

TITLE 5

MUNICIPAL FINANCE AND TAXATION

CHAPTER

1. REAL PROPERTY TAXES.
2. PRIVILEGE AND BUSINESS TAXES GENERALLY.
3. WHOLESALE BEER TAX.
4. PURCHASING.
5. DEBT MANAGEMENT POLICY.
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CHAPTER 1

REAL PROPERTY TAXES

SECTION

- 5-101. When due and payable.
 5-102. When delinquent--penalty and interest.

5-101. When due and payable.¹ Taxes levied by the town against real property shall become due and payable annually on the first day of October of the year for which levied. (1995 Code, § 5-101)

5-102. When delinquent--penalty and interest.² All real property taxes shall become delinquent on and after the first day of March next after they

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 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 of each succeeding month.

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.¹ (1995 Code, § 5-102)

¹Charter 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*, § 67-5-2005.

CHAPTER 2

PRIVILEGE AND BUSINESS TAXES GENERALLY**SECTION**

5-201. Tax levied.

5-202. License required.

5-201. 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 business activities, vocations, and occupations carried on within the town at the rates and in the manner prescribed. (1995 Code, § 5-201)

5-202. License required. No person shall exercise any such privilege within the town without a currently effective privilege license, which shall be issued by the personnel as appointed by town administrator to each applicant therefor upon the applicant's payment of the appropriate privilege tax. (1995 Code, § 5-202, modified)

CHAPTER 3

WHOLESALE BEER AND ALCOHOL TAX**SECTION**

5-301. Wholesale beer tax to be collected.

5-302. Beverages and wine inspection fee.

5-301. Wholesale beer tax to be collected. The recorder is hereby directed to take appropriate action to assure payment to the town of the wholesale beer tax levied by the "Wholesale Beer Tax Act," as set out in *Tennessee Code Annotated*, title 57, chapter 6.¹ (1995 Code, § 5-301)

5-302. Beverage and wine inspection fee. There is hereby created pursuant to *Tennessee Code Annotated*, § 57-3-501 an inspection fee in the amount of eight percent (8%) upon the wholesale price of alcoholic beverages supplied by a wholesaler to retail locations and retail food store wine licensees in municipality.

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.

CHAPTER 4

PURCHASING

SECTION

- 5-401. Purchasing agent.
- 5-402. General procedures.
- 5-403. Rejection of bids.
- 5-404. Conflict of interest.
- 5-405. Sealed bid requirements.
- 5-406. Competitive bidding \$4,001.00--\$9,999.99.
- 5-407. Record of bids.
- 5-408. Purchase order file.
- 5-409. Considerations in determining award.
- 5-410. Statement when award not given to low bidder.
- 5-411. Award in the case of tie bids.
- 5-412. Back orders.
- 5-413. Emergency purchases.
- 5-414. Waiver of competitive bidding.
- 5-415. Bid deposit.
- 5-416. Performance bond.
- 5-417. Fund availability.

5-401. Purchasing agency. The town administrator or other designated position shall be the designated purchasing agent. Except for as otherwise provided in this policy, all supplies, materials, equipment and services of any nature whatsoever shall be approved and acquired by the purchasing agent or their designated representative. (1995 Code, § 5-401)

5-402. General procedures. Competitive bids on all supplies, materials, equipment, services and contracts for public improvements, except those specified elsewhere in this policy, shall be obtained, whenever practicable, and the purchase or contract awarded to the lowest responsible bidder, provided that any or all bids may be rejected as prescribed by this policy. (1995 Code, § 5-402)

5-403. Rejection of bids. The purchasing agent shall have the authority to reject any and all bids, parts of all bids, or all bids for any one or more supplies or contractual services included in the proposed contract, when the public interest will be served thereby. (1995 Code, § 5-403)

5-404. Conflict of interest. All employees that participate in any phase of the purchasing function are to be free of all interests or relationships which

are actually or potentially could be perceived as being a conflict of interest. (1995 Code, § 5-404)

5-405. Sealed bid requirements. On all purchases or contracts estimated to be in excess of ten thousand dollars (\$10,000.00) except as otherwise proved for in this policy, formal sealed bids shall be required. The purchasing agent will submit the bids for award by the board of mayor and aldermen at the next regularly scheduled meeting.

Notice inviting bids will be published in a newspaper of general circulation in Jefferson County, at least five (5) days prior to the last day for receiving bids. The newspaper notice shall contain a general description of the articles to be purchased, shall state where the written specifications are to be secured, and the time and place for opening bids.

