

TITLE 5

MUNICIPAL FINANCE AND TAXATION¹

CHAPTER

1. MISCELLANEOUS.
2. REAL PROPERTY TAXES.
3. PRIVILEGE TAXES.
4. PURCHASING PROCEDURES.
5. DEBT POLICY.

CHAPTER 1

MISCELLANEOUS

SECTION

- 5-101. Official depository for city funds.
- 5-102. Fiscal year.
- 5-103. Sealed bids required on purchases over \$10,000.

5-101. Official depository for city funds. The Pioneer Bank, Collegedale, Tennessee, is hereby designated as the official depository for all city funds.² (1977 Code, § 6-101, modified)

5-102. Fiscal year. The fiscal year for the City of Collegedale shall begin annually July 1st and end June 30th next. (1977 Code, § 6-102)

5-103. Sealed bids required on purchases over \$10,000. (1) The City of Collegedale shall require formal advertised sealed bids only on purchases greater than ten thousand dollars (\$10,000).

(2) The city manager has authority to purchase up to three thousand five hundred dollars (\$3,500) limit without prior approval from the commission, provided evidence of thorough competitive price quotations are furnished to the commission. (Ord. # 275, June 1990, as replaced by Ord. #463, Oct. 1996)

¹Charter reference

Finance and taxation: title 6, chapter 22.

²Charter reference

Tennessee Code Annotated, section 6-22-120 prescribes depositories for city funds.

CHAPTER 2

REAL PROPERTY TAXES

SECTION

5-201. When due and payable.

5-202. When delinquent--penalty and interest.

5-201. When due and payable. Taxes levied by the city against real property shall become due and payable annually on the first Monday of October of the year for which levied. (1977 Code, § 6-201)

5-202. When delinquent--penalty and interest. All real property taxes shall become delinquent on and after the first day of March next after they become due and payable and shall thereupon be subject to such penalty and interest as is authorized and prescribed by the state law for delinquent county real property taxes. (1977 Code, § 6-201)

CHAPTER 3

PRIVILEGE TAXES

SECTION

5-301. Tax levied.

5-302. License required.

5-301. Tax levied. Except as otherwise specifically provided in this code, there is hereby levied on all vocations, occupations, and businesses declared by the general laws of the state to be privileges taxable by municipalities, an annual privilege tax in the maximum amount allowed by said state laws. The taxes provided for in the state's "Business Tax Act" (title 67, chapter 4, Tennessee Code Annotated) are hereby expressly enacted, ordained, and levied on the businesses, business activities, vocations, and occupations carried on within the city at the rates and in the manner prescribed by the said act. The proceeds of the privilege taxes herein levied shall accrue to the general fund. (1977 Code, § 6-301)

5-302. License required. No person shall exercise any such privilege within the city without a currently effective privilege license, which shall be issued by the recorder to each applicant therefor upon such applicant's compliance with all regulatory provisions in this code and payment of the appropriate privilege tax. (1977 Code, § 6-302)

CHAPTER 4

PURCHASING PROCEDURES

SECTION

- 5-401. Powers and duties of purchasing agent.
- 5-402. Written requisitions required.
- 5-403. Council approval of purchase unnecessary, when.
- 5-404. Expenditures requiring approval of the city manager.
- 5-405. Competitive bidding; exemptions.
- 5-406. Submitting and awarding bids.
- 5-407. Rental or lease expenditures.
- 5-408. Contracts requiring bonds.
- 5-409. Emergency purchases.
- 5-410. Adherence to provisions; individual liability.
- 5-411. Petty cash fund.
- 5-412. Certification of unencumbered balance required.
- 5-413. Exemption of fuel, fuel products and perishable commodities
from public advertisement and competitive bidding requirements.

5-401. Powers and duties of purchasing agent. The city manager or his designee is hereby designated as the purchasing agent and shall possess the following powers and perform the following duties under the general supervision of the city manager:

(1) He shall contract for and purchase all supplies, materials, equipment and services necessary for the conduct and operation of departments and agencies of the city.

(2) He may transfer from one department or agency to any other departments or agencies such supplies, materials, and equipment or other personal property not needed by one but necessary to the conduct and operation of the other; or may sell any personal property belonging to the city which is recommended as surplus by the key manager of a department to the city manager, or by the city commission.

(3) He shall have charge of and supervision over all storerooms and be responsible for distributing such supplies to the various departments.

