

**TITLE 5**

**MUNICIPAL FINANCE AND TAXATION<sup>1</sup>**

**CHAPTER**

1. MISCELLANEOUS.
2. MUNICIPAL ADEQUATE FACILITIES TAX.
3. WHOLESALE BEER TAX.
4. DEBT MANAGEMENT POLICY.
5. INTERNAL FINANCIAL CONTROLS POLICY.
6. PRIVILEGE TAX ON NEW DEVELOPMENTS.

**CHAPTER 1**

**MISCELLANEOUS**

**SECTION**

- 5-101. Official depository for town funds.
- 5-102. Fiscal year of town.
- 5-103. Town council to approve budget increase.
- 5-104. Competitive bidding required.

**5-101. Official depository for town funds.** The Pegram Branch of the Community Bank & Trust of Cheatham County is hereby designated as the official depository for all town funds. (1990 Code, § 6-101, modified)

**5-102. Fiscal year of town.** The fiscal year of the town shall be the first of July through June 30 of the year next following. (1990 Code, § 6-102)

**5-103. Town council to approve budget increase.** Prior to the approval of any amendment to the annual budget that would increase appropriations for the expenditure of town funds, the town council shall approve a resolution that identifies a corresponding source of funds to cover the proposed additional expenditure, and/or identifies a corresponding reduction in expenditure to compensate for the proposed additional expenditure. (Ord. #1993-5, Nov. 1993)

---

<sup>1</sup>Charter references

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

**5-104. Competitive bidding required.** Hereafter, the town shall seek competitive advertising and bidding for all purchases and public improvements for expenditures in excess of ten thousand dollars (\$10,000.00) pursuant to Tennessee Code Annotated, § 6-56-306, as amended. All other provisions of the Municipal Purchasing Law of 1983 shall remain in full force and effect. (Ord. #1992-3, April 1992, modified)

## CHAPTER 2

### MUNICIPAL ADEQUATE FACILITIES TAX

#### SECTION

- 5-201. Short title.
- 5-202. Purpose.
- 5-203. Findings.
- 5-204. Authority.
- 5-205. Definitions.
- 5-206. Tax levy.
- 5-207. Prohibition of issuance of building permit.
- 5-208. Exemptions from tax.
- 5-209. Collection of tax.
- 5-210. Use and segregation of tax funds.
- 5-211. Authority to amend.
- 5-212. Protest of tax.
- 5-213. Additional authority.
- 5-214. Non-repealer.

**5-201. Short title.** This chapter shall be known and cited as the Pegram Municipal Adequate Facilities Tax. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-202. Purpose.** It is the intent and purpose of this chapter to authorize the governing body of the Town of Pegram to impose a tax on new development within the municipality, payable at the time of issuance of a building permit, so as to ensure and require that the person responsible for new development share in the cost of public facilities necessary to serve the residents of Pegram. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-203. Findings.** The board of mayor and aldermen hereby finds and declares that:

(1) Cheatham County, Tennessee, has been one of the fastest growing counties in the state for the past fifteen (15) years, having been impacted by the rapid growth in the standard metropolitan area of Nashville.

(2) Anticipated continued growth from the expansion of Nashville is expected to accelerate due to the continuing location of manufacturing and commercial businesses in the Middle Tennessee area, and from other factors; and

(3) Current projections show that:

(a) County population will be forty-two thousand (42,000) persons in the year 2010, an increase of fifty-five percent (55%) from 1990; there will be a demand for approximately five thousand (5,000)

additional dwelling units between 1990 and 2010; and new residential and non-residential development will consume an additional three thousand (3,000) acres of land in Cheatham County;

(b) The majority of the projected growth in Cheatham County between 1990 and 2010 will occur within the boundaries of the incorporated municipalities within the county; and

(c) The projected growth and land use development within these municipalities will cause a demand for municipal capital facilities (roads, parks, town governmental facilities, etc.) in an amount well in excess of ten million dollars (\$10,000,000.00) over the next fifteen (15) years.

(4) The municipality is committed, both to present and future residents, to maintaining a level of public facilities and services commensurate with those presently provided.

(5) The municipality is prepared to impose a fair, equitable and reasonable share of the costs of providing the necessary public facilities and services on existing residents of the municipality.

(6) The municipality's present population, employment base, tax base and budget cannot alone support the additional revenues needed to supply facilities to serve new growth without a substantial increase in the property tax rate on existing development.

(7) The municipality has adopted by resolution a capital improvements program indicating the need for and the cost of public facilities anticipated to be funded, in part, by this tax.

