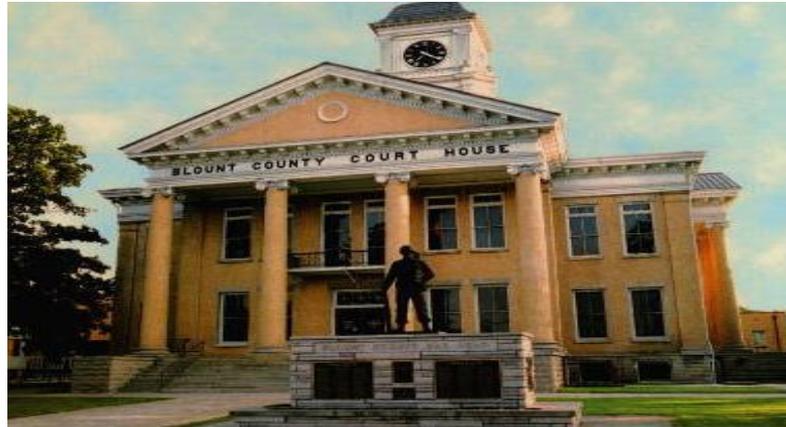


Blount County, Tennessee



2015 Refinancing and Restructuring Analysis

October 15, 2015



Summary of Engagement

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PFM analyzed the County's debt performance since 2013 and performed a restructuring analysis for the County's outstanding debt portfolio. The purpose of the analysis is to assist the County with the development of refunding and restructuring parameters, the evaluation of refunding efficiencies, and the evaluation of swap termination efficiencies. The County identified several objectives for the analysis including:

- Reducing variable rate exposure to 20% (or as close as feasibly possible) of overall debt as defined in the debt management policy
- Restructuring debt to reduce the amount of variable rate debt remaining after swaps mature
- Creating a more level debt service structure
- Consideration of how Public Chapter 766, Acts of 2014 (Balloon Indebtedness) may impact future refinancings.

Recap of County's Debt Performance since 2013

- As of June 30, 2013, the County had 48% of variable rate debt outstanding and five (5) interest rate swap agreements. Seven (7) series of bonds were associated with loan agreements with the Public Building Authority (PBA) and required several third party agreements.
- In late 2013, the County successfully removed the need for third party agreements on 2 series of bonds which resulted in annual administrative savings. This debt was placed with US Bank for three (3) years.
- In early 2015, the County refinanced another PBA loan agreement. Such refinancing included terminating the associated interest rate agreement and fully amortizing the principal associated with this debt.
- As of today, the County has 39% of variable rate debt and four (4) interest rate swap agreements. Four (4) series of bonds are associated with loan agreements with the Public Building Authority.



Existing Debt Details

Summary of Outstanding Debt (June 30, 2015)

Blount County, Tennessee

as of: June 30, 2015

Series Name	Indenture	Tax Status	Issue Size	Delivery Date	Outstanding Par	Refunding Status	
							Non-Callable
Series 2004A	General Obligation Bonds	Tax-Exempt	7,405,000	9/1/04	2,770,000	Current	-
Series 2004B	General Obligation Bonds	Tax-Exempt	5,060,000	10/1/04	2,155,000	Current	-
Series 2005	General Obligation Bonds	Tax-Exempt	14,860,000	1/27/05	6,115,000	Current	-
Series B-10-A ¹	General Obligation Bonds	Taxable Municipal	2,000,000	6/17/06	1,050,000	Advance	150,000
Series B-16-A ¹	General Obligation Bonds	Tax-Exempt	33,550,000	5/15/08	21,950,000	Advance	3,195,000
Series B-17-A ¹	General Obligation Bonds	Tax-Exempt	3,000,000	6/20/08	2,430,000	Advance	360,000
Series B-18-A ¹	General Obligation Bonds	Tax-Exempt	4,380,000	3/2/09	2,900,000	-	2,900,000
Series 2010	Qualified School Construction Bond	Taxable Municipal	14,855,000	10/7/10	11,301,773	Current	-
Series 2011	General Obligation Refunding Bonds	Tax-Exempt	46,390,000	5/5/11	45,100,000	Advance	17,830,000
Series 2013B ^{2,3}	General Obligation Refunding Bonds	Tax-Exempt	79,800,000	12/9/13	79,555,000	Current	-
Series 2015A	General Obligation Refunding Bonds	Taxable Municipal	7,120,000	3/5/15	7,120,000	-	7,120,000
Series 2015B	General Obligation Refunding Bonds	Tax-Exempt	19,785,000	3/5/15	19,785,000	Advance	8,235,000
						-	-
Total			238,205,000		202,231,773		39,790,000

* Does not include the County's share of hospital debt.