In addition to publication in a newspaper, the purchasing agent may take any other actions deemed necessary to notify all prospective bidders of the invitation to bid. This may be accomplished by delivery, verbally, by mail, or posting in a public place. (Ord. #06/07-06, Sept. 2006)

5-406. Competitive bidding \$4,001.00–\$9,999.99. All purchases of supplies, equipment, services, and contracts estimated to be in excess of four thousand one dollars (\$4,001.00) but less than nine thousand nine hundred ninety-nine dollars and ninety-nine cents (\$9,999.99) shall be obtained by competitive bidding and may be awarded to the lowest responsible bidder. A written record shall be required and available for inspection showing that competitive bids from three (3) separate vendors were obtained through direct mail, facsimile, or hand delivery. All awards will be made based on the lowest responsible bidder.

The department head and purchasing agent will verify budgetary account balances for all purchases. In the purchasing agent's absence, their designee shall approve all bids. (Ord. #06/07-06, Sept. 2006)

5-407. Record of bids. The purchasing agent, or their designee, shall keep a record of all bids. This should include a listing of all bidders and the amount of each bid. These records should be open to public inspection and made available at town hall. (1995 Code, § 5-407)

5-408. Purchase order file. Once a bid has been converted into a purchase order or contract, the purchase order file shall contain the following:

- (1) A copy of the specifications.
- (2) A copy of the purchase order.
- (3) A copy of the written bids. (1995 Code, § 5-408)

5-409. Considerations in determining award. In determining the lowest responsible bidder, in addition to price, the following areas should be considered:

- (1) The ability of the bidder to perform the contract or provide the material or service required.
- (2) The ability of the bidder to perform the contract or provide the service promptly, or within the time specified, without delay or interference.
- (3) The character, integrity, reputation, judgment, experience, or efficiency of the bidder.
- (4) Compliance, by the bidder, with laws and ordinances related to the contract or service.
- (5) The quality of performance of previous contracts or services.
- (6) The sufficiency of the financial resources and ability of the bidder to perform the contract or services.
- (7) The ability of the bidder to provide future maintenance and service for the use of the supplies or contractual service contracted.
- (8) Terms and conditions stated in the bid.
- (9) Compliance with specifications.
- (10) Total cost of the bid, including expected life, maintenance costs, and performance. (1995 Code, § 5-409)

5-410. Statement when award not given to low bidder. When the award for purchases and contracts in excess of one thousand dollars (\$1,000.00) are not given to the lowest bidder, a full and complete statement of the reasons for placing the order elsewhere must be given by the purchasing agent or department head and filed with all of the papers relating to the transactions. (1995 Code, § 5-410)

5-411. Award in the case of tie bids. If all bids received are for the same total amount, quality service being equal, the purchase or contract shall be awarded to a local bidder. In the case where there is no local bidder, or the local vendor is not the lowest tie bid, the purchase or contract shall be awarded by the public drawing of lots. (1995 Code, § 5-411)

5-412. Back orders. All orders must be completed through the complete fulfillment of the purchase order or through closing the purchase order with items not received. (1995 Code, § 5-412)

5-413. Emergency purchases. When in the judgment of the department head an emergency exists, the purchasing divisions of this policy may be waived. However, the purchasing agent shall report the purchases/contracts to the board of mayor and aldermen at the next regular meeting stating the item, the amount paid, the vendor, and the nature of the

emergency. Poor planning and management does not constitute an emergency. (1995 Code, § 5-413)

5-414. Waiver of competitive bidding. Upon recommendation of the town administrator or other authorized purchaser, that it is clearly to the advantage of the town not to contract by competitive bidding, the requirements of competitive bidding may be waived under the following circumstances:

(1) Sole source--the availability of only one (1) vendor of a product or service within a reasonable distance of the town as determined by the appropriate department head. A written statement must be filed verifying a single source supplier.

(2) State contract purchases are considered to meet all of the requirements of the purchasing ordinance specifications.

(3) Purchases from non-profit organizations whose sole purpose is to provide goods and services specifically to municipalities. *Tennessee Code Annotated*, § 6-56-302.

(4) Insurance services that are purchased from the Tennessee Municipal League or any other plan authorized and approved by any organization of governmental entities that represent cities and counties. *Tennessee Code Annotated*, § 29-20-407.

(5) Investments in or purchases from the pooled investment fund established pursuant to *Tennessee Code Annotated*, § 9-4-702.