(4) He may, subject to the approval of the city commission, advertise for and enter into contracts for goods and services as needed.

(5) He may establish standard specifications as to quantity and quality for all supplies, materials and equipment generally needed by the departments.

(6) Any action relating to the acquisition or disposal of real property requires the approval of the city commission.

The city manager may enter into binding contracts on behalf of the city, without specific approval of the city commission, for routine purchases and matters not having substantial long term consequences. For the purpose of this

section, a matter does not have substantial long term consequences if it is a contract for a period of one (1) year or less. (as added by Ord. #786, Dec. 2011)

5-402. Written requisitions required. All purchases made under the provisions of this chapter shall be made pursuant to a written requisition from the head of the department, except for those purchases authorized by using a procurement card, petty cash, or fixed price agreement. (as added by Ord. #786, Dec. 2011)

5-403. Commission approval of purchase unnecessary, when. Where the amount of the requisition or voucher does not exceed the exemption allowed by state law for exemption from competitive bidding, approval by the city commission shall not be necessary for the issuance of a purchase order or payment of a voucher or the execution of a contract. In no event shall a requisition, voucher, or contract be split or divided into two (2) or more with the intent of evading the necessity of having competitive bids and/or the necessity of obtaining the approval of the city commission. (as added by Ord. #786, Dec. 2011)

5-404. Expenditures requiring approval of the city manager; spending limit of city manager. Whenever any requisition or voucher or contract calls for the expenditure of less than the maximum exemption allowed by state law for exemption from competitive bidding and is more than five hundred dollars (\$500.00), the issuance of a purchase order or the payment of a voucher or the award of a contract shall be subject to the approval of the city manager or his designee, and shall not be binding on or create any liability against the city until approved as such. The city manager will set the spending limits the key managers and other staff, not to exceed the spending limits imposed on the city manager by law. The city commission will set by separate action as necessary the spending limits of the city manager, not to exceed any amount allowed by law. (as added by Ord. #786, Dec. 2011)

5-405. Competitive bidding; exemptions. Whenever any requisition or voucher or contract calls for an expenditure exceeding the maximum amount allowed by state law, or contract for construction or remodeling of existing structures or sites calls for an expenditure exceeding the maximum amount allowed by state law for exemption from competitive bidding, there shall be competitive bids. At the direction of the purchasing agent and the city manager, notice for bids shall be advertised at least once in a general circulation newspaper at least fifteen (15) days prior to the time set for a public opening of bids. The purchasing agent may also issue written invitations to bid to dealers in the articles to be purchased in addition to, but not in lieu of, the advertisement required hereunder. However, secondhand equipment or equipment purchased from any federal, state or municipal agency, where it is

not practicable to take bids, may be purchased without taking bids, but such purchases shall be subject to the requirements of §§ 5-403 and 5-404. Also, items covered by federal or state government service contract prices may be exempted at the discretion of the purchasing agent and the city manager. (as added by Ord. #786, Dec. 2011)

5-406. Submitting and awarding bids. All bids shall be sealed and submitted to the purchasing agent on or before the specified time when such bidding is to be closed. All bids will be awarded by the city council unless otherwise designated by the city council. Recommendation of bids other than the lowest bids must be justified in writing. (as added by Ord. #786, Dec. 2011)

5-407. Rental or lease expenditures. The rental or lease of any equipment, materials or vehicles, where the expenditure for the rental or lease period does not exceed ten thousand dollars (\$10,000.00), or maximum allowed by state law, may be made by the head of any department. But where the expenditure is more than ten thousand dollars (\$10,000.00), for rental or lease of equipment, materials or vehicles, there shall be competitive bids. (as added by Ord. #786, Dec. 2011)

5-408. Contracts requiring bonds. No contract shall be let for any public work until the contractor shall have first executed a good and solvent bond or letter of credit to the effect that he will perform according to the contract and pay for all the labor and materials used by said contractor, or any immediate or remote subcontractor under him, in said contract in lawful money of the United States. The bond or letter of credit to be so given shall be for one hundred percent (100%) of the contract price. Where advertisement is made, the condition of the bond or letter of credit shall be stated in the advertisement; provided, that this section shall not apply to contracts under ten thousand dollars (\$10,000.00). (as added by Ord. #786, Dec. 2011)