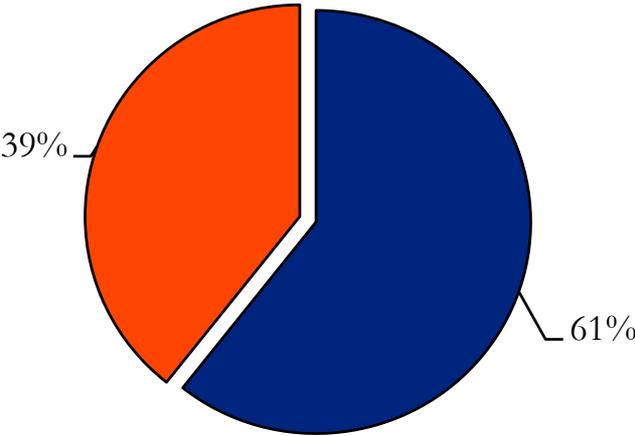
¹ Bonds associated with loan agreements with the Public Building Authority.

² Bonds privately placed with US Bank.

³ Bonds associated with interest rate swaps outstanding.

Composition of Debt (June 30, 2015)

Composition of Debt

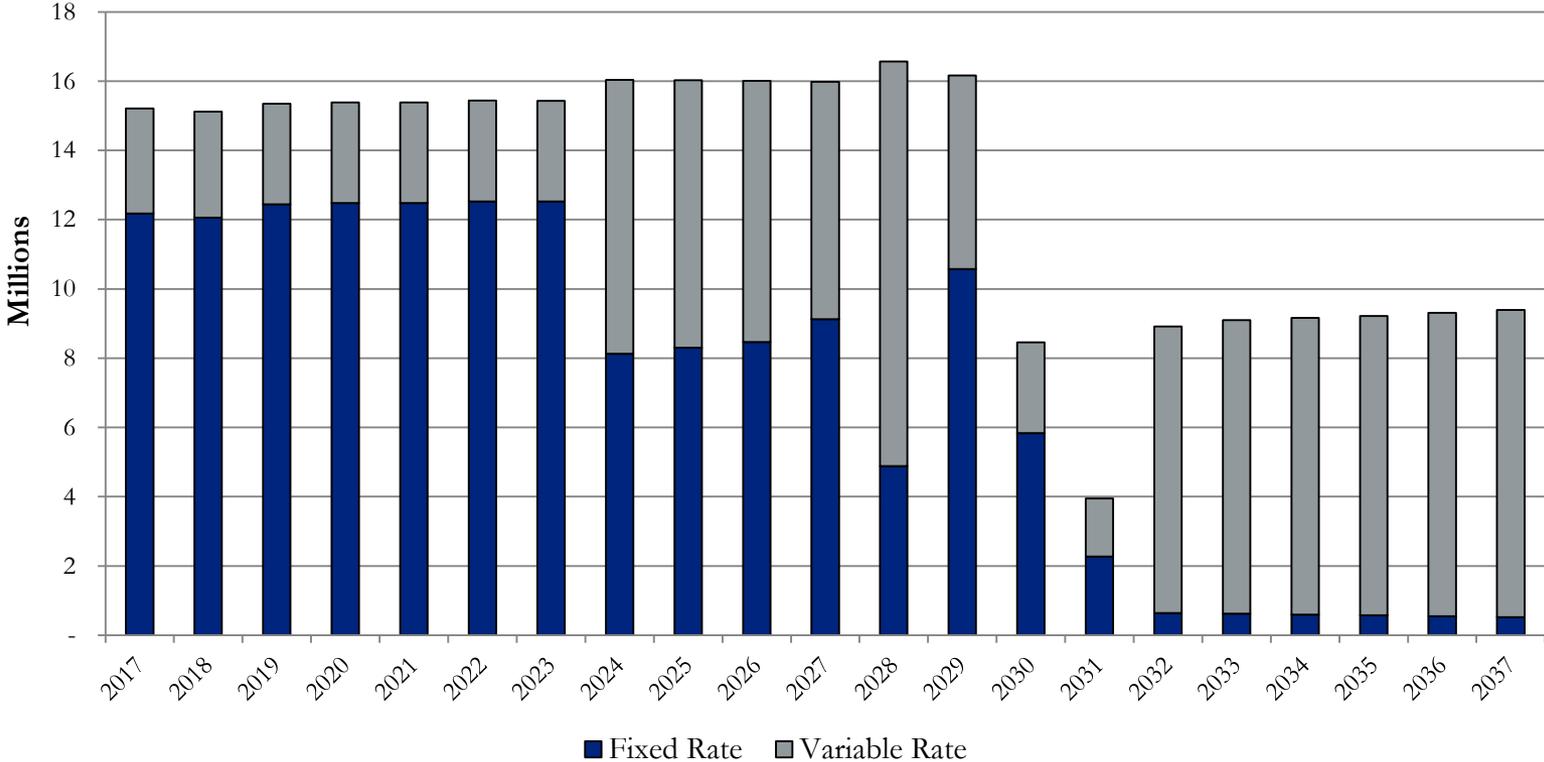


■ Fixed Rate Debt ■ Variable Rate Debt (includes Swaps)

* As of June 30, 2015. Does not include the County's share of hospital debt.

Composition of Debt (June 30, 2015)

