



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986**

November 18, 2010

Honorable Tommy Bragg
Mayor of the City of Murfreesboro
P.O. Box 1139
Murfreesboro, TN 37133-1139

Dear Mayor Bragg;

This letter acknowledges receipt of a letter dated November 10, 2010, requesting the review of a refunding plan by the City of Murfreesboro ("City") for the proposed issuance of General Obligation Refunding Bonds to restructure the City's debt profile to mitigate risks and administrative carrying costs associated with \$1,631,420 of variable interest rate Loan Agreements with the Public Building Authority of the City of Clarksville and \$69,813,402 of variable interest rate Loan Agreements with the Public Building Authority of Montgomery County. Pursuant to the provisions of *Tennessee Code Annotated* Title 9, Chapter 21, a plan of refunding must be submitted to our office for review prior to the adoption of a resolution by the governing body of a local government authorizing the issuance of refunding bonds secured, in whole or in part, by the full faith and credit and unlimited taxing power of the local government.

Tennessee Code Annotated Title 9, Chapter 21, authorizes any local government to sell general obligation refunding bonds either at a competitive public sale or at a private negotiated sale, as determined by the governing body. The City intends to issue the General Obligation Refunding Bonds, Series 2010, by competitive sale

Enclosed is the report of the review of this plan of refunding. **The enclosed report does not constitute approval or disapproval for the proposed plan.** *It is recognized that plan submitted to our Office are 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. If it is determined prior to the issuance of the 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 insure that our Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

Please provide a copy of this letter and report to the members of the City Council.

We ask that the City consider publishing this report and the analysis provided by City's financial advisor on the City's website. We appreciate your consideration of this request.

This report on the refunding bonds is effective for a period of 120 days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to our Office for our review and report. In lieu of submitting a supplemental plan, a statement may be submitted to our stating that the information contained in the submitted plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of Metro. 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, no other refunding reports will be issued regarding a debt issue indicated in the November 10, 2010 plan of refunding as being under consideration for inclusion in the refunding 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 with regard to that particular debt obligation.

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to *Tennessee Code Annotated* Section 9-21-151, this form is to be completed and filed with our Office within 45 days after the issuance of the refunding bonds.

Sincerely,



Mary-Margaret Collier
Director of the Office of State & Local Finance

Enclosures: Report of the Director of the Office of State & Local Finance
State Form CT-0253

Cc: Rob Lyons, City of Murfreesboro, City Manager
Lisa L. Daniel, Public Financial Management, Inc.
Karen Neal, Bass, Berry & Sims PLC
Melisa Wright, City of Murfreesboro, City Recorder/City Treasurer
Joshua McCoy, Public Financial Management, Inc.
Dennis Dycus, Director of Municipal Audit, COT

**REPORT OF THE TENNESSEE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010
CITY OF MURFREESBORO, TENNESSEE**

The City of Murfreesboro (City) submitted a plan of refunding dated November 10, 2010 as required by *Tennessee Code Annotated* Section 9-21-903. The plan prepared by Public Financial Management, Inc.; the City's financial advisor, portrays the issuance of \$70,770,000 in refunding bonds sold by competitive sale priced at a premium.

It is recognized that the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions and changes in any other assumptions at the time of sale of the debt obligations.

The plan proposes the issuance of approximately \$70,770,000 of General Obligation Refunding Bonds, Series 2010 (the "2010 Bonds"). These bonds are intended to restructure the City's debt profile to mitigate risks and administrative carrying costs associated with variable rate financings and to capture the benefits of current low long term rates.

The City's policy states the following concerning the use of variable rate debt:

The City recognizes the value of variable rate debt obligations (VRDO's) and has greatly benefitted from the use of these bonds in the financing of needed infrastructure. The changing economic climate, the failure of bond insurance companies to retain their AAA credit ratings, the difficulty of obtaining letters of credit and other liquidity features and the failure of auction-rate variable instruments has required all municipal issuers to reassess the role that variables play in debt financing. The City will avoid over-reliance on variable rate debt due to the volatility seen in those credit markets. If variable rate debt is greater than 50 percent, the City and its financial advisor should closely analyze whether additional variable rate debt is preferred.

The plan states the City currently has approximately \$237 million of bonds outstanding of which 44.5% is fixed rate and 55.5% is variable rate. After restructuring the current debt portfolio by converting variable rate loan agreements to fixed rate bonds, the portion of the outstanding debt that is variable is reduced to approximately 25.5%.

The proceeds from the 2010 Bonds will be used to refund the following Public Building Authority variable rate Loan Agreements:

- \$13,776,495 variable interest rate Loan Agreement with the Public Building Authority of Montgomery County, dated August 22, 2001,
- \$1,631,420 variable interest rate Loan Agreement with the Public Building Authority of the City of Clarksville, dated June 24, 2003, and
- \$56,037,907 variable interest rate Loan Agreement with the Public Building Authority of Montgomery County, dated June 27, 2006.

The underlying Public Building Authority bonds are callable with 30 days notice at par plus accrued interest and a pro rata share of any administrative, remarketing, or other fees related to the underlying bonds. The Public

Building Authority's plan administrator, the Tennessee Municipal Bond Fund, amended the requirement for a 90 day call notice to 30 days for this transaction.

SOURCES AND USES

SOURCES:

Bond Proceeds	\$	70,770,000.00
Reoffering Premium		1,321,918.75
A contingent contribution from the Debt Service Fund for the payment of accrued interest at the maximum current legal limit of 7.25%		482,503.97
	\$	<u>72,574,422.72</u>

USES:

Deposit to Escrow Account	\$	71,928,326.45
Additional Proceeds		2,476.27
Underwriter's Discount		424,620.00
Cost of Issuance		<u>219,000.00</u>
Total Uses	\$	72,574,422.72

Total Costs of issuance	\$	643,620.00
Cost of Issuance per \$1,000 Par Value	\$	9.09

A contingent contribution from the Debt Service Fund is included for the payment of interest at the maximum legal interest rate of the prime rate plus 4% (currently 7.25%).

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office 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 report is based on information as presented in the plan. The assumptions included in the plan may not reflect either current market conditions or market conditions at the time of sale. City officials should continue to monitor the municipal debt market to determine if the City's objectives remain viable.

Mary-Margaret Collier

Mary-Margaret Collier
 Director of State and Local Finance
 Date: November 18, 2010