

THE UNIVERSITY of TENNESSEE 
INSTITUTE for PUBLIC SERVICE
MUNICIPAL TECHNICAL ADVISORY SERVICE

November 30, 2011

Ms. Daisy Madison, Finance Director
City of Chattanooga
City Hall Annex Room 402
Chattanooga, Tennessee 37402

Re: Proposed Debt Policy Review

Dear Ms. Madison

Since our finance consultants could not complete the debt policy review within the time requested, I have reviewed the proposed policies for conformance with the MTAS Model Debt Policy.

Your proposed debt policies are comprehensive and well written and for the most part are consistent with the MTAS Model Debt Policy. You may want to consider adding:

1. Under X. Types of Debt-The city council and management are committed to maintaining rates and fee structures of revenue supporting debt at levels that will not require a subsidy from the city's general fund.
2. Under X. Types of Debt-Capital Leases-Capital leases must be entered into by the council. Details on the lease agreement will be forwarded to the comptroller's office on the specified form within 45 days.

Under XII. Transparency-you may want to include:

1. All notices shall be posted in the customary and required posting locations, including required newspapers and bulletin boards.
2. The terms and life of each debt issue shall be clearly presented and disclosed.
3. A debt service schedule outlining the rates of retirement for the principal amount shall be clearly presented and disclosed.
4. Outline any apparent risks and address any potential conflicts of interest.

Ms. Daisy Madison
Page 2
November 30, 2011

In terms of both long and short term debt, it appears that your proposed policies have adequately addressed:

1. General obligation bonds;
2. Revenue bonds;
3. Refunding bonds including percentage of savings required;
4. Bond anticipation notes;
5. Revenue on Tax anticipation notes;
6. Capital Outlay notes;
7. Capital leases;
8. Life of debt; and
9. Debt limits.

It appears that the transparency issues of cost disclosures, the city's position on variable rate debt and the city's position on derivatives are sufficient. The section on professionals in my opinion adequately addresses the hiring process, the prohibition from providing both financial advisory and underwriting services, professionals required to disclose any conflict of interest, professionals declining all compensation related to the debt issue, and agreements with professionals to be in writing.

You may want to include information relating to grant anticipation notes and inter-fund borrowing. I did not notice any provision for private borrowing or bank qualified debt-subject to limits by state and federal law maximum of \$10 million.

Please let me know if you have questions or comments. MTAS can schedule a more in depth review of the proposed policies if you wish.

Sincerely

Ron Darden
Municipal Management Consultant

cc: MTAS Finance Manager Kay Stegall