



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

March 5, 2020

Honorable Indya Kincannon, Mayor  
and City Council  
City of Knoxville  
P.O. Box 1631  
Knoxville, Tennessee 37901

Dear Mayor Kincannon and Members of the Council:

Thank you for your recent correspondence. We acknowledge receipt on February 21, 2020, of a request from the City of Knoxville (the "City") for a report on a plan of refunding (the "Plan") for the City's proposed issuance of an estimated \$20,990,000 Water System Revenue Refunding Bonds, Series JJ-2020.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, enclosed is a report based upon our review of the City's Plan. The Plan, this letter, and the enclosed report should be made available on the City's website and must be presented to each member of the Council for review prior to the adoption of a refunding bond authorizing resolution.

#### **Changes to our Office**

We are enclosing a memorandum about the newly created Division of Local Government Finance within the Comptroller's Office.

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If you should have questions or need assistance, please feel free to contact your financial analyst, William Wood, at 615.401.7893 or [William.Wood@cot.tn.gov](mailto:William.Wood@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.

Very truly yours,

A handwritten signature in blue ink, appearing to read "B. Knotts".

Betsy Knotts  
Director of the Division of Local Government Finance

cc: Ms. Jean Suh, Contract Audit Review Manager, Division of Local Government Audit  
Mr. Gabriel J. Bolas, KUB President and CEO, Knoxville Utilities Board  
Mr. Mark Walker, Chief Financial Officer, Knoxville Utilities Board

Enclosures: Report of the Director of the Division of Local Government Finance  
Comptroller's Memorandum Regarding New Division

BK:ww



JUSTIN P. WILSON  
*Comptroller*

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*Deputy Comptroller*

**Report of the Director of the Division of Local Government Finance  
Concerning the Proposed Issuance of  
Water System Revenue Refunding Bonds, Series JJ-2020  
Knoxville, Tennessee**

This report is being issued pursuant to T.C.A. § 9-21-1003 and is based upon information as presented in a plan of refunding (the "Plan") received by our office on February 21, 2020, from the City of Knoxville (the "City"). Our report provides information to assist the governing body in its responsibility to understand the nature of the refunding transaction, including the costs, risks, and benefits, prior to approving the issuance of the refunding bonds and is designed to provide consistent and comparable information for all local governments in Tennessee.

This report does not constitute approval or disapproval of the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be refinanced or remain outstanding until their respective dates of maturity. This report does not address compliance with federal tax regulations and is not to be relied upon for that purpose. The City should discuss these issues with bond counsel. This report and the City's Plan must be presented to the governing body prior to the adoption of a refunding bond resolution.

**Refunding Analysis**

At the request of the President and CEO of the Knoxville Utilities Board, our office has reviewed the City's Plan, as required by TCA § 9-21-1003, and provides the following analysis based upon the assumptions outlined in the Plan:

The City intends to issue by competitive sale approximately \$20,990,000 Water System Revenue Refunding Bonds, Series JJ-2020 (the "Series JJ-2020 Refunding Bonds") priced at par to refund \$20,600,000 Water System Revenue Bonds, Series W-2011 maturing March 1, 2021 through March 1, 2040 (the "Refunded Bonds").

- The City's objective for the refunding is to achieve net present value debt service savings. The estimated net present value debt service savings is \$2,471,640 or 12.00% of the refunded principal amount of \$20,600,000.
- The City plans to contribute \$96,464 from its cash on hand to the transaction to pay the accrued interest on the Refunded Bonds.
- The final maturity of the Series JJ-2020 Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- The City currently has a Standard & Poor's rating of AAA on some of its long-term water revenue debt, therefore, the proposed structure of the Series 2020 Refunding Bonds is not balloon indebtedness as defined in T.C.A. § 9-21-134.

- Estimated costs of issuance are summarized below:

	Amount	Price per \$1,000 Bond
Estimated Underwriter's Discount	\$ 262,805	\$ 12.52
Financial Advisor (Cumberland Securities Company)	35,000	1.67
Bond Counsel (Bass Berry & Sims)	26,000	1.24
Rating Agency	52,000	2.48
Miscellaneous Fees (Paying Agent, Etc.)	14,195	0.68
Total Cost of Issuance	<u>\$ 390,000</u>	<u>\$ 18.59</u>

### **Financial Information for the Fiscal Year Ended June 30, 2019**

For the fiscal year ended June 30, 2019, the District's audited financial statements reflected operating income of \$15,418,383, and a positive change in net position of \$10,171,261. The District's statement of cash flows reflected debt service payments of \$13,024,114, consisting of principal payments of \$6,340,000 and interest payments of \$6,684,114. At June 30, 2019 the District reported \$12,761,344 in unrestricted cash and cash equivalents.

### **Changes to the Structure of the Repayment Schedule**

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. If it is determined that the bond structure constitutes balloon indebtedness, the City must submit a Plan of Balloon Indebtedness to the Director of the Division of Local Government Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

### **Financial Professionals**

The Plan was prepared with the assistance of the City's financial advisors, Cumberland Securities Inc. Financial 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 Municipal Securities Rulemaking Board (MSRB) establishes rules and notices that municipal advisors and underwriters must follow when engaging in municipal securities transactions and advising investors and local governments. To learn more about the obligations of the City's underwriter and municipal advisor, please read the information posted on the MSRB website: [www.msrb.org](http://www.msrb.org).



### **Plan Assumptions**

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. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale. The Series JJ-2020 Refunding Bonds may be issued with a structure different from that of the Plan.

