

RESOLUTION NO. 20-73

INITIAL RESOLUTION TO AUTHORIZE THE CITY OF SPRING HILL TO BORROW FUNDS AND INCUR INDEBTEDNESS IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$26,500,000 OF GENERAL OBLIGATION BONDS, SERIES 2020A

WHEREAS, the City of Spring Hill, Tennessee (the “City”), a body politic and corporate existing under the laws of the State of Tennessee acting under the authority of Part 1 of Title 21, Chapter 9 of Tennessee Code Annotated has the power to issue and sell bonds for public works projects as therein defined, including the acquisition, construction and equipping of road and street work improvements, the acquisition of public works and public safety equipment, the acquisition of all other property appurtenant thereto and the acquisition, construction and equipping other public buildings and facilities; and

WHEREAS, the Board of Mayor and Aldermen of the City does hereby determine and declare that the welfare of the municipality and its inhabitants will be served by the issuance by the City of a bond or bonds in an amount not to exceed \$26,500,000 for (i) the acquisition, construction and equipping of road and street work improvements and acquisition of right of ways in connection therewith, including improvements to Buckner Road at the I-65 interchange and other locations, real and personal property, (ii) the conversion of the Fire Equipment Acquisition Capital Outlay Note, Series 2019, dated November 22, 2019 to a bond which was used to acquire a Pierce one hundred foot aerial fire truck and related public safety equipment, (iii) the acquisition of public works and public safety equipment and (iv) the acquisition, construction, improvements to other public buildings and facilities, (v) payment of legal, fiscal, administrative, architectural, design and engineering costs incident to all of the foregoing, (vi) reimbursement to the appropriate fund of the City for prior expenditures for the foregoing cost, if applicable, and (vii) payment of cost incident to the bonds authorized herein, and that the design, acquisition, equipping and construction of these facilities will protect the health and safety of the citizens of the City.

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Spring Hill, Tennessee, that for the purposes aforesaid and payment of cost of issuance in connection therewith, the negotiable bond or bonds of the City shall be issued in an aggregate amount not to exceed Twenty-Six Million Five Hundred Thousand Dollars (\$26,500,000), which shall bear interest at a rate not to exceed five percent (5.00%) per annum. The bonds shall be general obligation bonds of the City and will be payable from the unlimited ad valorem taxes levied upon all of the taxable property within the City.

BE IT FURTHER RESOLVED that the City Recorder is directed to publish this Resolution in full once in a newspaper of general circulation in the City, together with the following Notice:

NOTICE

The foregoing Resolution has been adopted. Unless within twenty (20) days from the date of the publication hereof, a petition signed by at least ten percent (10%) of the registered voters of the City of shall have been filed with the City Recorder protesting the issuance of the general obligation bonds, such bonds shall be issued as proposed.

PASSED AND ADOPTED this 15th day of June, 2020.



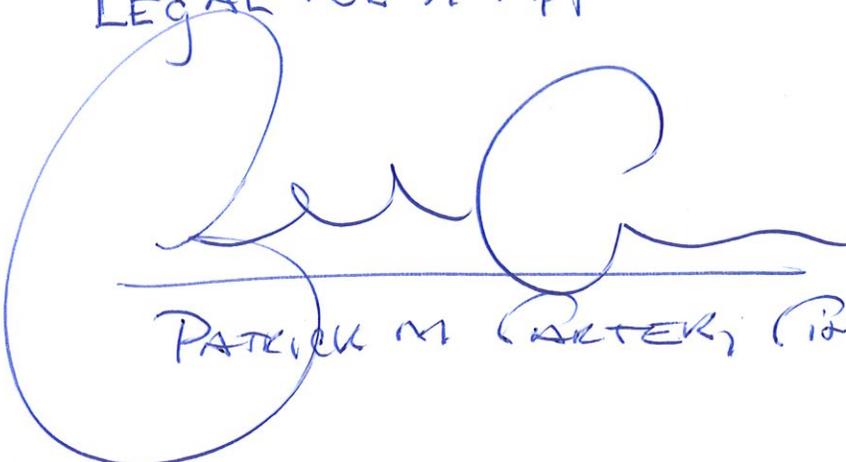
Mayor

ATTEST:



City Recorder

LEGAL FORM Approved:



PATRICK M. CARTER, City Attorney



**City of Spring Hill
Budget & Finance Advisory Committee
and
Board of Mayor and Aldermen**

Date: June 10, 2020

Memo to: Budget & Finance Advisory Committee and BOMA

From: Tonya Travis, Finance Director
Patti Amorello, Finance Associate

Re: Debt-related Resolutions for \$26.5 Million General Obligation Bond Issue –
Changes in Resolutions 20-73 and 20-74 from Work Session Versions

