



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

February 12, 2019

Honorable John Holden, Mayor
and Honorable Board of Aldermen
City of Dyersburg
425 West Court Street
Dyersburg, TN 38024

Dear Mayor Holden and Members of the Board:

Please provide a copy of this report to each member of the Board of Aldermen at the public meeting during which the report is reviewed. Additionally, this letter, report, and plan of refunding (the "Plan"), are to be posted on the website of the City of Dyersburg (the "City").

This letter acknowledges receipt on February 6, 2019, of the City's request to review its Plan for the issuance of an amount not to exceed \$2,750,000 Electric System Revenue Refunding and Improvement Bonds, Series 2019 (the "Series 2019 Bonds"), of which the refunding portion is not to exceed \$735,000. The refunding portion will hereinafter be known as the "Refunding Bonds". The proceeds of the Refunding Bonds will be used to current refund the City's outstanding Electric System Revenue Bonds, Series 2007, maturing February 1, 2020, and thereafter in the remaining principal amount of \$725,000.

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 City has indicated that Cumberland Securities Company, Inc. is its municipal advisor regarding this particular transaction only. 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 Plan was prepared by the City with the assistance of its municipal advisors.

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. The City's current debt management policy, adopted on December 5, 2011, indicates that "current refunding opportunities may be considered by the Treasurer if the refunding generates positive present value savings, and the Treasurer must establish a minimum present value savings threshold for any refinancing." The Treasurer has not yet established the required threshold for savings. We recommend the City's governing body review its debt management policy and should the body amend its policy, submit the amended policy to this office immediately upon its adoption.

Report of the Review of a Plan of Refunding

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 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 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 this office. The enclosed report provides no assurances of the reasonableness of the underlying assumptions.

The enclosed report is effective for a period of ninety (90) days from the date of the report. If the refunding transaction has not been completed 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 this 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.

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 City's 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.

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

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).

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.

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/content/dam/cot/slf/documents/local-finance/debt/report-on-debt-obligation/CT0253_Revised.pdf.

If you should have questions or need assistance regarding statutory debt issuance requirements, please refer to our online resources available at <https://comptroller.tn.gov/office-functions/state-and-local-finance.html> under Local Finance - Debt, or 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 mail to the attention of your analyst at the Office of State and Local Finance.

Sincerely,



Sandra Thompson
Director of the Office of State and Local Finance

cc: Mr. Stephen Lane, General Manager, Dyersburg Electric System
Ms. Jean Suh, Audit Review Manager, Division of Local Government Audit, COT
Mr. Scott Gibson, Cumberland Securities Company, Inc.
Mr. Mark Mamantov, Bass, Berry & Sims

Enclosures: Report of the Director of the Office of State and 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 AND IMPROVEMENT BONDS, SERIES 2019
CITY OF DYERSBURG, TENNESSEE**

The City of Dyersburg (the "City") submitted a plan of refunding (the "Plan"), as required by TCA § 9-21-1003 regarding the issuance of an amount not to exceed \$2,750,000 Electric System Revenue Refunding and Improvement Bonds, Series 2019 (the "Series 2019 Bonds"), of which the refunding portion is not to exceed \$735,000. The refunding portion will hereinafter be known as the "Refunding Bonds". The proceeds of the Refunding Bonds will be used to current refund its outstanding Electric System Revenue Bonds, Series 2007, maturing February 1, 2020, and thereafter in the remaining principal amount of \$725,000 (the "Series 2007 Bonds").

Pursuant to the provisions of T.C.A. Section 9-21-1001(b):

No revenue refunding bonds shall be issued under this part and part 1 of this chapter, unless the governing body of the local government shall make a finding, which finding shall be conclusive, that one (1) or more of the following purposes will be accomplished:

- Cost savings to the public;
- Removal or modification of one (1) or more restrictive covenants; or
- Payment or discharge of all or any part of an issue or series of outstanding obligations, including any interest thereon, in arrears or to become due and for the payment of which sufficient funds are not available.

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

An evaluation of the preparation, support and underlying assumptions of the Plan has not been performed by this 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 authorizing 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.