### **Debt Management Policy**

The City has adopted a debt management policy and has indicated in its Plan that the proposed refunding transaction complies with the City's policy.

### **Requirements After the Refunding Bonds Have Been Issued**

We have included a listing of certain compliance requirements your local government will be responsible for once the bonds are issued. The listing is not all inclusive and you should work with your municipal advisor and bond counsel to ensure compliance with legal and regulatory requirements related to the proposed refunding.

### **Effective Date for this Report**

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. We will then issue a report on the new plan for the City Council to review prior to adopting a new refunding bond authorizing resolution.



Betsy Knotts  
Director of the Division of Local Government Finance  
Date: March 5, 2020

Enclosure: Requirements After Debt is Issued



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

## **Requirements After Debt is Issued**

- **Annual Budget Approval**

Your local government will be subject to an annual budget approval process for the life of the outstanding debt as required by TCA § 9-21-403. Please refer to our online guidance at: [tncot.cc/budget](http://tncot.cc/budget).

- **Bonds not Refunded**

If all the bonds are not refunded as a part of the proposed refunding transaction and the City wishes to refund them in a subsequent bond issue, then a new plan must be submitted to our office for review.

- **Debt Management Policy**

Your local government should regularly review and, if necessary, amend its debt management policy. Please submit any amended policy to our office immediately upon adoption. Guidance concerning debt management policies is available at: [tncot.cc/debt-policy](http://tncot.cc/debt-policy).

- **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 it is determined prior to the issuance of the debt, that the actual results will differ significantly from the information provided in the submitted Plan and the City decides to proceed with the issue, the City's governing body and our office should be notified after the sale by the local government's Chief Executive Officer or the Chief Financial Officer regarding these differences. The Chief Executive Officer must state that they were aware of the differences and determined to proceed with the issuance of the debt. 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.

The notification must include an explanation for any significant differences and the justification for a change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the City's governing body and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

- **Report on Debt Obligation (State Form CT – 0253)**

Pursuant to T.C.A. § 9-21-151(6)(c), a Report on Debt Obligation (the “Report”) shall be completed and filed with the governing body of the local government no later than forty-five (45) days after the issuance of the Notes, with a copy (including attachments, if any) filed with the Division of Local Government Finance. The Report and instructions may be accessed at: [tncot.cc/debt-report](http://tncot.cc/debt-report). No public entity may enter into additional debt if it has failed to file the Report.

- **Rule 15c2-12 of the Securities Exchange Act**

Local governments that have issued municipal securities on or after February 27, 2019, are required to report certain information related to the issuance of financial obligations. Information on the reporting requirements is available on the Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access EMMA® website: [emma.msrb.org](http://emma.msrb.org).





February 20, 2020

Ms. Sandra Thompson  
Director of Office of State and Local Finance  
Cordell Hull Building  
425 Fifth Avenue North  
Nashville, TN 37243-3400

Re: Knoxville Utilities Board / City of Knoxville, Tennessee - Water System

Dear Ms. Thompson:

The Knoxville Utilities Board ("KUB") of the City of Knoxville, Tennessee (the "City") is pleased to enclose for your consideration a report entitled "Plan of Refunding" dated February 20, 2020. This report is being delivered to you to comply with Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

Entity Information:

(A) KUB, governed by a Board of Commissioners, on behalf of the City of Knoxville, Tennessee, governed by the City Council, pursuant to the City's Charter, KUB has full legal authority and controls all aspects of the issuance of the proposed refunding debt.

(B) Indya Kincannon, Mayor  
P.O. Box 1631 Knoxville, TN 37901

Gabriel J. Bolas II, KUB President and CEO  
445 South Gay Street Knoxville, TN 37902

Mark Walker, KUB CFO (865) 594-7428  
445 South Gay Street Knoxville, TN 37902

E-Mail address: [gabriel.bolas@kub.org](mailto:gabriel.bolas@kub.org) and [mark.walker@kub.org](mailto:mark.walker@kub.org)

(C) Contacts for additional information:  
Financial Advisor: Cumberland Securities Company, Inc. (865-988-2663)  
Joe Ayres: [joe.ayres@cumberlandsecurities.com](mailto:joe.ayres@cumberlandsecurities.com) and  
Scott P. Gibson: [scott.gibson@cumberlandsecurities.com](mailto:scott.gibson@cumberlandsecurities.com)

Bond Counsel: Bass, Berry & Sims (865-521-0365)  
Mark Mamantov: [mmamantov@bassberry.com](mailto:mmamantov@bassberry.com)

Timing Information:

(A) March 24, 2020 regularly scheduled City Council Meeting

Specific Request for:

(A) KUB on behalf of the City hereby requests a Report from the Office of State and Local Finance on the enclosed Plan of Refunding pursuant to Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

The City, acting by and through KUB, is proposing to refinance the following outstanding obligations: Water System Revenue Bonds, Series W-2011, dated December 01, 2011, maturing March 1, 2021 through March 1, 2040 in the outstanding principal amount of \$20,600,000 (the "Series W-2011 Bonds").

The enclosed Plan of Refunding outlines the projected structure based upon current market conditions. To maximize flexibility the City's bond resolution will be drafted to authorize the refunding of all or any portion of the above referenced debt. Therefore, the final structure and sizing could vary from the enclosed request based on the final structure of the proposed Bonds.

The City Council is scheduled to meet on Tuesday, March 24, 2020 to discuss the Plan of Refunding and other documents related to this refinancing plan.