(8) Due to these unique circumstances, it is necessary and appropriate that the Town of Pegram utilize the authority granted by the Legislature of the State of Tennessee to impose an adequate facilities tax on the privilege of engaging in the business of development

(9) The tax herein imposed is in compliance with chapter 53, Private Acts of 1997.<sup>1</sup> (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-204. Authority.** This chapter is imposed under the charter powers of the Town of Pegram, Tennessee, and under the authority conferred on the municipality to levy an adequate facilities tax on the privilege of engaging in development by chapter 53, Tennessee Private Acts of 1997. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-205. Definitions.** As used in this chapter, unless a different meaning appears from the context:

---

<sup>1</sup>See page C-39 of this code for the complete text of Priv. Acts 1997, ch. 53.

(1) "Building" means any structure built for the support, shelter, or enclosure of persons, chattels, or movable property of any kind; the term includes a mobile home, but excludes those buildings specified in § 5-208.

(2) "Building permit" means a permit for development issued in Pegram, as herein defined, within Cheatham County.

(3) "Capital improvement program" means a proposed schedule of future projects, listed in order of construction priority, together with cost estimates and the anticipated means of financing each project. All major projects requiring the expenditure of public funds, over and above the annual local government operating expense, for the purchase, construction, or replacement of the physical assets of the community are included.

(4) "Development" means the construction, building, reconstruction, erection, extension, betterment, or improvement of land providing a building structure or the addition to any building or structure, or any part thereof, which provides, adds to or increases the floor area of a residential or non-residential use.

(5) (a) "Floor area" for non-residential development means the total of the gross horizontal area of all floors, including usable basements and cellars, below the roof and within the outer surface of the main walls of principal or accessory buildings or the center lines of party walls separating such building or portions thereof, or within lines drawn parallel to and two feet (2') within the roof line of any building or portions thereof without walls but excluding arcades, porticoes, and similar open areas which are accessible to the general public, and which are not designed or used as sales, display, storage, services, or production areas.

(b) "Floor area" for residential development means the total or the gross horizontal area of all floors, including basements, cellars, or attics which is heated and/or air-conditioned living space at a future date.

(6) "General plan" means the official statement of the municipal planning commission which sets forth major policies concerning future development of the jurisdictional area and meeting the provisions set forth in Tennessee Code Annotated, §§ 13-4-201, 13-4-203 and 13-4-302. For the purposes of this chapter only, a general plan may consist solely of the land development plan element, which sets out a plan or scheme of future land usage.

(7) "Governing body" means the Board of Mayor and Aldermen of Pegram, Tennessee.

(8) "Major street or road plan" means the plan adopted by the municipal planning commission, pursuant to Tennessee Code Annotated, §§ 13-4-201, 13-4-302, and 13-4-303, showing among other things, "the general location, character, and extent of public ways (and) the removal, relocation, extension, widening, narrowing, vacating, abandonment or change of use of existing public ways."

(9) "Municipality" means the Town of Pegram.

(10) "Non-residential" means the development of any property for any use other than residential use, except as may be exempted by this chapter.

(11) "Person" means any individual, firm, co-partnership, joint venture, association, corporation, estate, trust, business trust, receiver, syndicate, or other group or combination acting as a unit, and the plural as well as the singular number.

(12) "Place of worship" means that portion of a building, owned by a religious institution which has tax-exempt status, which is used for worship services and related functions; provided, however, a place of worship does not include buildings or portions of buildings which are used for purposes other than for worship and related functions or which are or are intended to be leased, rented or used by persons who do not have tax-exempt status.

(13) "Public buildings" means buildings owned by the State of Tennessee or any agency thereof, a political subdivision of the State of Tennessee, including but not necessarily limited to counties, cities, school district and special districts, or the federal government or any agency thereof.

(14) "Public facility or facilities" means a physical improvement undertaken by the municipality, including, but not limited to the following: roads and bridges, parks and recreational facilities, jail and law enforcement facilities, schools, libraries, government buildings, fire stations, sanitary landfills, water, wastewater and drainage projects, airport facilities and other governmental capital improvements benefitting the citizens of the municipality.

(15) "Residential" means the development of any property for a dwelling unit or units.

(16) "Subdivision regulations" means the regulations adopted by the governing body, as amended, pursuant to Tennessee Code Annotated, § 13-4-303, by which the municipality regulates the subdivision of land.

(17) "Zoning resolution" means the ordinance adopted by the governing body, as amended, pursuant to Tennessee Code Annotated, § 13-7-201, by which the municipality regulates the zoning, use and development of property. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-206. Tax levy.** There is hereby levied a tax on each person engaging in the business of development in the municipality, which tax shall be due and collected by the municipality at the time of application for a building permit for development, as provided in § 5-209.

