



## TENNESSEE DEBT MANUAL FOR LOCAL GOVERNMENTS



*Approved by the State Funding Board  
June 2025*

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*Comptroller of the Treasury*



**DIVISION OF  
LOCAL GOVERNMENT FINANCE**

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## Section 1 – Introduction

The purpose of this Tennessee Debt Manual for Local Governments (this “Manual”) is to provide general information to local government issuers in Tennessee relating to the issuance of debt. This manual also provides for specific forms and procedures, as is authorized by Tenn. Code Ann. § 4-3-305, that should be complied with by local governmental entities to which those forms and procedures are applicable.

Specifically, this Manual contains the following:

- Sections 2–5 provide general information relating to the issuance of local government debt in Tennessee.
- Section 6 provides uniform procedures for the issuance of notes by Tennessee’s counties, metropolitan governments, municipalities, and other local governments authorized to issue notes pursuant to Title 9, Chapter 21, of Tennessee Code Annotated.
- Section 7 provides refunding and state law reissuance guidance as well as brief descriptions of other reporting and approval requirements related to local government debt issuance.
- Section 8 provides a brief overview of federal oversight of local government debt.
- Section 9 provides local governments with an introduction to other resources related to best practices for the issuance of debt.

This Manual, as approved by the State Funding Board on June 23, 2025, is the third edition issued pursuant to Tenn. Code Ann. § 4-3-305 and is effective July 1, 2025.

This Manual provides general information and is not intended to offer specific financial or legal advice for local government issuers. Questions regarding matters discussed in this Manual or the application of this Manual to particular situations, should be addressed to the Division of Local Government Finance in the Comptroller’s Office and/or the issuer’s legal and financial advisors.

## Section 2 – Types of Debt

In general, debt refers to borrowing money and repaying it with interest over a period of time. In Tennessee, the debt of local government entities can be issued for a very short term, such as a few months, but certain types of debt of local government entities can have a term of up to 40 years.

Local government entities typically issue long-term debt to finance capital projects, such as schools, courthouses, safety facilities, and other public assets, that will last for many years and may be too expensive to pay for at the time of construction with current funds. By repaying the debt over a longer period of time, the cost of the project is spread over its life. Local government entities often issue short-term debt to finance equipment that has a shorter life when the cost of the equipment needs to be spread over multiple fiscal years.

If authorized at all, local governments are generally allowed to borrow for the payment of operating expenses on a short-term basis, in anticipation of current year revenues and must be repaid, in most cases, within the fiscal year the funds are borrowed. Only in rare circumstances can local governments borrow funds to finance or refinance the payment of operating expenses on a long-term basis.

Like comparable provisions in many other states, Article II, Section 29 of the Tennessee Constitution prohibits cities and counties from lending their credit for the benefit of private enterprises unless an election is first held and three-fourths of the votes cast in the election are in favor of the proposal. Tennessee courts have generally interpreted this provision so that it only applies when a debt is actually incurred and only when a city or county secures the debt with its taxing power, and not with other available revenues.

In some states, a local government entity may obtain a court ruling to validate the issuance of a debt obligation. Validation proceedings are rare in Tennessee, and almost all local government debt is issued in Tennessee without validation. If a debt obligation is not legally issued by certain local government entities, the Comptroller's Office is permitted to work with the local government entity to bring the obligation into conformity with applicable laws. Sometimes compliance is accomplished through a corrective action plan, but in some cases, it is necessary for the nonconforming obligation to be retired early. See Tenn. Code Ann. § 9-21-406.

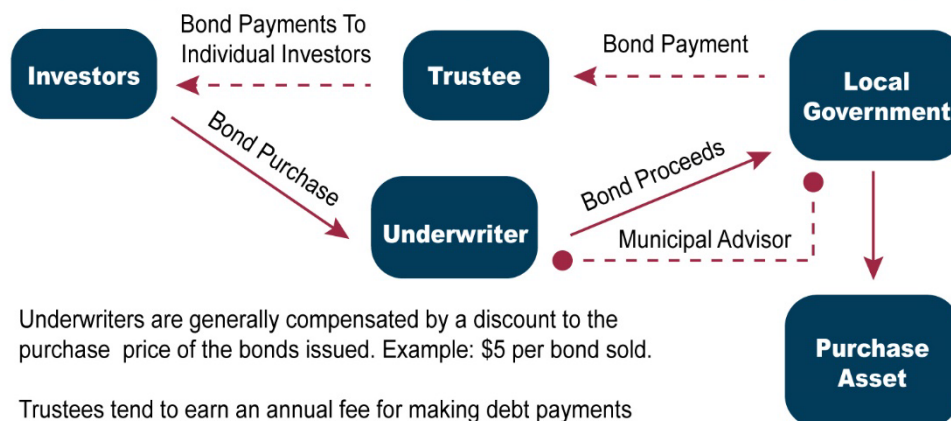
The most common types of debt instruments in Tennessee are the following:

#### a. Bonds

Bonds are typically long-term debt instruments, although many Tennessee statutes do not provide a clear distinction between the term of bonds and the term of other debt obligations. Like other debt obligations, a bond is the issuer's promise to repay a set amount of money, plus periodic interest, on a specific date. When bonds are issued by cities, counties, metropolitan governments, and other local government entities that have strong credit, those bonds are often sold to the public. Typical features of municipal bonds sold to the public are as follows:

- Such bonds typically have serial maturity dates with a maturity in each year and a different interest rate for each maturity.
- Such bonds are typically sold in \$5,000 denominations so that they can be sold to many investors.
- Interest on such bonds is typically paid semi-annually.
- Such bonds often cannot be prepaid for a period of time (typically 10 years).