If you have any questions or need any additional information with respect to this financing, please do not hesitate to contact me or our Financial Advisor, Mr. Joe Ayres or Mr. Scott P. Gibson at Cumberland Securities Company, Inc. (865-988-2663) at your earliest convenience.

Very truly yours,



Gabriel J. Bolas II  
President and CEO

c: Mayor Indya Kincannon  
Mr. Joe Ayres  
Mr. Mark Mamantov

Enclosure



## **Plan of Refunding – Water System**

### **Knoxville Utilities Board / City of Knoxville, Tennessee**

**A) Identification of Key Professionals (including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan):**

1. Underwriter: Determined at Competitive Public Sale
2. Bond Counsel: Bass, Berry & Sims
3. Financial Advisor: Cumberland Securities Company, Inc.

**B) Purpose(s) of Refunding, including parameters:**

1. **Cost Savings: include a projection of the savings and amortization schedules for both refunding and refunded debt:**
  - a. See attached Preliminary Refunding Analysis page 1.
2. **Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured:**
  - a. N/A
3. **Covenant change: Clearly describe covenant to be eliminated or revised and any change in the structure:**
  - a. N/A
4. **Reduction or elimination of risk: describe risk to be reduced or eliminated:**
  - a. The proposed refunded bonds are fixed rate and will be refunded with fixed rate bonds, therefore, there will be no change in risk.

**C) Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed explanation.**

1. KUB adopted a debt management policy on November 17, 2011 and amended the policy on September 20, 2012. The proposed structure does have savings in excess of 3% and does not extend debt past the original life of the issue which is consistent with the KUB debt management policy. Additionally, the proposed debt is traditional fixed rate debt and is the preferred form of debt under KUB's debt management policy.

#### **D) Other Information**

1. **Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded,**
  - a. Proposed refunding debt schedule: See attached Preliminary Refunding Analysis pages 2.
  - b. Outstanding debt schedule(s): See attached Preliminary Refunding Analysis page 3 and page 4.

**As well as the following:**

2. **Refunding Debt:**
  - a. **Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding:**
    - i. Maximum size authorized by governing body = \$21,000,000. To refund the Water System Revenue Bonds, Series W-2011, dated December 01, 2011, maturing March 1, 2021 through March 1, 2040 in the outstanding principal amount of \$20,600,000 (the "Series W-2011 Bonds").
  - b. **Anticipated Size = \$20,990,000**
  - c. **Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt:**
    - i. **Final Maturity = 3/1/2040 (Same as refunded Debt)**
    - ii. **Weighted Average Maturity = 13.194 Years**
  - d. **Estimated Breakdown of Costs of Issuance:** See attached Preliminary Refunding Analysis page 5.
  - e. **Estimated Sources and Uses of Funds:** See attached Preliminary Refunding Analysis page 5.
3. **Refunded Debt: Information must be provided with respect to *each debt issue to be refunded*; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
  - a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**

- i. Water System Revenue Bonds, Series W-2011, dated December 01, 2011, maturing March 1, 2021 through March 1, 2040 in the outstanding principal amount of \$20,600,000 (the "Series W-2011 Bonds"). The Series W-2011 Bonds are tax-exempt, fixed-rate debt, with a final maturity on March 1, 2040.
- b. **Date of issue and copy of CT-0253 filed.**
  - i. Date of Issue = December 01, 2011. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series W-2011 Bonds.
- c. **Date of authorization by the governing body.**
  - i. The Series W-2011 Bonds were authorized by the City's governing body on October 04, 2011.
- d. **Whether bank-qualified or under other small issuer exception.**
  - i. No
- e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
  - i. The purpose of the Series W-2011 Bonds being refunded were to provide funds to pay the costs of the construction, renovation, extension and improvements to the System; and to pay costs incident to the issuance and sale of Bonds. The average life of the proposed refunding bonds will not be longer than the average remaining life of the assets financed.
- f. **Derivative product, if any, and copy of Report of Compliance:**
  - i. There is no derivative agreement associated with the Series W-2011 Bonds.



**Knoxville Utilities Board**  
of the  
**City of Knoxville, Tennessee**  
**Proposed Water System Refunding**

**Preliminary  
Refunding  
Report**

February 20, 2020

Prepared By:

**Cumberland Securities Company, Inc.**

Independent Registered Municipal Advisors

P.O. Box 22715

Knoxville, Tennessee 37933

Telephone: (865) 988-2663

Facsimile: (865) 988-1863



**CUMBERLAND SECURITIES**

SINCE 1931

## Disclaimer and Disclosures

Cumberland Securities Company, Inc. (the "Advisor") is registered as a Municipal Advisory firm with the U.S. Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). A municipal advisory client brochure is posted on the website of the Municipal Securities Rulemaking Board ([www.msrb.org](http://www.msrb.org)) that describes the protections that may be provided by the Municipal Securities Rulemaking Board rules and how to file a complaint with an appropriate regulatory authority. The Advisor will maintain all required registrations with the SEC and the MSRB and the Advisor will disclose any legal or disciplinary events, including information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation, and other detailed information. The Issuer may electronically access the Advisor's most recent Form MA and each employee's most recent Form MA-1 filed with the Commission at <https://www.sec.gov/edgar/searchedgar/companysearch.html>. As of the date hereof, Cumberland Securities Company, Inc. has never had legal or disciplinary event.