(6) Professional service contracts in which services of a professional person or firm, including attorneys, physicians, architects, and consultants required by the town, whose fee is more than five hundred dollars (\$500.00) shall be evidenced by written contract. The contract will be awarded based on recognized competence and integrity, rather than on competitive bids. Competitive bidding shall be prohibited for such services. *Tennessee Code Annotated*, § 29-20-407. (1995 Code, § 5-414, modified)

5-415. Bid deposit. When deemed necessary, bid deposits may be prescribed and noted in the public notices requesting bids. The deposit shall be in such amount as the purchasing agent shall determine and unsuccessful bidders shall be entitled to return of the deposits when a deposit has been required. A successful bidder shall forfeit any required deposit upon failure on their part to enter into a contract within ten (10) days after the award. (1995 Code, § 5-415)

5-416. Performance bond. The purchasing agent may require a performance bond before entering a contract, in such amount as is determined to be reasonably necessary to protect the best interests of the town in accordance with the penalties provided by the *Tennessee Code Annotated*. (1995 Code, § 5-416)

5-417. Fund availability. This chapter shall authorize only the purchase of materials, supplies, and the procurement of contracts for which funds have been appropriate, are within the limits of the funds estimated for each department in the annual budget, or which have been authorized and lawfully funded by the board of mayor and aldermen.

In the event that any provision of this chapter shall be construed to be in conflict herewith, the provisions of this section shall prevail. (1995 Code, § 5-417)

CHAPTER 5

DEBT MANAGEMENT POLICY¹

SECTION

- 5-501. Introduction.
- 5-502. Goals and objectives.
- 5-503. Definition of debt.
- 5-504. Authority and approval.
- 5-505. Transparency.
- 5-506. Credit quality and credit enhancement.
- 5-507. Affordability.
- 5-508. Debt structure.
- 5-509. Types and limits of debt.
- 5-510. Cost of debt.
- 5-511. Refinancing outstanding debt.
- 5-512. Methods of issuance.
- 5-513. Professional services.
- 5-514. Conflicts.
- 5-515. Compliance.
- 5-516. Debt policy review.

5-501. Introduction. This debt management policy (the "debt policy") is a written guideline with parameters that affect the amount and type of debt that can be issued by the Town of Dandridge, Tennessee (the "town"), the issuance process and the management of the town's debt. The purpose of this debt policy is to improve the quality of management and legislative decisions and to provide justification for the structure of debt issuances consistent with the debt policy's goals while demonstrating a commitment to long-term capital planning. It is also the intent of the town that this debt policy will signal to credit rating agencies, investors and the capital markets that the town is well managed and will always be prepared to meet its obligations in a timely manner. This debt policy fulfills the requirements of the State of Tennessee regarding the adoption of a formal debt management policy on or before January 1, 2012.

This debt policy provides guidelines for the town to manage its debt and related annual costs within both current and projected available resources while promoting understanding and transparency for our citizens, taxpayers, ratepayers, businesses, investors and other interested parties.

¹State law reference:

Tennessee Code Annotated, § 9-21-151.

In managing its debt, it is the town's policy to:

- (1) Achieve the lowest cost of capital within acceptable risk parameters.
- (2) Maintain or improve credit ratings.
- (3) Assure reasonable cost access to the capital markets.
- (4) Preserve financial and management flexibility.
- (5) Manage interest rate risk exposure within acceptable risk parameters. (Ord. #11/12-08, Nov. 2011)

5-502. Goals and objectives. Debt policies and procedures are tools that ensure that financial resources are adequate to meet the town's long-term capital planning objectives. In addition, the debt policy helps to ensure that financings undertaken by the town have certain clear, objective standards that allow the town to protect its financial resources in order to meet its long-term capital needs.

The debt policy formally establishes parameters for issuing debt and managing a debt portfolio which considers the town's specific capital improvement needs; ability to repay financial obligations; and, existing legal, economic, and financial market conditions. Specifically, the policies outlined in this document are intended to assist in the following:

- (1) To guide the town in policy and debt issuance decisions,
- (2) To maintain appropriate capital assets for present and future needs,
- (3) To promote sound financial management,
- (4) To protect the town's credit rating,
- (5) To ensure the town's debt is issued legally uoder applicable state and federal laws,
- (6) To promote cooperation and coordination with other parties in the financing, and
- (7) To evaluate debt issuance options. (Ord. #11/12-08, Nov. 2011)

5-503. Definition of debt. All obligations of the town 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 town resources. This includes but is not limited to tax-exempt or taxable bonds, capital outlay notes, other notes, capital leases, and loans of any type whether from an outside source such as a bank or from another internal fund. (Ord. #11/12-08, Nov. 2011)

5-504. Authority and approval. (1) The town will only issue debt by utilizing the statutory authorities provided by *Tennessee Code Annotated* as supplemented and revised ("TCA") and the Internal Revenue Code (the "code").