5-409. Emergency purchases. Emergency purchases are to be made only when normal functions and operations of the city or one (1) of its departments would be hampered by submitting a request to the city commission in the regular manner, or when property, equipment, or life are endangered through unexpected circumstances and materials, services, etc., and are needed immediately. In the event of an apparent emergency which requires immediate procurement of supplies, material and equipment, or contractual services, the city manager shall be empowered to authorize the procurement, at the lowest available price, any supplies or contractual services, not to exceed ten thousand dollars (\$10,000.00), or maximum purchase price allowed by state law, where time does not permit the taking of informal bids. A full report of the circumstances of an emergency purchase shall be filed by the city manager with the city commission at its next meeting, and shall be entered on the minutes of

the city commission. Any emergency purchases exceeding ten thousand dollars (\$10,000.00), or the maximum allowed by state law, shall require the concurrence of the city manager and the mayor. In such event, the city manager will then schedule this item of business for the next scheduled meeting of the city commission, and at said meeting a description of the emergency that has occurred, the item purchased, where the item was purchased and the price paid for said item shall be read into the minutes. Action shall then be taken by the entire city commission for approval. (as added by Ord. #786, Dec. 2011)

5-410. Adherence to provisions; individual liability. All contracts, purchase orders, agreements and obligations issued or entered into contrary to the provisions of the foregoing sections shall be void and no person shall have any claim or demand whatever against the city thereunder, nor shall any official or employee of the city waive or qualify the limitation fixed by the preceding section or fasten upon the city any liability whatever contrary to such limitation. (as added by Ord. #786, Dec. 2011)

5-411. Petty cash fund. The finance manager, with the approval of the city manager shall authorize certain departments and/or officials to maintain a petty cash fund not to exceed four hundred fifty dollars (\$450.00) from which purchases or payments may be made not to exceed fifty dollars (\$50.00) each, and receipts shall be attached to the warrant voucher replenishing reimbursing said petty cash fund. (as added by Ord. #786, Dec. 2011)

5-412. Certification of unencumbered balance required. No contract, purchase order, agreement or other obligations involving the expenditure of any money shall be issued or entered into or be valid unless the finance manager or designee, first certifies thereon that there is in the city treasury to the credit of the appropriation or loan authorization from which it is to be paid an unencumbered balance in excess of all other unpaid obligations. If any official or employee of the city authorizes or incurs an obligation against the city without first securing the city clerk's certification as required by this section, such official or employee and his sureties shall be individually liable for the amount of such obligation. (as added by Ord. #786, Dec. 2011)

5-413. Exemption of fuel, fuel products and perishable commodities from public advertisement and competitive bidding requirements. Purchases of fuel and fuel products and perishable commodities are exempted from the requirements of public advertisement and competitive bidding when such items are purchased in the open market. A record of all such purchases shall be made by the purchasing agent and shall specify the amount paid, the items purchased and from whom the purchase was made. The purchasing agent shall make a monthly report of such purchases to the city manager and/or the city

commission and shall include all items of information as required herein in his report. (as added by Ord. #786, Dec. 2011)

CHAPTER 5

DEBT POLICY

SECTION

- 5-501. Definition of debt.
- 5-502. Approval of debt.
- 5-503. Transparency.
- 5-504. Role of debt.
- 5-506. Use of variable rate debt.
- 5-507. Use of derivatives.
- 5-508. Costs of debt.
- 5-509. Refinancing outstanding debt.
- 5-510. Professional services.
- 5-511. Policy review.
- 5-512. Compliance.

5-501. 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, bond issues, 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. #785, Dec. 2011)

5-502. Approval of debt. 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 commission 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 city commission; 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. #785, Dec. 2011)

5-503. Transparency. (1) The city shall comply with legal requirements for notice and for public meetings related to debt issuance. All notices shall be posted in the customary and required posting locations, including as required local newspapers, bulletin boards, and websites. All costs (including principal, interest, issuance, continuing, and one (1) time) shall be clearly presented and disclosed to the citizens, city commission, and other stakeholders in a timely manner.

(2) The terms and life of each debt issue shall be clearly presented and disclosed to the citizens/members, city commission, and other stakeholders in a timely manner.

(3) A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens/members, city commission, and other stakeholders in a timely manner. (as added by Ord. #785, Dec. 2011)

5-504. Role of debt. (1) Long-term debt may be used for capital purchases or construction identified through the capital improvement, regional development, transportation, or master process or plan. Long-term debt shall not be used to finance current operations.

(2) 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.

