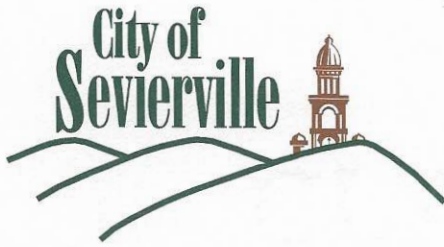


TENNESSEE STATE FUNDING BOARD
MAY 25, 2018
AGENDA

1. Call meeting to order
2. Consideration of a Request from the City of Sevierville to issue debt pursuant to Tennessee Code Annotated, Section 7-88-107.
3. Adjourn



May 24, 2018

Sandra Thompson
Assistant Secretary to the State of Tennessee Funding Board
Suite 1600, James K. Polk Bldg
505 Deaderick Street
Nashville, TN 37243-0273

**Re: Request for Funding Bond approval for the City of Sevierville, Tennessee -
\$42,760,000 General Obligation Refunding Bonds, Series 2018**

Dear Ms. Thompson:

As is explained in this letter, I am writing you on behalf of the City of Sevierville to request approval by the State Funding Board of the issuance of the Bonds referenced above. The purpose for the issuance of the bonds is to refund the outstanding principal amount of publicly sold bonds that are maturing on June 1, 2018. Because the maturity of the outstanding bonds cannot be postponed, it is essential that the City issue the referenced Bonds and receive the proceeds of those Bonds by the end of this month so that funds will be available to refinance this maturity on June 1, 2018.

The City has been preparing for this refunding for some time. We submitted a request for a report from the Office of State and Local Finance on the refunding on March 7, 2018, and we received the State's report on March 26, 2018. The City's Board of Mayor and Aldermen adopted a bond resolution on April 2, 2018 authorizing the issuance of the Bonds at which the State's refunding report was presented. After the Bonds were authorized, the City proceeded as quickly as was reasonably possible to sell the Bonds. The City posted a Preliminary Official Statement to sell the Bonds on April 23, 2018, and the Bonds were sold by public competitive sale on May 1, 2018.

The City is one of several cities in the State that have tourism developments zones, also known as TDZs. A TDZ is created under the Convention Center and Tourism Development Financing Act of 1998 (the "TDZ Act"). Under the TDZ Act, certain incremental state and local sales tax revenues generated in the TDZ are allocated to the City to pay debt service on debt issued to finance qualified public use facilities with the TDZ. The City has constructed substantial public facilities in its TDZ including a convention center, related recreational facilities, parking facilities, road improvements and utility improvements. The bonds that are maturing on June 1, 2018 were payable from and secured by TDZ revenues as well as the general credit of the City, and the City needs to have the refunding Bonds secured in the same manner for financial and legal reasons. Specifically, the TDZ Revenues are expected to pay a large majority of the debt service on the Bonds, and the prospective bondholders and rating agencies have been informed that the TDZ revenues can be used to pay debt service on the Bonds.


May 24, 2018

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While the City was preparing this Bond financing for market, and in what was very unfortunate timing for the City, a bill was proceeding through the legislative process that essentially provides that any bonds proposed to be issued under the TDZ Act, including any refunding, must be approved by the State Funding Board. We understand that our bond counsel has discussed with the Attorney General's office whether this legislation applies to our transaction given that our bond issue was proposed and authorized by the City before the legislation became effective, but it is our understanding that all parties involved agreed that the most prudent approach is to request the State Funding Board's approval of the issuance of the refunding Bonds. Therefore, the City respectfully requests the State Funding Board's approval of the issuance of the Bonds pursuant to the TDZ Act, specifically Section 7-88-107(c) of the Tennessee Code Annotated.

It would be a terrible situation for the City, and municipalities generally in Tennessee, if we were not able to deliver the Bonds to our prospective bondholders as planned. The City is very grateful for the State's assistance in addressing this matter under a tight timeframe, and if the City is required to refinance any TDZ debt in the future, please be assured that we will plan carefully to request State Funding Board approval in our financing process in an orderly manner.

Sincerely,



Russell G. Treadway
City Administrator

G. Mark Mamantov
mmamantov@bassberry.com
(865) 521-0365

May 23, 2018

Sandra Thompson
Assistant Secretary to the State of Tennessee Funding Board
Suite 1600, James K. Polk Bldg
505 Deaderick Street
Nashville, TN 37243-0273

**Re: Request for Funding Bond approval for the City of Sevierville, Tennessee -
\$42,760,000 General Obligation Refunding Bonds, Series 2018**

Dear Ms. Thompson:

Our firm is serving as bond counsel to the City of Sevierville in connection with the referenced bond financing. This financing will refund a bond issue of the City that matures on June 1, 2018. The prior bond is held by the public, and, as a result, that maturity date cannot be postponed. The prior bond issue was payable from and secured by certain state and local sales tax revenues allocated to the City under the Convention Center and Tourism Development Financing Act of 1998 (the "Act"). These revenues are sometimes referred to as Tourism Development Zone revenues or TDZ revenues. The City has sold the referenced bonds under the assumption that TDZ Revenues could also be used to secure and pay the refunding bonds. Under a recently enacted legislative amendment, Section 7-88-109(c) of the Tennessee Code Annotated, which is part of the Act, requires that any bonds proposed to be issued under the Act, including any refunding, must be approved by the State Funding Board. While we believe that the recent amendment should not be applied to this bond issue because the bond issue was proposed and authorized by the City before the amendment became effective, representatives of the Attorney General's office have indicated that they believe the safest approach, from a legal perspective, is to request the State Funding Board's approval of the issuance of these bonds. Therefore, we would respectfully request the State Funding Board's approval of this transaction pursuant to Section 7-88-109 of the Tennessee Code Annotated. I will ask the City of Sevierville to send a letter confirming this request. We very much appreciate your assistance with this matter.

Sincerely,



G. Mark Mamantov

GMM:hkf



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

May 25, 2018

Honorable Bryan C. Atchley, Mayor,
and Honorable Board of Mayor and Aldermen
Russell G. Treadway, City Administrator
City of Sevierville
P.O. Box 5500
Sevierville, TN 37864

Dear Mayor Atchley, Mr. Treadway, and Members of the Board:

Today the Tennessee State Funding Board considered and approved a request from the City of Sevierville (the "City"), pursuant to Tennessee Code Annotated, § 7-88-107, to issue a maximum of \$46,500,000 General Obligation Refunding Bonds, Series 2018 (the "Bonds") to refund its General Obligation \$45,305,000 Series VII-O-1 Loan Agreement with the City of Sevierville Public Building Authority.

Although the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the City, the Bonds are additionally payable from and secured by all proceeds and taxes received by the City from the area of its Tourism Development Zone (TDZ). The City recently met with representatives of the Office of the Comptroller to discuss whether the City's TDZ revenues, that were well below original projections, would be sufficient to meet principal and interest payments due through year 2034 on its total TDZ debt outstanding. In a letter dated March 7, 2018, the Office of the Comptroller asked the City to develop a repayment plan for all of its TDZ debt outstanding, totaling approximately \$145,000,000. We look forward to receiving a copy of the repayment plan presented to the Office of the Comptroller.

Sincerely,

A handwritten signature in blue ink that reads "Sandra Thompson".

Sandra Thompson
Assistant Secretary of the State Funding Board

cc: Bill Haslam, Governor, Chairman
Justin P. Wilson, Comptroller of the Treasury, Secretary
Tre Hargett, Secretary of State
David H. Lillard, Jr., State Treasurer
Larry B. Martin, Commissioner of Finance & Administration