



CITY OF KINGSPORT, TENNESSEE

April 8, 2016

Ms. Sandra Thompson, Director
Division of State and Local Finance
James K. Polk Office Building - Suite 1600
505 Deaderick Street
Nashville, Tennessee 37243-1402

Re: City of Kingsport Request for Approval for Balloon Indebtedness

Dear Ms. Thompson:

For your review, consideration and action, we have prepared this request pursuant to adopted State Funding Board Guidelines relating Title 9, Chapter 21, Section 101 *et seq.*, Tennessee Code Annotated (the "Act") and specifically Section 9-21-134 of the Act. This request is being delivered to you pertaining to the proposed sale and issuance of approximately \$28,595,000* General Obligation Refunding Bonds, Series 2016 (the "Bonds") of the City of Kingsport, Tennessee (the "Municipality"). The Municipality is seeking approval of this request consistent with the provisions of the Act. The *City of Kingsport Refunding Plan – 2016* (the "Plan") is incorporated by reference herein and accompanies this request. Since only economically viable maturities of certain issues are being including in the *Plan*, the proposed projected amortization pattern appears to be consistent with the definition of "balloon indebtedness".

As our financial advisor, Raymond James & Associates, Inc. ("Raymond James") has provided us assistance in the development and preparation of this request including the associated schedules and exhibit. Rick Dulaney is our representative from Raymond James and he is specifically authorized to discuss this transaction with you and the staff on our behalf.

The following is a detailed description of the proposed debt issuance:

1. Security – The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.
2. Project Financed – The Bonds will be used to advance refund the outstanding bonds outlined below. A portion of the Bond proceeds will also be used to pay all costs relative to the sale and issuance of the Bonds:
 - a. The Municipality's \$12,160,000 General Obligation Public Improvement Bonds, Series 2009A (the "Series 2009A Bonds"). Series 2009A Bonds that are being refunded mature on March 1, 2020 through March 1, 2022, on March 1, 2024, on March 1, 2025 and on March 1, 2026 through March 1, 2029. The Series 2009A Bonds are callable on March 1, 2019 at par and accrued interest;
 - b. The Municipality's \$7,100,000 General Obligation Bonds, Series 2009B (the "Series 2009B Bonds"). Series 2009B Bonds that are being refunded mature on March 1, 2020 through

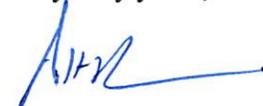
March 1, 2027 and on March 1, 2029. Series 2009B Bonds are callable on March 1, 2019 at par and accrued interest;

- c. The Municipality's \$15,180,000 Local Option Sales Tax Revenue and Tax Bonds, Series 2009C (the "Series 2009C Bonds"). Series 2009C Bonds that are being refunded mature on March 1, 2020 through March 1, 2022, on March 1, 2024 and on March 1, 2024 and on March 1, 2025 through March 1, 2027 and on March 1, 2029. The Series 2009C Bonds are callable on March 1, 2019 at par and accrued interest; and
 - d. The Municipality's \$14,225,000 General Obligation Bonds, Series 2009E (the "Series 2009E Bonds"). Series 2009E Bonds that are being refunded mature on March 1, 2021 through March 1, 2023, on March 1, 2025, on March 1, 2027 and on March 1, 2028 through March 1, 2030. The Series 2009E Bonds are callable on March 1, 2020 and at any time thereafter at par and accrued interest.
3. Authority – The Bonds will be issued using the statutory authority of the Act and a resolution to be duly adopted by the Board of Mayor and Aldermen of the Municipality on or about May 3, 2016.
 4. Amortization Schedule – The purpose of the refunding is to create net aggregate annual savings and net present value savings (i.e., through a traditional "high-to-low" refunding). As noted, certain maturities of the Refunded Bonds will be left in place. As a result, the proposed composite amortization schedule apparently appears to meet the definition of "balloon indebtedness" as defined in the Act and other authorities (See Exhibit A - Proposed Payment Plan and Acknowledgement).
 5. Public Interest – Since issuance of the Bonds is expected to result in significant net aggregate annual and net present value savings, the sale and issuance of the Bonds will strengthen the overall financial position of the Municipality and its various funds. According, this transaction and the proposed amortization schedule are in the best interest of the citizens of the Municipality.
 6. Other Relevant Documents – Please see the Plan submitted separately and dated as of the date of this letter and incorporated herein as a companion document.

Once approval of this request and your *Report of Review of the Plan* have been received from your office, the Board of Mayor and Aldermen will consider a formal detailed resolution authorizing the sale and issuance of the Bonds at its regular meeting scheduled for Tuesday, May 3rd at 7:00 p.m., local time. The agenda deadline for that meeting is April 26, 2016.

If you have any questions or need any additional information with respect to this request, please do not hesitate to contact me or Raymond James at your earliest convenience.

Very truly yours,



James H. Demming, C.P.A.
Chief Financial Officer and Recorder

Attachments

Copies: Cindy Barnett, Esq., Adams and Reese LLP
Rick Dulaney, Raymond James

Preliminary

\$28,595,000

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2016

(Refunding Series 2009 A,B,C & E Bonds)

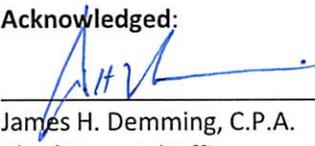
Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+i
06/30/2016	-	-	-	-
06/30/2017	-	-	990,375.00	990,375.00
06/30/2018	-	-	1,320,500.00	1,320,500.00
06/30/2019	-	-	1,320,500.00	1,320,500.00
06/30/2020	1,585,000.00	5.000%	1,320,500.00	2,905,500.00
06/30/2021	2,370,000.00	5.000%	1,241,250.00	3,611,250.00
06/30/2022	2,485,000.00	5.000%	1,122,750.00	3,607,750.00
06/30/2023	2,605,000.00	5.000%	998,500.00	3,603,500.00
06/30/2024	2,740,000.00	5.000%	868,250.00	3,608,250.00
06/30/2025	2,870,000.00	5.000%	731,250.00	3,601,250.00
06/30/2026	3,015,000.00	5.000%	587,750.00	3,602,750.00
06/30/2027	3,165,000.00	4.000%	437,000.00	3,602,000.00
06/30/2028	3,285,000.00	4.000%	310,400.00	3,595,400.00
06/30/2029	3,430,000.00	4.000%	179,000.00	3,609,000.00
06/30/2030	1,045,000.00	4.000%	41,800.00	1,086,800.00
Total	\$28,595,000.00	-	\$11,469,825.00	\$40,064,825.00

Yield Statistics

Bond Year Dollars		\$255,541.25
Average Life		8.937 Years
Average Coupon		4.4884436%
Net Interest Cost (NIC)		2.4709923%
True Interest Cost (TIC)		2.2419901%
Bond Yield for Arbitrage Purposes		1.9948941%
All Inclusive Cost (AIC)		2.3038106%
IRS Form 8038		
Net Interest Cost		2.0072063%
Weighted Average Maturity		8.898 Years

Acknowledged:



James H. Demming, C.P.A.
Chief Financial Officer