Dyersburg Electric System - Financial Information for the Fiscal Year Ended June 30, 2018

For the fiscal year ended June 30, 2018, audited financial statements for the City's electric system (the "System") reflected operating income of \$1,730,494 and a positive change in net position of \$858,357. As reported on the cash flow statement, debt service payments for fiscal year 2018 were \$419,995 consisting of principal payments of \$370,000 and interest payments of \$49,995.

As of the fiscal year ended June 30, 2018, the System reported \$3,147,676 in unrestricted cash and \$7,285,191 in unrestricted investments.

Balloon Indebtedness

The structure of the Refunding Bonds as presented in the Plan does not appear to be balloon indebtedness. If the structure of either the new money portion or the refunding portion of the Series 2019 Bonds is revised, the City should determine if the revised 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 Office of State and Local Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

City's Proposed Refunding Objectives

The refunding portion of the Series 2019 Bonds will remove a covenant in the Series 2007 Bonds requiring a mandatory debt service reserve fund and replace it with a "springing" debt service reserve fund. The springing debt service reserve will only be required if certain criteria in the new bond covenant are met. This will free the monies in the current debt service reserve for use by the City's electric system. The City expects to achieve debt service savings of \$3,545, approximately 0.49% of the refunded principal amount of \$725,000. The City states savings will also be realized by the elimination of its ongoing continuing disclosure obligation and annual fees imposed by rating agencies on the electric system to monitor its publicly-traded debt that is being refunded with non-publicly traded debt. The City will also adopt a new master bond resolution for its electric system debt.

Plan of Refunding

- The City intends to issue \$2,750,000 Series 2019 Bonds, of which the refunding portion is not to exceed \$735,000, by negotiated sale priced at par.
- The proceeds of the \$735,000 refunding portion will be used to current refund the City's outstanding Electric System Revenue Bonds, Series 2007, maturing February 1, 2020, and thereafter in the remaining principal amount of \$725,000.
- The proceeds of the new money portion in the amount of \$2,015,000 will be used to finance various capital projects of the electric system.
- The payment structures for each of the new money and refunding portions of the Series 2019 Bonds will have approximately level debt service payment schedules with a final maturity of June 30, 2034, for the new money portion and June 30, 2023, for the refunding portion.

The following analysis is limited to the refunding portion of the Series 2019 Bonds.

Refunding Analysis

- The City has not established a minimum for an acceptable savings threshold in its debt management policy. It should be noted that the projected cost of issuance for the proposed transaction is \$5,167 and the projected net present value savings are \$3,545. We recommend the City set a minimum savings threshold for future refundings in its debt management policy.
- Results of the refunding assume that the City intends to sell the \$735,000 refunding portion of Series 2019 Bonds by negotiated sale priced at par.
- The estimated net present value debt service savings is \$3,545, approximately 0.49% of the refunded principal amount of \$725,000, achieved by lowering the average coupon from 4.00% for the Series 2007 Bonds to 3.45% for the Refunding Bonds.

- The final maturity of the Refunding Bonds not extend beyond the final maturity of the Series 2007 Bonds.
- Removing the debt service reserve fund covenant and replacing current reserve funds with a springing debt service reserve create a new risk for the City. In the future, the City may be required to issue debt to fund a reserve at a time when it may be considered a riskier borrower, making it more difficult and costlier to secure a lender.
- Estimated cost of issuance for the Refunding Bonds \$5,167 or \$7.03 per \$1,000 of the \$735,000 par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance
Series 2019 Bonds - Refunding Portion

	Amount	Price per \$1,000 Bond
Financial Advisor	\$ 2,454	\$ 3.34
Bond Counsel (Bass Berry & Sims)	2,196	2.99
Underwriter's Counsel	517	0.70
Total Cost of Issuance	\$ 5,167	\$ 7.03

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 all the Series 2007 Bonds are not refunded as a part of the refunding portion of the Series 2019 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.

This report is effective for a period of ninety (90) days from the date of the report. If the refunding transaction has not been completed 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 this office.



Sandra Thompson
Director of the Office of State and Local Finance
Date: February 12, 2019