

CITY OF CROSSVILLE

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OFFICE OF THE
CITY MANAGER

April 21, 2012

Mr. Ron Queen
The Comptroller of the Treasury
Office of State and Local Finance
James K. Polk State Office Building
505 Deaderick Street, Suite 1600
Nashville, Tennessee 37243-0274

VIA ELECTRONIC DELIVERY

Re: *The City of Crossville, Tennessee General Obligation and Water and Sewer Revenue and Tax Refunding and Improvement Bonds - Series 2012 A, B, and C*

Dear Mr. Queen:

The City Council (the "Council") of the City of Crossville, Tennessee (the "City") has determined it necessary and advantageous to issue Series 2012 General Obligation and Water and Sewer Revenue and Tax Refunding Bonds for the purpose of restructuring certain issues of the City's currently outstanding indebtedness to include Series 2012 Taxable General Obligation and Revenue and Tax Loan Agreement; Series 2011 Tax-Exempt General Obligation Airport Loan Agreement; Series 2010 Tax-Exempt General Obligation Loan Agreement; Series 2003 Tax-Exempt Water and Sewer Revenue and Tax Bonds; and Series 1997 General Obligation Tax-Exempt Loan Agreement collectively (the "Refunded Bonds").

Pursuant to the provisions of Title 9 Chapter 21 Section 901, Et. Seq., Tennessee Code Annotated, as amended (collectively, the "Code"), Tennessee cities are authorized to issue negotiable bonds in the manner therein provided. Pursuant to the provisions of Title 9 Chapter 21 Section 902 of the Code a determination of the governing body that any refunding is advantageous or necessary to shall be conclusive.

The purpose of this correspondence to file a plan of refunding (the "Plan") and to request the Report of Review of Plan by the Comptroller, or designee, pursuant to the requirements of Title 9 Chapter 21 Section 903 of the Code in accordance with the Memorandum to Public Entities and Interested Parties regarding Plans of Refunding in the State of Tennessee as published by the State of Tennessee Comptroller of the Treasury on March 7, 2011 (the "Memorandum").

Issuance of Refunding Bonds:

The Pursuant to the provisions of Section 9-21-901 Et. Seq. of the Code, any local government has the power to issue by resolution general obligation refunding bonds to refinance outstanding obligations provided one or more specified purposes shall be accomplished, including cost savings to the public; removal or modification of one or more restrictive covenants; and payment or discharge of all or any part of an issue or series for which sufficient funds are not available.

Pursuant to the provisions of Sections 9-21-903 of the Code, prior to the adoption by the governing body of the resolution authorizing the issuance of general obligation refunding bonds, a plan of refunding shall be submitted for review to the comptroller of the treasury, or designee, and the comptroller of the treasury, or designee, may report thereon to the City within fifteen (15) days from the date the plan is received by the comptroller of the treasury or the comptroller's designee.

The comptroller of the treasury or the comptroller's designee shall immediately acknowledge receipt in writing of the proposed bond or note issue statement and information. The report received by the City shall be published once in a newspaper of general circulation during the week following receipt of the report.

After receiving the report of the comptroller of the treasury, or the comptroller's designee, and after publication of such report, or after the expiration of fifteen (15) days from the date the statement and information are received by the comptroller of the treasury or the comptroller's designee, whichever date is earlier, the City may take such action with reference to the proposed bond or note issue as it deems advisable. Such report of the comptroller of the treasury or the comptroller's designee shall also be made a part of the bond transcript.

The Refunded Bonds:

The Bonds proposed for refunding/restructuring include the Series 2012 General Obligation and Water and Sewer Revenue and Tax Refunding Bonds Series 2012 for the purpose of restructuring certain issues of the City's currently outstanding indebtedness to include Series 2012 Taxable General Obligation and Revenue and Tax Loan Agreement; Series 2011 Tax-Exempt General Obligation Airport Loan Agreement; Series 2010 Tax-Exempt General Obligation Loan Agreement; Series 2003 Tax-Exempt Water and Sewer Revenue and Tax Bonds; and Series 1997 General Obligation Tax-Exempt Loan Agreement collectively (the "Refunded Bonds").

The Series 2012 Loan Agreement:

Series 2012 Taxable General Obligation and Revenue and Tax Loan Agreement was dated February 7, 2012 with stated maturity to occur on February 7, 2017 and issued for purpose of acquiring and improving industrial park land. The Series 2012 Taxable General Obligation and Revenue and Tax Loan Agreement was entered in the original principal amount of \$1,800,000 with First National Bank of Crossville, Tennessee and are outstanding at a rate of interest of 3.45%. The useful life of the improvements financed is approximately 50 years. The 2012 loan agreement is currently outstanding in the approximate amount of \$1,800,000.