(2) The town will adhere to any lawfully promulgated rules and regulations of the state and those promulgated under the code. 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 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 operating leases may be entered into by the town; with details on the lease agreement to be forwarded to the comptroller's office as may be required.

(3) All debt will be formally authorized by resolution of the board of mayor and aldermen as may be required by law. (Ord. #11/12-08, Nov. 2011)

5-505. Transparency. (1) The town shall comply with legal requirements for notice and for public meetings related to debt issuance.

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

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

(4) A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the board of mayor and aldermen, citizens, and other stakeholders in a timely manner.

(5) The issuance of debt has various approvals and on occasion, written reports provided by the State of Tennessee Comptroller's Office either prior to adoption of resolutions authorizing such debt, prior to issuance, and/or following issuance. The town shall provide the Tennessee Comptroller's Office sufficient information on the debt to not only allow for transparency regarding the issuance, but also assuring that the comptroller's office has sufficient information to adequately report or approve any formal action related to the sale and issuance of debt. The town will also make this information available to the board of mayor and aldermen, citizens, and other stakeholders.

(6) The town will file its comprehensive annual financial report and any continuing disclosure document prepared by the town or its dissemination agent as may be required, and shall make available the same to all interested parties. (Ord. #11/12-08, Nov. 2011)

5-506. Credit quality and credit enhancement. The town's debt management activities will be conducted in order to maintain or receive the highest possible credit ratings. The town administrator and finance director in conjunction with any professionals that the town may chose to engage will be responsible for maintaining relationships and communicating with one (1) or more rating agencies.

The town will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when clearly demonstrable savings can be shown shall an enhancement be considered.

The town will consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

(1) Insurance. The town may purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds.

(2) Letters of credit. The town may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous. The town or its professionals, if any, may seek proposals from qualified banks or other qualified financial institutions pursuant to terms and conditions that are acceptable to the town. (Ord. #11/12-08, Nov. 2011)

5-507. Affordability. The town shall consider the ability to repay debt as it relates to the total budget resources, the wealth and income of the community, and its property tax base and other revenues available to service the debt. The town may consider debt ratios and other benchmarks compared to its peers when analyzing its debt including materials published by the nationally recognized credit rating agencies. In the absence of extraordinary circumstances, the town will seek to limit total outstanding debt obligations secured by the full faith and credit of the town that is outstanding at any one (1) time to not more than ten percent (10%) of the total assessed value within the town limits, excluding overlapping debt, enterprise debt, and revenue debt. The town's total outstanding debt obligation will be monitored and reported to the board of mayor and aldermen on an annual basis through various schedules included in both the comprehensive annual financial report and annual budget. The town administrator and finance director shall monitor the maturities, terms, and conditions of all obligations to ensure compliance. The town administrator and finance director shall also report to the board of mayor and aldermen any matter that adversely affects the credit or financial integrity of the town. (Ord. #11/12-08, Nov. 2011)

5-508. Debt structure. The town shall establish all terms and conditions relating to the issuance of debt and will invest all bond proceeds pursuant to the terms of its investment policy, if any. Unless otherwise authorized by the town, the following shall serve as the debt policy for determining structure.

(1) Term. All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful economic life of the improvements and in consideration of the ability of the town to absorb such additional debt service expense. The term of debt shall be determined by, but not limited to, the economic life of the assets financed, conditions in the capital markets, the availability of adequate revenue streams to service the debt and the existing pattern of debt payable from such identifiable fund or enterprise

activity, but in no event will the term of such debt exceed forty (40) years, as outlined in *Tennessee Code Annotated*.

Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the town will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and close budget management. Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence.

(2) Capitalized interest. From time to time, certain financings may require the use of capitalized interest from the date of issuance until the town is able to realize beneficial use and/or occupancy of the financed project. Interest may be capitalized through a period permitted by law.

(3) Debt service structure. General obligation debt issuance shall be planned to achieve relatively net level debt service or level principal amortization considering the town's outstanding debt obligations, while matching debt service to the useful economic life of facilities. Absent events or circumstances determined by board of mayor and aldermen, the town shall avoid the use of bullet or balloon maturities (with the exception of sinking fund requirements required by term bonds) except in those instances where such maturities serve to make existing overall debt service level or match specific income streams. Debt which is supported by project revenues and is intended to be self-supporting should be structured to achieve level proportional coverage to expected available revenues.

(4) Call provisions. In general, the town's debt should include a call feature no later than ten (10) years from the date of delivery of the bonds. The town will avoid the sale of long-term debt which carries longer redemption features unless a careful evaluation has been conducted by the town administrator and finance director and/or professionals, if any, with respect to the value of the call option.