RESOLUTION 20-72 - A RESOLUTION TO RESCIND RESOLUTION NUMBERS 20-14 AND 20-15, AUTHORIZING THE ISSUANCE OF \$25 MILLION IN GENERAL OBLIGATION DEBT THROUGH THE TENNESSEE MUNICIPAL BOND

RESOLUTION NO. 20-73 (REVISED) - INITIAL RESOLUTION TO AUTHORIZE THE CITY OF SPRING HILL TO BORROW FUNDS AND INCUR INDEBTEDNESS IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$26,500,000 OF GENERAL OBLIGATION BONDS, SERIES 2020A

RESOLUTION NO. 20-74 (REVISED) - RESOLUTION AUTHORIZING THE EXECUTION, TERMS, ISSUANCE, SALE AND PAYMENT OF NOT TO EXCEED \$26,500,000 GENERAL OBLIGATION BONDS, SERIES 2020A, OF THE CITY OF SPRING HILL, TENNESSEE, AND PROVIDING THE DETAILS THEREOF AND APPROVING THE BOND TAX COMPLIANCE POLICY FOR THE CITY AND BOND COUNSEL ENGAGEMENT LETTER.

BACKGROUND INFORMATION: In advance of issuing not to exceed \$25 million in debt for the upcoming I-65 Interchange and roadway/infrastructure projects, Resolutions No. 20-14 and 20-15 were adopted at the February 18, 2020 meeting to authorize the issuance of debt and a related loan agreement through the Tennessee Municipal Bond Fund. The loan was to be for 20 years with an interest rate of 2.87% for the first seven years of the loan.

Due to current market conditions, it would be in the City's best interest to issue debt through a traditional competitive sale through the bond market instead of through the Tennessee Municipal Bond Fund. Interest rates are at record lows, and the City would be able to obtain a low-interest fixed rate for the life of the loan.

Additionally, at the work session on June 1st, discussion took place related to including the refinancing of the \$1.375 million Fire Equipment Acquisition Capital Outlay Note, Series 2019, within the new debt issue (the proceeds of the note were used to reimburse the City for acquisition of a Pierce aerial fire truck and related equipment). That note was issued for 7 years at an annual interest rate of 2.75%. The refinanced balance of this note will be paid over a 5-year term. Estimated interest savings to be realized by refinancing this note are \$50,000.

Resolutions presented in conjunction with the debt issue include:

- 1) Resolution 20-72, which rescinds Resolutions 20-14 and 20-15 authorizing issuance of debt through the Bond Fund and approving the related loan agreement;
- 2) Resolution 20-73, an initial Bond Resolution authorizing the issuance of not to exceed \$26.5 million in General Obligation Bonds; and
- 3) Resolution 20-74, a Details Resolution authorizing the execution, terms, issuance, sale and payment of the bonds, providing the details of the bonds and approving the bond tax compliance policy and bond counsel engagement letter. In conjunction with the sale of the bonds, other costs will be incurred including the financial advisory fee, underwriting fees, rating agency fee, preparation of official statements, advertising and other miscellaneous expenses associated with the sale of the bonds. A complete breakdown of the estimated related expenses has been included as an attachment within the Preliminary Funding Analysis.

ATTACHMENTS: Resolutions 20-72, 20-73 (Revised), 20-74 (Revised) and Preliminary Funding Analysis

RECOMMENDATION: Recommend approval of Resolution 20-72, Resolution 20-73 and Resolution 20-74.

CITY OF SPRING HILL, TENNESSEE



Preliminary Funding Analysis

June 11, 2020

Prepared By:

Cumberland Securities Company, Inc.

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SINCE 1931

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Risk Disclosures:

Fixed Rate Bonds		
Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	<ul style="list-style-type: none"> Range of available remedies may be brought against Issuer (e.g. forcing Issuer to raise taxes or rates) Credit ratings negatively impacted Access to capital markets impaired Possibility of receivership or bankruptcy for certain issuers
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	<ul style="list-style-type: none"> Inability to refinance at lower interest rates
Refinancing Risk	Possibility that the bonds cannot be refinanced	<ul style="list-style-type: none"> Inability to refinance at lower interest rates
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	<ul style="list-style-type: none"> Negative arbitrage resulting in a higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	<ul style="list-style-type: none"> Increase in debt service costs retroactively to date of issuance Possible mandatory redemption of bonds affected Risk of IRS Audit Difficulty in refinancing the bonds Access to tax-exempt market impacted Difficulty in issuing future tax-exempt debt