### Flow of Funds in a Bond Transaction\*



Underwriters are generally compensated by a discount to the purchase price of the bonds issued. Example: \$5 per bond sold.

Trustees tend to earn an annual fee for making debt payments to registered bond owners.

Municipal Advisors are hired by local governments to assist in the bond issuance process and are compensated per transaction.

\*Please note that not all bond transactions in Tennessee involve a trustee or an underwriter.

#### b. Notes

Notes are typically short-term debt instruments. As with a bond, the issuer of a note promises to repay the amount of principal borrowed, plus interest, on a certain date.

Notes issued by local government issuers in Tennessee may take many forms. Types of notes issued by counties, cities, and metropolitan governments include the following:

- Bond anticipation notes, which are notes typically used to fund the construction phase of a capital project until long-term bonds are issued. Bond anticipation notes are sometimes issued in a commercial paper format.
- Grant anticipation notes, which are issued to fund initial capital spending that is later reimbursed through a grant.
- Tax and revenue anticipation notes, which are issued to provide operating funds until other taxes or other revenues are collected. Such notes generally must be repaid by the fiscal year end.
- Capital outlay notes, which are typically issued to finance the purchase of capital assets that have a shorter economic life, such as vehicles or equipment. Capital outlay notes may remain outstanding for up to 12 years, but no longer than the estimated useful life of the capital asset being financed.

Notes, as listed above, may be issued as internal loans pursuant to Tenn. Code Ann. § 9-21-408. The Division of Local Government Finance must approve the internal loans listed above (the process is described below). Electric department interdivisional loans authorized under Tenn. Code Ann. § 7-52-603, do not require Comptroller approval.

### **c. Financing Leases**

After recent accounting rule changes, most leases will be shown as a liability and an asset on a local government entity's balance sheet. The distinction between financing leases and operating leases (or true leases) has largely been eliminated for accounting purposes.

However, the notion of a financing lease, as opposed to an operating lease, is still a relevant concept under federal tax law. Under federal tax law, a financing lease typically provides for periodic rent payments that are effectively principal and interest payments, with the interest component specifically identified, and further provides for a bargain purchase option by the lessee at the end of the lease. Financing leases are often marketed to local governments in connection with the sale of equipment, such as energy savings equipment.

Certain types of local government entities in Tennessee are authorized to enter into financing leases. A local government entity should confirm with its legal counsel whether it has the legal authority to enter into a financing lease.

In addition, any financing leases entered into by certain local government entities that are not classified as exempt under the "Uniformity in Local Government Lease Financing Act of 2021," must be reviewed and approved by the Comptroller's Office prior to approval by the local governing body. See Section 6 for further details.