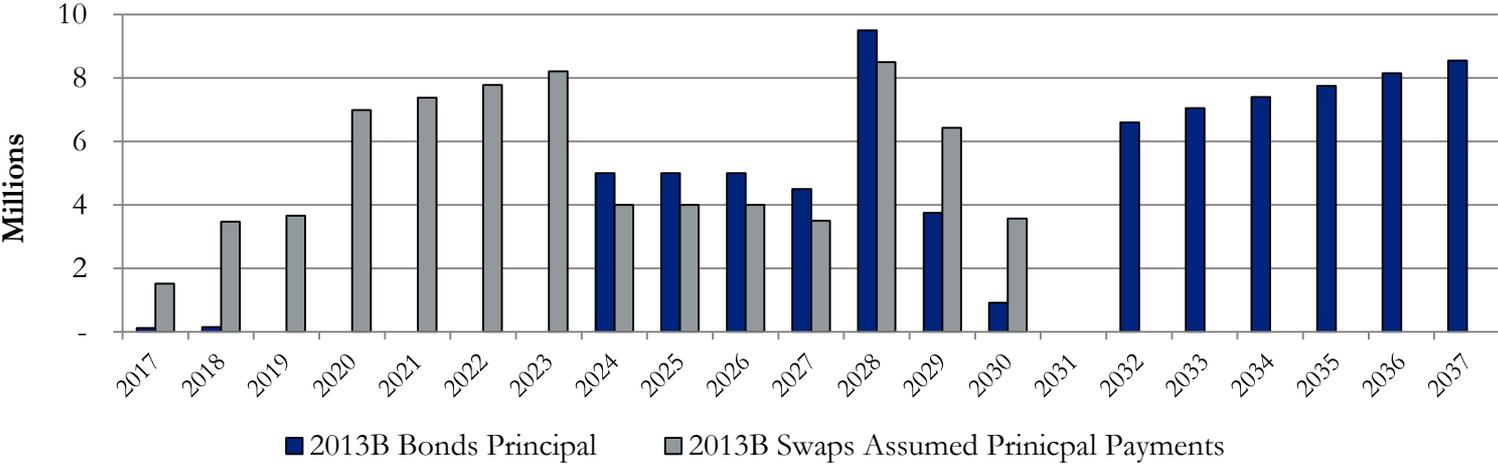
Outstanding Debt Service



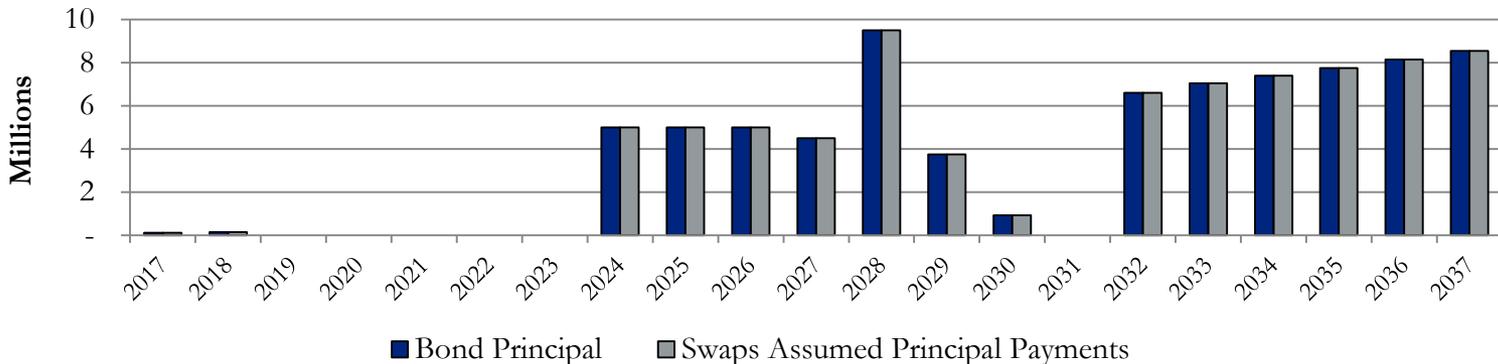
* As of June 30, 2015. Does not include the County's share of hospital debt.

Series 2013B Specifics

Series 2013B Bond Principal Payments & Swap Assumed Payments



Demonstration of Alignment b/w Bond Principal Payments and Swap Payments



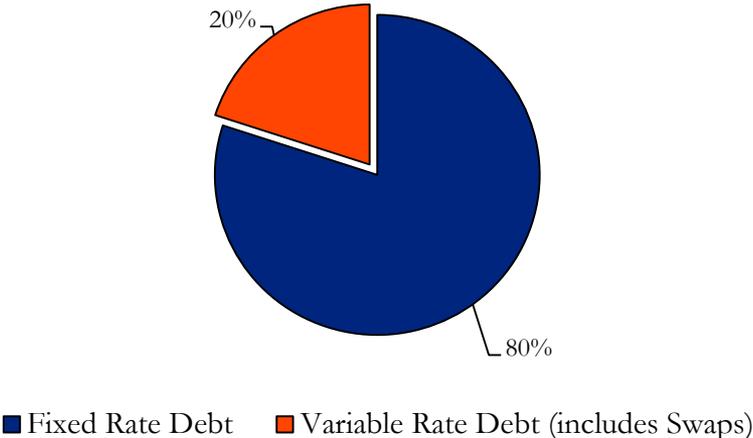


Restructuring Scenarios

