

TITLE 5

MUNICIPAL FINANCE AND TAXATION¹

CHAPTER

1. MISCELLANEOUS.
2. REAL PROPERTY TAXES.
3. PRIVILEGE TAXES.
4. WHOLESALE BEER TAX.
5. MUNICIPAL PURCHASING AGENT AND PROCEDURES.
6. DEBT POLICY.

CHAPTER 1

MISCELLANEOUS

SECTION

- 5-101. Depository for municipal funds.
5-102. Budget process regulated.

5-101. Depository for municipal funds. Be it enacted that upon board approval the City Recorder for the Town of White Bluff shall have the authority to transfer funds, open checking and savings account, and obtain certificates of deposits on behalf of the Town of White Bluff in such financial institutions with branches or locations within the municipal boundaries of the Town of White Bluff. (1983 Code, § 6-101, as amended by Ord. #184, Nov. 1999)

5-102. Budget process regulated. Prior to the approval of any amendment to the annual budget that would increase appropriations for the expenditure of city funds, the city 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.

Nothing in this chapter shall be construed or interpreted as an expansion or limitation of any power or authority granted to the municipality by the State of Tennessee. (1983 Code, § 6-502)

¹Charter references
Taxing authority: § 19.

CHAPTER 2

REAL PROPERTY TAXES

SECTION

5-201. When due and payable.

5-202. When delinquent--penalty and interest.

5-201. When due and payable. Taxes levied by the town against real property shall become due and payable annually on the first Monday of November of the year for which levied. (1983 Code, § 6-201)

5-202. When delinquent--penalty and interest. All real property taxes shall become delinquent on and after the first day of March next after they become due and payable and shall thereafter bear interest at the rate of interest of one (1%) percent per month until paid. In addition to the payment of interest at the rate of twelve (12%) percent, there shall be assessed a penalty of one-half ($\frac{1}{2}$) of one (1%) percent per month on such delinquent taxes until fully paid.¹ (1983 Code, § 6-202, as amended by Ord. #170, April 1998)

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 3**PRIVILEGE TAXES****SECTION**

5-301. Tax levied.

5-302. License required.

5-301. 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 said 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 businesses, business activities, vocations, and occupations carried on within the Town of White Bluff at the maximum rate prescribed by the provisions of the "Business Tax Act." (1983 Code, § 6-301, as amended by Ord. #272, Aug. 2007)

5-302. License required. No person shall exercise any such privilege within the Town of White Bluff without a currently effective privilege license, which shall be issued by the recorder to each applicant therefor upon such applicant's compliance with all regulatory provisions in this code and payment of the appropriate privilege tax. (1983 Code, § 6-302)

CHAPTER 4

WHOLESALE BEER TAX

SECTION

5-401. To be collected.

5-401. To be collected. The recorder is hereby directed to take appropriate action to assure payment to the Town of White Bluff of the wholesale beer tax levied by the "Wholesale Beer Tax Act," as set out in Tennessee Code Annotated, title 57, chapter 6.¹ (1983 Code, § 6-401)

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 5

MUNICIPAL PURCHASING AGENT AND PROCEDURES**SECTION**

- 5-501. Office of purchasing agent created.
5-502. Duties of purchasing agent; purchasing procedures defined.
5-503. Limitations on revising purchasing procedures.
5-504. Expenditures without advertisement.

5-501. Office of purchasing agent created. As provided in Tennessee Code Annotated, § 6-56-301, et seq., the office of purchasing agent is hereby created and the city recorder shall faithfully discharge the duties of said office or appoint an individual to make purchases for the town.¹ Purchases shall be made in accordance with the Municipal Purchasing Law of 1983 and amendments thereto, this chapter and purchasing procedures approved by the governing body. (1983 Code, § 1-1101)

5-502. Duties of purchasing agent; purchasing procedures defined. The purchasing agent, or designated representative, as provided herein, shall purchase materials, supplies, services and equipment, provide for leases and lease-purchases and dispose of surplus property in accordance with purchasing procedures approved by the governing body and filed with the city recorder. (1983 Code, § 1-1102)

5-503. Limitation on revising purchasing procedures. After initial approval by resolution of the governing body of this town, changes or revisions to the purchasing procedures shall be made only by resolution. (1983 Code, § 1-1103)

5-504. Expenditures without advertisement. Pursuant to Tennessee Code Annotated, §§ 6-56-305 and 6-56-306, the mayor and council, by a majority vote, shall have the authority to authorize purchases, leases and expenditures for necessary town services and equipment and to conduct the business of the town government up to the maximum sum of ten thousand dollars (\$10,000.00) for each expenditure without the necessity of public advertisement. Each department shall obtain at least three (3) bids if at all possible for purchases from one thousand dollars (\$1,000.00) to ten thousand dollars (\$10,000.00) with documentation and there shall be no split orders that would cause the total purchase to exceed ten thousand dollars (\$10,000.00).