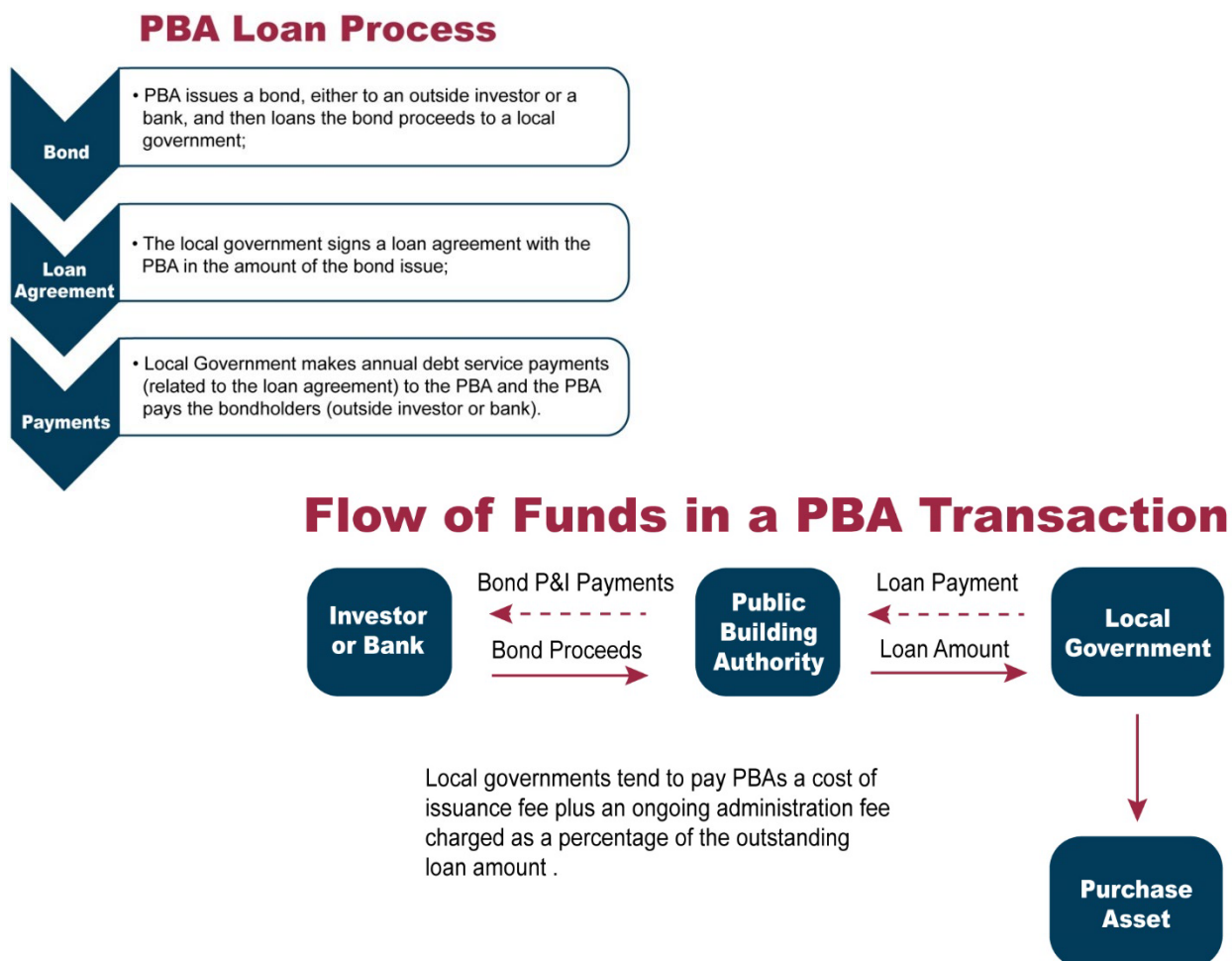


#### d. Loan Agreements

In Tennessee, certain local government entities are authorized to borrow funds pursuant to a loan agreement, in which case the issuance of a bond or note may not be required. As its name suggests, a loan agreement is an agreement under which an entity agrees to borrow funds from a lender.

In Tennessee, certain types of local government entities can borrow funds through a loan agreement with another type of local government entity known as a public building authority (also known as a PBA). PBAs were first authorized in state law in 1971 and were intended to help governments construct, operate, and maintain public buildings. PBAs are public corporations that are legally separate from the government or governments that create the PBA (a county or city (or both) is authorized to create a PBA).

PBAs issue debt to finance capital projects and typically loan the debt proceeds to another local government entity, such as a city or county. Although PBAs issue revenue debt, the loan agreement with a county or city may be a general obligation of the county or city. As a result, PBA debt often has the same credit quality as general obligation bonds issued by the local government borrower from the PBA.



## Section 3 – Types of Issuers

Tennessee law authorizes many types of local government entities to issue debt. A list of most local government entities that have the authority to issue debt in Tennessee follows:

