

PUBLIC NOTICE

CALL FOR A SPECIAL MEETING OF THE BLOUNT COUNTY BOARD OF COMMISSIONERS TO BE HELD IN ROOM 430 AT THE BLOUNT COUNTY COURTHOUSE, COURT STREET, MARYVILLE, TENNESSEE, ON TUESDAY, OCTOBER 14, 2014, AT 5:30 P.M.

Pursuant to and in accordance with the authority vested in me by Tennessee Code Annotated § 5-5-105, I hereby call the Board of County Commissioners of Blount County, Tennessee, to meet in special session on the 14th day of October, 2014, 5:30 P.M. to consider and act upon the following:

1. Determination of type of financing for County's E-3-B debt.

September 26, 2014

APPROVED:

ATTEST:

Jerome Moon
Commission Chairman

Roy
County

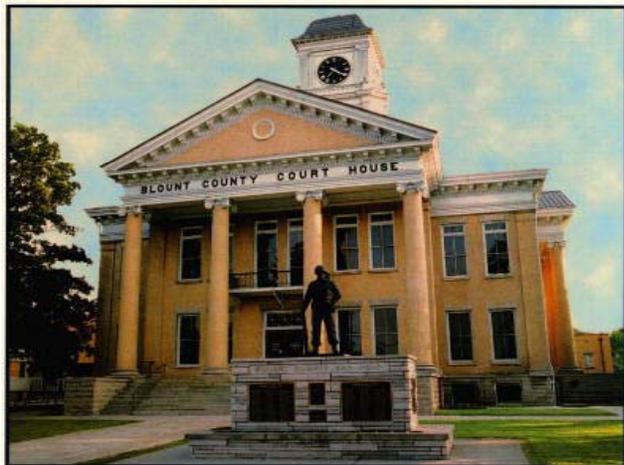
Crawford, Jr.
Clerk

Ed Mitchell
County Mayor

Blount County, Tennessee

Series E-3-B Options

October 7, 2014



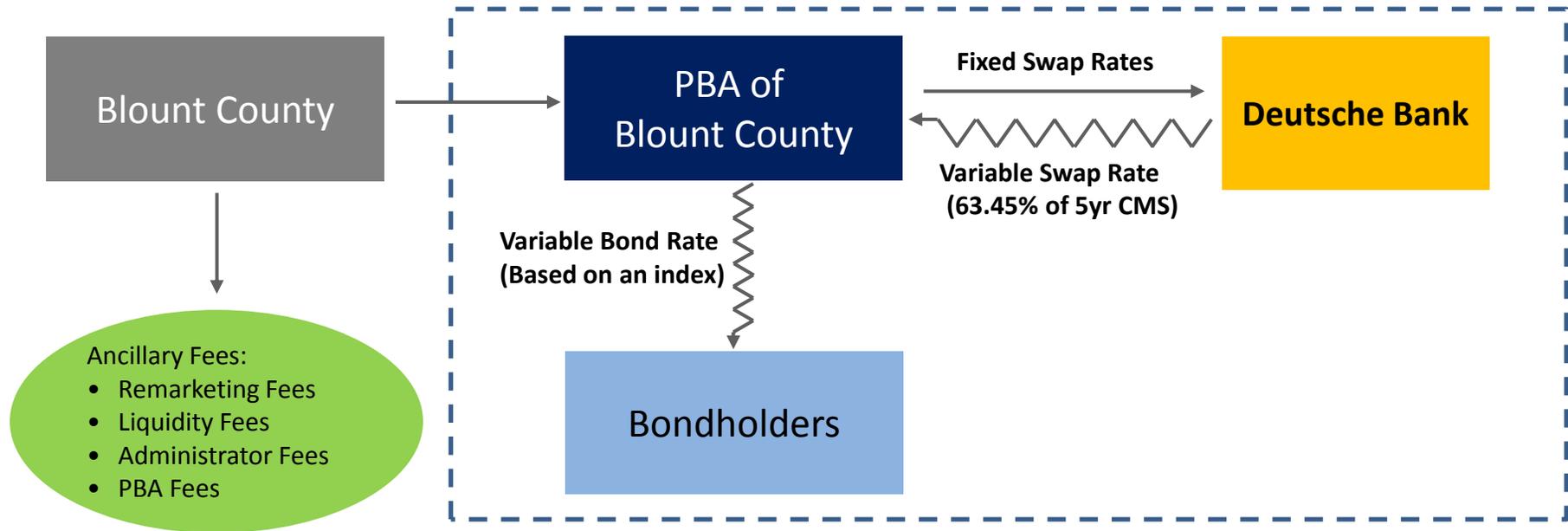
The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

530 Oak Court Dr. Ste 160
Memphis, TN 38117
(p) 901-682-8356

www.pfm.com

Description of Series E-3-B



- County pays a variable rate to bondholders. Average (three year period) variable rate being paid is 0.15%.
- County receives a variable rate from Deutsche Bank. Average (three year period) variable rate being received is 0.83%.
- County pays a fixed rate paid to Deutsche Bank of 4.313%.
- County pays ancillary fees of 0.93% annually.
- The Current market value (cost to terminate) of the interest rate swap is \$5.67 million in favor of the swap counterparty.
- The County current net cost of capital is 4.563%.

Description of Series E-3-B

- On July 31, 2008, Blount County, TN (the “County”) issued \$20,165,000 Local Government Public Improvement Bonds, Series E-3-B (the “Bonds”) through the Public Building Authority of Blount County.
- The Bonds mature as follows:
 - June 1, 2030 \$ 7,500,000
 - June 1, 2031 \$12,665,000
- The Bonds were issued as Variable Rate Demand Bonds (“VRDB”) and are supported with Letter of Credit (“LOC”) with JP Morgan.
 - The LOC with JP Morgan expires March 2015 and has an annual premium of 65 basis points (bps) or 0.65%.
- Simultaneously, the County entered into a synthetic fixed rate interest rate swap with Deutsche Bank by which the County pays Deutsche a fixed rate of 4.313% and receives 63.45% of 5 year LIBOR (variable rate index).
 - The swap with Deutsche expires June 1, 2031 and has a current market value of \$5.67 million.