(5) Original issuance discount/premium. Debt with original issuance discount/premium will be permitted.

(6) Deep discount bonds. Deep discount debt may provide a lower cost of borrowing in certain capital markets. The town administrator and finance director and/or professionals, if any, should carefully consider their value and effect on any future refinancing as a result of the lower-than-market coupon. (Ord. #11/12-08, Nov. 2011)

5-509. Types and limits of debt. When the town determines that debt is appropriate, consideration of the security structure, duration, interest rate modes, zero coupon debt, and synthetic debt will be utilized to evaluate the type of debt to be issued.

(1) Security structure. (a) General obligation bonds. The town may issue debt supported by its full faith, credit, and unlimited ad valorem taxing power ("general obligation debt"). General obligation debt shall be used to finance capital projects that do not have significant independent

creditworthiness or significant on-going revenue streams or as additional credit support for revenue-supported debt, if such support improves the economics of the debt and is used in accordance with these guidelines.

(b) Revenue debt. The town may issue debt supported exclusively with revenues generated by a project or enterprise fund ("revenue debt"), where repayment of the debt service obligations on such revenue debt will be made through revenues generated from specifically designated sources. Typically, revenue debt will be issued for capital projects which can be supported from project or enterprisereLATED revenues.

(c) Capital leases. The town may use capital leases to finance projects assuming the town administrator and finance director and/or professionals, if any, determine that such an instrument is economically feasible.

(2) Duration. (a) Long-term debt. The town may issue long-term debt when it is deemed that capital improvements should not be financed from current revenues or short-term borrowings. Long-term debt will not be used to finance current operations or normal maintenance. Long-term debt will be structured such that financial obligations do not exceed the expected useful economic life of the project(s) financed.

(i) Serial and term debt. Serial and term debt may be issued in either fixed or variable rate modes to finance capital infrastructure projects.

(ii) Capital Outlay Notes ("CONs"). CONs may be issued to finance capital infrastructure projects with an expected life up to twelve (12) years.

(iii) Capitalized leases. Capitalized leases may be issued to finance infrastructure projects or equipment with an expected life not greater than its expected useful life.

(b) Short-term debt. Short-term borrowing may be utilized for:

(i) Financing short economic life assets;

(ii) The construction period of long-term projects;

(iii) For interim financing; or

(iv) For the temporary funding of operational cash flow deficits or anticipated revenues subject to the following policies:

(A) Bond Anticipation Notes ("BANs"). BANs, including commercial paper notes issued as BANs, may be issued instead of capitalizing interest to reduce the debt service during the construction period of a project or facility. The BANs shall not mature more than two (2) years from the date of issuance. BANs can be rolled in accordance with federal and state law. BANs shall mature within six (6) months after substantial completion of the financed facility.

(B) Revenue Anticipation Notes ("RANs") and Tax Anticipation Notes ("TANs"). RANs and TANs shall be issued only to meet cash flow needs consistent with a finding by bond counsel that the sizing of the issue fully conforms to federal IRS and state requirements and limitations.

(C) Lines of credit. Lines of credit shall be considered as an alternative to other short-term borrowing options. A line of credit shall only be structured to federal and state requirements.

(D) Interfund loans. Interfund loans shall only be used to fund operational deficiencies among accounts or for capital projects to be paid from current fiscal year revenues. Such interfund loans shall comply with state regulations and limitations.

(E) Other short-term debt. Other short-term debt including commercial paper notes, BANs, capitalized leases and CONs may be used when it provides an interest rate advantage or as interim financing until market conditions are more favorable to issue debt in a fixed or variable rate mode. The town will determine and utilize the most advantageous method for short-term borrowing. The town may issue short-term debt when there is a defined repayment source or amortization of principal.

(3) Interest rate modes. Debt will be issued with either a fixed, variable, or zero interest-bearing rate.

(a) Fixed rate debt. To maintain a predictable debt service schedule, the town may give preference to debt that carries a fixed interest rate.

(b) Variable rate debt. The targeted percentage of net variable rate debt outstanding (excluding an amount of debt considered to be naturally hedged to short-term assets in the unassigned general and/or debt service fund balance) shall not normally exceed thirty-five percent (35%) of the town's total outstanding debt and will take into consideration the amount and investment strategy of the town's operating cash.