The Advisor hereby discloses that it generally operates under a contingent fee form of compensation. Under a contingent fee form of compensation, payment of the Municipal Advisor's fee is dependent upon the successful completion of a financing or other transaction. Although this form of compensation may be customary for the Issuer, it presents a conflict because the Advisor may have an incentive to recommend unnecessary financings or financings that are disadvantageous to the client. All recommended financings are reviewed by the firm to confirm that they are suitable for each client. Upon execution of a Municipal Advisory Agreement, the Advisor will have a legally binding fiduciary responsibility to put the financial interests of the Issuer before its own. The Advisor hereby discloses that the determination of any municipal advisory fee or other compensation will be mutually agreeable between the Issuer and the Advisor pursuant to a Fee Letter.

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This presentation/report may contain "forward-looking" information. Such information may include, but not be limited to, projections, forecasts or estimates of cash flows, interest rate coupons, yields or potential debt service savings, scenario analyses and proposed or expected debt portfolio composition. Any forward-looking information is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein or can be ascertained at this time). It does not represent actual results that may be available to you. Actual events or conditions are unlikely to be consistent with, and may differ significantly from, those assumed.

IRS Circular 230 Disclosure: The Advisor and its employees are not in the business of providing, and do not provide, tax or legal advice. Any statements in this presentation regarding tax matters were not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

### Risk Disclosures:

Fixed Rate Bonds		
Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	<ul style="list-style-type: none"><li>• Range of available remedies may be brought against Issuer (e.g. forcing Issuer to raise taxes or rates)</li><li>• Credit ratings negatively impacted</li><li>• Access to capital markets impaired</li><li>• Possibility of receivership or bankruptcy for certain Issuers</li></ul>
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	<ul style="list-style-type: none"><li>• Inability to refinance at lower interest rates</li></ul>
Refinancing Risk	Possibility that the bonds cannot be refinanced	<ul style="list-style-type: none"><li>• Inability to refinance at lower interest rates</li></ul>
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	<ul style="list-style-type: none"><li>• Negative arbitrage resulting in a higher cost of funds</li></ul>
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	<ul style="list-style-type: none"><li>• Increase in debt service costs retroactively to date of issuance</li><li>• Possible mandatory redemption of bonds affected</li><li>• Risk of IRS Audit</li><li>• Difficulty in refinancing the bonds</li><li>• Access to tax-exempt market impacted</li><li>• Difficulty in issuing future tax-exempt debt</li></ul>

Variable Rate Demand Bonds ("VRDB") / Floating Rate Notes ("FRN") / Bank Index Loan ("Index") / "Put Loan" (e.g. Fixed Rate for Five (5) Years, then Rate Resets to New Rate)		
Material Risk Consideration	Description of Risk (Type of Debt Risk Applicable to)	Potential Consequences
Interest Rate Risk	Possibility that the interest rate may increase on an interest reset date (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Increase in debt service cost (up to maximum rate)</li><li>• Lower debt service coverage</li><li>• Lower cash reserves</li></ul>
Index Risk	Possibility that the method of determining the Index (LIBOR or SIFMA) could change Indices may be affected by factors unrelated to FRN's/Index Loan or the tax-exempt market (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Increase in debt service costs</li><li>• Lower debt service coverage</li><li>• Lower cash reserves</li><li>• Provision should be made for alternate mechanism to determine rate</li></ul>
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or revenues)</li><li>• Credit ratings negatively impacted</li><li>• Default could impact remarketing which could cause increase in debt service costs</li><li>• Access to capital markets impaired</li></ul>
Issuer Ratings Downgrade Risk	Possibility that a downgrade of the Issuer's rating(s) may result in optional tenders or an increase in fees payable to the bank providing the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Ratings change could impact remarketing which could cause an increase in debt service cost</li><li>• Higher liquidity facility fees resulting in higher cost of funds</li></ul>
Liquidity Risk	Possibility that VRDB's cannot be successfully remarketing, resulting in Bank Bonds (VRDB)	<ul style="list-style-type: none"><li>• Increase in debt service costs due to higher bank bond rate and accelerated principle repayment</li><li>• May be required to refinance or term out the VRDO's</li><li>• Inability to refinance or possibly higher interest rates</li></ul>
Liquidity Provider Default Risk	Possibility that the bank providing the liquidity facility supporting the VRDO's defaults in its obligations under the liquidity facility (VRDB)	<ul style="list-style-type: none"><li>• Issuer required to repay principal and accrued interest if Issuer is not able to refinance</li><li>• Increase in debt service costs</li></ul>
Liquidity Provider Ratings Downgrade	Possibility that a downgrade of the liquidity provider's rating(s) may result in optional tenders (VRDB)	<ul style="list-style-type: none"><li>• Ratings change could impact remarketing which could cause an increase in debt service cost</li></ul>
Refinancing Risk	Possibility that the FRN, Index or Put Loan cannot be remarketed or refinanced (FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Hard Put: must repay principal and accrued interest or Event of Default</li><li>• Soft Put: higher interest rate on debt and higher debt service costs up to maximum rate</li><li>• Increase in debt service costs upon any refinancing</li><li>• Inability to refinance or possibly higher interest rates</li></ul>
Regulatory Risk	Possibility that prospective regulatory requirements increase cost of obtaining and maintaining the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Increase in debt service costs</li><li>• Higher liquidity facility fees resulting in higher cost of funds</li></ul>
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Negative arbitrage resulting in higher cost of funds</li></ul>
Remarketing Risk	Possibility that the remarketing agent does not perform its duties in a satisfactory manner or may resign or cease its remarketing efforts (VRDB)	<ul style="list-style-type: none"><li>• Higher interest rates</li><li>• Difficulty remarketing the VRDO's</li><li>• May require appointment of a successor remarketing agent</li></ul>
Renewal Risk	Possibility that the facility or loan will not be extended for a successive commitment period or not be replaced at a reasonable cost (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Issuer required to repay principal and accrued interest on tender date if Issuer is not able to refinance</li><li>• Increase in debt service costs</li></ul>
Tax Compliance Risk	For tax exempt bonds, possibility that failure to comply with tax related covenants result in the bonds becoming taxable obligations (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"><li>• Increase in debt service costs retroactively to date of issuance</li><li>• Possible mandatory redemption of bonds affected</li><li>• Risk of IRS audit</li><li>• Difficulty in refinancing the bonds</li><li>• Access to tax exempt market impacted</li><li>• Difficulty in issuing future tax-exempt debt</li></ul>



