

**Finance & Administration Committee Meeting**  
**February 20, 2020**

1. Discussion on the Funding & Construction of the Police Facility
2. Discussion on 1995 TML Loan Variable Rate Bond

**CITY OF COVINGTON, TENNESSEE  
1995 VARIABLE RATE LOAN REFUNDING INFORMATION**

**Dated as of February 10, 2020**

The City of Covington, Tennessee (the "City"), has heretofore incurred indebtedness by the execution of that certain Loan Agreement, dated December 22, 1995, in the original principal amount of \$2,500,000, by and between the PBA City of Clarksville (the "Issuer") and the City, maturing May 25, 1997 through May 25, 2023, with the proceeds having been used to finance various public works projects, including a fire station, parks and recreational facilities, and renovation of municipal buildings.

The outstanding balance of the loan, after the May 25, 2020 principal payment of \$145,200, will be \$485,200.

The Issuer's pooled loan revenue bonds from which the loan was made are secured by a letter of credit issued by Bank of America (the "Bank"). The Bank has notified us that it does not intend to renew the letter of credit due to the City being one of only two cities left in the pool. The letter of credit expires on July 1, 2020.

The City can pay the outstanding balance of the loan in full on May 25, 2020 from its own funds, or we can assist the City with the issuance of a general obligation refunding bond issue for a term of three years.

**The outstanding balance has to be fully paid by May 25, 2020.**

**Proposed Refunding Issue:**

The City will issue a not to exceed \$485,200 General Obligation Refunding Bond which will mature June 1, 2021 through June 1, 2023. The indicative bank qualified rate we received for the remaining term of the loan is 2.90%. The principal payments will remain the same with interest payable June 1 and December 1.

The total cost of issuance for the refunding bond will be \$500 for tax counsel.

The refunding bond will not be prepayable in full at any time during the term of the refunding bond. However, the City can make additional principal payments over the life of the refunding bond with no prepayment premium.

The refunding bond will be sold by negotiated sale to the bank as a private placement.

The rate is based on the refunding bond being tax-exempt and bank-qualified, which means the City cannot issue more than \$10,000,000 in calendar year 2020.

**Refunding Bond Issuance Process:**

The refunding bond will require the adoption of a refunding bond resolution at either a regular or special meeting of the Board, after publication of a notice of such meeting. Prior to the adoption of such resolution, a plan of refunding will have to be submitted to the Division of Local Government Finance.

We will assist in the preparation of such plan and the filing. We also will prepare the resolution and assist in obtaining all necessary approvals from the State and the bank. The refunding bond issue will require the completion of a loan application and credit approval by the bank.

We will schedule the closing of the refunding bond issue to coincide with the prepayment of the outstanding loan so that the City will not have two issues outstanding any longer than necessary. The refunding bond issue will close by May 22, 2020 since May 25, 2020 is Memorial Day.

We will need to notify Bank of New York Mellon, as trustee, by mid-April that the City will add the \$485,200 to the regular principal payment due on May 25, 2020, if the City chooses to issue a refunding bond or if the City chooses to pay the entire outstanding balance on May 25, 2020 from its own funds.

**Amortization Schedule:**

The attached schedule for the refunding bond is based on the bank-qualified indicative rate of 2.90% for a three year term.

*Notice: The Tennessee Municipal Bond Fund ("TMBF") is not a registered municipal advisor and it is TMBF's intention not to act as a municipal advisor. TMBF is not recommending any course of action to you as the municipal entity or obligated person; TMBF is not acting as an advisor to you and, therefore, does not owe a fiduciary duty to you pursuant to Section 15B of the Securities Exchange Act of 1934 with respect to this or any other information, materials, and communications you receive from TMBF; TMBF is acting for its own business and commercial interests; You should discuss this and any other information, materials, and communications you receive from TMBF with internal advisors and experts that you deem appropriate before acting on such information, materials, and communications.*

---

**PROPOSED REFUNDING BOND AMORTIZATION SCHEDULE**

---

---

BOND DEBT SERVICE

TOWN OF COVINGTON, TENNESSEE  
\$485,200 GO REF BOND - 3 YEARS

TENNESSEE MUNICIPAL BOND FUND  
FIXED RATE LOAN PROGRAM

\*\*\*BASED ON BQ RATE FOR 3 YEAR TERM\*\*\*

Dated date: June 1, 2020

\*\*\*PREPAYMENT OF EXISTING VR LOAN, DATED DECEMBER 22, 1995\*\*\*

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2020					
12/01/2020			7,035.40	7,035.40	
06/01/2021	153,200	2.900%	7,035.40	160,235.40	167,270.80
12/01/2021			4,814.00	4,814.00	
06/01/2022	161,600	2.900%	4,814.00	166,414.00	171,228.00
12/01/2022			2,470.80	2,470.80	
06/01/2023	170,400	2.900%	2,470.80	172,870.80	175,341.60
	485,200		28,640.40	513,840.40	513,840.40