



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE & LOCAL FINANCE
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February 16, 2017

Honorable David Wear, Mayor
and Honorable Board of Commissioners
City of Pigeon Forge
P.O. Box 1350
Pigeon Forge, TN 38464

Dear Mayor Wear and Board Members:

This letter and report, and the plan of refunding (the "Plan"), are to be posted on the website of the City of Pigeon Forge (the "City"). Please make these documents available to the public and provide a copy of this report to each member of the Governing Body and present it at the next meeting of the Board of Commissioners.

This letter acknowledges receipt on February 13, 2017, of the City's request to review its Plan for the issuance of an estimated \$4,425,000 General Obligation Refunding Bonds, Series 2017 (the Refunding Bonds"), to advance refund an estimated \$4,095,000 General Obligation Refunding Bonds, Series 2008A (Water and Sewer Portion) (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 Plan 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 to achieve net present value debt service savings.

Balloon Indebtedness

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' 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 Office of State and Local Finance for approval prior to the City adopting the resolution authorizing the issuance 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.

Financial Professionals

The City indicated Cumberland Securities Company, Inc. is its 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 Plan was prepared by the City with the assistance of its municipal advisor.

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. 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 ensure 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.

Municipal Securities Rulemaking Board (MSRB) Voluntary Disclosure of Bank Loans

The Municipal Securities Rulemaking Board (MSRB) released regulatory notices: MSRB Notice 2011-52, providing guidance on the use of “bank loans” that could be a private placement of municipal securities subject to specific regulatory requirements including disclosure; and MSRB Notice 2012-18, encouraging the voluntary disclosure of bank loan financings through the MSRB’s Electronic Municipal Market Access (EMMA®) website (emma.msrb.org). For more information see the preceding notices on the MSRB’s website (msrb.org). To learn how to submit disclosure see the link at the bottom of the EMMA website labeled Submit Documents or the Education Center of the MSRB’s website.

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 information, or we may be of further assistance, please feel free to call.

Sincerely,

Sandra Thompson /klc

Sandra Thompson
Director of the Office of State & Local Finance

cc: Jim Arnette, Director of Local Government Audit, COT
Earlene Teaster, City of Pigeon Forge
Chris Bessler, Cumberland Securities Company, Inc.
Mark Mamantov, Bass Berry & Sims

Enclosures: 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
BY THE CITY OF PIGEON FORGE, TENNESSEE OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017**

The City of Pigeon Forge (the “City”) submitted a plan of refunding (the “Plan”), as required by T.C.A. § 9-21-903 regarding issuance of an estimated \$4,425,000 General Obligation Refunding Bonds, Series 2017 (the Refunding Bonds”), to advance refund an estimated \$4,095,000 General Obligation Refunding Bonds, Series 2008A (Water and Sewer Portion) (the “Refunded Bonds”).

This report must be presented to the governing body. The Plan was prepared with the assistance of the City’s municipal advisor, Cumberland Securities Company, Inc. 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. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

Balloon Indebtedness

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds’ 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 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 Objective

The City indicated the purpose of the refunding is to achieve net present value debt service savings.

Refunding Analysis

- The results of the refunding are based on the assumption that an estimated \$4,425,000 Refunding Bonds will be sold by competitive sale and priced at par.
- The net present value savings are projected to be \$439,821, or an approximate 10.74% of the refunded principal of \$4,095,000.
- The refunding generates savings by reducing the average coupon from 4.90% for the Refunded Bonds to an average coupon of 2.14% 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 \$91,791 or \$20.74 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance of Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter's Discount (TBD by competitive sale)	\$ 34,465.96	\$ 7.79
Municipal Advisor (Cumberland Securities Company, Inc.)	22,125.00	5.00
Bond Counsel (Bass Berry & Sims)	14,000.00	3.16
Rating Agency Fees	12,000.00	2.71
Other Costs	9,200.00	2.08
Total Cost of Issuance	\$ 91,790.96	\$ 20.74

The City indicated Cumberland Securities Company, Inc. is its 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 Plan was prepared by the City with the assistance of its municipal advisor.

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 of the Refunded Bonds are not 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.

Sandra Thompson /klc

Sandra Thompson
 Director of the Office of State and Local Finance
 Date: February 16, 2017