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Water System Revenue Refunding Bonds, Series JJ-2020

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## ESTIMATED SAVINGS ANALYSIS

### Knoxville Utilities Board of the City of Knoxville, Tennessee Water System Revenue Refunding Bonds, Series JJ-2020

Date	Principal	Estimated Interest Rate	Interest	Total P+I	Refunded D/S	Savings	Present Value to 04/15/2020 at 2.685271%
06/30/2021	710,000.00	1.500%	461,403.89	1,171,403.89	1,339,250.00	167,846.11	166,533.10
06/30/2022	640,000.00	1.600%	515,000.00	1,155,000.00	1,322,750.00	167,750.00	161,200.50
06/30/2023	585,000.00	1.650%	504,760.00	1,089,760.00	1,256,250.00	166,490.00	155,751.65
06/30/2024	580,000.00	1.750%	495,107.50	1,075,107.50	1,241,250.00	166,142.50	151,306.32
06/30/2025	575,000.00	1.800%	484,957.50	1,059,957.50	1,226,250.00	166,292.50	147,426.83
06/30/2026	570,000.00	1.850%	474,607.50	1,044,607.50	1,210,625.00	166,017.50	143,280.98
06/30/2027	565,000.00	1.900%	464,062.50	1,029,062.50	1,193,125.00	164,062.50	137,843.44
06/30/2028	555,000.00	2.000%	453,327.50	1,008,327.50	1,173,125.00	164,797.50	134,760.49
06/30/2029	550,000.00	2.100%	442,227.50	992,227.50	1,155,625.00	163,397.50	130,074.70
06/30/2030	540,000.00	2.250%	430,677.50	970,677.50	1,135,625.00	164,947.50	127,798.34
06/30/2031	535,000.00	2.350%	418,527.50	953,527.50	1,117,500.00	163,972.50	123,675.05
06/30/2032	525,000.00	2.500%	405,955.00	930,955.00	1,098,750.00	167,795.00	123,174.06
06/30/2033	520,000.00	2.550%	392,830.00	912,830.00	1,080,000.00	167,170.00	119,461.86
06/30/2034	2,015,000.00	2.600%	379,570.00	2,394,570.00	2,560,000.00	165,430.00	115,084.53
06/30/2035	1,985,000.00	2.650%	327,180.00	2,312,180.00	2,480,000.00	167,820.00	113,537.83
06/30/2036	1,960,000.00	2.700%	274,577.50	2,234,577.50	2,400,000.00	165,422.50	108,859.20
06/30/2037	1,930,000.00	2.850%	221,657.50	2,151,657.50	2,320,000.00	168,342.50	107,739.48
06/30/2038	1,905,000.00	2.900%	166,652.50	2,071,652.50	2,240,000.00	168,347.50	104,802.57
06/30/2039	1,885,000.00	2.950%	111,407.50	1,996,407.50	2,160,000.00	163,592.50	99,069.74
06/30/2040	1,860,000.00	3.000%	55,800.00	1,915,800.00	2,080,000.00	164,200.00	96,723.22
	20,990,000.00		7,480,288.89	28,470,288.89	31,790,125.00	3,319,836.11	2,568,103.88

### Savings Summary

PV of savings from cash flow	2,568,103.88
Less: Prior funds on hand	(96,463.89)
<b>Net PV Savings</b>	<b>2,471,639.99</b>
<b>Net PV Benefit/ Refunded Principal</b>	<b>11.9983%</b>
Dated	04/15/2020
First Coupon Date	09/01/2020
Weighted Average Maturity	13.19
Average Coupon	2.7010%
Bond Yield for Arbitrage Purpose	2.6852710%
True Interest Cost (TIC)	2.8021752%

ESTIMATED DEBT SERVICE

Knoxville Utilities Board of the City of Knoxville, Tennessee  
Water System Revenue Refunding Bonds, Series JJ-2020