Tax rate schedule

New residential development: \$0.75 per gross square foot of floor area

New non-residential development: \$0.40 per gross square foot of floor area

(Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-207. Prohibition of issuance of building permit.** No building permit for development shall be issued within the municipality unless the tax has been paid in full to the municipality, as provided in § 5-209. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-208. Exemptions from tax.** No tax shall be assessed or collected for the development of:

- (1) Public buildings;
- (2) Places of worship;
- (3) Barns or outbuildings used for agricultural purposes;
- (4) Replacement structures for previously existing structures destroyed by fire or other disaster;
- (5) Additions to a single-family dwelling;
- (6) A structure owned by a non-profit corporation which is a qualified 501(c)(3) corporation under the Internal Revenue Code; and
- (7) Permanent residential structures replacing mobile homes where the mobile home is removed within thirty (30) days of the issuance of the certificate of occupancy for the permanent residential structure, provided that the permanent structure is a residence for the owner and occupant of the mobile home and that owner and occupant has resided on the property for a period of not less than three (3) years. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-209. Collection of tax.** (1) Each applicant for a building permit for development, as herein defined, shall state on a form provided by the municipality, the proposed use (residential or non-residential) and the amount of gross square footage of floor area contained in the development for which the permit is sought.

(2) The municipal official designated in the administrative guidelines shall calculate the tax due on the development and collect such tax prior to acceptance of the application for the permit.

(3) In its sole discretion, the municipality may permit a person engaging in the business of development to defer payment of the tax due until the time for issuance of the building permit, but in no case shall a building permit issue until the tax is paid in full by the applicant to the municipality. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-210. Use and segregation of tax funds.** All tax funds collected within the municipality as authorized herein, shall be deposited and accounted for in a special revenue or capital projects fund and shall be used for the purpose of public facilities to serve the residents of the municipality. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-211. Authority to amend.** The municipality may, from time to time, amend the tax herein imposed on development, based upon adoption of a revised capital improvements program. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-212. Protest of tax.** Any person aggrieved by the decision of the municipal building official or other responsible official concerning any aspect of chapter 53, Private Acts of 1997 or this chapter may obtain a review of the official's decision in the manner provided in said Act. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-213. Additional authority.** The authority to impose this privilege tax on new developments within the municipality is in addition to all other authority to impose taxes, fees, assessments, or other revenue-raising or land development regulatory measures granted either by the private or public acts of the State of Tennessee and the imposition of such tax, in addition to any other authorized tax, fee, assessment or charge, shall not be deemed to constitute double taxation. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)

**5-214. Non-repealer.** The provisions of this chapter shall in no manner repeal, modify, or interfere with the authority granted by any other public or private law applicable to the Town of Pegram. Chapter 53, Private Acts of 1997 and this chapter shall be deemed to create an additional and alternative method for the municipality to impose and collect taxes for the purpose of providing public facilities within the municipality. (Ord. #1998-2, April 1998, as replaced by Ord. #2004-19, Jan. 2005)



## CHAPTER 3

WHOLESALE BEER TAX<sup>1</sup>

## SECTION

5-301. To be collected.

**5-301. To be collected.** The town 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.<sup>2</sup> (1990 Code, § 6-401)

---

<sup>1</sup>Municipal code reference

Privilege tax on business of selling, distributing, storing or manufacturing of beer: § 8-215.

<sup>2</sup>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 4

### DEBT MANAGEMENT POLICY

#### SECTION

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

**5-401. Definition of debt.** All obligations of the 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 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. #2011-91, Dec. 2011)

**5-402. Approval of debt.** Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be submitted to the State of Tennessee Comptroller's Office and the Pegram Board of Mayor and Aldermen prior to issuance or entering into the obligation. A plan for refunding debt issues will also be submitted to the comptroller's office prior to issuance. Capital or equipment leases may be entered into by the Pegram 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. #2011-91, Dec. 2011)

**5-403. Transparency.** (1) The town 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-time) shall be clearly presented and disclosed to the citizens, Pegram 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 citizens/members, Pegram 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 citizens/members, Pegram Board of Mayor and Aldermen, and other stakeholders in a timely manner. (as added by Ord. #2011-91, Dec. 2011)

**5-404. 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 town 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 (GAAP) and state law:

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

(b) Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence. (as added by Ord. #2011-91, Dec. 2011)

**5-405. Types and limits of debt.** (1) The town will seek to limit total outstanding debt obligations to twenty-two percent (22%) of the general fund gross revenue to apply to all debt service, 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 town's total outstanding debt obligation will be monitored and reported to the Pegram Board of Mayor and Aldermen by the finance director (or person serving as the town's chief financial officer) during the annual budget process. The finance director (or person serving as the town's chief financial officer) shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The finance director (or person serving as the town's chief financial officer) shall also report to the Pegram Board of Mayor and Aldermen any matter that adversely affects the credit or financial integrity of the town.

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

(5) The town 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 town 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 town 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 town.

(7) The town 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 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 Pegram 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. (as added by Ord. #2011-91, Dec. 2011)

**5-406. Use of variable rate debt.** (1) The town 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 town 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 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.

(b) Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider, the Pegram 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 Pegram 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 letter of credit fail.

(d) Prior to entering into any variable rate debt obligation, the Pegram 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.