Types of Issuers	Creation Authority	Statutory Authority to Issue Debt	Taxing Power	Types of Debt Issued
City	Title 6/Private Act	Title 9, Chapter 21; Title 7, Chapter 34; Title 12, Chapter 10	Yes	GO and Revenue
County	Title 5	Title 9, Chapter 21; Title 7, Chapter 34; Title 12, Chapter 11; Title 49, Chapter 3, Part 10	Yes	GO and Revenue
Metropolitan Government	Title 7	Title 9, Chapter 21; Title 7, Chapter 34; Title 12, Chapter 11; Title 49, Chapter 3, Part 11	Yes	GO and Revenue
Utility District	Title 7, Chapter 82, Part 2; Private Act, Public Act	Title 7, Chapter 82, Part 5	No	Revenue
Emergency Communication District	Title 7, Chapter 86, Part 1	7-86-114	No	Revenue
Health, Education and Housing Facility Corporation (HEHFB)	Title 48, Chapter 101, Part 3	48-101-308(10)	No (TIF)	Revenue
Housing Authority	Title 13, Chapter 20	Title 13, Chapter 20, Part 6 & 7	Depends on Act	Revenue
Special School District	Private Acts	Private Acts	No	Depends on Act
Industrial Development Board	Title 7, Chapter 53, Part 2	Title 7, Chapter 53, Part 3	No	Revenue
Public Building Authority	Title 12, Chapter 10	Title 12, Chapter 10	No (Yes through city/county)	Revenue
Hospital	Various; Private Act; Title 7, Chapter 57	7-57-304(1) through 9-21; or if issued by City/County 9-21	No	Revenue (GO with city/county)
Municipal Energy Authority	Title 7, Chapter 36	Title 7, Chapter 36	No	Revenue
Water and Wastewater Treatment Authority	Title 68, Chapter 221, Part 6; Private Act, Public Act	Title 68, Chapter 221, Part 6	No	Revenue
Regional Water and Wastewater Treatment Authority	Title 68, Chapter 221, Part 7	Title 68, Chapter 221, Part 7	No	Revenue
<b>Local Government Authorities</b>				
Airport Authority	Title 42, Chapters 3, Part 1	Title 42, Chapter 3, Part 1, through 9-21-301	No	Revenue
Convention Center	Title 7, Chapter 89	Title 7, Chapter 89	No	Revenue
Port Authority	Title 7, Chapter 87	Title 7, Chapter 87	No	Revenue
Parking Authority	Title 7, Chapter 65	Title 7, Chapter 65	No	GO and Revenue
Sports Authority	Title 7, Chapter 67	Title 7, Chapter 67		Revenue
Central Business Improvement District	Title 7, Chapter 84, Part 3	Title 7, Chapter 84, Part 3	Through Municipality	Revenue
Energy Acquisition Corporation	Title 7, Chapter 39, Part 2	Title 7, Chapter 39, Part 3	No	Revenue
Border Regional Retail Tourism Development District	Title 7, Chapter 40, Part 1	*See note below.	No	Revenue
Regional Retail Tourism Development District	Title 7, Chapter 41, Part 1	*See note below.	No	Revenue
Tourism Development Authority	Title 7, Chapter 69, Part 1	7-69-111 through 9-21	No	Revenue
Medical School Authority	Title 7, Chapter 90, Part 1	7-90-112	No	Revenue
<b>Other Local Government Instrumentalities</b>				
Soil and Water Conservation District	Title 43, Chapter 14, Part 2	43-14-218 through 2-21	No	Revenue
Human Resource Agency	Title 13, Chapter 26, Part 1	13-26-105	No	Revenue
Development District	Title 13, Chapter 14, Part 1	13-14-107(b)	No	Revenue
Flood Control Authority	Title 64, Chapter 3	Title 64, Chapter 3	No	Revenue
Railroad Authority	Title 64, Chapter 2	Title 64, Chapter 2	No	Revenue
River Basin Development Authority	Title 64, Chapter 1	Various Parts	No	Revenue
TN River 4-County Port Authority	Title 64, Chapter 4	Title 64, Chapter 4	No	Revenue
TN Central Economic Authority	Title 64, Chapter 5	Title 64, Chapter 5	No	Revenue
TN Regional Megasite Authority	Title 64, Chapter 6	64-6-106(b)	No	Revenue
Regional Transportation Authority	Title 64, Chapter 8, Part 1	Title 64, Chapter 8, Part 1	No	Revenue
Regional Marketing Authority	Title 64, Chapter 10	Title 64, Chapter 10	No	Revenue
*Special Assessment District	Title 7, Chapters 32 and 33	*See note below.	Special Assessment	GO and Revenue

\*These districts are not legal entities which are authorized to directly issue debt, but they are areas in which a special assessment or increment tax revenue stream is designated to be available for payment of debt service by a local government entity. In most cases, such debt would be issued by another local government entity, such as a city, county, PBA, or industrial development board, depending on the relevant statutes.

The following is a brief description of some of the local government entities in Tennessee that have the legal authority to issue debt. Each of these entity types have the authority to issue debt, usually to finance (either directly or through a loan to a third party) capital projects constructed to further the purpose for which the entity was formed.

- a. **Cities**—Cities can be created in Tennessee under certain general statutes or by private act. Most cities have the power to impose property taxes, although not all cities in Tennessee do impose taxes. If a city forfeits its charter and it has debt outstanding, then the county is authorized to levy a special tax for the area of the city to repay the debt (Tenn. Code Ann. § 6-52-304).
- b. **Counties**—Counties are created by the Tennessee legislature and are subdivisions of the state.
- c. **Metropolitan Governments**—Tennessee statutes allow for the merger of the city and county government function into one metropolitan government if approved at a referendum.
- d. **Health, Educational, and Housing Facility Boards (HEHFB)**—HEHFBs are created by a city and/or county to facilitate growth of health and educational facilities as well as housing.
- e. **Housing Authorities**—Housing authorities are created by cities and/or counties to facilitate the creation of housing in the area served. Housing authorities may also undertake tax increment financing (TIF) to assist redevelopment projects.
- f. **Special School Districts**—Special school districts are created by private act of the Tennessee legislature to provide education to residents of the area of incorporation.
- g. **Industrial Development Boards (IDB)**—IDBs are created by a city and/or county to provide for industrial development and other commercial and public projects in the area served by the IDB. IDBs may also undertake tax increment financing for certain economic development purposes.
- h. **Public Building Authorities (PBA)**—PBAs are created by cities and/or counties to finance, construct, and maintain public buildings. PBAs also have the legal authority to function as a lender to other local government entities.
- i. **Hospital Authorities**—Hospital authorities are created by private act or certain general statutes. Hospital authorities generally operate hospital facilities within their service area.
- j. **Municipal Energy Authorities**—Municipal energy authorities are created by cities and/or counties to operate, separate from the authorizing city or county, an electric system or other utility systems.