The following circumstances may result in the consideration of issuing variable rate debt:

- (i) Asset-liability matching;
- (ii) Construction period funding;
- (iii) High fixed interest rates. Interest rates are above historic averages;
- (iv) Diversification of debt portfolio;
- (v) Variable revenue stream. The revenue stream for repayment is variable and is anticipated to move in the same

direction as market-generated variable interest rates or the dedication of revenues allows capacity for variability; and

(vi) Adequate safeguard against risk. Financing structure and budgetary safeguards are in place to prevent adverse impacts from interest rate shifts such structures could include, but are not limited to, interest rate caps and short-term cash investments in the town's general fund.

An analysis by the town administrator and finance director and/or professionals, if any, shall be conducted to evaluate and quantify the risks and returns associated with the variable rate debt including, but not limited to, a recommendation regarding the use of variable rate debt. 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 prior to entering into any variable debt obligation. Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider or by a letter of credit provider, the board of mayor and aldermen shall also be informed of the potential effect on rates as well as any additional costs that might be incurred should either the insurance or letter of credit fail, respectively. The town 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.

Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The town 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 town. The board of mayor and aldermen and management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the town's general fund.

(4) Zero coupon debt. Zero coupon debt may be used if an analysis has been conducted by the town administrator and finance director and/or professionals, if any, and the risks and returns associated with the zero coupon debt have been made. The analysis shall include, but not be limited to a recommendation regarding the use of zero coupon debt as the most feasible instrument considering available revenues streams, the need for the project and other factors determined by board of mayor and aldermen.

(5) Synthetic debt. The town will not enter into any new interest rate swaps or other derivative instruments unless it adapts a debt derivative policy consistent with the requirements of *Tennessee Code Annotated* and only after approval of the state comptroller's office and affirmative action of board of mayor and aldermen. (Ord. #11/12-08, Nov. 2011)

5-510. Cost 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). (Ord. #11/12-08, Nov. 2011)

5-511. Refinancing outstanding debt. The town administrator and finance director, in conjunction with professionals, if any, shall have the responsibility to analyze outstanding debt for refunding opportunities. The decision to refinance must be explicitly approved by board of mayor and aldermen, and all plans for current or advance refunding of debt must be in compliance with state laws and regulations. The town administrator and finance director will consider onerous restrictions, restructuring for economic purposes, term, escrow saving, and arbitrage when analyzing possible refunding opportunities.

(1) Onerous restrictions. Debt may be refinanced to eliminate onerous or restrictive covenants or restrictions contained in existing debt documents.

(2) Restructuring for economic purposes. The town may also refund debt when it is in its best financial interest to do so. Such a refunding will be limited to restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, release reserve funds, or any other reason approved by board of mayor and aldermen in its discretion.

(3) Term of refunding issues. Normally, the town will refund debt equal to or within its existing term. However, the town administrator and finance director may consider maturity extension, when necessary to achieve desired outcomes, provided that such extension is legally permissible and it is approved by the board of mayor and aldermen. The town administrator and finance director may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful economic life of the financed facility and the concept of inter-generational equity should guide these decisions.

(4) Escrow structuring. The town shall utilize the least costly securities available in structuring refunding escrows. In the case of open market securities, a certificate will be provided by a third party agent, who is not a broker-dealer stating that the securities were procured through an arms-length, competitive bid process, that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within federal guidelines. In cases where taxable debt is involved, the town administrator and finance director, with the approval of

bond counsel, may make a direct purchase as long as such purchase is the most efficient and least costly. Under no circumstances shall an underwriter, agent or any professionals sell escrow securities involving tax-exempt debt to the town from its own account.

(5) Arbitrage. The town shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding. The town shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding. Any positive arbitrage will be rebated as necessary according to federal guidelines. (Ord. #11/12-08, Nov. 2011)

5-512. Methods of issuance. The town administrator and finance director may consult with a professional regarding the method of sale of debt. Subject to approval by board of mayor and aldermen, the town administrator and finance director will determine the method of issuance of debt on a case-by-case basis consistent with the options provided by prevailing state law.

(1) Competitive sale. In a competitive sale, the town's debt will be offered in a public sale to any and all eligible bidders. Unless bids are rejected, the debt shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.

In a competitive sale, a financial advisor shall not be permitted to bid on an issue for which they are, or have been providing, advisory services for the issuance, unless otherwise authorized by applicable law and regulation.