Date	Principal	Estimated Coupon	Interest	Total P+I	Fiscal Total
09/01/2020			198,578.89	198,578.89	
03/01/2021	710,000.00	1.500%	262,825.00	972,825.00	
06/30/2021					1,171,403.89
09/01/2021			257,500.00	257,500.00	
03/01/2022	640,000.00	1.600%	257,500.00	897,500.00	
06/30/2022					1,155,000.00
09/01/2022			252,380.00	252,380.00	
03/01/2023	585,000.00	1.650%	252,380.00	837,380.00	
06/30/2023					1,089,760.00
09/01/2023			247,553.75	247,553.75	
03/01/2024	580,000.00	1.750%	247,553.75	827,553.75	
06/30/2024					1,075,107.50
09/01/2024			242,478.75	242,478.75	
03/01/2025	575,000.00	1.800%	242,478.75	817,478.75	
06/30/2025					1,059,957.50
09/01/2025			237,303.75	237,303.75	
03/01/2026	570,000.00	1.850%	237,303.75	807,303.75	
06/30/2026					1,044,607.50
09/01/2026			232,031.25	232,031.25	
03/01/2027	565,000.00	1.900%	232,031.25	797,031.25	
06/30/2027					1,029,062.50
09/01/2027			226,663.75	226,663.75	
03/01/2028	555,000.00	2.000%	226,663.75	781,663.75	
06/30/2028					1,008,327.50
09/01/2028			221,113.75	221,113.75	
03/01/2029	550,000.00	2.100%	221,113.75	771,113.75	
06/30/2029					992,227.50
09/01/2029			215,338.75	215,338.75	
03/01/2030	540,000.00	2.250%	215,338.75	755,338.75	
06/30/2030					970,677.50
09/01/2030			209,263.75	209,263.75	
03/01/2031	535,000.00	2.350%	209,263.75	744,263.75	
06/30/2031					953,527.50
09/01/2031			202,977.50	202,977.50	
03/01/2032	525,000.00	2.500%	202,977.50	727,977.50	
06/30/2032					930,955.00
09/01/2032			196,415.00	196,415.00	
03/01/2033	520,000.00	2.550%	196,415.00	716,415.00	
06/30/2033					912,830.00
09/01/2033			189,785.00	189,785.00	
03/01/2034	2,015,000.00	2.600%	189,785.00	2,204,785.00	
06/30/2034					2,394,570.00
09/01/2034			163,590.00	163,590.00	
03/01/2035	1,985,000.00	2.650%	163,590.00	2,148,590.00	
06/30/2035					2,312,180.00
09/01/2035			137,288.75	137,288.75	
03/01/2036	1,960,000.00	2.700%	137,288.75	2,097,288.75	
06/30/2036					2,234,577.50
09/01/2036			110,828.75	110,828.75	
03/01/2037	1,930,000.00	2.850%	110,828.75	2,040,828.75	
06/30/2037					2,151,657.50
09/01/2037			83,326.25	83,326.25	
03/01/2038	1,905,000.00	2.900%	83,326.25	1,988,326.25	
06/30/2038					2,071,652.50
09/01/2038			55,703.75	55,703.75	
03/01/2039	1,885,000.00	2.950%	55,703.75	1,940,703.75	
06/30/2039					1,996,407.50
09/01/2039			27,900.00	27,900.00	
03/01/2040	1,860,000.00	3.000%	27,900.00	1,887,900.00	
06/30/2040					1,915,800.00
	20,990,000.00		7,480,288.89	28,470,288.89	

Date Structure

Date	04/15/2020
First Coupon Date	09/01/2020

Yield Statistics

Average Coupon	2.7010059%
Weighted Average Maturity	13.194
True Interest Cost (TIC)	2.8021752%

PRIOR BOND DEBT SERVICE

Knoxville Utilities Board of the City of Knoxville, Tennessee  
\$25,000,000 Water System Revenue Bonds, Series W-2011

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2020			394,625.00	394,625.00	
03/01/2021	550,000	3.000%	394,625.00	944,625.00	
06/30/2021					1,339,250
09/01/2021			386,375.00	386,375.00	
03/01/2022	550,000	3.000%	386,375.00	936,375.00	
06/30/2022					1,322,750
09/01/2022			378,125.00	378,125.00	
03/01/2023	500,000	3.000%	378,125.00	878,125.00	
06/30/2023					1,256,250
09/01/2023			370,625.00	370,625.00	
03/01/2024	500,000	3.000%	370,625.00	870,625.00	
06/30/2024					1,241,250
09/01/2024			363,125.00	363,125.00	
03/01/2025	500,000	3.125%	363,125.00	863,125.00	
06/30/2025					1,226,250
09/01/2025			355,312.50	355,312.50	
03/01/2026	500,000	3.500%	355,312.50	855,312.50	
06/30/2026					1,210,625
09/01/2026			346,562.50	346,562.50	
03/01/2027	500,000	4.000%	346,562.50	846,562.50	
06/30/2027					1,193,125
09/01/2027			336,562.50	336,562.50	
03/01/2028	500,000	3.500%	336,562.50	836,562.50	
06/30/2028					1,173,125
09/01/2028			327,812.50	327,812.50	
03/01/2029	500,000	4.000%	327,812.50	827,812.50	
06/30/2029					1,155,625
09/01/2029			317,812.50	317,812.50	
03/01/2030	500,000	3.625%	317,812.50	817,812.50	
06/30/2030					1,135,625
09/01/2030			308,750.00	308,750.00	
03/01/2031	500,000	3.750%	308,750.00	808,750.00	
06/30/2031					1,117,500
09/01/2031			299,375.00	299,375.00	
03/01/2032	500,000	3.750%	299,375.00	799,375.00	
06/30/2032					1,098,750
09/01/2032			290,000.00	290,000.00	
03/01/2033	500,000	4.000%	290,000.00	790,000.00	
06/30/2033					1,080,000
09/01/2033			280,000.00	280,000.00	
03/01/2034	2,000,000	4.000%	280,000.00	2,280,000.00	
06/30/2034					2,560,000
09/01/2034			240,000.00	240,000.00	
03/01/2035	2,000,000	4.000%	240,000.00	2,240,000.00	
06/30/2035					2,480,000
09/01/2035			200,000.00	200,000.00	
03/01/2036	2,000,000	4.000%	200,000.00	2,200,000.00	
06/30/2036					2,400,000
09/01/2036			160,000.00	160,000.00	
03/01/2037	2,000,000	4.000%	160,000.00	2,160,000.00	
06/30/2037					2,320,000
09/01/2037			120,000.00	120,000.00	
03/01/2038	2,000,000	4.000%	120,000.00	2,120,000.00	
06/30/2038					2,240,000
09/01/2038			80,000.00	80,000.00	
03/01/2039	2,000,000	4.000%	80,000.00	2,080,000.00	
06/30/2039					2,160,000
09/01/2039			40,000.00	40,000.00	
03/01/2040	2,000,000	4.000%	40,000.00	2,040,000.00	
06/30/2040					2,080,000
	20,600,000		11,190,125.00	31,790,125.00	31,790,125



