CHAPTER 1
MISCELLANEOUS

SECTION
5-101. Disbursements.
5-102. Audits required.
5-103. Audits to be public record; publication.

5-101. Disbursements. All disbursements of municipal funds shall be by joint check of the mayor and recorder. (1978 Code, § 6-401)

5-102. Audits required. It shall be the duty of the board of mayor and aldermen to have a thorough audit of the financial affairs of the municipality, including all receipts from every source and every expenditure or disbursement of the money of the municipality, made by a disinterested person skilled in such work, as often as every two (2) years. Each audit shall cover the period extending back to the date of the last preceding audit. The cost of each audit shall be paid out of the funds of the municipality, and a sufficient sum shall be appropriated for the purpose by the board. (1978 Code, § 6-402)

5-103. Audits to be public record; publication. The result of each audit above provided for shall be kept as a public record of the municipality, and shall be always subject to the inspection of each citizen or taxpayer of the city. A summary of the audit, prepared by the auditor, shall be published in at least one issue of a newspaper of general circulation published in the municipality. (1978 Code, § 6-403)

Charter references: §§ 16-16k.
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 municipality against real property shall become due and payable annually on the first Monday of October of the year for which levied. (1978 Code, § 6-101)

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 § 16c of the charter as unofficially set out at the beginning of this code. (1978 Code, § 6-102)

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. Apparently, under those same provisions, 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.

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

3Charter and state law references
A municipality has the option of collecting delinquent property taxes any one of three 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,
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 of Sparta at the rates and in the manner prescribed by the act. (1978 Code, § 6-201)

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

Before issuing a license, the recorder shall fill up the same so that it will show the person or firm to whom it is issued and the amount of taxes and fees received or to be received on the same. (1978 Code, § 6-202)

(...continued)

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 Sparta 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, § 6-301)

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\(^1\)State 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 5

PURCHASING PROCEDURES

SECTION

5-501. Applicable law.
5-503. Duties and responsibilities of purchasing agent.
5-504. Purchasing procedures; administrative approval.
5-505. Requirements for public advertising and competitive bidding.

5-501. **Applicable law.** The Municipal Purchasing Law of 1983, as amended, at Tennessee Code Annotated, § 6-56-301, et seq., is hereby expressly made applicable to all purchases made by or for the City of Sparta. (1978 Code, § 1-1201)

5-502. **Purchasing agent.** The city administrator is hereby designated as purchasing agent for the City of Sparta. (1978 Code, § 1-1202, as replaced by Ord. #06-817, Nov. 2007)

5-503. **Duties and responsibilities of purchasing agent.** The purchasing agent, or such representative as may be designated by him, shall purchase materials, supplies, services and equipment, provide for leases and lease-purchases and dispose of surplus property in accordance with the provisions of the Municipal Purchasing Law of 1983, as amended, Tennessee Code Annotated, § 6-56-301, et seq., and in accordance with such purchasing procedures as may be approved by the board of mayor and aldermen and filed with the city recorder. (1978 Code, § 1-1203)

5-504. **Purchasing procedures; administrative approval.** The board of mayor and aldermen may adopt a written manual of policies and procedures to be followed by the purchasing agent in the making of procurements for the City of Sparta. Such manual may be adopted by resolution and filed with the city recorder. Such manual may prescribe procedures to be followed by all departments of the city, or may be restricted in applicability to certain departments thereof. Amendments may be made in any such manual, after its adoption, by resolution of the board of mayor and aldermen. (1978 Code, § 1-1204)

5-505. **Requirements for public advertisement and competitive bidding.** As authorized by the provisions of Tennessee Code Annotated, §§ 6-56-305 and 6-56-306, purchases in excess of four thousand dollars ($4,000.00) shall not require public advertisement and competitive bidding. Purchases in excess of four thousand dollars ($4,000.00) up to a maximum of ten
thousand dollars ($10,000.00) shall require a minimum of three (3) competitive bids but shall not require public advertising. Purchases in excess of ten thousand dollars ($10,000.00) shall require competitive bidding and public advertisement. (1978 Code, § 1-1206, as amended by Ord. #97-704, Nov. 1997, and replaced by Ord. #06-819, Dec. 2006)
CHAPTER 6
DEBT POLICY

SECTION
5-601. Purpose.
5-602. Definition of debt.
5-603. Approval of debt.
5-604. Transparency
5-605. Role of debt.
5-606. Types and limits of debt.
5-607. Use of variable debt.
5-608. Use of derivatives.
5-609. Costs of debt.
5-610. Refinancing outstanding debt.
5-611. Professional services.
5-612. Conflicts.
5-613. Review of policy.
5-614. Compliance.