- k. **Water and Wastewater Treatment Authorities**—Water and wastewater treatment authorities are created by cities, counties, and/or metropolitan governments or by private act to provide water or sewer services to rate payers in the service area.
- l. **Utility Districts**—Utility districts, which are common in Tennessee, are generally created by one or more counties with new utility districts being subject to approval by the Tennessee Board of Utility Regulation (TBOUR). Utility districts generally provide water, sewer, gas, or fire protection services to the rate payers in their service area.
- m. **Emergency Communications Districts**—Emergency communications districts are created by cities and/or counties (and may be approved by voter referendum) to provide emergency communication services (911 calls and dispatch of emergency responders) in the authorized area.
- n. **Local Government Authorities**
  - i. **Airport Authorities**—Various types of airport authorities can be created by cities and/or counties to own and operate airport facilities.
  - ii. **Convention Center Authorities**—Convention center authorities can be created by a city and/or county to develop tourism, convention, and employment.
  - iii. **Port Authorities**—Port authorities can be created by cities and/or counties to develop ports and the related infrastructure to encourage commerce.
  - iv. **Parking Authorities**—Parking authorities can be created by cities and/or counties to finance, construct, and maintain parking structures and related infrastructure.
  - v. **Sports Authorities**—Sports authorities can be created by cities and/or counties to construct and maintain sports facilities.

## Section 4 – Types of Security for Local Government Debt

### a. General Obligation and Limited Tax Debt

In Tennessee, local government debt that is secured by a commitment to impose property taxes, to the extent necessary, to pay such debt is typically referred to as general obligation debt. Because counties, metropolitan governments, and cities are generally the only local government entities that have the legal authority to impose property taxes, essentially all general obligation debt issued by local government entities in Tennessee is issued by counties, metropolitan governments, and cities. General obligation debt is often described in Tennessee as being backed by the “full faith and credit” of the county, metropolitan government, or city that is issuing the debt.

General obligation debt is secured by the unlimited taxing power of the local government. Therefore, notwithstanding any local charter limitations to the contrary, the local government is required to impose a property tax in whatever amount is necessary to pay the debt. If the local government fails to do so, the holders of the debt can force the local government, through a court proceeding, to raise taxes in an amount sufficient to pay the debt service on the general obligation debt.

Certain special school districts in Tennessee, which have been created by private act, are allowed to collect property taxes imposed by the state legislature, but the amount of that property tax that can be imposed is typically limited. Debt issued by such special school districts is considered to be secured by a limited tax commitment because the property tax cannot be imposed in an unlimited amount if the taxes collected are not sufficient to pay debt payable from such taxes.

Another type of local government debt secured by limited taxes is special assessment debt. While commonly used in some states, special assessment debt has rarely been issued in Tennessee. However, as is noted in the Types of Issuers chart on in Section 3, a few statutes authorize the issuance of special assessment debt in Tennessee. Under those statutes, a special assessment, which is essentially a type of limited property tax, can be imposed on a specific district or area, and these assessments are typically collected by the city or county in which the special assessment district is created. The special assessments are sometimes used to pay for additional public services with the designated district or area, but such assessments can also be used to pay debt service on debt incurred to make capital improvements in the district or area. Because the amount of the special assessment is typically specified and limited, the debt payable from such special assessments is not typically a general obligation of the city or county and is more accurately characterized as a limited tax obligation.

## **b. Revenue Debt**

Revenue debt is essentially all local government debt that is not payable from property taxes. Revenue debt can be generally subdivided into two categories—direct revenue debt and conduit revenue debt. Direct revenue debt is debt payable from revenues created by the local government entity that issues the debt. Conduit revenue debt is debt issued by a governmental entity on behalf of a third party.

The most common type of direct revenue debt in Tennessee is debt issued by local government entities that provide utilities and similar public services. Cities frequently issue debt payable from the revenues of their electric, water, sewer, stormwater, and gas systems. Utility districts and energy authorities are also frequent issuers of direct revenue debt in Tennessee. This type of direct revenue debt is usually issued under a bond resolution of the local government issuer under which the issuer pledges the revenues of the particular utility system (frequently after the payment of operating expenses) to the payment of the debt being issued to provide improvements to the utility system.

Another common type of direct revenue debt in Tennessee is tax increment debt. In Tennessee tax increment debt (which is also sometimes called tax increment financing or “TIF”) is generally issued by housing authorities, to promote redevelopment, or by industrial development boards, to promote economic development. Tax increment debt is generally payable from the incremental increase in property taxes from a base year (generally the year before the tax increment plan is approved by the local governments) and each tax year for which the calculation of the increment is made (less certain deductions required by state statutes).