**SUMMARY OF BONDS REFUNDED**

**Knoxville Utilities Board of the City of Knoxville, Tennessee  
Water System Revenue Refunding Bonds, Series JJ-2020**

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
\$25,000,000 Water System Revenue Bonds, Series W-2011, BOND:					
	03/01/2021	3.000%	550,000.00	04/15/2020	100.000
	03/01/2022	3.000%	550,000.00	04/15/2020	100.000
	03/01/2023	3.000%	500,000.00	04/15/2020	100.000
	03/01/2024	3.000%	500,000.00	04/15/2020	100.000
	03/01/2025	3.125%	500,000.00	04/15/2020	100.000
	03/01/2026	3.500%	500,000.00	04/15/2020	100.000
	03/01/2027	4.000%	500,000.00	04/15/2020	100.000
	03/01/2028	3.500%	500,000.00	04/15/2020	100.000
	03/01/2029	4.000%	500,000.00	04/15/2020	100.000
	03/01/2030	3.625%	500,000.00	04/15/2020	100.000
	03/01/2031	3.750%	500,000.00	04/15/2020	100.000
	03/01/2032	3.750%	500,000.00	04/15/2020	100.000
	03/01/2033	4.000%	500,000.00	04/15/2020	100.000
	03/01/2034	4.000%	2,000,000.00	04/15/2020	100.000
	03/01/2035	4.000%	2,000,000.00	04/15/2020	100.000
	03/01/2036	4.000%	2,000,000.00	04/15/2020	100.000
	03/01/2037	4.000%	2,000,000.00	04/15/2020	100.000
	03/01/2038	4.000%	2,000,000.00	04/15/2020	100.000
	03/01/2039	4.000%	2,000,000.00	04/15/2020	100.000
	03/01/2040	4.000%	2,000,000.00	04/15/2020	100.000
			20,600,000.00		

**SOURCES AND USES OF FUNDS**

**Knoxville Utilities Board of the City of Knoxville, Tennessee  
Water System Revenue Refunding Bonds, Series JJ-2020**

**Sources:**

Bond Proceeds:	
Par Amount	20,990,000.00
Other Sources of Funds:	
KUB Contributions for Accrued Interest	96,463.89
	<u>21,086,463.89</u>

**Uses:**

Refunding Escrow Deposits:	
Cash Deposit	20,696,463.89
Cost of Issuance:	
Municipal Advisor	35,000.00
Bond Counsel	26,000.00
Rating Agency - Moody's	27,000.00
Rating Agency - S&P Global	25,000.00
Paying Agent	700.00
POS/Official Statement	7,500.00
Advertising	1,000.00
Miscellaneous	<u>4,995.00</u>
	127,195.00
Delivery Date Expenses:	
Underwriter's Discount	262,805.00
	<u>21,086,463.89</u>

SUMMARY OF REFUNDING RESULTS

**Knoxville Utilities Board of the City of Knoxville, Tennessee  
Water System Revenue Refunding Bonds, Series JJ-2020**

Dated Date	04/15/2020
Delivery Date	04/15/2020
Arbitrage yield	2.685271%
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	20,990,000.00
True Interest Cost	2.802175%
Net Interest Cost	2.795900%
Average Coupon	2.701006%
Average Life	13.194
Par amount of refunded bonds	20,600,000.00
Average coupon of refunded bonds	3.946065%
Average life of refunded bonds	13.647
PV of prior debt to 04/15/2020 @ 2.685271%	23,558,103.88
Net PV Savings	2,471,639.99
Percentage savings of refunded bonds	11.998252%
Percentage savings of refunding bonds	11.775322%



# RECEIVED

DEC 05 2011

STATE FORM NO. CT-0253

Issuer's No. \_\_\_\_\_

(To be filled out by State)

**STATE AND LOCAL FINANCE  
REPORT ON DEBT OBLIGATION  
(Pursuant to Chapter 402, Public Acts of 1989)**

**1. Issuer:**

Name Knoxville Utilities Board  
Address Attn: President & CEO  
445 Gay Street  
Knoxville, Tennessee 37902

**2. Debt Obligation:**

- |                                     |                         |
|-------------------------------------|-------------------------|
| <input checked="" type="checkbox"/> | a. Bond                 |
| <input type="checkbox"/>            | b. CON                  |
| <input type="checkbox"/>            | c. BAN                  |
| <input type="checkbox"/>            | d. GAN                  |
| <input type="checkbox"/>            | e. Lease/Lease Purchase |
| <input type="checkbox"/>            | f. Loan Agreement       |