The Series 2011 Loan Agreement:

The Series 2011 Tax-Exempt General Obligation Airport Loan Agreement was dated July 12, 2011 with stated maturity to occur on July 12, 2014 and issued for the purpose of acquiring land for use by the City airport. The Series 2011 Tax-Exempt General Obligation Loan Agreement was entered in the original principal amount of \$680,000 with the seller of the property and is outstanding at a zero percent rate of interest. The useful life of the assets financed is perpetual. The 2011 loan agreement is currently outstanding in the approximate amount of \$680,000.

Series 2010 Loan Agreement:

The Series 2010 Tax-Exempt General Obligation Loan Agreement was dated November 1, 2010 with stated maturity to occur on November 1, 2022 and issued for the purpose of constructing General and Water and Sewer Fund additions and improvements. The Series 2010 Tax-Exempt General Obligation Loan Agreement was entered in the original principal amount of \$6,000,000 with the Public Building Authority of the City of Clarksville, Tennessee through the programs of the Tennessee Municipal Bond Fund and is outstanding at a variable rate of interest plus annual charges and fees. The remaining useful life of the assets financed is approximately 48 years. The 2010 loan agreement is currently outstanding in the approximate amount of \$3,335,000.

Series 2003 Bonds:

The Series 2003 Tax-Exempt General Obligation Revenue and Tax Bonds were dated November 12, 2003 with stated maturity to occur on November 12, 2041 and issued for the purpose of constructing Water and Sewer Fund additions and improvements. The Series 2003 Tax-Exempt General Obligation Revenue and Tax Bonds were entered in the

original principal amount of \$2,600,000 with United States Department Agriculture Rural Development at a fixed rate of interest of 4.25%. The remaining useful life of the assets financed by the bonds is approximately 41 years. The 2003 Bonds are currently outstanding in the approximate amount of \$1,410,025.

Series 1997 Loan Agreement:

The Series 1997 Tax-Exempt General Obligation Loan Agreement was dated February 25, 1999 with stated maturity to occur on May 25, 2019 and issued for the purpose of constructing Water and Sewer Fund additions and improvements. The Series 1997 Tax-Exempt General Obligation Loan Agreement was entered in the original principal amount of \$4,713,500 with the Public Building Authority of the City of Clarksville, Tennessee through the programs of the Tennessee Municipal Bond Fund and is outstanding at a variable rate of interest plus annual charges and fees. The remaining useful life of the assets financed is approximately 35 years. The 1997 loan agreement is currently outstanding in the approximate amount of \$2,520,780.

Purpose of Series 2012 Bonds:

The City has adopted stated debt management policy and establishes the following as primary financial and credit objectives which must be addressed in plans submitted for the consideration of the City Council with respect to the issuance of debt:

1. Statement of legal authority and purpose of debt;
2. Statement of operational, financial, and credit objectives to be accomplished by a proposed debt transaction;
3. Statement that transactions shall be structured to protect the credit position of the City and to enhance operating margins and debt service coverage ratios to strengthen underlying operational, financial and credit position;
4. Statement of purpose of principal amortization structure and effect to operational, financial, credit, and total debt structure and burden objectives;
5. Statement that transactions shall be structured to eliminate future interest rate, derivatives, market, and/or other types of financial risk to the City;
6. Statement that transactions shall be structured to provide for maximum financial flexibility, efficiency, and opportunity for the City in future years.
7. Statement that debt transaction will promote the interests of investors and customers of the System.

The following provides response to the primary operational, financial, and credit objectives (collectively the "Objectives") addressed in consideration by the City Council and represents the basis for conclusion that the Council has found it necessary and advantageous to issue the proposed Series 2012 Bonds.

1. The legal authority to issue the Series 2012 Bonds is stated herein for the purpose of (i) restructuring existing debt service requirements; and (ii) modification and change of certain covenants specifically related to the restructuring of debt service requirements.
2. Issuance of the Series 2012 Bonds will provide for reductions to annual debt service requirements and allow for the City to conduct efficient operations with tax and user rates at levels lower than would otherwise be possible. The City will achieve level aggregate annual debt service requirements. These actions will provide operational and credit advantage for the City while enhancing strength of financial position.
3. Restructuring debt service requirements and modification of related covenants will add protection to the credit position of the City; provide for increases to levels of debt service coverage; increase levels of operating margins;

strengthen the underlying operational, financial, and credit position of the City.