The most common issuers of conduit revenue debt in Tennessee are industrial development boards; health, education, and housing facility boards; and public building authorities. Industrial development boards and health, education, and housing facility boards frequently are requested to issue bonds to finance projects for private parties, such as projects for charitable “501(c)(3)” organizations, low-income housing projects, small manufacturing projects, and solid waste projects, and to loan the proceeds of those bonds to the private party to finance the particular project. This financing method is typically used to permit the private party to realize the benefit of tax-exempt financing as is described in Section 8 of this manual. In this type of financing, the industrial development board or health, education, and housing facility board has no obligation to pay the issued bonds except from loan repayments by the private party, so the financing is non-recourse to the local government issuer.

As is discussed in Section 2d, another common type of conduit revenue debt in Tennessee is debt issued by public building authorities or PBAs. As with industrial development boards and health, education, and housing facility boards, debt issued by PBAs is generally only payable from the loan repayments made to the PBA by another party, which, in this case, would be the local government entity that borrows the proceeds of debt issued by the PBA. Therefore, the financing is typically non-recourse to the PBA. However, the underlying loan to the other local government entity may be a general obligation of the local government that borrows from the PBA, or such underlying loan may be payable only from specified revenues of that local government entity.



## Section 5 – Types of Sales of Local Government Debt

There are generally two methods of sale of local government debt—competitive sale and negotiated sale. With a competitive sale, parties that are interested in purchasing a local government entity’s debt compete to offer the lowest interest rate for the debt. With a negotiated sale, a local government entity negotiates with a single purchaser in an effort to obtain the most favorable terms. General obligation debt and highly-rated direct revenue debt is usually well suited for competitive sales, while other types of debt are better suited for negotiated sales.

When a local government entity sells debt using a competitive sale method, the local government entity will typically publicly advertise the sale through a notice of sale and request bids to submit bids to purchase the debt being sold by a specified time. The notice of sale will specify the parameters for the sale, such as the maturities, maximum principal amount, and maximum interest rate. Once the bids are submitted, the local government will then award the bonds to the bidder that provides the lowest interest rate. In most cases, the bidders for the bonds are typically underwriters who resell the bonds to their customers.

For capital outlay notes (see Section 6c) issued by cities and counties that do not exceed \$5 million in principal, a modified form of competitive sale, known as the informal bid process, can be used. Under this alternative, a city or county can seek quotes from financial institutions to purchase a capital outlay note instead of selling the capital outlay note through a publicly advertised competitive sale.

Negotiated sales generally take two forms—public underwritings and private placements. With a public underwriting, a local government entity selects an underwriter and then negotiates the terms for the sale of the debt of the local government entity, such as interest rates, call provisions, and purchase price, among other things, with the underwriter. The local government entity and the underwriter enter into a bond purchase agreement or similar agreement to memorialize these terms and to provide for the sale of the debt. The underwriter will then typically reoffer the debt, which is usually in the form of bonds, to its customers.

With a private placement (also sometimes called a direct placement), the purchaser of the debt of the local government entity is typically a bank or other financial institution, and the debt of the local government entity is not reoffered to the public but is held by the purchaser of the debt as a loan or investment. In some cases, the purchaser of the debt may be required to hold the debt until it matures or may be subject to other restrictions regarding the transfer of the debt. The terms of the debt are negotiated directly by the local government entity and the purchaser of the debt.

The permitted method of sale for local government debt will generally be established by the statutes that authorize the issuance of the debt. Most general obligation debt in Tennessee is required to be

sold by public competitive sale, and the State of Tennessee through its State Funding Board prefers to issue its general obligation debt for larger capital projects by competitive sale.





## Section 6 – Comptroller Oversight of Short-Term Obligations

### a. Short-Term Obligations Requiring Approval by the Comptroller of the Treasury

Types of Obligations	Statute
Bond Anticipation Notes	T.C.A. §§ 9-21-501 et seq.
Capital Outlay Notes	T.C.A. §§ 9-21-601 et seq.
Financing Leases	T.C.A. §§ 9-24-101 et seq.
Grant Anticipation Notes	T.C.A. §§ 9-21-701 et seq.
Revenue Anticipation Notes – Health Care	T.C.A. §§ 9-21-1101 et seq.
Revenue Anticipation Notes – Utilities, Emergency Cash Flow	T.C.A. §§ 7-34-111; 7-36-113; 7-82-501; 68-221-611; 68-221-1311
Revenue Anticipation Notes – Utilities, Other	T.C.A. §§ 7-34-111; 7-36-113; 7-82-501
Tax and Revenue Anticipation Notes	T.C.A. §§ 9-21-801 et seq.

### i. General Requirements for Notes

#### Limits on Indebtedness

Except for Tax Anticipation Notes and certain Revenue Anticipation Notes, there is no limit on indebtedness imposed on local governments in the “Local Government Public Obligations Act of 1986” (the “Act”).

#### Local Government Powers

Local governments have the following powers under the Act: (a) contract debts in order to make grants, donations, reimbursements or loans to one (1) or more local governments, local government instrumentalities, or utility districts for the construction of any public works project; (b) Borrow money for the construction of any public works project; or (c) Issue bonds or notes to finance such construction, grant, donation, reimbursement or loan for the construction of any public works project.

