

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

1. MISCELLANEOUS.
2. REAL AND PERSONAL PROPERTY TAXES.
3. PRIVILEGE TAXES.
4. WHOLESALE BEER TAX.
5. DEBT POLICY.
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CHAPTER 1**MISCELLANEOUS****SECTION**

5-101. Official depository for city funds.

5-101. Official depository for city funds. The Boatman's Bank of Tennessee shall be the primary depository for city funds. Alternate depositories for city funds shall be the Commerce Union Bank of Loretto, Tennessee; Farmers and Merchants National Bank of Loretto, Tennessee and First National Bank of Lawrenceburg, Tennessee; Loretto Federal Savings and Loan of Loretto, Tennessee; Farmers Bank of Lawrence County, Lawrenceburg, Tennessee.² (Ord. #51, Aug. 1987)

¹Charter reference
Finance and taxation: title 6, chapter 22.

²Charter reference
Depositories of city funds: § 6-22-120.

CHAPTER 2

REAL AND PERSONAL PROPERTY TAXES¹**SECTION**

5-201. When due and payable.

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

5-201. When due and payable.² Taxes levied by the city against real and personal property shall become due and payable annually on the first day of November of the year for which levied. (1978 Code, § 6-201)

5-202. When delinquent--penalty and interest.³ All real property taxes shall become delinquent on and after the first day of December next after they become due and payable, and shall thereupon be subject to such penalty

¹State law references

Tennessee Code Annotated §§ 67-1-701, 67-1-702 and 67-1-801, read together, permit a municipality to collect its own property taxes if its charter authorizes it to do so, or to turn over the collection of its property taxes to the county trustee. If a municipality collects its own property taxes, tax due and delinquency dates are as prescribed by the charter; if the county trustee collects them, the tax due date is the first Monday in October, and the delinquency date is the following March 1.

Tennessee Code Annotated § 67-5-2010(b) provides that if the county trustee collects the municipality's property taxes, a penalty of one half of one percent (1/2 of 1%) and interest of one percent (1%) shall be added on the first day of March, following the tax due date and on the first day each succeeding month.

²Charter references

Tennessee Code Annotated § 6-22-110 sets the due date of November 1 of the year for which the taxes are assessed, but Tennessee Code Annotated, § 6-22-113 provides that a different tax due date may be set by ordinance (by unanimous vote of the board of commissioners.)

³Charter references

Tennessee Code Annotated § 6-22-112 sets the tax delinquency of December 1 of the year for which the taxes are assessed, but Tennessee Code Annotated § 6-22-113 provides that a different delinquent date may be set by ordinance (by unanimous vote of the board of commissioners).

and interest as is authorized and prescribed by the charter.¹ (1978 Code, § 6-202)

¹Charter reference

Tennessee Code Annotated § 6-22-114 directs the finance director to turn over the collection of delinquent property taxes to the county trustee.

State law reference

A municipality has the option of collecting delinquent property taxes any one (1) of three (3) ways:

- (1) Under the provisions of its charter for the collection of delinquent property taxes.
- (2) Under Tennessee Code Annotated §§ 6-55-201--6-55-206.
- (3) By the county trustee under Tennessee Code Annotated, § 67-5-2005.

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 state laws. The taxes provided for in the state's "Business Tax Act" (Tennessee Code Annotated § 67-4-701, et seq.) 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 act. (1978 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 the applicant's payment of the appropriate privilege tax. (1978 Code, § 6-302)

CHAPTER 4

WHOLESALE BEER TAX**SECTION**

5-401. To be collected.

5-401. To be collected. The recorder is hereby directed to take appropriate action to assure payment to the city of the wholesale beer tax levied by the "Wholesale Beer Tax Act," as set out in Tennessee Code Annotated, title 57, chapter 6.¹ (1978 Code, § 6-401)

¹State law reference

Tennessee Code Annotated, title 57, chapter 6 provides for a tax of seventeen percent (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.

Municipal code references

Alcohol and beer regulations: title 8.

Beer privilege tax: § 8-208.

CHAPTER 5

DEBT POLICY

SECTION

- 5-501. Definition of debt.
- 5-502. Approval of debt.
- 5-503. Transparency.
- 5-504. Role of debt.
- 5-505. Types and limits 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. Conflicts.
- 5-512. Review of policy.
- 5-513. 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, bonds, capital leases, and loans of any type (whether from an outside source such as a bank or from another internal fund). (Ord. #92, April 2012)

5-502. 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 commissioners 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 commissioners; however, details on the lease agreement will be forwarded to the Comptroller's Office on the specified form within forty-five (45) days. (Ord. #92, April 2012)

5-503. 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-time) shall be clearly presented and disclosed to the citizens and the board of commissioners at the next regularly scheduled council meeting.

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

(5) The terms and life of each debt issue shall be clearly presented and disclosed to the citizens and the board of commissioners at the next regularly scheduled council meeting. (Ord. #92, April 2012)

5-504. Role of debt. (1) 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 borrowing by maintaining adequate working capital and close budget management.

(2) In accordance with generally accepted accounting principals 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 practice.

(b) Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence. (Ord. #92, April 2012)

5-505. 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 commissioners 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 commissioners 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, as "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 board of commissioners 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. (Ord. #92, April 2012)

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) 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 provisions:

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

(b) The board of commissioners must adopt a specific amendment to this policy concerning the use of variable interest rates. (Ord. #92, April 2012)

5-507. 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 commissioners; and

(b) The board of commissioners 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. (Ord. #92, April 2012)

5-508. Costs of debt. (1) All costs associated with the 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 commissioners in accordance with the notice requirements stated above.

(2) In case of non-specified cost, 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 document, including disclosure of costs to the Comptroller's Office as required by law. (Ord. #92, April 2012)

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 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 commissioners, and all plans for current or advance refunding or debt must be in compliance with state laws and regulations.

(2) The city recorder will consider the following issues when analyzing possible refunding opportunities.

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

(b) Economic purposes. Restructuring to meet unanticipated revenue expectations, achieve cost saving, 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 saving, and the city recorder must establish a minimum present value saving threshold for any refinancing.

(c) Term. Maintenance of the terms 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. (Ord. #92, April 2012)

5-510. 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 included "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. (Ord. #92, April 2012)

5-511. Conflicts. (1) 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.

(2) Professionals who become involved in the debt transactions 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 regulations of professional conduct. (Ord. #92, April 2012)

5-512. Review of policy. This policy shall be reviewed annually by the board of commissioners 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. (Ord. #92, April 2012)

5-513. Compliance. The city recorder is responsible for ensuring substantial compliance with this policy. (Ord. #92, April 2012)

CHAPTER 6

PURCHASING POLICY

SECTION

5-601. Municipal Purchasing Law of 1983.

5-601. Municipal Purchasing Law of 1983. All purchases by authorized officials using or encumbering municipal funds shall be governed by Ord. #87, October 3, 2006, referred to as the "Municipal Purchasing Law of 1983," and any amendments hereto.¹

¹Ord. #87, and any amendments thereto, are published as separate documents and are of record in the office of the city recorder.