Variable Rate Demand Bonds ("VRDB") / Floating Rate Notes ("FRN") / Bank Index Loan ("Index") / "Put Loan" (e.g. Fixed Rate for Five (5) Years, then Rate Resets to New Rate)		
Material Risk Consideration	Description of Risk (Type of Debt Risk Applicable to)	Potential Consequences
Interest Rate Risk	Possibility that the interest rate may increase on an interest reset date (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service cost (up to maximum rate) Lower debt service coverage Lower cash reserves
Index Risk	Possibility that the method of determining the index (LIBOR or SIFMA) could change. Indices may be affected by factors unrelated to FRN's/Index Loan or the tax-exempt market (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs Lower debt service coverage Lower cash reserves Provision should be made for alternate mechanism to determine rate
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or revenues) Credit ratings negatively impacted Default could impact remarketing which could cause increase in debt service costs Access to capital markets impaired
Issuer Ratings Downgrade Risk	Possibility that a downgrade of the Issuer's rating(s) may result in optional tenders or an increase in fees payable to the bank providing the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Ratings change could impact remarketing which could cause an increase in debt service cost Higher liquidity facility fees resulting in higher cost of funds
Liquidity Risk	Possibility that VRDB's cannot be successfully remarketing, resulting in Bank Bonds (VRDB)	<ul style="list-style-type: none"> Increase in debt service costs due to higher bank bond rate and accelerated principle repayment May be required to refinance or term out the VRDO's Inability to refinance or possibly higher interest rates
Liquidity Provider Default Risk	Possibility that the bank providing the liquidity facility supporting the VRDO's defaults in its obligations under the liquidity facility (VRDB)	<ul style="list-style-type: none"> Issuer required to repay principal and accrued interest if Issuer is not able to refinance Increase in debt service costs
Liquidity Provider Ratings Downgrade	Possibility that a downgrade of the liquidity provider's rating(s) may result in optional tenders (VRDB)	<ul style="list-style-type: none"> Ratings change could impact remarketing which could cause an increase in debt service cost
Refinancing Risk	Possibility that the FRN, Index or Put Loan cannot be remarketed or refinanced (FRN, Index, Put Loans)	<ul style="list-style-type: none"> Hard Put: must repay principal and accrued interest or Event of Default Soft Put: higher interest rate on debt and higher debt service costs up to maximum rate Increase in debt service costs upon any refinancing Inability to refinance or possibly higher interest rates
Regulatory Risk	Possibility that prospective regulatory requirements increase cost of obtaining and maintaining the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs Higher liquidity facility fees resulting in higher cost of funds
Reinvestment Risk	Possibility that the issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Negative arbitrage resulting in higher cost of funds
Remarketing Risk	Possibility that the remarketing agent does not perform its duties in a satisfactory manner or may resign or cease its remarketing efforts (VRDB)	<ul style="list-style-type: none"> Higher interest rates Difficulty remarketing the VRDO's May require appointment of a successor remarketing agent
Renewal Risk	Possibility that the facility or loan will not be extended for a successive commitment period or not be replaced at a reasonable cost (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Issuer required to repay principal and accrued interest on tender date if issuer is not able to refinance Increase in debt service costs
Tax Compliance Risk	For tax exempt bonds, possibility that failure to comply with tax related covenants result in the bonds becoming taxable obligations (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs retroactively to date of issuance Possible mandatory redemption of bonds affected Risk of IRS audit Difficulty in refinancing the bonds Access to tax exempt market impacted Difficulty in issuing future tax-exempt debt

City of Spring Hill, Tennessee

Preliminary Funding Analysis

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ESTIMATED DEBT SERVICE

Spring Hill, Tennessee General Obligation Bonds, Series 2020A

Date	Principal	Estimated Coupon	Interest	Total P+I	Fiscal Total
06/01/2021	1,280,000.00	2.250%	498,531.25	1,778,531.25	1,778,531.25
06/01/2022	1,225,000.00	2.250%	567,450.00	1,792,450.00	1,792,450.00
06/01/2023	1,250,000.00	2.250%	539,887.50	1,789,887.50	1,789,887.50
06/01/2024	1,280,000.00	2.250%	511,762.50	1,791,762.50	1,791,762.50
06/01/2025	1,300,000.00	2.250%	482,962.50	1,782,962.50	1,782,962.50
06/01/2026	1,325,000.00	2.250%	453,712.50	1,778,712.50	1,778,712.50
06/01/2027	1,355,000.00	2.250%	423,900.00	1,778,900.00	1,778,900.00
06/01/2028	1,175,000.00	2.250%	393,412.50	1,568,412.50	1,568,412.50
06/01/2029	1,200,000.00	2.250%	366,975.00	1,566,975.00	1,566,975.00
06/01/2030	1,225,000.00	2.250%	339,975.00	1,564,975.00	1,564,975.00
06/01/2031	1,255,000.00	2.250%	312,412.50	1,567,412.50	1,567,412.50
06/01/2032	1,280,000.00	2.250%	284,175.00	1,564,175.00	1,564,175.00
06/01/2033	1,310,000.00	2.250%	255,375.00	1,565,375.00	1,565,375.00
06/01/2034	1,340,000.00	2.250%	225,900.00	1,565,900.00	1,565,900.00
06/01/2035	1,370,000.00	2.250%	195,750.00	1,565,750.00	1,565,750.00
06/01/2036	1,400,000.00	2.250%	164,925.00	1,564,925.00	1,564,925.00
06/01/2037	1,435,000.00	2.250%	133,425.00	1,568,425.00	1,568,425.00
06/01/2038	1,465,000.00	2.250%	101,137.50	1,566,137.50	1,566,137.50
06/01/2039	1,500,000.00	2.250%	68,175.00	1,568,175.00	1,568,175.00
06/01/2040	1,530,000.00	2.250%	34,425.00	1,564,425.00	1,564,425.00
	26,500,000.00		6,354,268.75	32,854,268.75	

