



JASON E. MUMPOWER
Comptroller

May 3, 2024

Honorable Rick Bell, Mayor
and Honorable Board of Aldermen
City of Lebanon
200 North Castle Heights Avenue
Lebanon, TN 37087

Dear Mayor Bell and Members of the Board:

Thank you for your request. We acknowledge receipt on April 25, 2024, of a request from the City of Lebanon (the "City") for a report on a plan of refunding (the "Plan") for the City's proposed issuance of an estimated \$4,629,000 General Obligation Refunding Bonds, Series 2024.

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 Board for review prior to the adoption of an authorizing resolution for the refunding bonds.

Requirements After Debt is Issued

Our website contains specific compliance requirements your local government will be responsible for once the bonds are issued: <http://tncot.cc/debt>. The listing is not all inclusive and you should work with your financial advisor and bond counsel to ensure compliance with legal and regulatory requirements related to the proposed refunding.

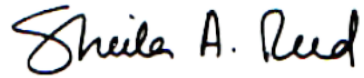
Private Negotiated Sale Approval

Pursuant to T.C.A. § 9-21-910, the City's request to sell the Series 2024 Refunding Bonds by negotiated sale is approved. This approval is conditioned upon the requirement that the bonds are sold with the same, or accelerated, principal repayment schedule as presented in the City's Plan.

May 3, 2024
City of Lebanon

If you should have questions or need assistance, please refer to our online resources or feel free to contact your financial analyst, Charlie Lester, at 615.401.7762 or Charlie.Lester@cot.tn.gov.

Sincerely,



Sheila Reed, Director
Division of Local Government Finance

cc:

Ms. Linda Mooningham, Tennessee Municipal Bond Fund

Mr. Charles Bone, Spencer Fane Bone McAllester PLLC

Mr. Stuart Lawson, Finance Director, City of Lebanon

SR:cl



Report on General Obligation Refunding Bonds, Series 2024 The City of Lebanon, Tennessee

This report is being issued pursuant to Tenn. Code Ann. § 9-21-903 and is based upon information as presented in a plan of refunding (the “Plan”) received by our office on April 25, 2024, from the City of Lebanon, Tennessee (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 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. This report and the City’s Plan must be presented to the governing body prior to the adoption of a resolution authorizing the refunding bonds.

PROPOSED TRANSACTION

The City plans to issue \$4,629,000 General Obligation Refunding Bonds, Series 2024, by negotiated sale to current refund a \$4,629,000 Public Building Authority Loan Agreement, Series 2019, with the Public Building Authority of the City of Clarksville, Tennessee. The City plans to contribute \$13,887 from funds on hand to fund the transaction and pay costs of issuance.

COSTS

Estimated costs of issuance are summarized below and based upon the principal amount of \$4,629,000 for the Series 2024 Refunding Bonds.

	Amount	Price per \$1,000 Bond
Tennessee Municipal Bond Fund	\$ 9,258	\$ 2.00
Bond Counsel (Spencer Fane Bone McAllester PLLC)	4,629	1.00
	<u>\$ 13,887</u>	<u>\$ 3.00</u>

Tennessee Municipal Bond Fund (TMBF) Placement Process

TMBF requested rates on the Bond issue from a network of banks TMBF works with across the State and presented the lowest rate obtained to the City for its consideration. The TMBF negotiated with the banks to include an additional 0.15% (also called 15 basis points) added to the interest rates submitted by the banks, which, if the City uses the TMBF Alternative Loan Program, will be paid to TMBF over the life of the bond. The cost is calculated annually on the outstanding amount of the debt and is paid by the bank to TMBF from periodic interest payments made by the City to the bank.

In addition to the above costs of issuance, the City will potentially incur the following [1]:

	Year	Amount
Potential Annual Fee Associated with TMBF Loan	2025	6,616
	2026	6,587
Fee is 15 basis points on the outstanding loan balance paid as part of the interest payment to the lending bank.	2027	6,218
	2028	5,835
	2029	5,438
	2030	5,027
	2031	4,601
	2032	4,159
	2033	3,702
	2034	3,228
	2035	2,736
	2036	2,228
	2037	1,699
	2038	1,153
	2039	587

[1] The Series 2024 Refunding Bonds are estimated to have an interest rate of 4.97%, which includes an additional 0.15% (also called basis points), which will be paid to the TMBF over the life of the 2024 Refunding Bonds by the bank purchasing the Bonds as described above.

Purpose:

The bank that holds the 2019 loan agreement notified the City that it plans to exercise its option to increase the interest rate on the loan on June 18, 2024, to the rate of the 5 year US Treasury (as of June 18th, 2024) plus 1.56%. The City received a competitive rate from another bank for 4.97% (including 0.15% to TMBF) for the 2024 Refunding Bonds. Because the interest rates can change every five years over the 15-year maturity for the current loan agreement and proposed refunding bonds, savings cannot be estimated. The issuance of the Series 2024 Refunding Bonds will eliminate the restrictive 1% prepayment premium associated with the Series 2019 Loan Agreement.

Late Audit

The City’s audit of its annual financial statements for the fiscal year ended 2023, has not been issued as of the date of this report and is expected to be issued by May 31, 2024. Specific items related to the sale of the refunding bonds may be delayed until the issuance of the City’s audit.

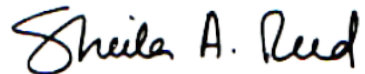
Balloon Indebtedness

The proposed structure of the Series 2024 Bonds is balloon indebtedness as defined in Tenn. Code Ann. § 9-21-133 because the terms of repayment include a put option that may be exercised every 5th year that would result in the City repaying the remaining balance in full or refunding the outstanding amount of the Series 2024 Bonds. However, our approval of the balloon indebtedness is not required because the City plans to meet the exemption requirements of the Tennessee State Funding Board.

May 3, 2024
Report to the City of Lebanon

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’s governing body to review prior to adopting a new authorizing resolution for the refunding bonds.



Sheila Reed
Director of the Division of Local Government Finance
Date: May 3, 2024