(e) The town 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. #2011-91, Dec. 2011)

**5-407. Use of derivatives.** (1) The town chooses not to use derivatives or other exotic financial structures in the management of the town'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 Pogram Board of Mayor and Aldermen; and

(b) The Pogram 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. #2011-91, Dec. 2011)

**5-408. Costs of debt.** (1) All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the Pogram 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. #2011-91, Dec. 2011)

**5-409. Refinancing outstanding debt.** (1) The town will refund debt when it is in the best financial interest of the town 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 town will refund debt when it is in the best financial interest of the town to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the chief financial officer if the refunding generates

positive present value savings, and the chief financial officer must establish a minimum present value savings threshold for any refinancing.

(c) Term of refunding issues. The town 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 town 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 town from its own account.

(e) Arbitrage. The town 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. #2011-91, Dec. 2011)

**5-410. Professional services.** 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.

(1) Counsel.<sup>1</sup> The town shall enter into an engagement letter agreement with each lawyer or law firm representing the town in a debt transaction, except 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.

---

<sup>1</sup>The requirement for an engagement letter does not apply to any lawyer who is an employee of the town or any lawyer or law firm under a general appointment as counsel to the town and not serving as bond counsel for the transaction. If bond counsel for a debt transaction does not represent the town in that transaction, the town will enter into a fee payment letter agreement with such lawyer or law firm specifying:

- (1) The party represented in the debt transaction; and
- (2) The town's obligation with respect to the payment of such lawyer or law firm's fees and expenses.

(2) Financial advisor.<sup>1</sup> The town shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions. Whether in a competitive sale or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services for the issuance or broker any other debt transactions for the town.

(3) Underwriter. The town shall require the underwriter, if any, to clearly identify itself in writing 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 governing body in advance of the pricing of the debt. (as added by Ord. #2011-91, Dec. 2011)

**5-411. Conflicts.** (1) Professional 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. (as added by Ord. #2011-91, Dec. 2011)

**5-412. Review of policy.** This policy shall be reviewed at least annually by the Pegram Board of Mayor and Aldermen with the approval of the annual budget. Any amendments shall be considered and approved in the same process

---

<sup>1</sup>For new issues of debt which constitutes a "security" for which the time of formal award (as defined in Rule G-34(a)(ii)(C)(1)(a)) occurs after November 27, 2011, the Municipal Securities Rulemaking Board has prohibited broker, dealer or municipal securities dealer serving as a financial advisor to an issuer for a particular issue from switching roles and underwriting the same issue. Policies must be adjusted to comply with amended Rule G-23 as it applies to securities, including exceptions to the prohibition.

as the initial adoption of this policy, with opportunity for public input. (as added by Ord. #2011-91, Dec. 2011)

**5-413. Compliance.** The finance director (or person serving as the town's chief financial officer) is responsible for ensuring compliance with this policy. (as added by Ord. #2011-91, Dec. 2011)



## CHAPTER 5

### INTERNAL FINANCIAL CONTROLS POLICY

#### SECTION

- 5-501. Introduction.
- 5-502. Receipts and deposits of funds.
- 5-503. Check writing and disbursements.
- 5-504. Petty cash.
- 5-505. Town issued credit cards.
- 5-506. Missing receipt affidavit.
- 5-507. Credit card user agreement.
- 5-508. Violation of policy.

**5-501. Introduction.** The Town of Pegram has adopted and implemented this internal financial controls policy to safeguard public funds and to provide clear instructions to town officers and employees as to how such funds should be processed and recorded. All town officers and employees handling town funds shall be subject to the requirements of this policy. This policy may be amended from time to time by the board of mayor and aldermen. (as added by Ord. #2012-94, April 2012)

**5-502. Receipts and deposits of funds.** (1) The town clerk shall be responsible for opening all incoming mail and stamping "for deposit only" on all checks immediately upon receipt. This employee should also prepare a list of checks or payments and calculate the total amount of all money/checks received. In addition, any checks received without payment stubs shall be receipted in duplicate. The list of payments received shall be signed by this employee and remitted along with the money/checks, stubs and receipts to the town recorder for processing.

(2) All cash payments should be received by the town clerk who shall be responsible for preparing a written receipt and duplicate for all such funds. All cash and duplicate receipts should be turned over to the town recorder not later than the end of each business day. A daily collection report should be prepared by each employee receiving any cash payments summarizing all collections by source.

(3) Anytime custody of money changes from one employee to another the money should be counted by both. A pre-numbered receipt or other document recording the count should be prepared and signed by both employees indicating concurrence with the amount transferred. This document should be retained by the individual turning the money over.

(4) All deposits of cash, checks or other payments should be posted to the town's cash receipts journal by town clerk. The town recorder shall be responsible for making deposits and all collections must be deposited no later

than three (3) working days after initial receipt. Deposit receipts should also be retained and matched against the collection reports. (as added by Ord. #2012-94, April 2012)

**5-503. Check writing and disbursements.** (1) All persons with authority to write and sign checks on the behalf of the town shall be approved by resolution of the town's governing body.