Series E-3-B Bonds Snapshot

Original Par Amount Issued	\$20,165,000
Par Amount Outstanding (September 2014)	\$20,165,000
Associated Swap	Synthetic Fixed Rate with Deutsche Bank
Final Maturity of Bonds and Swap	June 1, 2031
Security Type	General Obligation – Loan Agreement with the PBA of Blount County
Tax Status	Tax-Exempt
Current LOC Provider	JP Morgan
Remarketing Agent	Raymond James
Trustee	Regions Bank
Estimated annual debt service for years 2015 through 2018 <i>(including ancillary costs)</i>	\$880,000

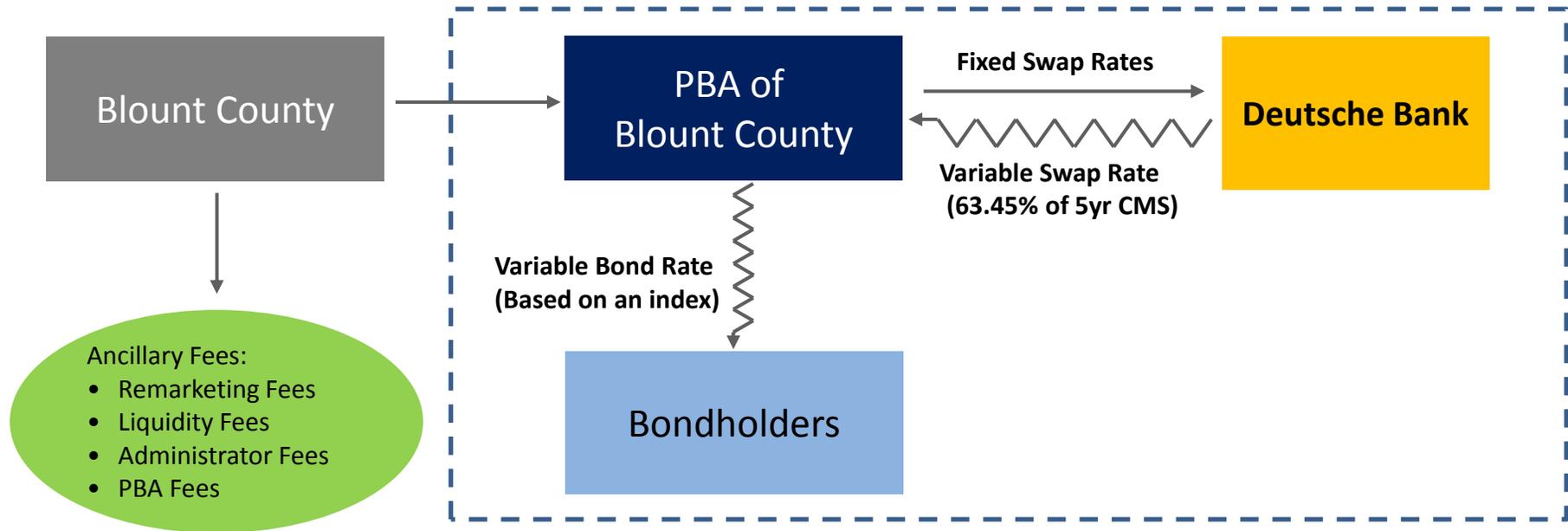
Option 1: Keep Current Financing Structure

(renew or replace JP Morgan)

- The JP Morgan LOC expires in March 2015 and therefore the County can either renew with JPMorgan or seek an alternate LOC provider.
- Bonds maintain current structure (PBA, Remarketing Agent, LOC, TNLN Program Administrator, etc.).
- Would NOT require approval from the Office of State and Local Finance (OSLF).
 - OSLF will need to review and approve any of the other options.
 - All other options will be subject to T.C.A. 9-21-134 “Approval of comptroller of treasury required prior to issuance of balloon indebtedness”.

Option 1: Keep Current Financing Structure

(renew or replace JP Morgan)



Option 1: Keep Current Financing Structure

(renew or replace JP Morgan)

Annual Ancillary Fees*	E-3-B Current Structure		E-3-B - Renew/Replace LOC	
	%	\$	%	\$
Letter of Credit Fee - Renew is estimated (3 years)	0.65%	\$131,073	0.47%	\$94,776
Raymond James Remarketing Fee	0.05%	\$10,083	0.05%	\$10,083
TNLN Program Administrator Fee	0.20%	\$40,330	0.20%	\$40,330
PBA Blount County Issuer Fee	0.00%	\$1,008	0.00%	\$1,008
<u>Regions Bank Trustee Fee</u>	<u>0.02%</u>	<u>\$4,235</u>	<u>0.02%</u>	<u>\$4,235</u>
Total Ancillary:	0.93%	\$186,728	0.75%	\$150,431
Estimated Annual Debt Service (2015-2018)		\$882,815		\$846,518
Annual Savings				\$36,297
Estimated Costs of Issuance				(\$40,000)
Savings Year 1				(\$3,703)
Savings Years 2-3				\$72,594

* Estimated annual cost for next bond year.