(2) Negotiated sale. The town recognizes that some securities are best sold through a negotiated sale with an underwriter or group of underwriters. The town shall assess the following circumstances in determining whether a negotiated sale is the best method of sale:

- (a) State requirements on negotiated sales;
- (b) Debt structure which may require a strong pre-marketing effort such as those associated with a complex transaction generally referred to as a "story" bond;
- (c) Size or structure of the issue which may limit the number of potential bidders;
- (d) Market conditions including volatility wherein the town would be better served by the flexibility afforded by careful timing and marketing such as is the case for debt issued to refinance or refund existing debt;
- (e) Whether the debt is to be issued as variable rate obligations or perhaps as zero coupon debt;
- (f) Whether an idea or financing structure is a proprietary product of a single firm;
- (g) In a publicly offered or privately placed, negotiated sale, a financial advisor, if any, shall not be permitted to privately place or

underwrite an issue for which they are, or have been providing, advisory services for the issuance; and

(h) If there is an underwriter, the town shall require the underwriter to clearly identify itself in writing (e.g., in a response for 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 town 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 town. 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 town in advance of the pricing of the debt.

(3) Private placement. From time to time, the town may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to be advantageous to the town. (Ord. #11/12-08, Nov. 2011)

5-513. Professional services. As needed, the town may select professionals to assist in its debt issuance and administration processes. In selecting professionals, consideration should be given with respect to:

(1) Relevant experience with municipal government issuers and the public sector;

(2) Indication that the firm has a broadly based background and is therefore capable of balancing the town's overall needs for continuity and innovation in capital planning and debt financing;

(3) Experience and demonstrated success as indicated by its experience;

(4) The firm's professional reputation;

(5) Professional qualifications and experience of principal employees; and

(6) The estimated costs, but price should not be the sole determining factor.

The town 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 town and the lender or conduit issuer, if any. This includes "soft" costs or compensations in lieu of direct payments.

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

(8) Financial advisor. The town shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions. (Ord. #11/12-08, Nov. 2011)

5-514. Conflicts. (1) Professionals involved in a debt transaction hired or compensated by the town shall be required to disclose to the town 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 town 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. (Ord. #11/12-08, Nov. 2011)

5-515. Compliance. (1) Continuing annual disclosure. Normally at the time debt is delivered, the town will execute a continuing disclosure certificate in which it will covenant for the benefit of holders and beneficial owners of the publically traded debt to provide certain financial information relating to the town by not later than twelve (12) months after each of the town's fiscal years, (the "annual report" and provide notice of the occurrence of certain enumerated events). The annual report will be filed with the Municipal Securities Rulemaking Board (MSRB) through the operation of the Electronic Municipal Market Access system ("EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If the town is unable to provide the annual report to the MSRB and any SID by the date required, notice of each failure will be sent to the MSRB and any SID on or before such date. The notices of certain enumerated events will be filed by the town with the MSRB through EMMA and any SID. The specific nature of the information to be contained in the annual report or the notices of significant events is provided in each continuing disclosure certificate. These covenants are made in order to assist underwriters in complying with SEC rule 15c2-12(b) (the "rule").

(2) Arbitrage rebate. The town will also maintain a system of record keeping and reporting which complies with the arbitrage rebate compliance requirements of the Internal Revenue Code (the "code").

(3) Records. The town will also maintain records required by the code including, but not limited to, all records related to the issuance of the debt including detailed receipts and expenditures for a period up to six (6) years following the final maturity date of the debt or as required by the code. (Ord. #11/12-08, Nov. 2011, modified)

5-516. Debt policy review. The guidelines outlined herein are only intended to provide general direction regarding the future issuance of debt. The town maintains the right to modify this debt policy and may make exceptions to any of its guidelines at any time to the extent that the execution of such debt achieves the goals of the town as long as such exceptions or changes are consistent with *Tennessee Code Annotated* and any rules and regulations promulgated by the state. The town administrator is responsible for ensuring substantial compliance with this debt policy. (Ord. #11/12-08, Nov. 2011)

CHAPTER 6

OCCUPANCY TAX

SECTION

- 5-601. Definitions.
- 5-602. Levy of tax.
- 5-603. Tax added to room invoice.
- 5-604. Remittance to town recorder.
- 5-605. Offer to absorb tax prohibited.
- 5-606. Penalties and interest for delinquency.
- 5-607. Records.
- 5-608. Administration.
- 5-609. Expending and distributing tax.
- 5-610. Tax is additional tax.
- 5-611. Rules and regulations.

5-601. Definitions. For the purpose of this chapter, the following definitions shall apply:

(1) "Consideration" means the consideration charged whether or not received for the occupancy in a hotel valued in money whether to be received in money, goods, labor or otherwise, including all receipts, cash, credits, property and services of any kind or nature without any deduction therefrom whatsoever. Nothing in this definition shall be construed to imply that consideration is charged when the space provided to the person is complimentary from the operator and no consideration is charged to or received from any person.