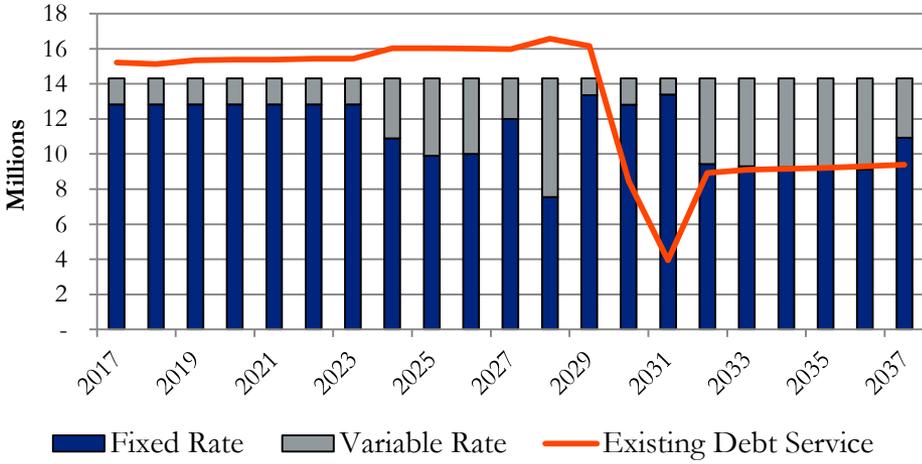
Scenario 1 – Level Debt Service Structure

Scenario 1 is structured to provide constant level debt service at \$14.32M until 2037. Scenario 1 also reduces variable rate exposure to 20% of outstanding par without increasing outstanding par by more than \$5M. Scenario 1 is the least economical option with a total cost to the County of \$12.46M on a present value basis.

