



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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NASHVILLE, TENNESSEE 37243-1402
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March 3, 2011

Mr. Mark S. Watson, City Manager
City of Oak Ridge
P.O. Box 1
Oak Ridge, TN 37831-0001

Dear Mr. Watson:

This letter acknowledges receipt of a request on February 16, 2011, to review a refunding plan for the proposed issuance of approximately \$7,590,000 General Obligation Refunding Bonds, Series 2011 (the "Series 2011 Bonds"). The Series 2011 Bonds include \$7,470,000 to currently refund the outstanding General Obligation Refunding Bonds, Series 2001. Pursuant to the provisions of *Tennessee Code Annotated* Title 9, Chapter 21, a plan of refunding must be submitted to our Office for review prior to the adoption of a resolution by the governing body of a local government authorizing the issuance of refunding bonds secured, in whole or in part, by the full faith and credit and unlimited taxing power of the City. Enclosed is the report of the review of this plan of refunding required by *Tennessee Code Annotated* Section 9-21-903 for distribution to the members of the local governing body. **The enclosed report does not constitute approval or disapproval for the proposed 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.**

Tennessee Code Annotated Title 9, Chapter 21, authorizes any City to sell general obligation refunding bonds either at a private negotiated sale with the approval of the Director or at a competitive public sale. The City plans to issue the Series 2011 Bonds by competitive sale.

This report and the submitted plan of refunding is to be published and placed on the City's website prior to the meeting of the City Council on Monday March 7, 2011. The same report is to be provided to each member of the City Council and reviewed at the Public Meeting on Monday March 7, 2011.

This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office, at that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any

subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.

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 of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to Tennessee Code Annotated Title 9, Chapter 21, Section 151, this form is to be completed and filed with this Office within 45 days after the issuance of the refunding bonds.

Should you have any questions, please call me at 615-747-5370.

Sincerely,



Mary-Margaret Collier
Director of the Office of State & Local Finance

Cc: Mr. Dennis Dycus, Director of Municipal Audit, COT
Mr. Chris Bessler, Morgan Keegan & Company, Inc.

Enclosures (2): Report of the Director of the Office of State & Local Finance
State Form CT-0253, Report on Debt Obligation.

**REPORT OF THE TENNESSEE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011
CITY OF OAK RIDGE, TENNESSEE**

The City of Oak Ridge (the "City") submitted a plan dated February 14, 2011, as required by *Tennessee Code Annotated* Section 9-21-903 regarding the proposed issuance of the following refunding bonds: the \$7,590,000 General Obligation Refunding Bonds, Series 2011, (the "Series 2011 Bonds"), used to currently refund \$7,470,000 Taxable General Obligation Refunding Bonds, Series 2001, (the "Outstanding Bonds").

The City's purpose in performing this refunding is to restructure debt service capacity to fund a pledged donation to Roane State Community College. Incidental to the restructuring, this refunding creates cost savings. A savings schedule was included with the request that indicates the present value savings (PV Savings) benefit to the City received by reducing the average coupon to 1.47% from 5.00% is \$390,386 (See p. 2 of the February 14, 2011, Plan of Refunding, the "Plan"). This PV Savings is 5.23% of the Par amount of the Outstanding Bonds. The majority of savings occur in fiscal year 2012. The annual debt service payment reduction is \$389,663 in fiscal year 2012 (See p. 2 of the Plan). Principal payment for the Series 2011 Bonds begins in April 2012 (See p. 2 of the Plan). The fiscal year 2012 principal payment is reduced by \$115,000, fiscal year 2013 increased by \$160,000, fiscal year 2014 increased by \$70,000, and fiscal year 2014 increased by \$5,000. Total interest is reduced from \$737,500 to \$223,075.

The principal payments for the Refunding Bonds occur on April 1 in subsequent years, the same dates as for the Outstanding Bond principal payments (See p. 1 and 2 of the Plan). The average life for the Series 2011 Bonds is 1.975 years, a reduction from the average life of 2.01 years for the Outstanding Bonds (See p. 1 and 2 of the Plan). The final maturity is the same for the Series 2011 Bonds and Outstanding Bonds (See p. 1 and 2 of the Plan).

A sources and uses schedule can be found on page 1 of the Plan. Total cost of issuance is \$208,240.00 or \$27.44 per \$1,000 of par amount for the Series 2011 Bonds (calculated from information on p. 1 of the Plan).

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the proposed 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 Refunded until their respective dates of maturity. This report is based on information as presented in the plan. The assumptions included in the City's plan may not reflect either current market conditions or market conditions at the time of sale.



Mary-Margaret Collier
Director of the Office of State and Local Finance
Date: March 3, 2011