(2) Two (2) authorized signatures are required for all checks. Before signing checks, each signator should review the supporting documentation (such as vendor invoices, purchase authorizations, etc.) to verify that the expenditure is legitimate before the check is signed.

(3) All debit/credit card statements should be reviewed by multiple persons, including by individuals independent of those who are authorized to use such cards, to ensure the legitimacy of the charges. All persons using town credit cards shall be specifically authorized to do so by resolution of the governing body and shall comply with § 5-505 herein. (as added by Ord. #2012-94, April 2012)

**5-504. Petty cash.** (1) Petty cash disbursements are only allowable for legitimate purposes, are not for personal use and must be properly documented. An invoice/receipt, accompanied by a written petty cash voucher/request, showing the items purchased, and signed by the person receiving the cash, is required in each transaction at the time the petty cash is withdrawn. The amount on hand and the petty cash vouchers and related invoices/receipts written must total to the originally authorized amount.

(2) The town recorder is responsible for monitoring the petty cash account and shall "audit" the petty cash account for any discrepancies at least once a week. This employee shall not make any withdrawals from petty cash.

(3) The petty cash account may be used only for withdrawals of less than fifty dollars (\$50.00) and the total account balance shall not exceed two hundred dollars (\$200.00). (as added by Ord. #2012-94, April 2012)

**5-505. Town issued credit cards.** (1) Introduction - general. The Town of Pegram has adopted and implemented this credit card policy to safeguard public funds and to provide clear instructions to town officers and employees that have been formally authorized to use town credit cards. All town officers and employees using town credit cards must be specifically authorized by resolution of the board of mayor and aldermen and shall be subject to the requirements of this policy as well as the Pegram Purchasing Policy. For the purposes of this policy, all authorized officers and employees shall be referred to as "cardholders." This policy may be amended from time to time by the board of mayor and aldermen.

A cardholder assumes responsibility for the protection and proper use of the card. Purchases with town credit cards must not conflict with the Town of

Pegram Purchasing Policy. The card should only be used by the authorized individual whose name appears on the card and use of the card shall not be delegated to other persons. Cardholders are responsible for all charges on the cards authorized to them. Cards and card numbers must be safeguarded against unauthorized use.

All credit card transactions will be visible via secure internet reporting tools and all cardholders' purchasing activity will be monitored by the finance department and reviewed by the town auditors. Credit cards are not intended to be used for normal, recurring expenses associated with normal department operations. Business accounts should be set up for recurring activities. Receipts for all purchases by credit card shall be forwarded to the town recorder.

It is the goal of the Town of Pegram to have all transactions sales tax exempt, when applicable. It is the cardholder's responsibility to notify the supplier, at the time of the transaction, if it will be exempt from sales tax.

The following situations are examples of misuse of the card:

- (a) Purchases for personal benefit of the cardholder or another employee;
- (b) Assignment or transfer of an individual card to another person;
- (c) Use of the card by an unauthorized employee;
- (d) Use of a card by a suspended or terminated employee;
- (e) Purchases that are not for legitimate town and public purposes;
- (f) Purchases in violation of the town purchasing policy;
- (g) Splitting a purchase to avoid a single-purchase limitation;
- (h) Use of the card for commodities, goods, or services at vendors with town accounts;
- (i) Lack of proper and timely submission of all purchase receipts.

Any violations of this section may subject the employee to discipline, including termination.

(2) Credit card audits and documentation of purchases. The town's finance director, auditor and/or state auditors will make periodic audits to verify that commodities, goods, and services purchased have been received and that policies and procedures are being followed. Adequate documentation must be maintained to record all transactions at the source. If a receipt is lost, a missing receipt affidavit must be filled out by the cardholder.

(3) Disputing a transaction. If you as a cardholder believe a transaction is disputable, first contact the merchant to attempt resolution before beginning the official dispute process. Also, immediately notify your department head and the finance director of the disputed charge. In most cases, the merchant will credit (chargeback) your account and handle your needs in a professional manner. If you or your department head cannot resolve the transaction in dispute, Community Bank will follow standard regulations

outlined by the credit card company if the required written notification from the cardholder is received within sixty (60) days of the transaction date. A cardholder shall cooperate fully in dealing the with the credit card company for all disputed purchases.

(4) Cardholder responsibility and purchasing guidelines. When using the card, a cardholder is expending taxpayer funds and all credit card purchases must comply with town policies, including this policy, the purchasing policy and the internal financial controls policy. Expenditures are held to the highest degree of trust and accountability.

Cardholder privileges and procedures are contingent upon the following:

(a) Cardholder must obtain and preserve all receipts. Turn in all receipts to the town recorder regularly but at least monthly so that it may be compared with the credit card statement. Failure to produce adequate legible receipts will be subject to strict scrutiny by the finance department and town auditors. Proper forms of transaction documentation include an invoice with detail of items purchased, cash register receipt with detail of items purchased, sales slip with detail of items purchased, or handwritten receipt signed by an employee of the supplier/merchant that includes detail of items purchased. In the event a receipt is lost, a "missing receipt affidavit" is required in lieu of the receipt (see § 5-506).

