

TITLE 5**MUNICIPAL FINANCE AND TAXATION¹****CHAPTER**

1. MISCELLANEOUS.
2. WHOLESALE BEER TAX.
3. PURCHASE PROCEDURES.
4. DEBT POLICY.

CHAPTER 1**MISCELLANEOUS****SECTION**

- 5-101. Official depository for city funds.
- 5-102. Fiscal year.
- 5-103. Check signatures.

5-101. Official depository for city funds. The First National Bank of Minor Hill, Tennessee, is hereby designated as the official depository for all city funds. (1969 Code, § 6-101, as amended by Ord. #6-101-1, Oct. 1991)

5-102. Fiscal year. The fiscal year for maintaining the municipality's financial records shall commence on July 1 each year and expire on June 30 of the following year. (1969 Code, § 6-102)

5-103. Check signatures. Bank checks drawn against the city accounts require the signature of the mayor and the city treasurer. (1969 Code, § 6-103)

¹Charter references

For specific charter provisions on depositories of municipal funds, see Tennessee Code Annotated, § 6-4-402.

CHAPTER 2**WHOLESALE BEER TAX****SECTION**

5-201. To be collected.

5-201. To be collected. The recorder is hereby directed to take appropriate action to assure payment to the municipality of the wholesale beer tax levied by the "Wholesale Beer Tax Act," as set out in Tennessee Code Annotated, title 57, chapter 6.¹ (1969 Code, § 6-201, modified)

¹State law reference

Tennessee Code Annotated, title 57, chapter 6 provides for a tax of 17% on the sale of beer at wholesale. Every wholesaler is required to remit to each municipality the amount of the net tax on beer wholesale sales to retailers and other persons within the corporate limits of the municipality.

CHAPTER 3**PURCHASE PROCEDURES****SECTION**

5-301. Purchases in excess of \$5,000.

5-301. Purchases in excess of \$5,000. All purchases made in excess of \$5,000 shall be made in accordance with the advertisement and competitive bidding requirements of the Municipal Purchasing Act of 1983 and any subsequent amendments. (Ord. #6-301, Oct. 1991, as amended by Ord. #1-501, Sept. 1996)

CHAPTER 4

DEBT POLICY¹

SECTION

- 5-401. Definition of debt.
- 5-402. Approval of debt.
- 5-403. Transparency.
- 5-404. Role of debt.
- 5-405. Types and limits of debt.
- 5-406. Use of variable rate debt.
- 5-407. Use of derivatives.
- 5-408. Costs of debt.
- 5-409. Refinancing outstanding debt.
- 5-410. Professional services.
- 5-411. Conflicts.
- 5-412. Review of policy.
- 5-413. Compliance.

5-401. Definition of debt. All obligations of the city to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of city resources. This includes but is not limited to notes, bonds, capital leases, and loans of any type (whether from an outside source such as a bank or from another internal fund). (as added by Ord. #5-108, Dec. 2011)

5-402. Approval of debt. Pursuant to state law, bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be submitted to the State of Tennessee Comptroller's Office and the city's board of mayor and aldermen prior to issuance or entering into the obligation. A plan for refunding debt issues will also be submitted to the comptroller's office prior to issuance. Capital or equipment leases may be entered into by the board of mayor and aldermen; however, details on the lease agreement will be forwarded to the comptroller's office on the specified form within forty-five (45) days. (as added by Ord. #5-108, Dec. 2011)

¹State law references

Tennessee Code Annotated, 7, part 9: Contracts, Leases and Lease Purchase Agreements.

Tennessee Code Annotated, 9, part 21: Local Government Public Obligations Law.

5-403. Transparency. (1) The city shall comply with legal requirements for notice and for public meetings related to debt issuance.

(2) All notices shall be posted in the customary and required posting locations, including as required local newspaper, bulletin boards, and website.

(3) All costs (including principal, interest, issuance, continuing, and one (1) time) shall be clearly presented and disclosed to the citizens and the board of mayor and aldermen at the next regular scheduled board meeting.

(4) The terms and life of each debt issue shall be clearly presented and disclosed to the citizens and the board of mayor and aldermen at the next regular scheduled board meeting.

(5) A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens and the board of mayor and aldermen at the next regular scheduled board meeting. (as added by Ord. #5-108, Dec. 2011)

5-404. Role of debt. Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvement, regional development, transportation, or master plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the city will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and close budget management.

In accordance with generally accepted accounting principles and state law:

(1) The maturity of the underlying debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed thirty (30) years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with law and accepted practices.

(2) Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence. (as added by Ord. #5-108, Dec. 2011)

5-405. Types and limits of debt. (1) A city property tax must be in place before debt may be issued that:

(a) Matures in more than twelve (12) fiscal years from the fiscal year of issuance, inclusive of renewals and extensions; or

(b) Causes the aggregate amount of debt outstanding (including the proposed debt) to exceed one million dollars (\$1,000,000.00).

(2) In the occurrence of a catastrophic event (i.e., tornado, earthquake, flood, or other natural disaster) the borrowing limit shall not be in effect for this type of event.