Option 2 – Direct Purchase

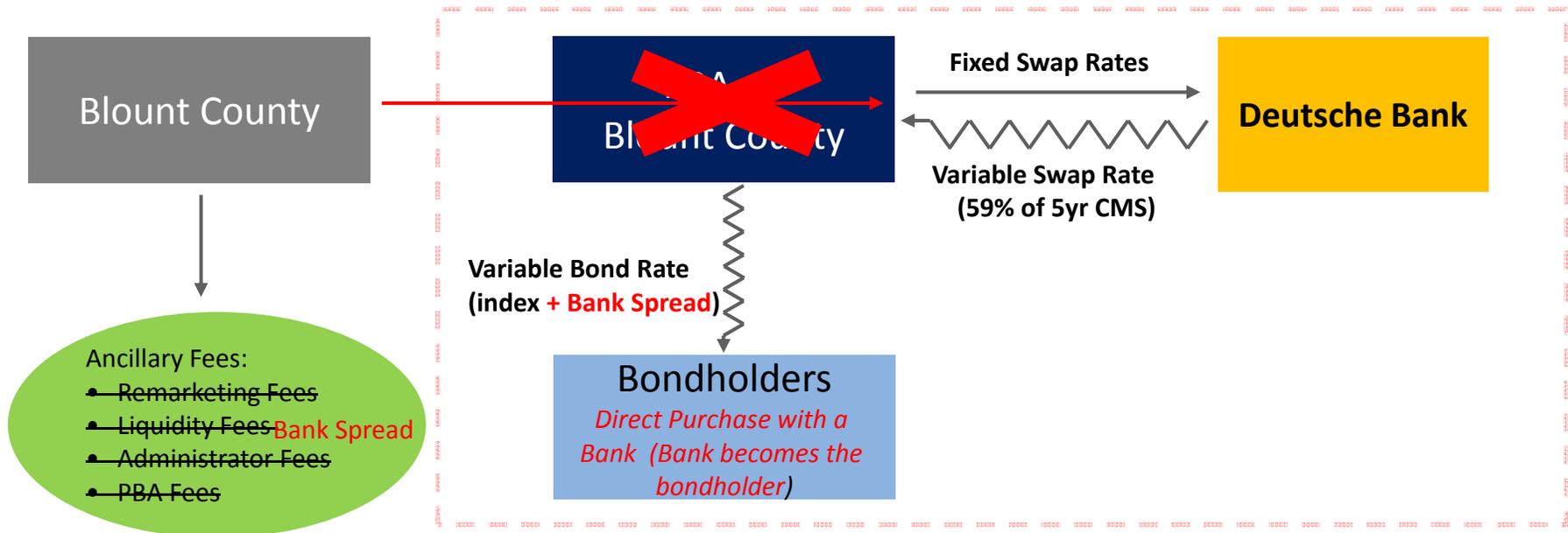
(Refund Bonds and remove PBA and most of the ancillary fees with use of Direct Purchase with a bank)

- Refund the Bonds through a private placement with a bank (referred to as Direct Purchase) and removes the bondholders (to be replaced by the bank), remarketing agent and the need for a LOC.
- Direct Purchase is variable rate bond based on an index.
- Direct Purchase trades at a fixed spread to the index*.
- Direct Purchase usually mature 3-7 years. The longer the period, the higher the fixed spread.
 - Given the short maturity date; Option 2 would require approval from OSLF related to T.C.A. 9-21-134.
- Direct Purchase will require renewing the terms at the maturity date of the Direct Purchase.
- Direct Purchase option would require refinancing under new documents as the original documents did not contemplate this type of variable rate debt.

* Reset rates can fluctuate according to index

Option 2 – Direct Purchase

(Refund Bonds and remove PBA and most of the ancillary fees with use of Direct Purchase with a bank)



Option 2 – Direct Purchase

(Refund Bonds and remove PBA and most of the ancillary fees with use of Direct Purchase with a bank)

Annual Ancillary Fees*	E-3-B Renew/Replace LOC		E-3-B - Direct Purchase	
	%	\$	%	\$
Letter of Credit Fee	0.47%	\$94,776	n/a	n/a
Morgan Keegan Remarketing Fee	0.05%	\$10,083	n/a	n/a
TNLN Program Administrator Fee	0.20%	\$40,330	n/a	n/a
PBA Blount County Issuer Fee	0.00%	\$1,008	n/a	n/a
Regions Bank Trustee Fee	0.02%	\$4,235	n/a	n/a
<u>Direct Purchase Bank Spread (3 yr)</u>	<u>n/a</u>	<u>n/a</u>	<u>0.42%</u>	<u>\$85,682</u>
Total Ancillary:	0.75%	\$ 150,431	0.42%	\$85,682
Estimated Annual Debt Service (2015-2018)		\$846,518		\$781,770
Annual Savings				\$64,749
Estimated Costs of Issuance				(\$60,000)
Savings Year 1				\$4,749
Savings Years 2-3				\$129,497

* Estimated annual cost for next bond year.

Option 3A/B – Fixed Rate Refunding

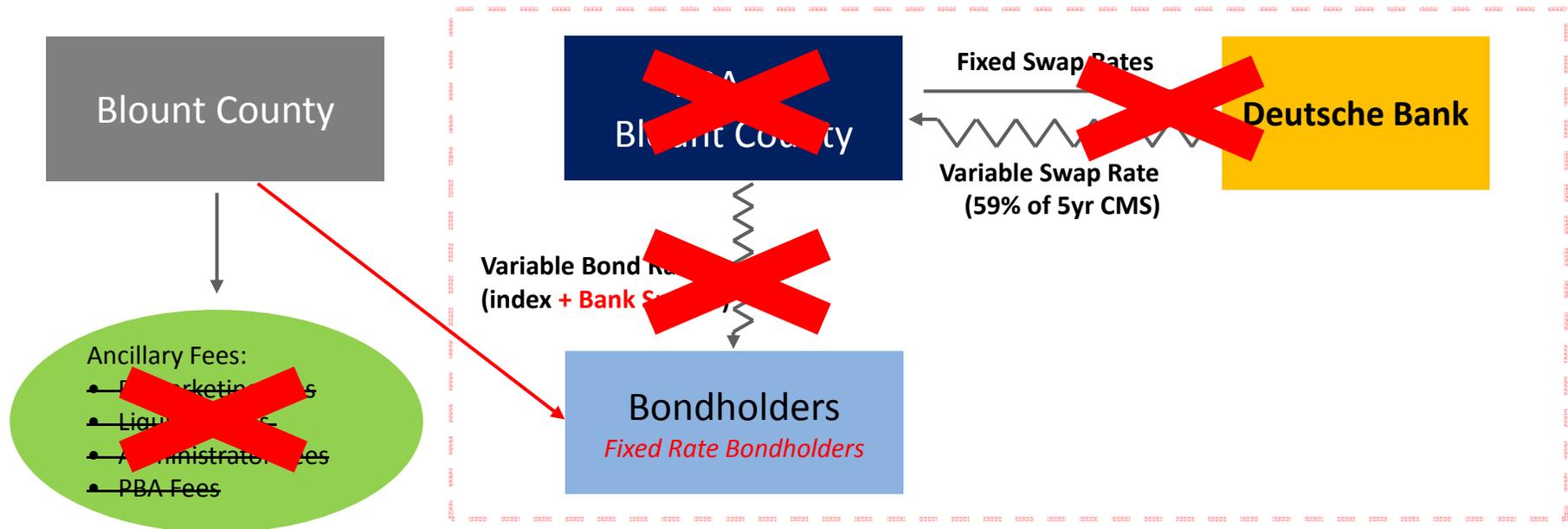
(Refund Bonds and remove PBA and all ancillary fees; terminate the swap and issue fixed rate bonds)