(b) If a cardholder fails to turn in a receipt, he/she must submit a "missing receipt affidavit" (see § 5-506). Multiple failures to provide receipts may result in cancellation of the card and other disciplinary action.

(c) Cash back, cash refunds or rebates may not be received by the cardholder.

(d) Splitting of transactions is not allowable (making one (1) purchase into two (2) or more for the purpose of staying within spending limits).

(5) Lost or stolen cards. In the event of a lost, stolen or mutilated card, cardholders should immediately notify Community Bank at 800-447-3248 and the town finance department. Each town issued credit card must be kept in a safe place and away from other "magnetized" stripe cards. Replacing a town issued credit card may take seven to ten (7-10) business days. (as added by Ord. #2012-94, April 2012)

**5-506. Missing receipt affidavit.** A town prepared standard form containing substantially the following shall be used and provided to the town recorder in the event a credit card receipt is lost, misplaced or not received by the cardholder:

I, \_\_\_\_\_ have either misplaced or not received a receipt for a card purchase.

This form is submitted in lieu of the original receipt.

Vendor Name: \_\_\_\_\_

Transaction Date: \_\_\_\_\_ Amount: \$\_\_\_\_\_

Items Purchased: \_\_\_\_\_

\_\_\_\_\_

I certify that the goods shown above were purchased for the Town of Pegram's operating purposes as outlined in the policies and procedures for credit card use.

Cardholder Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Department Head: \_\_\_\_\_ Date: \_\_\_\_\_

(as added by Ord. #2012-94, April 2012)

**5-507. Credit card user agreement.** Every approved recipient of a town issued credit card must execute and provide the town recorder with the town prepared standard form containing substantially the following terms of agreement prior to issuance of or use of a credit card:

**TOWN OF PEGRAM  
Credit Card User Agreement**

I, \_\_\_\_\_, hereby acknowledge receipt of a Town of Pegram credit card, issued by Community Bank. As a cardholder, I agree to comply with the terms of this agreement, including all of the Town of Pegram's policies and procedures included in title 5, chapter 5 of the Pegram Municipal Code.

I agree that I will not use the credit card to make personal purchases for others or myself.

I understand that I will not request or receive cash back from suppliers as a result of exchanges, rebates, and refunds or for any other reason.

I understand that I am the only person authorized to use the card or card number assigned to me. I will not authorize the use of this card by other town employees who may want to use it to make approved purchases.

I understand that if I transfer to another department I must notify my department head immediately. I understand that the town can terminate my right to use the card at any time, for any reason. I agree to return my card to my department head immediately upon request or upon termination of employment.

I have reviewed the Town of Pogram Credit Card Policy contained in the Pogram Municipal Code, title 5, chapter 5, § 5-505. I understand the procedures and requirements for using the credit card and for providing the required documentation for each transaction made on this card. In addition, I have reviewed, understand and am familiar with the policies and procedures governing town purchases and contained in the Pogram Purchasing Policy.

I understand that any violation of the terms of this agreement may result in disciplinary action, up to and including termination of employment. I understand that where allowed by state and federal law the town may deduct from my compensation the money amount equal to the total of any discrepancies, of the total amount of any personal gain, and/or of any fees related to the collection of such money. I understand that the town may elect to collect this money and may also recover the reasonable costs of said collection, even if the town no longer employs me.

\_\_\_\_\_  
Cardholder Name (print)

\_\_\_\_\_  
Department

\_\_\_\_\_  
Cardholder Signature

\_\_\_\_\_  
Date

RETURN THIS PAGE TO THE TOWN FINANCE DEPARTMENT TO RECEIVE CARD.

(as added by Ord. #2012-94, April 2012)

**5-508. Violation of policy.** All town employees are responsible for safeguarding public funds and the public trust. Any violations of this policy observed by any town employees shall be reported to the mayor. Any employees found to have violated this policy may be disciplined up to and including termination. (as added by Ord. #2012-94, April 2012)

## CHAPTER 6

### PRIVILEGE TAX ON NEW DEVELOPMENTS

#### SECTION

- 5-601. Short title.
- 5-602. Purpose.
- 5-603. Findings.
- 5-604. Authority.
- 5-605. Definitions.
- 5-606. Tax levy.
- 5-607. Prohibition on issuance of building permit.
- 5-608. Exemptions from tax.
- 5-609. Collection of tax.
- 5-610. Use and segregation of tax funds.
- 5-611. Authority to amend.
- 5-612. Protest of tax.
- 5-613. Additional authority.