4. The purpose of alteration of principal amortization structure is to take advantage of significant reductions to the term structure of interest rates in the current environment. The Series 2012 Bonds will provide for positive operational, financial, credit, and total debt structure benefits. The debt burden of the City will be increased to provide for new project funding and reimbursement of operational funds previously expended for capital projects in the absence of an intent resolution providing for reimbursement of such expenditures from the proceeds of tax-exempt bonds.
5. The Series 2012 Bonds shall be structured as traditional fixed rate bonds and the issuance provides for the elimination variable interest, derivatives, and market risk upon pricing and closing of the proposed obligations.
6. The Series 2012 Bonds will incorporate optional redemption provisions which provide for financial flexibility; added efficiency in debt structure will increase City operating efficiency in the General and Water and Sewer Funds; while rate and additional bonds covenants will provide opportunity for the City to issue debt in future years to meet the needs of the System.
7. The Series 2012 Bonds achieve the stated goals and objectives which will promote the interests of investors and customers in future years.

Plan of Refunding and Finance:

Interest rates in the municipal capital markets have decreased since the City issued the Refunded Bonds. The City plans to refinance the Refunded Bonds and issue bonds to fund new capital projects through the issuance three series of bonds to include The City of Crossville, Tennessee General Obligation Refunding and Improvement Bonds Tax-Exempt Series 2012-A and Taxable Series 2012 B and Water and Sewer Revenue and Tax Refunding and Improvement Bonds Tax-Exempt Series C.

It is anticipated that the Series 2012-A Bonds and Series 2012-C Bonds will be issued as Non-Qualified Tax-Exempt Obligations within the meaning of Section 265 of the U.S. Internal Revenue Code. It is anticipated the Series 2012-B Bonds will be issued as taxable obligations.

It is anticipated that the Series 2012 Series A Bonds will mature 05/01/2030 through 05/01/2037 inclusive at an average life of approximately 21.742 years at a true interest cost of approximately 3.6191777%.

It is anticipated that the Series 2012 Series B Bonds will mature 05/01/2013 through 05/01/2030 inclusive at an average life of approximately 10.126 years at a true interest cost of approximately 3.7091480%.

It is anticipated that the Series 2012 Series C Bonds will mature 05/01/2015 through 05/01/2032 inclusive at an average life of approximately 15.298 years at a true interest cost of approximately 3.2885923%.

Sale of Bonds:

There exists a definitive market for the Series 2012 Bonds. If the City options the sale of the obligations at private negotiated sale there shall exist basis to determine a reduced level of underwriter's discount versus that currently associated with a competitive sale of debt obligations; rates and yields associated with a private sale of the securities deemed equivalent or lower than those associated with a competitive sale of securities; or that the municipal market place is experiencing rate and price volatility such that the sale of bonds at private sale will provide for greater ability to react and adapt to changes that may translate into issuer savings. Notwithstanding the foregoing, if appropriate basis is not achieved to deem advantage through the private sale of bonds, the City reserves the right to sell the Series 2012 Bonds at competitive sale.

If following evaluation of prevailing market conditions and potential local, regional, and national municipal underwriting firms the City shall deem sale of the Series 2012 Bonds at private negotiated sale to be advantageous such Bonds shall be sold at a price in compliance with and pursuant to Section 9-21-901 (a) of the Code.

In compliance with Section 9-21-910 (b) of the Code, if the Series 2012 Bonds are sold at competitive public sale the City shall take all actions necessary to publish notices and advertisements, construct notices of sale and cause for such notices to be published in local and national publications or through an electronic communication system generally available to the financial community, and the notices of sale shall contain such information as to fully comply with the requirements of the Code.

In compliance with Section 9-21-910 (c)(1) of the Code, if the Series 2012 Bonds are sold at negotiated sale the City shall first submit to the Comptroller of the Treasury, or designee, for approval a copy of the initial resolution adopted, if applicable, a copy of the proposed resolution authorizing the general obligation bonds, a copy of the proposed disclosure statement, if any, and a detailed statement showing the estimated costs of issuance for the proposed transaction. A copy of the adopted initial resolution is attached hereto and copies of the bond resolution, preliminary official statement, and final official statements will be forwarded under separate cover.

In compliance with Section 9-21-910 (c)(2) the City affirmatively states the issuance of the Series 2012 Bonds is feasible, in the best interests of the City, and City should be able to amortize the proposed indebtedness together with all other obligations then outstanding. The market conditions approaching the time of sale will guide the City's actions with respect to the issuance of bonds at competitive or negotiated sale. The City herewith requests approval to sale of the Series 2012 Bonds at private sale.