- The County would refinance the variable rate bonds with fixed rate debt and simultaneously terminate the interest rate swap.
- If the County issues fixed rate bonds and keeps the debt service proportional with the current debt service structure, the County will need to seek approval from OSLF related to T.C.A. 9-21-134. Should OSLF not approve the debt service structure; the County will need to look at options for level debt service (See Option 3B).
- The following are considerations comparative to the other options (1 &2):

	Variable Rate Options 1 & 2	Fixed Rate Option 3
Swap Termination Cost	No	Yes
Exposure to Variable Rate Interest Rates	Yes	No
Future Exposure to Bank Credit/Issuer Credit	Yes	No
Ongoing Ancillary Expenses	Yes	No

Option 3A/B – Fixed Rate Refunding

(Refund Bonds and remove PBA and all ancillary fees; terminate the swap and issue fixed rate bonds)

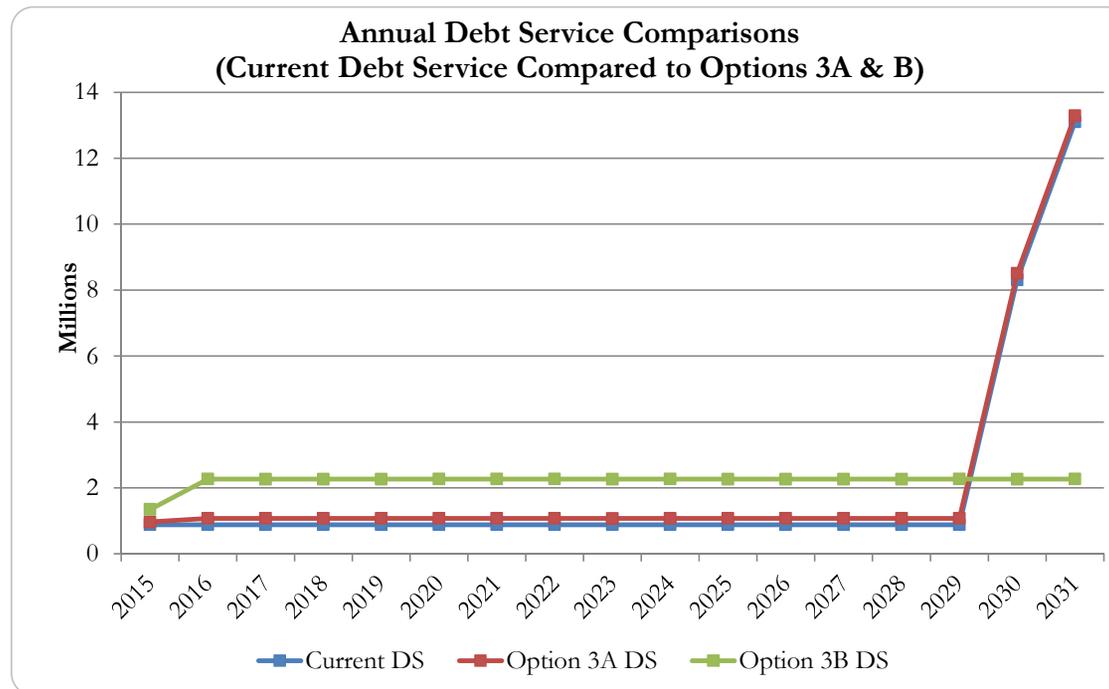


- The cost of terminating the interest rate swap (currently at \$5.67 million) will have to be financed with taxable bonds.
- Option 3A: Fixed rate bonds are issued and the debt service is proportional to the Bonds with maturity dates of June 1, 2030 and June 1, 2031. *(Requires approval per T.C.A. 9-21-134)*
- Option 3B: Fixed rate bonds are issued and the debt service is level June 1, 2015 through June 1, 2031.

Option 3A/B – Fixed Rate Refunding

(Refund Bonds and remove PBA and all ancillary fees; terminate the swap and issue fixed rate bonds)

Annual Debt Service*	E-3-B Renew/Replace LOC	E-3-B - Fixed Rate Refunding
	\$	\$
Option 3A - Estimated Annual Debt Service (2015-2018)	\$ 846,518	\$1,075,000
Annual (Dis)Savings		(\$228,482)
Option 3B - Estimated Annual Debt Service (2015-2018)	\$ 846,518	\$2,270,000
Annual (Dis)Savings		(\$1,423,482)



*All costs associated with Options 3A/B have been financed and part of the annual debt service number.

Estimated Annual Debt Service Comparison

Estimated Annual Debt Service	Option 1	Option 2	Option 3A	Options 3B
	Renew Replace LOC	Direct Purchase	Fixed Rate - Proportional	Fixed Rate - Level Debt Service
	\$846,518	\$ 781,770	\$1,075,000	\$2,270,000
Annual (Dis)Savings Compared to Option 1		\$64,749	(\$228,482)	(\$1,423,482)

Summary

- The Options outlined herein were developed in an effort to look at options as we approach the expiration of the JP Morgan LOC in March 2015.
- Options 2 & 3A/B require approval from the Office of State and Local Finance; prior to submitting a request for approval, we would like the Commission's input on these options during the October 14th meeting.
- In anticipation of proceeding with either Options 2 or 3A/B, a meeting has been scheduled with the Office of State and Local Finance for October 15th to discuss the economics and considerations.