**5-601. Short title.** This chapter shall be known and cited as the Pegram Municipal Adequate Facilities Tax. (as added by Ord. #2015-106, June 2015)

**5-602. Purpose.** It is the intent and purpose of this chapter to authorize the governing body of the Town of Pegram to impose a tax on new development within the municipality, payable at the time of issuance of a building permit, so as to ensure and require that the person responsible for new development share in the cost of public facilities necessary to serve the residents of Pegram. (as added by Ord. #2015-106, June 2015)

**5-603. Findings.** The board of mayor and aldermen hereby finds and declares that:

(1) Cheatham County, Tennessee, has been one of the fastest growing counties in the state for the past fifteen (15) years, having been impacted by the rapid growth in the standard metropolitan area of Nashville.

(2) Anticipated continued growth from the expansion of Nashville is expected to accelerate due to the continuing location of manufacturing and commercial businesses in the Middle Tennessee area, and from other factors; and

(3) Projections in 1997 were as follows:

(a) County population will be forty-two thousand (42,000) persons in the year 2010, an increase of fifty-five percent (55%) from 1990; there will be a demand for approximately five thousand (5,000) additional dwelling units between 1990 and 2010; and new residential

and non-residential development will consume an additional three thousand (3,000) acres of land in Cheatham County;

(b) The majority of the projected growth in Cheatham County between 1990 and 2010 will occur within the boundaries of the incorporated municipalities within the county; and

(c) The projected growth and land use development within these municipalities will cause a demand for municipal capital facilities (roads, parks, city governmental facilities, etc.) in an amount well in excess of ten million dollars (\$10,000,000.00) over the next fifteen (15) years.

(4) The municipality is committed, both to present and future residents, to maintaining a level of public facilities and services commensurate with those presently provided.

(5) The municipality is prepared to impose a fair, equitable and reasonable share of the costs of providing the necessary public facilities and services on existing residents of the municipality.

(6) The municipality's present population, employment base, tax base and budget cannot alone support the additional revenues needed to supply facilities to serve new growth without a substantial increase in the property tax rate on existing development.

(7) The municipality has simultaneously herewith adopted by ordinance a capital improvements program indicating the need for and the cost of public facilities anticipated to be funded, in part, by this tax.

(8) Due to these unique circumstances, it is necessary and appropriate that the Town of Pegram utilize the authority granted by the Legislature of the State of Tennessee to impose an adequate facilities tax on the privilege of engaging in the business of development.

(9) The tax herein imposed is in compliance with chapter 53, Private Acts of 1997. (as added by Ord. #2015-106, June 2015)

**5-604. Authority.** This chapter is imposed under the charter powers of the Town of Pegram, Tennessee, and under the authority conferred on the municipality to levy an adequate facilities tax on the privilege of engaging in development by chapter 53, Tennessee Private Acts of 1997. (as added by Ord. #2015-106, June 2015)

**5-605. Definitions.** As used in this chapter, unless a different meaning appears from the context:

(1) "Building" means any structure built for the support, shelter, or enclosure of persons, chattels, or movable property of any kind; the term includes a mobile home, but excludes those buildings specified in § 5-608.

(2) "Building permit" means a permit for development issued in Pegram, as herein defined, within Cheatham County.

(3) "Capital improvement program" means a proposed schedule of future projects, listed in order of construction priority, together with cost



estimates and the anticipated means of financing each project. All major projects requiring the expenditure of public funds, over and above the annual local government operating expense, for the purchase, construction, or replacement of the physical assets of the community are included.

(4) "Development" means the construction, building, reconstruction, erection, extension, betterment, or improvement of land providing a building structure or the addition to any building or structure, or any part thereof, which provides, adds to or increases the floor area of a residential or non-residential use.

(5) (a) "Floor area" for non-residential development means the total of the gross horizontal area of all floors, including usable basements and cellars, below the roof and within the outer surface of the main walls of principal or accessory buildings or the center lines of party walls separating such building or portions thereof, or within lines drawn parallel to and two feet (2') within the roof line of any building or portions thereof without walls but excluding arcades, porticoes, and similar open areas which are accessible to the general public, and which are not designed or used as sales, display, storage, services, or production areas.

(b) "Floor area" for residential development means the total or the gross horizontal area of all floors, including basements, cellars, or attics which is heated and/or air-conditioned living space or which could be at a future date.

(6) "General plan" means the official statement of the municipal planning commission which sets forth major policies concerning future development of the jurisdictional area and meeting the provisions set forth in Tennessee Code Annotated, §§ 13-4-201, 13-4-203 and 13-4-302. For the purposes of this chapter only, a general plan may consist solely of the land development plan element, which sets out a plan or scheme of future land usage.

(7) "Governing body" means the Board of Mayor and Aldermen of Pegram, Tennessee.

(8) "Major street or road plan" means the plan adopted by the municipal planning commission, pursuant to Tennessee Code Annotated, §§ 13-4-201, 13-4-302, and 13-4-303, showing among other things, "the general location, character, and extent of public ways (and) the removal, relocation, extension, widening, narrowing, vacating, abandonment or change of use of existing public ways."