**5. Face Amount of Debt Obligation:** \$25,000,000

**6. Type of Sale:**

- |                                     |                            |
|-------------------------------------|----------------------------|
| <input checked="" type="checkbox"/> | a. Competitive Public Sale |
| <input type="checkbox"/>            | b. Negotiated              |
| <input type="checkbox"/>            | c. Loan Program _____      |
- specify

**3. Security for Debt Obligation:**

- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| <input type="checkbox"/>            | a. General Obligation                 |
| <input type="checkbox"/>            | b. General Obligation Revenue and Tax |
| <input checked="" type="checkbox"/> | c. Revenue                            |
| <input type="checkbox"/>            | d. Annual Appropriations              |

**7. Tax Status**

a. ☒ Tax Exempt      b. ☐ Taxable

**8. Dated Date:** December 1, 2011

**9. Issue Date (Closing Date):** December 1, 2011

**4. Purpose of Issue**

**Percent of Issue:**

- |                                     |                             |             |
|-------------------------------------|-----------------------------|-------------|
| <input type="checkbox"/>            | a. General Government       | _____       |
| <input type="checkbox"/>            | b. Education                | _____       |
| <input type="checkbox"/>            | c. Highways and Streets     | _____       |
| <input type="checkbox"/>            | d. Public Safety            | _____       |
| <input type="checkbox"/>            | e. Solid Waste Disposal     | _____       |
| <input type="checkbox"/>            | f. Industrial Park          | _____       |
| <input type="checkbox"/>            | g. Manufacturing Facilities | _____       |
| <input type="checkbox"/>            | h. Health Facilities        | _____       |
| <input type="checkbox"/>            | i. Airports                 | _____       |
| <input checked="" type="checkbox"/> | j. Utilities                | _____       |
| <input checked="" type="checkbox"/> | i. Water                    | <u>100%</u> |
| <input type="checkbox"/>            | ii. Sewer                   | _____       |
| <input type="checkbox"/>            | iii. Electric               | _____       |
| <input type="checkbox"/>            | iv. Gas                     | _____       |
| <input type="checkbox"/>            | k. Refunding or Renewal     | _____       |
| <input type="checkbox"/>            | l. Other _____              | _____       |
- specify

**10. Rating:**

- a. Moody's "Aa2" \_\_\_\_\_  
b. Standard & Poor's "AA+" \_\_\_\_\_  
c. Unrated \_\_\_\_\_

**11. Interest Cost:**

3.8185980%

- |                                     |                        |
|-------------------------------------|------------------------|
| <input checked="" type="checkbox"/> | a. TIC (Net of Rebate) |
| <input type="checkbox"/>            | b. NIC                 |
| <input type="checkbox"/>            | c. Variable            |
| <input type="checkbox"/>            | d. Other _____         |

**12. Recurring Costs:**

a. Remarketing Agent Fees \$ \_\_\_\_\_  
b. Liquidity Fees \$ \_\_\_\_\_  
c. Credit Enhancement Fees \$ \_\_\_\_\_

**SEE REVERSE SIDE**

### 13. Maturity Dates, Amounts and Interest Rates

Year	Amount	Interest Rate
2013	\$550,000	3.00%
2014	550,000	3.00%
2015	550,000	2.00%
2016	550,000	2.00%
2017	550,000	5.00%
2018	550,000	3.00%
2019	550,000	4.00%
2020	550,000	3.00%
2021	550,000	3.00%
2022	550,000	3.00%

If additional space is needed, attach additional sheet.

Year	Amount	Interest Rate
2023	\$500,000	3.00%
2024	500,000	3.00%
2025	500,000	3.125%
2026	500,000	3.50%
2027	500,000	4.00%
2028	500,000	3.50%
2029	500,000	4.00%
2030	500,000	3.625%
2031	500,000	3.75%
2032	500,000	3.75%

Continue on third sheet

### 14. Itemized Description of the Cost of Issuance

		Name of Firm
a. Financial Advisor Fees*	\$40,000	Morgan Keegan & Company, Inc.
b. Legal Fees		
i. Bond Counsel	\$29,750	Bass, Berry & Sims PLC
ii. Issuer's Counsel		
iii. Trustee's Counsel		
iv. Verification Fee		
c. Paying Agent Fees and Registration Fees	\$750	Regions Bank
d. Trustee Fees		
e. Remarketing Agent Fees		
f. Liquidity Fees		
g. Rating Agency Fees	\$36,000	Moody's, Standard & Poor's
h. Credit Enhancement Fees		
i. Underwriter's Discount(%)	\$183,750	UBS Financial Services, Inc. New York, New York
i. Take Down		
ii. Management Fee		
iii. Risk Premium		
iv. Underwriter's Counsel		
v. Other Expenses		
j. Printing and Advertising Fees	\$6,400	Knoxville News-Sentinel, i-deal, Print Shop, CUSIP
k. Issuer Fees		
l. Real Estate Fees		
m. Other Costs	\$5,000	structuring, postage, Fed Ex, document producon, etc.
n. Total Costs	\$301,650	

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15

Mirita Roach  
 Authorized Representative  
  
 President & CEO  
 Title  
  
 December 1, 2011  
 Date

/s/ Joseph K. Ayres  
 Preparer  
 Managing Director  
 Title  
 Morgan Keegan & Company, Inc.  
 Firm  
 December 1, 2011  
 Date

SEND TO: Comptroller of the Treasury, Director-Division of Local Finance, Suite 1700, 505 Deaderick Street, James K. Polk State Office Building, Nashville, Tennessee 37243-0274