Composition of Debt
(post Scenario 1)



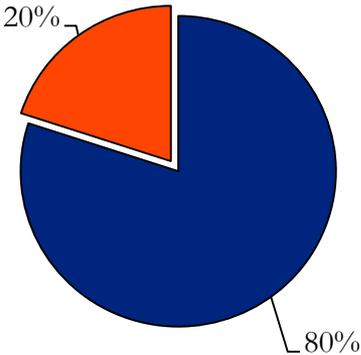
Restructured Debt Service



Scenario 2 – Accelerated Debt Service Structure

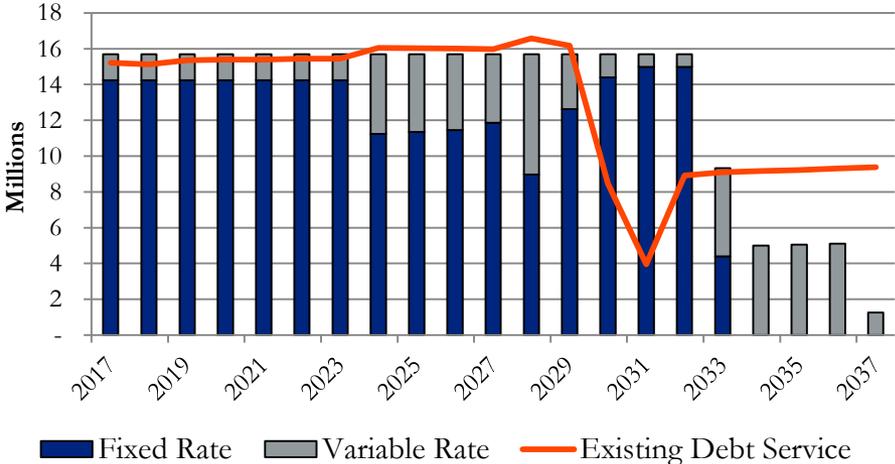
Scenario 2 is structured to amortize debt as quickly as possible (while using the current debt service of \$15.69M as a constraint). Scenario 2 also reduces variable rate exposure to 20% of outstanding par without increasing outstanding par by more than \$5M. Scenario 2 has a total cost to the County of \$4.61M on a present value basis.

Composition of Debt
(post Scenario 2)



■ Fixed Rate Debt ■ Variable Rate Debt (includes Swaps)

Restructured Debt Service

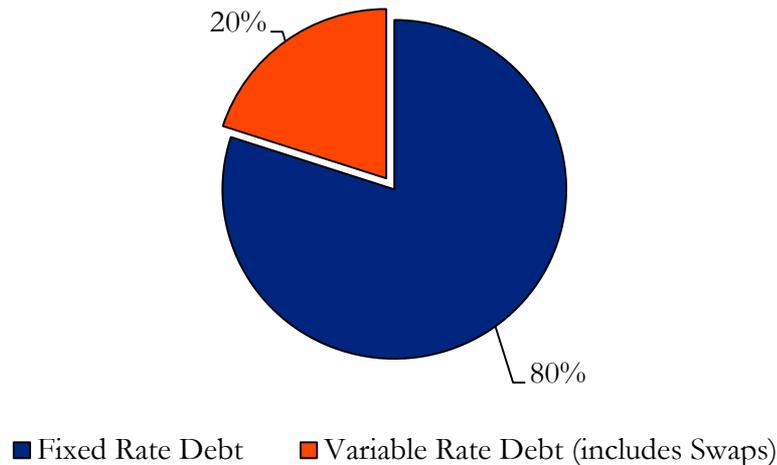


■ Fixed Rate ■ Variable Rate — Existing Debt Service

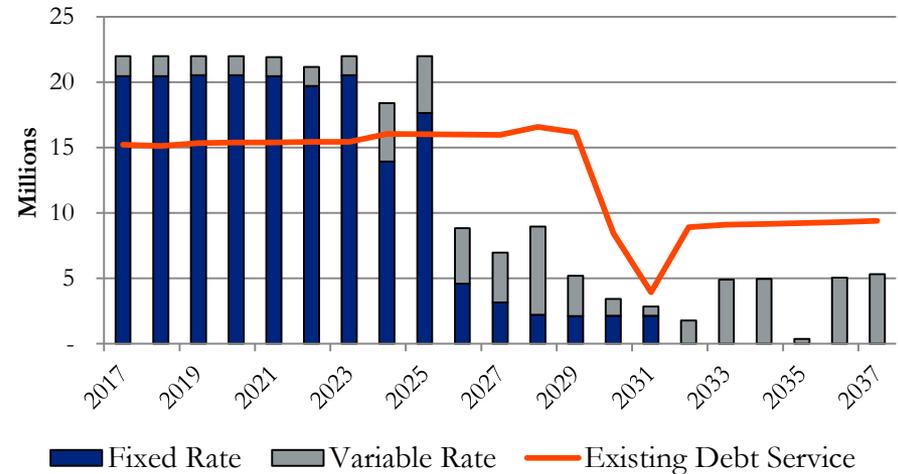
Scenario 3 – Traditional Debt Service Structure

