

## RESOLUTION 2011-07

### **Debt Management Policy City of Belle Meade, Tennessee December, 2011**

The purpose of this debt management policy statement is to establish guidelines that will be followed in debt issuance by the City of Belle Meade, Tennessee (the "City"). This policy reinforces the commitment of the City and its officials to manage the financial affairs of the City in a way that minimizes risk and ensures transparency while still meeting the capital needs of the City. A debt management policy signals to the public and the bond rating agencies that the City follows a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee that the City adopt a debt management policy.

The goal of this policy is to assist City officials and the City's agents and appointees in planning, issuing and managing debt obligations by providing clear direction as to procedures and substance to achieve desired outcomes. In addition, greater long-term financial stability will be achieved by adhering to policy and guidelines in the issuance of debt.

#### Definition of Debt:

All obligations of the City to repay, with or without interest, in installments or whole at a later date, some amount of money borrowed, dedicated and paid for the purchase or construction of facilities and property or operations of the City. These borrowings may be in the form of notes, bonded indebtedness or loans of any type. General obligation bonds, revenue bonds, bond anticipation notes, capital outlay notes, grant anticipation notes, tax and revenue anticipation notes, and similar types of indebtedness are required to be approved by City's Board of Commissioners and the State of Tennessee Comptroller's Office prior to issuance. Also, any plan for refunding debt must be submitted to the Comptroller's Office for approval prior to issuance. Capital or equipment leases may be entered into by the City; however, details of the lease agreement must be forwarded to the Comptroller's Office on a specified form within 45 days after authorization by the City.

#### Transparency:

The City will comply with all legal requirements for notice and for public meetings related to debt issuance. In the interest of transparency, all costs, including issuance costs and continuing and one-time interest costs, will be disclosed to the public by the Board of Commissioners in a timely manner. All notices will be posted in customary and required posting locations, including as required in local newspapers and on bulletin boards and websites.

#### Role of Debt:

- Long-term debt will be used only to finance capital purchases or construction identified through capital improvement planning and not to finance current operations. The City will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and strict budget management.
- In accordance with Generally Accepted Accounting Principles, the maturity of underlying debt will not be more than the useful life of the financed assets, either purchased or constructed.

#### Debt Structure:

- The City will seek to structure debt with level or declining debt service payments over the life of each individual bond issue.
- Variable interest rates and payments may be attractive under certain circumstances, but risks involved with the use of variable rates and payments, and the conditions for conversion to fixed rates, must be clearly understood and disclosed in detail in the bond documents. Prior to any use of a variable interest rate and payment structure, a written management report detailing the possible positive and negative consequences of such structure will be presented to the City's Board of Commissioners for its approval and in turn approval by the State of Tennessee Comptroller's Office.
- It is the current policy of the City not to use derivate financial structures in the management of the City's finances. Prior to any use of a derivate financial structure, a written management report detailing the possible positive and negative consequences of such structure will be presented to the City's Board of Commissioners for its approval and in turn approval by the State of Tennessee Comptroller's Office.
- Total outstanding general obligation debt of the City, including new debt being issued, may not exceed 10% of the assessed value of all taxable property of the City. Self-supported general obligation debt, such as utility revenue bonds supported by dedicated fees or charges, may be exempted from the 10% limitation. Maximum annual principal and interest of revenue bonds issued by the City, whether secured by the general obligation of the City or not secured by the general obligation of the City, will be covered at least 1.5 times projected net revenue of the facility or service, including the maximum principal and interest of any other outstanding debt secured by the net revenue of the facility or service.

#### Costs of Debt:

- All costs associated with the initial issuance or incurrence of debt shall be disclosed to the public prior to action by the Board of Commissioners in accordance with the above stated notice requirements.
- All costs and outlays associated with the repayment of the debt including interest, principal payments, and fees or charges will be disclosed to the public by the Board of Commissioners in accordance with the above stated notice requirements. In cases of variable interest or non-specified costs, detailed explanation of the related assumptions

will be provided along with a well founded estimate of the total costs that will be incurred.

- Costs and outlays related to the repayment of debt, including liabilities for future principal and interest payments, planned refunding, pre-refunding and pre-payments from cash balances, will be provided for in annual budgets.

#### Professional Services:

The City will require all professionals engaged in the process of issuing debt for the City to disclose fully all compensation and considerations paid and received related to services provided in the debt issuance process by both the City and the lender or a conduit issuer. This will include “soft” costs or compensations in lieu of direct payments.

- **Counsel:** The City will enter into an engagement letter agreement with each lawyer or law firm retained to represent the City in a debt transaction. No engagement letter is required for any lawyer who is an employee of the City or lawyer or law firm that is under a general appointment or contract to serve as counsel to the City. The City is not required to have an engagement letter with an underwriter’s counsel.
- **Financial Advisor:** The City will enter into a written agreement with each person or firm serving as financial advisor to the City in debt management and issuance.
  - In a competitive bond sale by the City, the financial advisor to the City that is or has been providing advisory services on the issue will not be permitted to bid on the issue.
  - In a negotiated sale, the financial advisor will not be permitted to resign as financial advisor in order to underwrite the issue for which the advisor is or has been providing advisory services to the City.
- **Underwriter:** The underwriter of a negotiated bond sale will be required to provide pricing information both as to interest rates and underwriting spread (including sales takedown for each maturity) to the City’s Board of Commissioners in advance of the pricing of the bond issue.

#### Conflicts of Professionals:

Professionals involved in a debt transaction hired or compensated by the City will be required to disclose to the City existing client and business relationships between and among those professionals, including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, remarketing agent, conduit issuer, sponsoring organizations and program administrators. This disclosure must be complete enough to allow the City to evaluate the significance of the relationships and any impact the facts and circumstances may have on the City.

Professionals who become involved in a debt transaction for the City as a result of bids submitted in a widely and publicly advertised competitive sale conducted by way of an industry standard electronic bidding platform are not subject to this disclosure.

No disclosure on the parts of professionals is required that would violate any rule or regulation of professional conduct.

Delegated Responsibilities:

With respect to required official acts and required notices and disclosures to or by “the City,” “the City” is meant to include, in their appropriate roles, any and all duly elected or appointed officials or holders of positions of authority for the City and the City’s engaged agents and representatives.

Annual Review and Approval:

This policy statement will be reviewed annually with the approval of the annual budget.

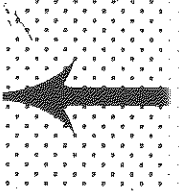
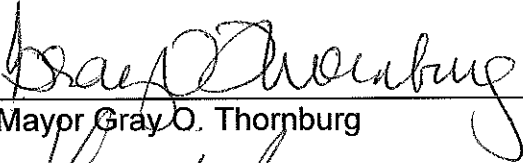
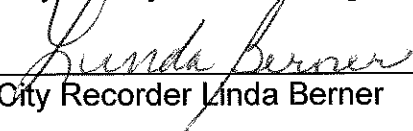
TCA References:

TCA 7, Part 9 – Contracts, Leases, and Lease Purchase Agreements

TCA 9, Part 21 – Local Government Public Obligations Law

This Resolution shall become effective upon passage.

Date of Adoption:

  
  
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Mayor Gray O. Thornburg  
  
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City Recorder Linda Berner