In addition, local governments may pledge the full faith, credit, and unlimited taxing power of the local government as to all taxable property in the local government or a portion of the local government, if applicable, to the punctual payment of the principal of and interest on the bonds or notes issued to finance any public works project, except

bonds or notes and the interest thereon payable exclusively from revenues of a public works project. Local governments may assess, levy, and collect ad valorem taxes on all taxable property within the local government or a portion of the local government, if applicable, sufficient to pay the principal of and interest on the bonds or notes issued to finance any public works project, except bonds or notes and the interest thereon payable exclusively from revenues of a public works project.

*Tenn. Code Ann. § 9-21-107*

#### Tax-Exemption

Any bonds or notes issued by a local government pursuant to the provisions of the Act and the income therefrom shall be exempt from all state, county and municipal taxation except for inheritance, transfer and estate taxes, and except as otherwise provided in the Tennessee Code Annotated.

*Tenn. Code Ann. § 9-21-117*

### **ii. Remedies for Noteholders**

Any holder of notes issued pursuant to the Act has the right, in addition to all other rights:

By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce such holder's rights against the local government, the governing body of the local government and any officer, agent, or employee of the local government, including, but not limited to, the right to require the local government, the governing body and any proper officer, agent or employee of the local government to assess, levy and collect taxes, and to fix and collect fees, rents, tolls, or other charges adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the local government, the governing body of the local government and any officer, agent or employee of the local government to carry out any other covenants and agreements, and to perform its and their duties under this chapter. No holder or holders of notes payable exclusively from the revenues of a public works project shall ever have the right to compel the levying and collection of taxes to pay such notes and the interest thereon.

By action or suit in equity to enjoin any acts or things which may be unlawful or a violation of the rights of such holder or holders of notes.

*Tenn. Code Ann. § 9-21-407*

### **iii. Public Works Projects Defined by Tenn. Code Ann. § 9-21-105**

The following list is a summary and grouping of all public works projects authorized by Tenn. Code Ann. § 9-21-105:

#### **GENERAL GOVERNMENT**

- City and town halls
- Convention and event centers
- Courthouses
- Equipment (including vehicles, technology equipment, and related software) used for local government purposes
- Facilities for the indigent
- Fire alarm systems
- Local government stables or garages
- Public buildings
- Plazas
- Parking facilities
- Memorials
- Voting machines

#### **PUBLIC SAFETY**

- Ambulances
- Corrective, detention, and penal facilities, including, but not limited to, jails and transition centers
- Fire department equipment and buildings
- Law enforcement and emergency services equipment

#### **HEALTH**

- Dispensaries
- Facilities for persons with disabilities
- Health centers and clinics, including medical and mental health centers and clinics
- Hospitals
- Nursing homes

#### **PUBLIC RECREATION**

- Acquisitions of land for the purpose of providing or preserving open land
- Auditoriums
- Expositions
- Fairgrounds and fairground facilities
- Greenways
- Museums
- Parks
- Playgrounds

- Public art
- Preserves
- Recreation centers and facilities
- Stadiums
- Swimming pools
- Zoos

### **PUBLIC WORKS**

- Facilities for the storage and maintenance of any items of equipment that constitute public works projects
- Flood control
- Levees
- Reclamation of land

### **SOLID WASTE**

- Garbage collection and disposal systems
- Incinerators

### **EDUCATION**

- Libraries
- Schools
- Transportation equipment for schools
- Technology equipment and related software

### **TRANSPORTATION**

- Airports
- Alleys
- Bridges
- Curbs
- Harbor and riverfront improvements
- Highways
- Highway and street equipment
- Parkways
- Port facilities
- Railroads, including railway beltlines and switches
- Rights-of-way
- River and navigation improvements and roads
- Ship canals
- Sidewalks
- Streets
- Tunnels
- Urban transit facilities
- Wharves

### **UTILITIES**

- Culverts

- Drainage systems, including storm water sewers and drains
- Electric plants and systems
- Gas and natural gas systems and storage facilities
- Heat plants and systems
- Reservoirs
- Sewers
- Sewage and wastewater systems, including, but not limited to, collection, drainage, treatment, and disposal systems
- Thermal transfer generating plants and/or distribution systems
- Viaducts
- Water treatment distribution and storage systems

## **ECONOMIC DEVELOPMENT**

Hotels and supporting or incidental facilities built by local governments which are built adjacent to, and as a supporting facility of, civic or convention centers located in municipalities which have created a central business improvement district under the provisions of the “Central Business Improvement District Act of 1971,” compiled in Tenn. Code Ann. Title 7, Chapter 84

Improvements made pursuant to a plan of improvement for a central business improvement district created pursuant to the “Central Business Improvement District Act of 1971,” compiled in Tenn. Code Ann. Title 7, Chapter 84

- Markets
- Business parks
- Industrial parks
- Urban renewal projects

### **b. Bond Anticipation Notes**

The authority for the issuance of Bond Anticipation Notes (BANs) is found in Title 9, Chapter 21, Part 5 of the Tennessee Code Annotated. BANs are issued for the express purpose of providing funds in anticipation of the sale of bonds. Pursuant to Tenn. Code Ann. § 9-21-505, BANs must first be approved by the Comptroller’s Office. See the template BAN resolution in the Appendix. Template resolutions can also be found on the Comptroller of the Treasury’s website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Resolutions” tab.