Scenario 3 is structured to revise the debt service of the County to amortize similarly to the County's peers (as rated by Moody's)¹. Scenario 3 also reduces variable rate exposure to 20% of outstanding par without increasing outstanding par by more than \$5M. Scenario 3 is the most economical option with a total savings to the County of \$0.65M on a present value basis.

Composition of Debt
(post Scenario 3)



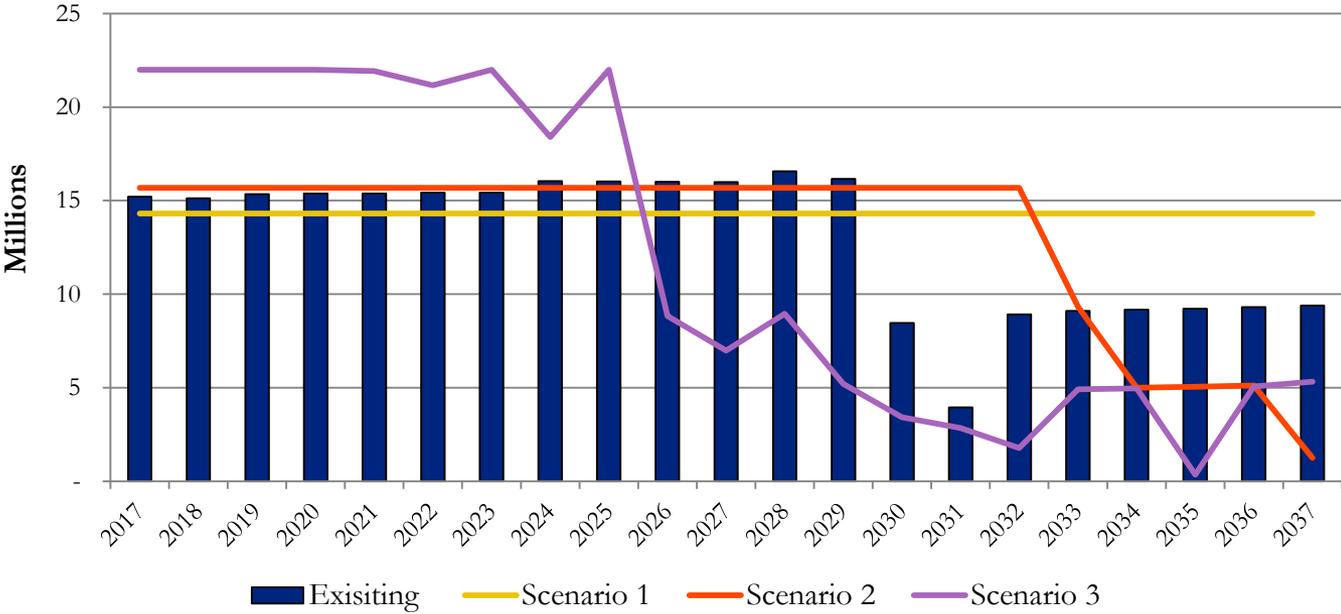
Restructured Debt Service



¹Moody's database indicates that approximately 75.9% of principal amortizes in the first ten years in the debt profile of comparably rated entities.

Summary of Scenarios

Scenario Comparison



Savings Summary (Millions)	
Scenario 1	(12.46)
Scenario 2	(4.61)
Scenario 3	0.65

Next Steps

- At a minimum, the County will review all options for the Series 2013B in connection with the expiration of the US Bank agreement (December 2013).
- The County will begin discussions with the office of State and Local Finance related to refinancing and/or restructuring and the impact of Public Chapter 766, Acts of 2014 (Balloon Indebtedness).
- Presentation of any proposed refinancing and/or restructuring plan will be prepared for the County Commission to review.