Timing Information:

The next regular meeting of the City Council is scheduled for to meet on May 8, 2012. The Council would like to adopt the Series 2012 Bond Resolution at this meeting, but recognizes the date is within the statutory time allocated to the office of the comptroller to review and report on this matter. The City is not presently scheduled to meet again until June 12, 2012. The City will cause for the meeting to be duly advertised pursuant to applicable provisions of the Code in a newspaper of general circulation in Cumberland County five business days prior to such meeting.

Issuer Request Letter:

The Memorandum states the request letter should include certain information regarding the issuer and contacts, timing, and specific request for report of review of plan pursuant to relevant provisions of the Code.

Issuer and Contacts:

Contact information for the City and our municipal advisor is as follows:

Bruce Wyatt
City Manager
99 Municipal Avenue
Crossville, Tennessee 38555
(O) (615) 456-5113
(F) (615) 484-7713
Email: bruce.wyatt@crossvilletn.gov

Larry Kidwell
President
Kidwell & Company Inc.
1755 Charity Drive
Brentwood, Tennessee 37027
(O) (615) 373-3325
(F) (615) 523-1977
Email: kidwell@kidwellcompany.com

Specific Request:

The City herewith specifically requests the Report of Review of Plan by the State of Tennessee Comptroller of the Treasury Office of State and Local Finance pursuant to the requirements of Title 9 Chapter 21 Section 910 Et. Seq. Furthermore, the City requests approval for sale of the proposed bonds at competitive or private negotiated sale as whichever is at the time deemed to be in the best interests of the City. Please see sale of Series 2012 bonds herein.

Attached please find calculations which include and the following information and supporting information as referenced in accordance with the Memorandum to Public Entities and Interested Parties regarding Plans of Refunding in the State of Tennessee as published by the State of Tennessee Comptroller of the Treasury on March 7, 2012 (the "Memorandum"). Please see Appendix A hereto for information related to current and projected total General Fund and Water and Sewer Fund indebtedness for the City.

1. State form CT-0253 - Series 2012 Loan Agreement
2. State form CT-0253 - Series 2011 Loan Agreement
3. State form CT-0253 - Series 2010 Loan Agreement
4. State form CT-0253 - Series 2003 Bonds
5. State form CT-0253 - Series 1997 Loan Agreement
6. Adopted September 13, 2011 City Debt Management Policy
7. Series 2012 Bonds Initial Resolution
8. Series 2012-A & B Bonds - Estimated Refunding and Improvement Calculations
9. Series 2012-C Bonds - Estimated Refunding and Improvement Calculations
10. Copy of the City's 2011 Certified Audited Financial Statement

The Estimated Refunding and Improvement Calculations contain amortization schedules for all series of bonds; comparison of existing and proposed debt structures; associated covenant changes relating to the principal and interest repayment structures; and schedules to include breakdown of costs of issuance and sources and uses of funds statements for the proposed Series 2012 Bonds as requested in the Memorandum. Copies of the City's current and most recent operating budgets are on file with the Office of the Comptroller.

We look forward to working with you again. If you have any questions, please contact me at 615-373-3325 (O), 615-523-1977 (F), 615-714-4525 © or via electronic correspondence at kidwell@kidwellcompany.com.

Sincerely,



Bruce Wyatt
City Manager

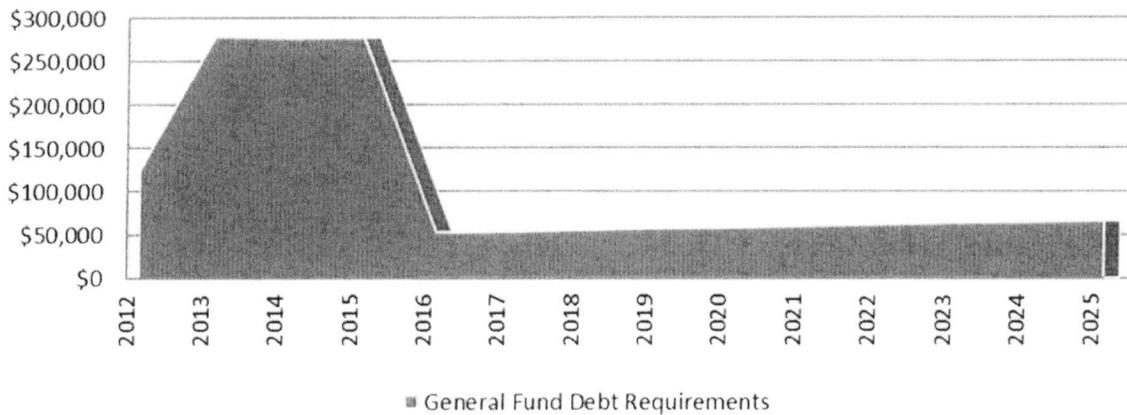
cc: Mr. Larry Kidwell, President - Kidwell & Company Inc.
Mrs. Sally Oglesby, City Clerk - Crossville, Tennessee

APPENDIX A

The following provides existing and projected debt service requirements for the City General and Water and Sewer Funds.