¹Municipal code reference

Duties of city recorder: title 1, ch. 3.

(Ord. #145, Dec. 1995 as amended by Ord. #164, Oct. 1997, and replaced by Ord. #314, Oct. 2010 *Ch2_5-7-19*)

CHAPTER 6**DEBT POLICY¹****SECTION**

- 5-601. Definition of debt.
- 5-602. Approval of debt.
- 5-603. Transparency.
- 5-604. Role of debt.
- 5-605. Types and limits of debt.
- 5-606. Use of variable rate debt.
- 5-607. Use of derivatives.
- 5-608. Cost of debt.
- 5-609. Refinancing outstanding debt.
- 5-610. Professional services.
- 5-611. Conflicts.
- 5-612. Review of policy.
- 5-613. Compliance.

5-601. 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 purchases, 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. #337, Dec. 2011 *Ch2_5-7-19*)

5-602. Approval of debt. Bond anticipations 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 town council 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 council; 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. #337, Dec. 2011 *Ch2_5-7-19*)

¹State law references

Tennessee Code Annotated, part 21- local government public obligation law

Tennessee Code Annotated, 7, part 9- contracts, leases and lease purchase agreements

5-603. 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 cost (including principal, interest, issuance, continuing and one (1) time) shall be clearly presented and disclosed to the citizens, town council, 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, town council, 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, town council and other stakeholders in a timely manner. (as added by Ord. #337, Dec. 2011 *Ch2_5-7-19*)

5-604. 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 and state law, 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. Debt issued for operating expenses must be repaid within the same fiscal year of issuance of incurrence. (as added by Ord. #337, Dec. 2011 *Ch2_5-7-19*)

5-605. Types and limits of debt. (1) The town will seek to limit total outstanding debt service obligations to twenty-five percent (25%) of general fund annual revenues 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 town council by the city recorder during the annual budget process. The city recorder shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The city recorder shall also report to the town council any matter that adversely affects the credit or financial integrity of the town.

(4) The town is authorized to issue general obligations 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 town council 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. #337, Dec. 2011 *Ch2_5-7-19*)

5-606. 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 town council shall be informed of the potential affect 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 town council shall be informed of the potential affect 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 town council 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. #337, Dec. 2011 *Ch2_5-7-19*)

5-607. Use of derivatives. (1) The town chooses not to use derivative 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 town council; and

(b) The town council 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. #337, Dec. 2011 *Ch2_5-7-19*)

5-608. 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 town council 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. #337, Dec. 2011 *Ch2_5-7-19*)

5-609. 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. #337, Dec. 2011 *Ch2_5-7-19*)

5-610. 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. 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 by 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.)

(2) If the town chooses to hire financial advisors the town shall enter into a written agreement with each person or firm serving as financial advisor in debt management and transactions. Whether in a competitive 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.

(3) Underwriter. If there is an underwriter, the town shall require the underwriter to clearly identify itself in writing (e.g., in a response to a 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 governing body in advance of the pricing of the debt. (as added by Ord. #337, Dec. 2011 *Ch2_5-7-19*)

5-611. 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 administrator. This disclosure shall include that information reasonable 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. #337, Dec. 2011 *Ch2_5-7-19*)

5-612. Review of policy. This policy shall be reviewed at least annually by the town council with the approval of the annual budget. Any amendments shall be considered and approved in the same process as the initial adoption of the Policy, with opportunity for public input. (as added by Ord. #337, Dec. 2011 *Ch2_5-7-19*)

5-613. Compliance. The city recorder is responsible for ensuring compliance with this policy. (as added by Ord. #337, Dec. 2011 *Ch2_5-7-19*)