



JASON E. MUMPOWER
Comptroller

February 19, 2021

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

Dear Mayor Kincannon and Members of the Council:

Thank you for your recent correspondence. We acknowledge receipt on February 19, 2021, 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 \$87,360,000 Electric System Revenue Refunding Bonds, Series LL-2021.

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 City Council for review prior to the adoption of a refunding bond authorizing resolution.

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.

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
Ms. Gabriel J. Bolas II, KUB President and CEO, City of Knoxville, TN
Mr. Mark Walker, KUB CFO, City of Knoxville, TN
Mr. Joe Ayers, Cumberland Securities, Inc.
Mr. Scott Gibson, Cumberland Securities, Inc.
Mr. Mark Mamantov, Bass, Berry & Simms

Enclosure: Report of the Director of the Division of Local Government Finance

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**Report of the Director of the Division of Local Government Finance
Concerning the Proposed Issuance of
Electric System Revenue Refunding Bonds, Series LL-2021
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 19, 2021, from the City of Knoxville City (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 \$87,360,000 Electric System Revenue Refunding Bonds, Series LL-2021 (“The Series LL-2021 Refunding Bonds”), priced at par to refund:

- \$16,510,000 Electric System Revenue Refunding Bonds, Series AA-2012, dated April 20, 2012, maturing July 1, 2022 through July 1, 2029;
- \$28,750,000 Electric System Revenue Bonds, Series BB-2012, dated December 18, 2012, maturing July 1, 2022 through July 1, 2042;
- \$6,530,000 Electric System Revenue Refunding Bonds, Series CC-2013, dated March 15, 2013, maturing July 1, 2022 through July 1, 2031;
- \$34,625,000 Electric System Revenue Bonds, Series DD-2014, dated September 18, 2014, maturing July 1, 2022 through July 1, 2044.

These are collectively known hereinafter as the “Refunded Bonds.” The total refunded principal is \$86,415,000.

- 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 \$9,231,436 or 10.68% of the refunded principal amount of \$86,415,000.
- The City will contribute \$1,423,990 to fund the transaction.
- The final maturity of the Series LL-2021 Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- The proposed structure of the Series LL-2021 Refunding Bonds is not balloon indebtedness as defined in T.C.A. § 9-21-133.
- Estimated costs of issuance are summarized below and are based upon the par amount of \$87,360,000 for the Series LL- 2021 Refunding Bonds:

	Amount	Price per \$1,000 Bond
Underwriter's Discount	655,200	7.50
Financial Advisor (Cumberland Securities)	100,000	1.14
Rating Agencies	115,000	1.32
Bond Counsel (Bass, Berry & Simms)	64,000	0.73
Miscellaneous	14,195	0.16
Total Cost of Issuance	\$ 948,395	\$ 10.85

Financial Professionals

The Plan was prepared with the assistance of the City's financial advisor, 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.

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.

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 Commission to review prior to adopting a new refunding bond authorizing resolution.



Betsy Knotts
Director of the Division of Local Government Finance
Date: February 19, 2021

Enclosure: Requirements After Debt is Issued



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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.

- **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.

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

- **Report on Debt Obligation**

Pursuant to T.C.A. § 9-21-134, a Report on Debt Obligation 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 debt, 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.

- **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.