Blount County's Debt Management Policy Goals:

Debt Level

- 1) Reduce and maintain the level of debt obligations within the target ranges set forth herein
- 2) Maintain a Capital Projects Fund with sufficient equity so as to build new infrastructure with a combination of cash and debt.
- 3) Maintain the County's credit rating at a solid AA to low AA- rating

Risk Profile

- 4) Reduce the risk profile by terminating swaps and converting the synthetically fixed structures to traditional GO Fixed Rate Debt when market conditions are optimal.
- 5) The target is to have no more than 20% Variable interest rate debt.
- 6) Reduce use of interest rate derivatives to 0%.

October 10, 2014

Memorandum

To: Randy Vineyard, IOM
 Susan Gennoe, CPA
 Taylor Grim
Blount County, TN

From: Public Financial Management, Inc.

Re: Detailed Assumptions related to the presentation given (October 7th) on the Series E-3-B Options 3A and 3B

Public Financial Management, Inc. (“PFM”), as Financial Advisor, presented to the Blount County, TN Commission (the “County”) on options for the County’s Series E-3-B Bonds on October 7th. Following the meeting, PFM was requested to provide the supporting information and assumptions used in Options 3A and 3B. All assumptions and results are preliminary, subject to change.

The assumptions included in Options 3A and 3B are as follows:

	Option 3A – Fixed Rate, Proportional	Option 3B – Fixed Rate, Level Debt Service
Debt Structure	Proportional to the existing debt structure – Interest 2016-2029 and principal & interest 2030-2031	Level Debt Service – Principal and Interest 2016-2031
Tax Status	Portion for Bonds – Tax-Exempt Portion for Swap Payment - Taxable	Portion for Bonds – Tax-Exempt Portion for Swap Payment - Taxable
Costs of Issuance	\$5 per bond (\$1,000)	\$5 per bond (\$1,000)
Underwriter’s Discount	\$5 per bond (\$1,000)	\$5 per bond (\$1,000)
Interest Rate – Tax-Exempt Portion	MMD AAA Yields +0.35%	MMD AAA Yields +0.35%
Interest Rate – Taxable Portion	Treasury Rates + Comparable Spread	Treasury Rates + Comparable Spread
Swap Termination Payment	\$5.67 Million – financed with taxable bonds	\$5.67 Million – financed with taxable bonds



Based on the assumptions outlined above, here are the condensed results:

	Option 3A – Fixed Rate, Proportional	Option 3B – Fixed Rate, Level Debt Service
Estimated Annual Debt Service (Years 2016-2018)	\$1,075,000	\$1,968,000
Total Interest Cost	\$15,649,000	\$10,141,000

Option 3B's annual debt service is approximately \$893,000 more than Option 3A. However, Option 3B costs approximately \$5.5 million less in total interest cost due to paying off the principal in years 2016-2029.

Please let me know if you have any further questions regarding this information. Lauren

SOURCES AND USES OF FUNDS

Blount County, TN
Option 3A - Proportional Debt Service
PRELIMINARY - SUBJECT TO CHANGE

Sources:	Taxable Swap Termination Payment	Tax Exempt Refunding of Series E_3_B	Total
Bond Proceeds:			
Par Amount	5,670,000.00	16,385,000.00	22,055,000.00
Premium		4,331,306.30	4,331,306.30
	5,670,000.00	20,716,306.30	26,386,306.30
Uses:			
Refunding Escrow Deposits:			
Cash Deposit		0.02	0.02
SLGS Purchases		20,546,576.00	20,546,576.00
		20,546,576.02	20,546,576.02
Delivery Date Expenses:			
Swap Termination Payment	5,670,000.00		5,670,000.00
Cost of Issuance		81,925.00	81,925.00
Underwriter's Discount		81,925.00	81,925.00
	5,670,000.00	163,850.00	5,833,850.00
Other Uses of Funds:			
Additional Proceeds		5,880.28	5,880.28
	5,670,000.00	20,716,306.30	26,386,306.30

Notes:

Cost of Issuance Estimated at 5 Dollars Per Bond

Underwriter's Discount Estimated at 5 Dollars Per Bond

Swap Termination Payment Estimated to be 5.67 Million Dollars

BOND SUMMARY STATISTICS

Blount County, TN
 Option 3A - Proportional Debt Service
 PRELIMINARY - SUBJECT TO CHANGE

Dated Date	12/15/2014
Delivery Date	12/15/2014
Last Maturity	06/01/2031
Arbitrage Yield	3.047494%
True Interest Cost (TIC)	3.075024%
Net Interest Cost (NIC)	3.424240%
All-In TIC	5.341933%
Average Coupon	4.685989%
Average Life (years)	15.270
Duration of Issue (years)	11.464
Par Amount	22,055,000.00
Bond Proceeds	26,386,306.30
Total Interest	15,781,700.50
Net Interest	11,532,319.20
Total Debt Service	37,836,700.50
Maximum Annual Debt Service	13,294,046.50
Average Annual Debt Service	2,298,550.82
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	3.714577
Total Underwriter's Discount	3.714577
Bid Price	119.267202

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial	22,055,000.00	119.639	4.686%	15.270	29,748.25
	22,055,000.00			15.270	29,748.25

	TIC	All-In TIC	Arbitrage Yield
Par Value	22,055,000.00	22,055,000.00	22,055,000.00
+ Accrued Interest			
+ Premium (Discount)	4,331,306.30	4,331,306.30	4,331,306.30
- Underwriter's Discount	-81,925.00	-81,925.00	
- Cost of Issuance Expense		-81,925.00	
- Other Amounts		-5,670,000.00	
Target Value	26,304,381.30	20,552,456.30	26,386,306.30
Target Date	12/15/2014	12/15/2014	12/15/2014
Yield	3.075024%	5.341933%	3.047494%

PRIOR BOND DEBT SERVICE

Blount County, TN
 Option 3A - Proportional Debt Service
 PRELIMINARY - SUBJECT TO CHANGE

