JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

September 9, 2019

Honorable Marvin E. Mitchell, Mayor
and Honorable Board of Commissioners
Blount County
341 Court Street
Maryville, TN 37804

Dear Mayor Mitchell and Members of the Board:

This letter, report and plan of refunding (the "Plan") are to be posted on Blount County (the "County") website. Please provide a copy of the letter, report, and Plan to each board member for review at the public meeting for the adoption of the refunding bond authorizing resolution.

We acknowledge receipt of a request from the County submitted pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21 to review its Plan for the issuance of $68,190,000 Revenue Refunding Bonds, Series 2019A ("Series 2019A Revenue Refunding Bonds") to refund outstanding $67,375,000 General Obligation Refunding Bonds, Series 2013A maturing June 1, 2020 through June 1, 2029. The refunding bonds will be secured solely from revenues of Blount Memorial Hospital ("Hospital"). The financial information received with the County's Plan includes the assertions of the Hospital's finance staff and advisors. The Plan may not reflect the current or future financial condition of the County or the Hospital, or reflect either current market conditions or market conditions at the time of sale.

Plan of Refunding

The County intends to issue the Series 2019A Revenue Refunding Bonds by competitive sale and priced at par. The Series 2019A Revenue Refunding Bonds will current refund $67,375,000 outstanding General Obligation Refunding Bonds, Series 2013A ("Series 2013A Bonds) maturing June 1, 2020 through June 1, 2029. In addition to refunding the aforementioned bonds, the County plans to terminate the interest rate swaps associated with the Series 2013A Bonds.

Financial Professionals

The Plan was prepared by the County with the assistance of its municipal advisor, Ponder & Co. Municipal advisors have a fiduciary responsibility to the County; however, underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act in the County's best interest without regard to their own or other interests.

Compliance with the County's Debt Management Policy

The County provided a copy of its debt management policy and within forty-five (45) days of issuance of the debt approved in this letter is required to submit a Report on Debt Obligation that indicates that debt issued complies with the County's debt policy. If the County amends its policy, please submit the amended policy to this office.

Report of the Review of a Plan of Refunding

The enclosed report must be presented to the County's governing body for review prior to the adoption of a refunding bond authorizing resolution.

The enclosed report does not constitute approval or disapproval for the 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.

The enclosed report is effective for a period of ninety (90) days from the date of the report. If the refunding bonds have not been sold within the 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 this office. We will then issue a report on the new plan for the governing body to review prior to adopting a new refunding bond authorizing resolution.

This letter and the enclosed report do not address compliance with federal tax regulations and are not to be relied upon for that purpose. The County should discuss these issues with a bond counsel. The assumptions of the plan are the assertions of the County. An evaluation of the preparation, support and underlying assumptions of the plan has not been performed by this office. The enclosed report provides no assurances of the reasonableness of the underlying assumptions.

Required Notification

We recognize that the information provided in the Plan submitted to our office is based on preliminary analysis and estimates and that actual results will be determined by market conditions at the time of sale. However, if the actual results differ significantly from the information provided in the submitted Plan, the governing body and our office should be notified after the sale by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences.

Notification will be necessary only if there is a change of ten percent (10%) or more in any of the following:

1. An increase in the principal amount of the debt issued;
2. An increase in costs of issuance; or
3. A decrease in the cumulative savings or increase in the loss (if applicable).

The notification must include an explanation for any significant differences and the justification for change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the governing body and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

Municipal Securities Rulemaking Board (MSRB) Rule G-17

MSRB Rule G-17 requires underwriters and municipal advisors to deal fairly with the County in the conduct of its municipal securities or municipal advisory activities. The Securities and Exchange Commission approved MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities on May 4, 2012. On August 2, 2012, this interpretive notice to MSRB Rule G-17 on fair dealing became part of federal securities law and underwriters are required to comply with its provisions.

These duties fall into three areas:

- statements and representations to issuers;
- disclosures to issuers; and
- financial aspects of underwriting transactions.

To learn more about the obligations of the County's underwriter (if applicable) and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

Report on Debt Obligation

We are enclosing a Report on Debt Obligation, Form CT-0253. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the County no later than forty-five (45) days after the issuance of this debt, with a copy (including attachments, if any) filed with the Office of State and Local Finance by mail to the address on this letterhead or by email to SLF.PublicDebtForm@cot.tn.gov. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. A fillable PDF of the form can be found on our website at: https://comptroller.tn.gov/office-functions/state-and-local-finance.html.