Date Structure

Date 07/31/2020
First Coupon Date 12/01/2020

Yield Statistics

Average Coupon 2.2500000%
Weighted Average Maturity 10.657
True Interest Cost (TIC) 2.3605183%



ESTIMATED DEBT SERVICE

Spring Hill, Tennessee
General Obligation Refunding Bonds, Series 2020B

Date	Principal	Estimated Coupon	Interest	Total P+I	Fiscal Total
06/01/2021	725,000.00	1.020%	115,536.76	840,536.76	840,536.76
06/01/2022	750,000.00	1.060%	130,788.50	880,788.50	880,788.50
06/01/2023	755,000.00	1.090%	122,838.50	877,838.50	877,838.50
06/01/2024	765,000.00	1.120%	114,609.00	879,609.00	879,609.00
06/01/2025	775,000.00	1.140%	106,041.00	881,041.00	881,041.00
06/01/2026	785,000.00	1.180%	97,206.00	882,206.00	882,206.00
06/01/2027	790,000.00	1.220%	87,943.00	877,943.00	877,943.00
06/01/2028	800,000.00	1.260%	78,305.00	878,305.00	878,305.00
06/01/2029	810,000.00	1.300%	68,225.00	878,225.00	878,225.00
06/01/2030	825,000.00	1.400%	57,695.00	882,695.00	882,695.00
06/01/2031	835,000.00	1.600%	46,145.00	881,145.00	881,145.00
06/01/2032	760,000.00	2.000%	32,785.00	792,785.00	792,785.00
06/01/2033	375,000.00	2.100%	17,585.00	392,585.00	392,585.00
06/01/2034	380,000.00	2.200%	9,710.00	389,710.00	389,710.00
06/01/2035	60,000.00	2.250%	1,350.00	61,350.00	61,350.00
	10,190,000.00		1,086,762.76	11,276,762.76	

Date Structure

Date 07/31/2020
First Coupon Date 12/01/2020

Yield Statistics

Average Coupon 1.5234642%
Weighted Average Maturity 7.000
True Interest Cost (TIC) 1.6696760%



SOURCES AND USES OF FUNDS

Spring Hill, Tennessee
General Obligation Bonds, Series 2020 A&B

Dated Date 07/31/2020
Delivery Date 07/31/2020

Sources:	General Obligation Bonds, Series 2020A	General Obligation Refunding Bonds, Series 2020B	Total
Bond Proceeds:			
Par Amount	26,500,000.00	10,190,000.00	36,690,000.00
	26,500,000.00	10,190,000.00	36,690,000.00

Uses:	General Obligation Bonds, Series 2020A	General Obligation Refunding Bonds, Series 2020B	Total
Project Fund Deposits:			
Project Fund	24,726,300.00		24,726,300.00
Refunding Escrow Deposits:			
Cash Deposit	1,388,750.00	10,018,622.00	11,407,372.00
Delivery Date Expenses:			
Cost of Issuance	119,950.00	68,995.00	188,945.00
Underwriter's Discount:			
Underwriter's Discount (Awarded to Lowest Bidder)	265,000.00	102,383.00	367,383.00
	26,500,000.00	10,190,000.00	36,690,000.00



COST OF ISSUANCE

**Spring Hill, Tennessee
General Obligation Bonds, Series 2020 A&B**

	General Obligation Bonds, Series 2020A	General Obligation Refunding Bonds, Series 2020B	Total
Municipal Advisor	50,000.00	25,000.00	75,000.00
Bond Counsel	31,800.00	14,800.00	46,600.00
Rating Agency	25,700.00	17,500.00	43,200.00
Paying Agent	700.00	700.00	1,400.00
POS/Official Statement	6,250.00	5,000.00	11,250.00
Advertising	1,000.00	1,000.00	2,000.00
Miscellaneous	4,500.00	4,995.00	9,495.00
	119,950.00	68,995.00	188,945.00