(3) The city will seek to limit total outstanding debt obligations to twenty five percent (25%) of the assessed value of the city, excluding overlapping debt, enterprise debt, and revenue debt as determined by the annual audit.

(4) The limitation on total outstanding debt must be reviewed prior to the issuance of any new debt.

(5) The city's total outstanding debt obligation will be monitored and reported to the board of mayor and aldermen on an annual basis during the budget approval process by the city recorder. The city recorder shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The city recorder shall also report to the board of mayor and aldermen any matter that adversely affects the credit or financial integrity of the city.

(6) The city has issued capital outlay notes in the past and is authorized to issue general obligation bonds, revenue bonds, tax increment financing, loans, notes and other debt allowed by law, as it determines most appropriate.

(7) The city will seek to structure debt with level or declining debt service payments over the life of each individual bond issue or loan.

(8) As a rule, the city will not backload, use "wrap-around" techniques, balloon payments or other exotic formats to pursue the financing of projects. When refunding opportunities, natural disasters, other non-general fund revenues, or other external factors occur, the city may utilize non-level debt methods. However, the use of such methods will be thoroughly discussed in a public meeting and will be approved only if the mayor and board of aldermen determine such use is justified and in the best interest of the city.

(9) The city may use capital leases to finance short-term projects of five (5) years or less. (as added by Ord. #5-108, Dec. 2011)

5-406. Use of variable rate debt. (1) The city recognizes the value of variable rate debt obligations and that cities have greatly benefitted from the use of variable rate debt in the financing of needed infrastructure and capital improvements.

(2) However, the city also recognizes there are inherent risks associated with the use of variable rate debt and chooses not to use variable rate debt.

(3) Prior to any reversal of this provision:

(a) A written management report outlining the potential benefits and consequences of use of such rates must be submitted to the board of mayor and aldermen; and

(b) The board of mayor and aldermen must adopt a specific amendment to this policy concerning the use of variable interest rates. (as added by Ord. #5-108, Dec. 2011)

5-407. Use of derivatives. (1) The city chooses not to use derivative or other exotic financial structures in the management of the city's debt portfolio.

(2) Prior to any reversal of this provision:

(a) A written management report outlining the potential benefits and consequences of utilizing these structures must be submitted to the board of mayor and aldermen; and

(b) The board of mayor and aldermen must adopt a specific amendment to this policy concerning the use of derivatives or interest rate agreements that complies with the state funding board guidelines. (as added by Ord. #5-108, Dec. 2011)

5-408. Costs of debt. (1) All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the board of mayor and aldermen in accordance with the notice requirements stated above.

(2) In case of non-specified costs, detailed explanation of the assumptions shall be provided along with the complete estimate of total costs anticipated to be incurred as part of the debt issue.

(3) Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded, i.e. general obligations bonds in context of the general fund, revenue bonds in context of the dedicated revenue stream and related expenditures, loans and notes.

(4) The city recorder will file necessary disclosure documents, including disclosure of costs to the comptroller's office as required by law. (as added by Ord. #5-108, Dec. 2011)

5-409. Refinancing outstanding debt. The city will refund debt when it is in the best financial interest of the city to do so, and the city recorder shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The decision to refinance must be explicitly approved by the board of mayor and aldermen, and all plans for current or advance refunding or debt must be in compliance with state laws and regulations.

The city recorder will consider the following issues when analyzing possible refunding opportunities:

(1) Onerous restrictions - Elimination of onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.

(2) Economic purposes - Restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the city recorder if the refunding generates positive present value savings, and the city recorder must establish a minimum present value savings threshold for any refinancing

(3) Term - Maintenance of the term of the originally issued debt; consideration of maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The city recorder may

also consider shortening the term of the originally issued debt to realize greater savings. (as added by Ord. #5-108, Dec. 2011)

5-410. Professional services. The city shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the city and the lender or conduit issuer, if any. This includes "soft" costs or compensations in lieu of direct payments.

(1) Counsel: If the city chooses to hire an attorney other than the city attorney, it shall enter into an engagement letter agreement with each lawyer or law firm representing the city in a debt transaction.

(2) Financial advisor: If the city chooses to hire financial advisors, the city shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions. Whether in a competitive or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services for the issuance.

(3) Underwriter: If there is an underwriter, the city shall require the underwriter to clearly identify itself in writing (e.g., in a response to a request for proposals or in promotional materials provided to an issuer) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the city with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the city. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the city recorder in advance of the pricing of the debt. (as added by Ord. #5-108, Dec. 2011)

5-411. Conflicts. Professionals involved in a debt transaction hired or compensated by the city shall be required to disclose to the city existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, bond counsel, trustee, paying agent, liquidity or credit enhancement provider, and underwriter), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the city to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct. (as added by Ord. #5-108, Dec. 2011)

5-412. Review of policy. This policy shall be reviewed annually by the board of mayor and aldermen with the approval of the annual budget. Any amendments shall be considered and approved in the same process as the initial adoption of this policy, with the opportunity for public input. (as added by Ord. #5-108, Dec. 2011)

5-413. Compliance. The city recorder is responsible for ensuring substantial compliance with this policy. (as added by Ord. #5-108, Dec. 2011)