5-601. Purpose. The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the City of Sparta, Tennessee. This policy reinforces the commitment of the city and its officials to manage the financial affairs of the city so as to minimize risks, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the city. A debt management policy signals to the public and the rating agencies that the city is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

The goal of this policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater stability over the long-term will be generated by the use of consistent guidelines in issuing debt.

(as added by Ord. #11-862, Nov. 2011)

5-602. 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

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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
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. #11-862, Nov. 2011)

5-603. Approval of debt. Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be authorized by the board of mayor and aldermen and submitted to the State of Tennessee Comptroller's Office 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 approval of 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. #11-862, Nov. 2011)

5-604. 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 newspapers, bulletin boards, and websites.

(3) All costs (including principal, interest, issuance, continuing, and one (1) time) shall be clearly presented and disclosed to the citizens, the board of mayor and aldermen, and other stakeholders in a timely manner.

(4) The terms and life of each debt issue shall be clearly presented and disclosed to the public, members of the board of mayor and aldermen, and other stakeholders in a timely manner.

(5) A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the public, members of the board of mayor and aldermen, and other stakeholders in a timely manner. (as added by Ord. #11-862, Nov. 2011)

5-605. 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 process or 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.

(2) 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.
5-606. **Types and limits of debt.** (1) The city will seek to limit total outstanding general fund debt obligations to twenty percent (20%) of the amount of revenue budgeted in the current fiscal year from ad valorem property taxes and local option sales taxes 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 recorder will monitor the city's total outstanding debt obligation and report to the board of mayor and aldermen. 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.

(4) The city has issued general obligation bonds, revenue bonds, loans and notes in the past and is hereby authorized to issue general obligation bonds, revenue bonds, loans, notes, bond and tax anticipation notes, and other debt allowed by law. The city has determined it currently will not issue debt based on tax incremental financing (TIF).

(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 board of mayor and aldermen and management are committed to maintaining interest 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. #11-862, Nov. 2011)

5-607. **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 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 board of mayor and aldermen shall be informed of the potential effect 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 board of mayor and aldermen 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.

(3) Prior to entering into any variable rate debt obligation, the board of mayor and aldermen will be informed of any terms, conditions, fees, or other costs associated with the prepayment of variable rate debt obligations.

(4) 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. #11-862, Nov. 2011)

5-608. 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. #11-862, Nov. 2011)

5-609. 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 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. #11-862, Nov. 2011)

5-610. 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 chief financial officer 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 chief financial officer 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, to release reserve funds, or to avoid the possibility of economic conditions which may expose the city to undue risk of a negative impact on the city’s fiscal well being. Current refunding opportunities may be considered by the chief financial officer. A positive present value savings is desirable and preferred but possible exposure to negative economic conditions which pose the possibility of undue fiscal risk may mitigate the requirement of a positive present value savings. If the refunding generates a positive PV savings, the chief financial officer should establish a minimum present value savings threshold for the refinancing.

(c) Term of refunding issues. The city will refund bonds within the term of the originally issued debt. However, the chief financial officer may consider maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The chief financial officer 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 inter-generational 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. #11-862, Nov. 2011)

5-611. 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. 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.)

(2) Financial advisor. If the city chooses to hire financial advisors, it shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions.

(a) 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.

(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 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 designated city official) in advance of the pricing of the debt. (as added by Ord. #11-862, Nov. 2011)

5-612. 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, 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.
(2) 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. #11-862, Nov. 2011)

5-6113. Review of policy. This policy shall be reviewed at least 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 opportunity for public input. (as added by Ord. #11-862, Nov. 2011)

5-614. Compliance. The city recorder is responsible for ensuring compliance with this policy. (as added by Ord. #11-862, Nov. 2011)