reads "Sandra Thompson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Sandra Thompson
Director of the Office of State and Local Finance
Date: March 24, 2016