(2) "Hotel" means any structure, or any portion of a structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, tourist court, tourist camp, tourist cabin, motel or any place in which rooms, lodgings or accommodations are furnished to transients for a consideration.

(3) "Occupancy" means the use of possession, or the right to the use of possession, of any room, lodgings or accommodations in any hotel.

(4) "Operator" means the person operating the hotel whether as owner, lessee or otherwise.

(5) "Person" means any individual, firm, partnership, joint venture, association, social club, fraternal organization, joint stock company, corporation, estate, trust, business trust, receiver, trustee, syndicate, or any other group or combination acting as a unit.

(6) "Tourism" means the planning and conducting of programs of information and publicity designed to attract to the municipality tourists, visitors and other interested persons from outside the area and also encouraging and coordinating the efforts of other public and private organizations or groups of citizens to publicize the facilities and attractions of the area for the same

purposes. It also means the acquisition, construction and remodeling of facilities useful in the attraction and promoting of tourism, conventions, and recreational business.

(7) "Transient" means any person who exercises occupancy or is entitled to occupancy for any rooms, lodgings, or accommodations in a hotel for a period of less than ninety (90) continuous days. (Ord. #15/16-11, June 2016)

5-602. Levy of tax. There is hereby levied a privilege tax upon the privilege of occupancy in any hotel of each transient in an amount of two percent (2%) of the consideration charged by the operator. Said tax so imposed is a privilege tax upon the transient occupying said room and is to be collected and distributed as hereinafter provided. (Ord. #15/16-11, June 2016)

5-603. Tax added to room invoice. Said tax shall be added by each and every operator to each invoice prepared by the operator for the occupancy of his hotel, such invoice to be given directly or transmitted to the transient, and shall be collected by such operator from the transient and remitted to the Town of Dandridge. (Ord. #15/16-11, June 2016)

5-604. Remittance to town recorder. The tax hereby levied shall be remitted by all operators who lease, rent, or charge for any rooms to the town recorder. Said tax to be remitted to such officer not later than the 20th day of each month next following collection from the transient. (Ord. #15/16-11, June 2016)

5-605. Offer to absorb tax prohibited. No operator of a hotel shall advertise or state in any manner whether directly or indirectly that the tax or any part thereof will be assumed or absorbed by the operator, or that it will be added to the rent, or that, if added; any part will be refunded. (Ord. #15/16-11, June 2016)

5-606. Penalties and interest for delinquency. Taxes collected by an operator which are not remitted to the town recorder on or before the due dates are delinquent. An operator shall be liable for interest on such delinquent taxes from the due date at the rate of six percent (6%) per annum, and in addition for penalty of one-half of one percent (1/2 of 1%) for each month or fraction thereof such taxes are delinquent. Such interest and penalty shall become a part of the tax herein required to be remitted. Willful refusal of an operator to collect or remit the tax or willful refusal of a transient to pay the tax imposed is hereby declared to be unlawful and shall constitute a misdemeanor. The fine shall be applicable to each individual transaction involving lodging services paid by a customer to the operator in those cases when the operator fails or refuses to pay the tax payable to the town recorder. (Ord. #15/16-11, June 2016)

5-607. Records. It shall be the duty of every operator liable for the collection and payment of this tax, to keep and preserve for a period of three (3) years all records necessary to determine the amount of such tax for whose collection and payment to the municipality he may have been liable, which records the town recorder shall have the right to inspect at all reasonable times. (Ord. #15/16-11, June 2016)

5-608. Administration. In administering and enforcing the provisions of this chapter, the town recorder shall have as additional powers the powers and duties with respect to collection of taxes provided in *Tennessee Code Annotated*, title 67, or otherwise provided by law. (Ord. #15/16-11, June 2016)

5-609. Expending and distributing tax. The proceeds from the tax levied herein shall be used solely to promote tourism in the town and for no other purposes . (Ord. #15/16-11, June 2016)

5-610. Tax is additional tax. The tax herein levied shall be in addition to all other taxes levied or authorized to be levied whether in the form of excise, license, or privilege taxes, and shall be in addition to all other fees and taxes now levied or authorized to be levied. (Ord. #15/16-11, June 2016)

5-611. Rules and regulations. The town recorder shall have the power to make and publish reasonable rules and regulations not inconsistent with this chapter or other laws, for the enforcement of the provisions of this chapter and the collection of revenues hereunder.

Further, the town recorder shall design, prepare, print and make available to all persons who are subject to this chapter, all necessary forms for filing returns and instructions to insure full compliance with the provisions of this chapter. (Ord. #15/16-11, June 2016)