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2015			437,475.69	437,475.69
06/01/2016			874,951.38	874,951.38
06/01/2017			874,951.38	874,951.38
06/01/2018			874,951.38	874,951.38
06/01/2019			874,951.38	874,951.38
06/01/2020			874,951.38	874,951.38
06/01/2021			874,951.38	874,951.38
06/01/2022			874,951.38	874,951.38
06/01/2023			874,951.38	874,951.38
06/01/2024			874,951.38	874,951.38
06/01/2025			874,951.38	874,951.38
06/01/2026			874,951.38	874,951.38
06/01/2027			874,951.38	874,951.38
06/01/2028			874,951.38	874,951.38
06/01/2029			874,951.38	874,951.38
06/01/2030	7,500,000	4.3389605%	978,001.69	8,478,001.69
06/01/2031	12,665,000	4.3389605%	723,546.97	13,388,546.97
	20,165,000		14,388,343.67	34,553,343.67

Note: Coupon (4.34%) Based on IRR of Total Payments

BOND DEBT SERVICE BREAKDOWN

Blount County, TN
Option 3A - Proportional Debt Service
PRELIMINARY - SUBJECT TO CHANGE

Period Ending	Taxable Swap Termination Payment	Tax Exempt Refunding of Series E_3_B	Total
06/01/2015	591,977.72	377,765.28	969,743.00
06/01/2016	255,590.00	819,250.00	1,074,840.00
06/01/2017	255,006.00	819,250.00	1,074,256.00
06/01/2018	259,006.00	819,250.00	1,078,256.00
06/01/2019	257,527.00	819,250.00	1,076,777.00
06/01/2020	255,793.00	819,250.00	1,075,043.00
06/01/2021	258,804.00	819,250.00	1,078,054.00
06/01/2022	256,401.00	819,250.00	1,075,651.00
06/01/2023	253,953.00	819,250.00	1,073,203.00
06/01/2024	256,325.00	819,250.00	1,075,575.00
06/01/2025	258,266.00	819,250.00	1,077,516.00
06/01/2026	254,946.00	819,250.00	1,074,196.00
06/01/2027	256,526.00	819,250.00	1,075,776.00
06/01/2028	257,830.00	819,250.00	1,077,080.00
06/01/2029	258,848.00	819,250.00	1,078,098.00
06/01/2030	2,094,340.00	6,414,250.00	8,508,590.00
06/01/2031	1,964,546.50	11,329,500.00	13,294,046.50
	8,245,685.22	29,591,015.28	37,836,700.50

Notes:

Tax-Exempt Rates: AAA MMD as of October 3, 2014; Spread of 35 Basis Points

Taxable Rates: As of Oct 3, 2014; Based on Comparable Issuer

BOND PRICING

Blount County, TN
Option 3A - Proportional Debt Service
PRELIMINARY - SUBJECT TO CHANGE

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
Taxable Swap Termination Payment, Serial:						
	06/01/2015	510,000	0.430%	0.430%	100.000	
	06/01/2016	80,000	0.730%	0.730%	100.000	
	06/01/2017	80,000	1.250%	1.250%	100.000	
	06/01/2018	85,000	1.740%	1.740%	100.000	
	06/01/2019	85,000	2.040%	2.040%	100.000	
	06/01/2020	85,000	2.340%	2.340%	100.000	
	06/01/2021	90,000	2.670%	2.670%	100.000	
	06/01/2022	90,000	2.720%	2.720%	100.000	
	06/01/2023	90,000	2.920%	2.920%	100.000	
	06/01/2024	95,000	3.220%	3.220%	100.000	
	06/01/2025	100,000	3.320%	3.320%	100.000	
	06/01/2026	100,000	3.420%	3.420%	100.000	
	06/01/2027	105,000	3.520%	3.520%	100.000	
	06/01/2028	110,000	3.620%	3.620%	100.000	
	06/01/2029	115,000	3.920%	3.920%	100.000	
	06/01/2030	1,955,000	3.570%	3.570%	100.000	
	06/01/2031	<u>1,895,000</u>	3.670%	3.670%	100.000	
		5,670,000				
Tax Exempt Refunding of Series E_3_B, Serial:						
	06/01/2015		5.000%	0.480%	102.079	
	06/01/2016		5.000%	0.720%	106.209	
	06/01/2017		5.000%	0.950%	109.828	
	06/01/2018		5.000%	1.230%	112.735	
	06/01/2019		5.000%	1.520%	114.954	
	06/01/2020		5.000%	1.790%	116.629	
	06/01/2021		5.000%	2.030%	117.898	
	06/01/2022		5.000%	2.260%	118.714	
	06/01/2023		5.000%	2.390%	119.885	
	06/01/2024		5.000%	2.470%	121.228	
	06/01/2025		5.000%	2.550%	122.370	
	06/01/2026		5.000%	2.630%	123.318	
	06/01/2027		5.000%	2.710%	124.079	
	06/01/2028		5.000%	2.770%	124.913	
	06/01/2029		5.000%	2.830%	125.605	
	06/01/2030	5,595,000	5.000%	2.890%	126.158	1,463,540.10
	06/01/2031	<u>10,790,000</u>	5.000%	2.950%	126.578	<u>2,867,766.20</u>
		16,385,000				4,331,306.30
		22,055,000				4,331,306.30

BOND PRICING

Blount County, TN
Option 3A - Proportional Debt Service
PRELIMINARY - SUBJECT TO CHANGE

Dated Date	12/15/2014	
Delivery Date	12/15/2014	
First Coupon	06/01/2015	
Par Amount	22,055,000.00	
Premium	4,331,306.30	
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Production	26,386,306.30	119.638659%
Underwriter's Discount	-81,925.00	-0.371458%
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Purchase Price	26,304,381.30	119.267202%
Accrued Interest		
	<hr/>	
Net Proceeds	26,304,381.30	

SOURCES AND USES OF FUNDS

Blount County, TN
 Option 3B - Level Debt Service
 PRELIMINARY - SUBJECT TO CHANGE