If you should have questions or need assistance, please feel free to contact your financial analyst, Lori Barnard, at 615.747.5347 or Lori.Barnard@cot.tn.gov. You may also contact our office by mail at the address located at the bottom of this page. Please send it to the attention of your analyst at the Office of State and Local Finance.

Sincerely,

Sandra Thompson

Sandra Thompson
Director of the Office of State and Local Finance

cc: Mr. Bryan Burklin, Assistant Director, Division of Local Government Audit
Mr. Randy Vineyard, Finance Director, Blount County
Mr. Jonathan Smith, CFO, Blount Memorial Hospital
Mr. Mark Mamantov, Bass, Berry & Sims PLC
Ms. Holly Benedict, Director, Ponder & Co.

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE CONCERNING THE PROPOSED ISSUANCE OF REVENUE REFUNDING BONDS, SERIES 2019A BLOUNT COUNTY, TENNESSEE

Blount County (the "County") submitted a plan of refunding (the "Plan"), as required by TCA § 9-21-903 regarding the issuance of $68,190,000 Revenue Refunding Bonds, Series 2019A ("Series 2019A Revenue Refunding Bonds").

Plan of Refunding

The County intends to issue the Series 2019A Revenue Refunding Bonds by competitive sale and priced at par. The Series 2019A Revenue Refunding Bonds will current refund $67,375,000 outstanding General Obligation Refunding Bonds, Series 2013A ("Series 2013A Bonds") maturing June 1, 2020 through June 1, 2029. The refunding bonds will be secured solely from revenues of Blount Memorial Hospital ("Hospital"). In addition to refunding the aforementioned bonds, the County plans to terminate the interest rate swaps associated with the Series 2013A Bonds.

The Plan was prepared by the County with the assistance of its municipal advisor, Ponder & Co. The assumptions of the Plan are the assertions of the County. An evaluation of the preparation, support and underlying assumptions of the Plan has not been performed by our office. This report provides no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different from that of the Plan. The County provided a copy of its debt management policy.

Balloon Indebtedness

The structure of the bonds presented in the Plan does not appear to be balloon indebtedness. If the structure of the Series 2019A Revenue Refunding Bonds is revised, the County should determine if the new structure complies with the requirements of T.C.A § 9-21-134 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the County must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the District adopting the resolution authorizing the issuance of the debt.

County's Proposed Refunding Objective

The Series 2013A Bonds were issued with a general obligation pledge and are payable from hospital revenues structured as a bank loan scheduled to expire on December 30, 2019. The Hospital plans to refinance the bank loan as revenue debt with a fixed interest rate and a ten-year maturity structure because they are unable to pay the debt in its entirety by December 30, 2019.

Financial Information for the Fiscal Year Ended June 30, 2018 – Blount Memorial Hospital (excluding Blount Memorial Foundation and Physician Group)

For the fiscal year ended June 30, 2018, the Hospital's audited financial statements reflected operating income of $23,919,945, and a change in net position of $25,281,420. The Hospital's statement of cash flows reflected debt service payments of $10,491,450, consisting of principal payments of $4,692,884 and interest payments of $2,860,325, plus capital lease obligations of $2,938,241.

Refunding Analysis

- The results of the refunding assume that the County intends to sell $68,190,000 Series 2019A Revenue Refunding Bonds by negotiated sale and priced at par.
- The County plans to terminate the two swap contracts associated with the Series 2013A Bonds. The swap termination fee will be paid with Hospital funds on hand of $9,500,000.
- Estimated cost of issuance for the Series 2019A Revenue Refunding Bonds is $167,438 or $2.46 per $1,000 of the par amount of $68,190,000. The itemized costs of issuance were not provided with the Plan.

Table 1
Costs of Issuance
General Obligation Refunding Bonds, Series 2019A

	Amount	Price per $1,000 Bond
Closing Fee (First Tennessee Bank)	$ 33,688	$ 0.49
Financial Advisor (Ponder & Co.)	63,750	0.93
Bond Counsel for Blount County (Bass Berry & Sims)	55,000	0.81
Bond Counsel for Blount Memorial Hospital (Kutak Rock)	15,000	0.22
Total Cost of Issuance	$ 167,438	$ 2.46

This report of the Office of State and Local Finance does not constitute approval or disapproval by the office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded 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 by the County. The assumptions included in the County's Plan may not reflect either current market conditions or market conditions at the time of sale.

If the County does not refund all the Series 2013A Bonds as a part of the Series 2019A Revenue Refunding Bonds, and the County wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this office for review.

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 this office.

Sandra Thompson

Sandra Thompson
Director of the Office of State and Local Finance
Date: September 9, 2019