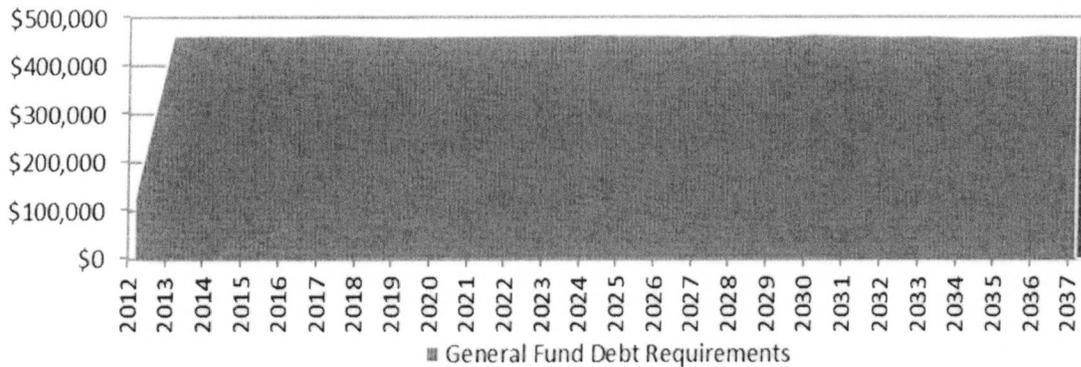
Existing General Fund Debt Requirements:

Existing General Fund Debt Requirements



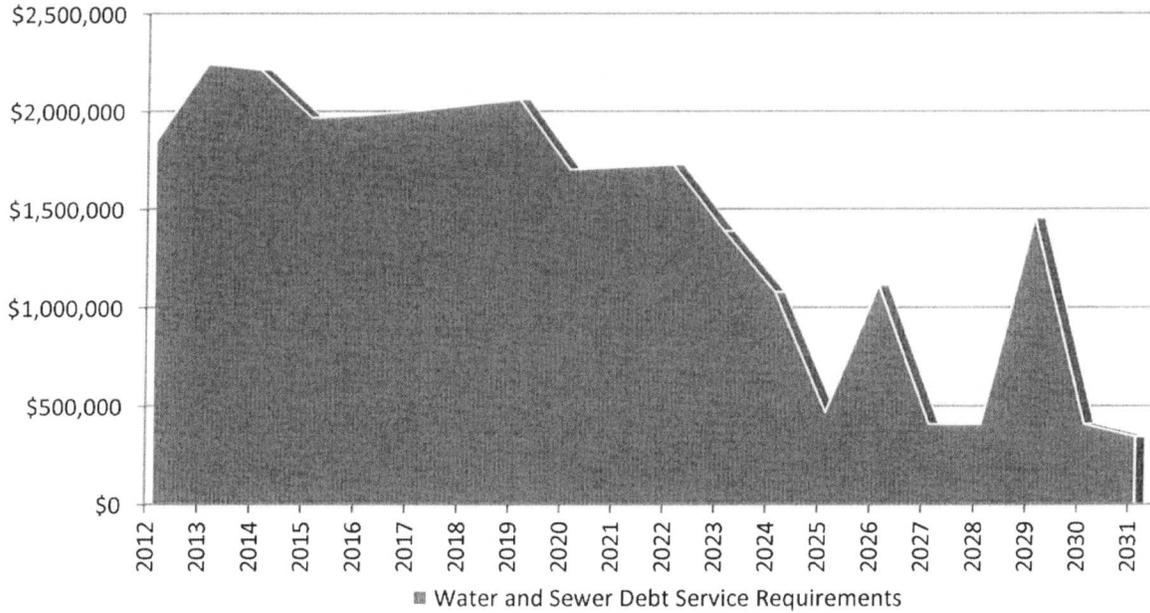
Projected General Fund Debt Requirements:

Projected General Debt Requirements



Existing Water and Sewer Fund Debt Requirements:

Existing Water and Sewer Debt Service Requirements



Projected Water and Sewer Fund Debt Requirements:

Projected Water and Sewer Fund Debt Requirements