(3) In accordance with Generally Accepted Accounting Principles and state law:

(a) 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.

(b) Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence. (as added by Ord. #785, Dec. 2011)

5-505. Types and limits of debt. (1) The city will seek to limit total outstanding debt obligations to twenty percent (20%) of gross general fund revenues, excluding overlapping debt, enterprise debt, and revenue debt.

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

(3) The city's total outstanding debt obligation will be monitored and reported to the city commission by the finance manager in conjunction with the city manager. The finance manager and the city manager shall monitor the maturities and terms and conditions of all obligations to ensure compliance. They shall also report to the city commission any matter that adversely affects the credit or financial integrity of the city.

(4) The city is authorized to issue general obligation bonds, revenue bonds, TIFs, loans, notes and other debt allowed by law.

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

(6) 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 must be thoroughly discussed in a

public meeting and the mayor and governing body must determine such use is justified and in the best interest of the city.

(7) The city may use capital leases to finance short-term projects.

(8) Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The city may use its general obligation pledge with revenue bond issues when the populations served by the revenue bond projects overlap or significantly are the same as the property tax base of the city. The city commission and management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the city's general fund. (as added by Ord. #785, Dec. 2011)

5-506. 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) The city also recognizes, however, there are inherent risks associated with the use of variable rate debt and will implement steps to mitigate these risks; including:

(a) The city will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.

(b) Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider, the city commission shall be informed of the potential affect on rates as well as any additional costs that might be incurred should the insurance fail.

(c) Prior to entering into any variable rate debt obligation that is backed by a letter of credit provider, the city commission shall be informed of the potential affect on rates as well as any additional costs that might be incurred should the letter of credit fail.

(d) Prior to entering into any variable rate debt obligation, the city commission will be informed of any terms, conditions, fees, or other costs associated with the prepayment of variable rate debt obligations.

(e) The city shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any variable rate debt obligation. (as added by Ord. #785, Dec. 2011)

5-507. Use of derivatives. The city chooses not to use derivative or other exotic financial structures in the management of the city's debt portfolio. Prior to any reversal of this provision:

(1) A written management report outlining the potential benefits and consequences of utilizing these structures must be submitted to the city commission; and

(2) The city commission 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. #785, Dec. 2011)

5-508. 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 city commission in accordance with the notice requirements stated above.

(2) In cases of variable interest or 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). (as added by Ord. #785, Dec. 2011)

5-509. Refinancing outstanding debt. (1) The city will refund debt when it is in the best financial interest of the city to do so, and the finance manager and city manager shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The decision to refinance must be explicitly approved by the governing body, and all plans for current or advance refunding of debt must be in compliance with state laws and regulations.

(2) The finance manager and city manager will consider the following issues when analyzing possible refunding opportunities:

(a) Onerous restrictions - Debt may be refinanced to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.

(b) Restructuring for economic purposes - The city will refund debt when it is in the best financial interest of the city to do so. Such refunding may include 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 finance manager and city manager if the refunding generates positive present value savings, and the finance manager and city manager must establish a minimum present value savings threshold for any refinancing.

(c) Term of refunding issues - The city will refund bonds within the term of the originally issued debt. However, the finance manager and city manager may consider maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The finance manager and city manager may also consider shortening the term of the originally issued debt to realize greater savings. The

remaining useful life of the financed facility and the concept of intergenerational equity should guide this decision.

(d) Escrow structuring - The city shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the city from its own account.

(e) Arbitrage - The city shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding. (as added by Ord. #785, Dec. 2011)

5-510. Professional services. (1) 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.

(2) Counsel. The city shall enter into an engagement letter agreement with each lawyer or law firm representing the city in a debt transaction. No engagement letter is required for any lawyer who is an employee of the city or lawyer or law firm which is under a general appointment or contract to serve as counsel to the city. The city does not need an engagement letter with counsel not representing the city, such as underwriters' counsel.

(3) Financial advisor. 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 sale 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 or broker any other debt transactions for the city.

(4) 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 entity. 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 governing body or city manager in advance of the pricing of the debt.

(5) 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, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), 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.

(6) 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. #785, Dec. 2011)

5-511. Policy review. This policy shall be reviewed at least annually by the city commission 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 opportunity for public input. (as added by Ord. #785, Dec. 2011)

5-512. Compliance. The finance manager in conjunction with the city manager is responsible for ensuring compliance with this policy. (as added by Ord. #785, Dec. 2011)