Sources:	Taxable Swap Termination Payment	Tax Exempt Refunding of Series E-3-B	Total
Bond Proceeds:			
Par Amount	5,670,000.00	16,895,000.00	22,565,000.00
Premium		3,821,001.85	3,821,001.85
	5,670,000.00	20,716,001.85	26,386,001.85
Uses:			
Refunding Escrow Deposits:			
Cash Deposit		0.02	0.02
SLGS Purchases		20,546,576.00	20,546,576.00
		20,546,576.02	20,546,576.02
Delivery Date Expenses:			
Swap Termination Payment	5,670,000.00		5,670,000.00
Cost of Issuance		84,475.00	84,475.00
Underwriter's Discount		84,475.00	84,475.00
	5,670,000.00	168,950.00	5,838,950.00
Other Uses of Funds:			
Additional Proceeds		475.83	475.83
	5,670,000.00	20,716,001.85	26,386,001.85

Notes:

Cost of Issuance Estimated at 5 Dollars Per Bond
 Underwriter's Discount Estimated at 5 Dollars Per Bond
 Swap Termination Payment Estimated to be 5.67 Million Dollars

BOND SUMMARY STATISTICS

Blount County, TN
 Option 3B - Level Debt Service
 PRELIMINARY - SUBJECT TO CHANGE

Dated Date	12/15/2014
Delivery Date	12/15/2014
Last Maturity	06/01/2031
Arbitrage Yield	2.617636%
True Interest Cost (TIC)	2.659572%
Net Interest Cost (NIC)	2.987531%
All-In TIC	5.992954%
Average Coupon	4.730436%
Average Life (years)	9.501
Duration of Issue (years)	7.941
Par Amount	22,565,000.00
Bond Proceeds	26,386,001.85
Total Interest	10,141,343.68
Net Interest	6,404,816.83
Total Debt Service	32,706,343.68
Maximum Annual Debt Service	1,968,448.00
Average Annual Debt Service	1,986,885.54
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	3.743630
Total Underwriter's Discount	3.743630
Bid Price	116.558949

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial	22,565,000.00	116.933	4.730%	9.501	20,436.00
	22,565,000.00			9.501	20,436.00

	TIC	All-In TIC	Arbitrage Yield
Par Value	22,565,000.00	22,565,000.00	22,565,000.00
+ Accrued Interest			
+ Premium (Discount)	3,821,001.85	3,821,001.85	3,821,001.85
- Underwriter's Discount	-84,475.00	-84,475.00	
- Cost of Issuance Expense		-84,475.00	
- Other Amounts		-5,670,000.00	
Target Value	26,301,526.85	20,547,051.85	26,386,001.85
Target Date	12/15/2014	12/15/2014	12/15/2014
Yield	2.659572%	5.992954%	2.617636%

PRIOR BOND DEBT SERVICE

Blount County, TN

Option 3B - Level Debt Service

PRELIMINARY - SUBJECT TO CHANGE

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2015			437,475.69	437,475.69
06/01/2016			874,951.38	874,951.38
06/01/2017			874,951.38	874,951.38
06/01/2018			874,951.38	874,951.38
06/01/2019			874,951.38	874,951.38
06/01/2020			874,951.38	874,951.38
06/01/2021			874,951.38	874,951.38
06/01/2022			874,951.38	874,951.38
06/01/2023			874,951.38	874,951.38
06/01/2024			874,951.38	874,951.38
06/01/2025			874,951.38	874,951.38
06/01/2026			874,951.38	874,951.38
06/01/2027			874,951.38	874,951.38
06/01/2028			874,951.38	874,951.38
06/01/2029			874,951.38	874,951.38
06/01/2030	7,500,000	4.3389605%	978,001.69	8,478,001.69
06/01/2031	12,665,000	4.3389605%	723,546.97	13,388,546.97
	20,165,000		14,388,343.67	34,553,343.67

Note: Coupon (4.34%) Based on IRR of Total Payments

BOND DEBT SERVICE BREAKDOWN

Blount County, TN
Option 3B - Level Debt Service
PRELIMINARY - SUBJECT TO CHANGE

Period Ending	Taxable Swap Termination Payment	Tax Exempt Refunding of Series E-3-B	Total
06/01/2015	881,632.57	389,523.61	1,271,156.18
06/01/2016	881,675.50	1,079,750.00	1,961,425.50
06/01/2017	880,872.00	1,083,000.00	1,963,872.00
06/01/2018	880,872.00	1,085,500.00	1,966,372.00
06/01/2019	881,778.00	1,082,250.00	1,964,028.00
06/01/2020	879,948.00	1,088,500.00	1,968,448.00
06/01/2021	780,292.00	1,183,750.00	1,964,042.00
06/01/2022		1,963,500.00	1,963,500.00
06/01/2023		1,963,250.00	1,963,250.00
06/01/2024		1,965,000.00	1,965,000.00
06/01/2025		1,963,500.00	1,963,500.00
06/01/2026		1,963,750.00	1,963,750.00
06/01/2027		1,965,500.00	1,965,500.00
06/01/2028		1,963,500.00	1,963,500.00
06/01/2029		1,967,750.00	1,967,750.00
06/01/2030		1,967,750.00	1,967,750.00
06/01/2031		1,963,500.00	1,963,500.00
	6,067,070.07	26,639,273.61	32,706,343.68

Notes:

Tax-Exempt Rates: AAA MMD as of October 3, 2014; Spread of 35 Basis Points

Taxable Rates: As of Oct 3, 2014; Based on Comparable Issuer

BOND PRICING

Blount County, TN

Option 3B - Level Debt Service

PRELIMINARY - SUBJECT TO CHANGE

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
Taxable Swap Termination Payment, Serial:						
	06/01/2015	840,000	0.430%	0.430%	100.000	
	06/01/2016	795,000	0.730%	0.730%	100.000	
	06/01/2017	800,000	1.250%	1.250%	100.000	
	06/01/2018	810,000	1.740%	1.740%	100.000	
	06/01/2019	825,000	2.040%	2.040%	100.000	
	06/01/2020	840,000	2.340%	2.340%	100.000	
	06/01/2021	760,000	2.670%	2.670%	100.000	
	06/01/2022		2.720%	2.720%	100.000	
	06/01/2023		2.920%	2.920%	100.000	
	06/01/2024		3.220%	3.220%	100.000	
	06/01/2025		3.320%	3.320%	100.000	
	06/01/2026		3.420%	3.420%	100.000	
	06/01/2027		3.520%	3.520%	100.000	
	06/01/2028		3.620%	3.620%	100.000	
	06/01/2029		3.920%	3.920%	100.000	
	06/01/2030		3.570%	3.570%	100.000	
	06/01/2031		3.670%	3.670%	100.000	
		<u>5,670,000</u>				
Tax Exempt Refunding of Series E-3-B, Serial:						
	06/01/2015		5.000%	0.480%	102.079	
	06/01/2016	235,000	5.000%	0.720%	106.209	14,591.15
	06/01/2017	250,000	5.000%	0.950%	109.828	24,570.00
	06/01/2018	265,000	5.000%	1.230%	112.735	33,747.75
	06/01/2019	275,000	5.000%	1.520%	114.954	41,123.50
	06/01/2020	295,000	5.000%	1.790%	116.629	49,055.55
	06/01/2021	405,000	5.000%	2.030%	117.898	72,486.90
	06/01/2022	1,205,000	5.000%	2.260%	118.714	225,503.70
	06/01/2023	1,265,000	5.000%	2.390%	119.885	251,545.25
	06/01/2024	1,330,000	5.000%	2.470%	121.228	282,332.40
	06/01/2025	1,395,000	5.000%	2.550%	122.370	312,061.50
	06/01/2026	1,465,000	5.000%	2.630%	123.318	341,608.70
	06/01/2027	1,540,000	5.000%	2.710%	124.079	370,816.60
	06/01/2028	1,615,000	5.000%	2.770%	124.913	402,344.95
	06/01/2029	1,700,000	5.000%	2.830%	125.605	435,285.00
	06/01/2030	1,785,000	5.000%	2.890%	126.158	466,920.30
	06/01/2031	<u>1,870,000</u>	5.000%	2.950%	126.578	<u>497,008.60</u>
		<u>16,895,000</u>				<u>3,821,001.85</u>
		22,565,000				3,821,001.85

BOND PRICING

Blount County, TN
Option 3B - Level Debt Service
PRELIMINARY - SUBJECT TO CHANGE

Dated Date	12/15/2014	
Delivery Date	12/15/2014	
First Coupon	06/01/2015	
Par Amount	22,565,000.00	
Premium	3,821,001.85	
	<hr/>	
Production	26,386,001.85	116.933312%
Underwriter's Discount	-84,475.00	-0.374363%
	<hr/>	
Purchase Price	26,301,526.85	116.558949%
Accrued Interest		
	<hr/>	
Net Proceeds	26,301,526.85	



1. Page 12 says the cost to terminate the swap is \$5.67 million. My understanding is that this is negotiable. Can you confirm that this is negotiable?

A: The swap termination payment is based on market conditions and the County would need to hire a Swap Advisor to represent the County in "negotiations" with the Swap Counterparty. While there may be some nominal adjustments (\$10K-\$15K for example) to the termination payment, they cannot be guaranteed and should not be factored into the overall economics of Options 3A or 3B.

2. Page 13 says the average cost of this option is \$228,482. Is this assuming that the "Synthetically fixed" rate would remain the same as it is today, meaning that rates wouldn't increase in the future?

A: The reference to \$228,482 is the estimated increase in total cost per year (2015-2018) for Option 3A compared to Option 1 (Base Case). This reference assumes the following:

Option 1- the 3-year average of interest rates received by the County (0.83%) and paid to bondholders (0.15%) remains constant. See page 2 for the references to those interest rates. The synthetic fixed rate to the Swap Counterparty of 4.313% does not change (and will not change).

Option 3A – current market conditions, including swap termination financed with taxable bonds. Option 3A debt service is proportional to the current debt structure with balloon payments in 2030 and 2031.

3. What interest rates were assumed for the fixed rate bonds?

A: Please refer to the detailed debt service schedules and memo for all assumptions related to Options 3A and 3B.

Tax-Exempt portion assumes the Thomson Municipal Market Data (MMD) AAA yield curve from 10/3/14 + 0.35% (additional credit spread compared to AAA). Taxable portion (Swap termination portion) is based on taxable indicative rates from an underwriting desk from 10/3/2014. The details on the interest rate included can be located on pages 7 and 13 of the Options 3A and 3B Details packet (attached).

Please note, all assumptions are subject to change based on market conditions.

4. What amortization schedule is assumed for the Swap termination charges(\$5.67 million)?

A: Option 3A assumes the new debt service structure is proportional to the estimated current debt service. The amortization of each component (including the taxable associated with the swap termination payment) is located on page 7 of the attached detailed memo.

Options 3B assumes the new debt service structures is level debt service, which is mortgage style, with principal and interest paid yearly. The annual debt service is approximately the same every year. The amortization is located on page 13 of the attached detailed memo.

5. And one last question, what interest rate did they assume for the Swap termination loan?

A: See note above and pages 7 and 13 for interest rate assumptions on Options 3A and 3B, respectively.

6. How much is currently in Debt Service?

A: Restricted: \$5,380,001.79 Committed: \$4,531,733.62

7. How much of that has already been appropriated to be spent throughout the year?

A: None

8. How much is available that isn't appropriated to spend throughout the year?

A: All of the Committed

9. What is our current ratio between Variable and Fixed Rate debt?

A: As of the 6/30/13 Audit, We had \$213,084,928 of debt. Of that debt, 46.91% is Variable and 53.09% is Fixed. If the E-3-B bonds were to become fixed, that would take the ratio to 37.45% Variable and 62.55% Fixed. Of the current \$99,965,000 Variable Rate debt, \$93,000,000 or 93.03% is hedged with interest rate swaps.

10. If we opt for a fixed rate solution, will that lead to a property tax increase?

A: Most likely

11. Is this likely to be the most advantageous economic climate to lock in low interest rates?

A: Most likely

12. If we opt for a fixed rate solution, what are the next steps?

A: We would submit an application, which would receive approval within 15 days. Upon approval, bond counsel would prepare the appropriate financial resolution, which would then be submitted to commission for approval. Once commission approves the resolution, we will solicit proposals via a public process, and then set a bond closing