

Resolution No. 2019-003

**A Resolution to Approve and Adopt the Town of Bluff City
Debt Management Policy**

WHEREAS, the Town of Bluff City Debt Management Policy has been reviewed, approved and adopted by the Board of Mayor and Alderman of the Town of Bluff City, Tennessee.

THEREFORE, BE IT RESOLVED by the Board of Mayor and Alderman of the Town of Bluff City, Tennessee:

1. That the Town of Bluff City Debt Management Policy, which is attached hereto is approved and adopted by the Board of Mayor and Alderman of the Town of Bluff City, Tennessee on the date written hereinbelow.

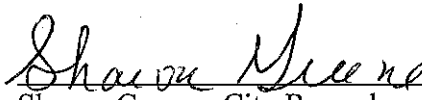
2. That this Resolution shall become effective from and after its final passage, the public welfare requiring it.

ADOPTED this 11th day of April, +2019.



Irene Wells, Mayor

Attest:



Sharon Greene, City Recorder

Approved as
to form:



J. Paul Frye, City Attorney

The Town of Bluff City Debt Management Policy

Introduction

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

Goals and Objects

The goal of this policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater long-term stability will be generated by the use of consistent guidelines in issuing debt. The Town's objectives are to enhance internal financial management by:

- Achieving the lowest cost of capital
- Ensuring high credit quality
- Assure access to capital markets
- Preserve financial flexibility
- Manage various forms of risk exposure

Guidelines for Debt issuance

- The Town will prepare and update annually a Capital Improvement Program (CIP) to be approved by Town Board of Mayor and Aldermen. The CIP will be developed with an analysis of the Town's infrastructure and other capital needs, and the financial impact of the debt service required to meet the recommended financing plan.
- Each project proposed for financing through debt issuance will have an analysis performed for review of tax impact and future operating costs associated with the project and related debt issuance costs.
- All proceeds from debt issuance for the Town of Bluff City shall be appropriated by the Board of Mayor and Alderman.

Types of Debt

- Long-term debt will be issued to purchase or construct capital improvements or equipment with a minimum expected life of five years. The Town will not use long-term borrowing to finance annual operating needs. The term of any bond issue will not exceed the useful life of the capital project /facility or equipment for which the borrowing is intended.
- The Town will comply with all applicable U.S. Internal Revenue Service and U.S. Treasury arbitrage requirements for bonded indebtedness in order to preserve the tax-exempt status of such bonds.
- Bond issues should be planned to minimize the frequency of issuance, thereby ensuring the lowest possible costs of issuance. When determining the size of a bond issue, consideration should be given to the need for construction, debt service and capitalized interest funds. Construction fund draw schedules shall be prepared.
- The Town may issue revenue bonds to fund proprietary activities such as water and water pollution control utilities, or for other capital projects that generate adequate revenues from user fees to support operations and debt service requirements. The bonds will include written legal covenants which require that revenue sources are adequate to fund annual operating expenses and annual debt service requirements.
- The decision to use bond proceeds to pay interest during construction for revenue-producing projects shall be made on a case by case basis and shall be based on an evaluation of the opportunity cost of funds and the availability of other sources of funds to pay interest costs.
- Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be submitted to the State of Tennessee Comptroller Office and the Town 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 Town Board of Mayor and Aldermen; however, details on the lease agreement will be forwarded to the Comptroller's Office on the specified form within 45 days.
- Short-term borrowing may be utilized for interim financing or for other purposes as described below. The Town will determine and utilize the least costly method for short-term borrowing subject to the following policies:
 - Other Short-Term Debt may be used when such instruments provide an interest rate advantage or as interim financing.

Transparency

- The Town shall comply with legal requirements for notice and for public meetings related to debt issuance.

All notices shall be posted in the customary and required posting location, including as required local newspapers, bulletin boards and websites.

All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the citizens, Town Board of Mayor and Aldermen and other stakeholders in a timely manner.

The terms and life of each debt issue shall be clearly presented and disclosed to the citizens/members, Town Board of Mayor and Aldermen, and other stakeholders in a timely manner.

Refunding of Debt

The Town will refund debt when it is in the best financial interest of the Town to do so.

- **Debt Service Savings**—When a refunding is undertaken to generate interest rate cost savings, the minimum aggregate present value savings will be 3% of the refunded bond principal amount. The present value savings will be net of all costs related to the financing. If present value savings is less than 3%, the Town may consider the refunding efficiency as measured by option value.
- **Term of Refunding Issues**—The Town will refund bonds within the term of the originally issued debt. However, the Town may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Town also may 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.
- **Arbitrage**—The Town shall take all necessary steps to avoid negative arbitrage in its refunding. Any resulting positive arbitrage will be rebated as necessary according to Federal guidelines.

Monitoring and Compliance

- The debt outlined above will be computed annually and reported in the Comprehensive Annual Financial Report.

- The Town will provide annual financial and economic information to the Electronic Municipal Market Access system (EMMA), the website which is the official source for municipal disclosures and market data designated by the SEC and the State Information Depository (SID).

The Town will also notify the EMMA and SID of any of the following material Events:

- Principal and interest payment delinquencies
- Nonpayment-related defaults
- Unscheduled draws on bond-related reserves
- Adverse tax opinions or events affecting the tax-exempt status of any bonds

Compliance

The Finance Director is responsible for ensuring compliance with this policy.

Review of Policy

The policy shall be reviewed from time to time by the Board of Mayor and Aldermen. Any amendments shall be considered and approved in the same process as the adoption of other policies by the Board of Mayor and Aldermen at a duly called advertised meeting of the Board.