(9) "Municipality" means the Town of Pegram.

(10) "Non-residential" means the development of any property for any use other than residential use, except as may be exempted by this chapter.

(11) "Person" means any individual, firm, co-partnership, joint venture, association, corporation, estate, trust, business trust, receiver, syndicate, or other group or combination acting as a unit, and the plural as well as the singular number.

(12) "Place of worship" means that portion of a building, owned by a religious institution which has tax-exempt status, which is used for worship services and related functions; provided, however, a place of worship does not include buildings or portions of buildings which are used for purposes other than for worship and related functions or which are or are intended to be leased, rented or used by persons who do not have tax-exempt status.

(13) "Public buildings" means buildings owned by the State of Tennessee or any agency thereof, a political subdivision of the State of Tennessee, including but not necessarily limited to counties, cities, school district and special districts, or the federal government or any agency thereof.

(14) "Public facility or facilities" means a physical improvement undertaken by the municipality, including, but not limited to the following: roads and bridges, parks and recreational facilities, jail and law enforcement facilities, schools, libraries, government buildings, fire stations, sanitary landfills, water, wastewater and drainage projects, airport facilities and other governmental capital improvements benefitting the citizens of the municipality.

(15) "Residential" means the development of any property for a dwelling unit or units.

(16) "Subdivision regulations" means the regulations adopted by the governing body, as amended, pursuant to Tennessee Code Annotated, § 13-4-303, by which the municipality regulates the subdivision of land.

(17) "Zoning resolution" means the ordinance adopted by the governing body, as amended, pursuant to Tennessee Code Annotated, § 13-7-201, by which the municipality regulates the zoning, use and development of property. (as added by Ord. #2015-106, June 2015)

**5-606. Tax levy.** There is hereby levied a tax on each person engaging in the business of development in the municipality, which tax shall be due and collected by the municipality at the time of application for a building permit for development, as provided in § 5-609.

Tax rate schedule

New residential development:                   \$0.75 per gross square foot of floor area  
New non-residential development:           \$0.40 per gross square foot of floor area  
(as added by Ord. #2015-106, June 2015)

**5-607. Prohibition on issuance of building permit.** No building permit for development shall be issued within the municipality unless the tax has been paid in full to the municipality, as provided in § 5-609. (as added by Ord. #2015-106, June 2015)

**5-608. Exemptions from tax.** No tax shall be assessed or collected for the development of:

- (1) Public buildings;
- (2) Places of worship;
- (3) Barns or outbuildings used for agricultural purposes;
- (4) Replacement structures for previously existing structures destroyed by fire or other disaster;
- (5) Additions to a single-family dwelling;
- (6) A structure owned by a non-profit corporation which is a qualified 501(c)(3) corporation under the Internal Revenue code; and
- (7) Permanent residential structures replacing mobile homes where the mobile home is removed within thirty (30) days of the issuance of the certificate of occupancy for the permanent residential structure, provided that the permanent structure is a residence for the owner and occupant of the mobile home and that owner and occupant has resided on the property for a period of not less than three (3) years. (as added by Ord. #2015-106, June 2015)

**5-609. Collection of tax.** (1) Each applicant for a building permit for development, as herein defined, shall state on a form provided by the municipality, the proposed use (residential or non-residential) and the amount of gross square footage of floor area contained in the development for which the permit is sought.

(2) The municipal official designated in the administrative guidelines shall calculate the tax due on the development and collect such tax prior to acceptance of the application for the permit.

(3) In its sole discretion, the municipality may permit a person engaging in the business of development to defer payment of the tax due until the time for issuance of the building permit, but in no case shall a building permit issue until the tax is paid in full by the applicant to the municipality. (as added by Ord. #2015-106, June 2015)

**5-610. Use and segregation of tax funds.** All tax funds collected within the municipality as authorized herein, shall be deposited and accounted for in a special revenue or capital projects fund, and shall be used for the purpose of public facilities to serve the residents of the municipality. (as added by Ord. #2015-106, June 2015)

**5-611. Authority to amend.** The municipality may, from time to time, amend the tax herein imposed on development, based upon adoption of a revised capital improvements program. (as added by Ord. #2015-106, June 2015)

**5-612. Protest of tax.** Any person aggrieved by the decision of the municipal building official or other responsible official concerning any aspect of chapter 53, Private Acts of 1997 or this chapter may obtain a review of the official's decision in the manner provided in said Act. (as added by Ord. #2015-106, June 2015)

**5-613. Additional authority.** The authority to impose this privilege tax on new developments within the municipality is in addition to all other authority to impose taxes, fees, assessments, or other revenue-raising or land development regulatory measures granted either by the private or public acts of the State of Tennessee and the imposition of such tax, in addition to any other authorized tax, fee, assessment or charge, shall not be deemed to constitute double taxation. (as added by Ord. #2015-106, June 2015)