### **✓ STEP ONE – Submission Requirements for Approval – BAN**

Local governments seeking approval to issue BANs shall submit the following information electronically to the Division of Local Government Finance in the Comptroller’s Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov):

#### **1. Request Letter**

The letter requesting approval to issue the BANs shall be from and signed by the local government’s Chief Executive Officer or designee.

2. Adopted Initial Bond Resolution

A certified copy of the signed and adopted initial bond resolution authorizing the issuance of general obligation bonds or revenue bonds.

3. Statement Regarding Publication of Initial Bond Resolution and Protest Period

- For general obligation bonds, certification of compliance with Tenn. Code Ann. § 9-21-206 that (a) the initial bond resolution authorizing the issuance of general obligation bonds has been published in a newspaper of general circulation; and (b) no protest was made against the initial resolution for general obligation bonds during the 20-day protest period.
- For revenue bonds, certification of compliance with Tenn. Code Ann. § 9-21-304 that the initial bond resolution authorizing the issuance of revenue bonds has been published in full once in a newspaper of general circulation.

4. Adopted Resolution

The resolution shall authorize the issuance of BANs and shall be certified. The resolution should include the following key elements:

- Clear description of public works project(s) that meet(s) the definition in Tenn. Code Ann. § 9-21-105, Title 9, Ch 11 or Title 49, Ch 3, Pt 10;
- Not to exceed dollar amount;
- Name of the note;
- Life and term of the note does not exceed 2 years;
  - Entity may request subsequent approval to extend BANs for two additional 2-year periods – Tenn. Code Ann. § 9-21-505.
- Planned amortization of the notes that meets statutory requirements;
  - After the first 2-year period, a minimum of 1/20 of the original principal shall be retired annually.
  - The entity may request subsequent waiver of the principal retirement when requesting BAN Extension – Tenn. Code Ann. § 9-21-505.
- Disclosure of any recurring fees included in the interest rate;
- Not to exceed interest rate that does not exceed the state usury maximum (Tenn. Code Ann. § 47-14-103);
- If it is an internal loan, and the entity is lending restricted monies (e.g., money from the water and sewer fund), then the entity is paying interest – Tenn. Code Ann. § 9-21-408.
  - Interest should be the highest rate currently being earned on other investments, excluding pension investments.
  - If there are no applicable investments, the interest rate is the amount that could be earned for deposits in the Local Government Investment Pool administered by the Tennessee State Treasurer.
  - The fixed interest rate may be set on the day of issuance or locked in up to 60 days prior to the day of issuance, but not prior to the decision by the local government to execute the project.
- Method of sale – competitive or negotiated;

- Security – Tenn. Code Ann. § 9-21-504 – general obligation or revenue;
  - Date of approval by governing body; and
  - Relevant signatures and certification.
5. Statement of Monthly Cash Flow Analysis  
This requirement only applies for interfund BANs. A monthly cash flow analysis is required for the lending fund(s). A monthly cash flow analysis Microsoft Excel template is available on the Comptroller of the Treasury’s website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Tools” tab.

### ✓ STEP TWO – Approval by the Comptroller’s Office – BAN

1. The request will be reviewed within 10 days of receipt by the Division of Local Government Finance in the Comptroller’s Office. If the submission is incomplete, the 10-day review period will not begin until the information needed is received.
2. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval.
3. The approval is valid for six months after the date of the letter. If the BANs are not issued within that time, a new note resolution must be passed and submitted to the Comptroller’s Office for approval. Please notify [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) as soon as possible if a decision is made not to issue the BANs.

### ✓ STEP THREE – Submission Requirements after Approval – BAN

1. Debt Report  
Pursuant to Tenn. Code Ann. § 9-21-134, a Debt Report shall be completed and filed with the governing body of the local government no later than 45 days after the issuance of the BANs and a copy (including attachments, if any) shall be filed with the Division of Local Government Finance in the Comptroller’s Office. The form should be completed using the Comptroller’s online application located at [tncot.cc/debt-report](http://tncot.cc/debt-report). An additional Debt Report will need to be filed once the long-term bonds are issued.
2. Debt Management Policy Revisions (when applicable)  
Any changes made to a debt management policy should be approved by the governing body of the local government. A copy of the revised policy should be submitted to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov). Additional information on debt management policies may be found in Section 7.
3. Debt Default, Covenant Violation, or Credit Rating Downgrade (when applicable)  
Any default, covenant violation, or credit rating downgrade, regardless of whether the associated debt obligation was approved or reported on by the Comptroller’s Office,

should be reported to the Division of Local Government Finance as further explained in Section 7.

### c. Capital Outlay Notes

Capital Outlay Notes require the approval of the Comptroller's Office. The authority for issuance of Capital Outlay Notes (CONs) is found in Tenn. Code Ann. Title 9, Chapter 21, Part 6. See the template CON resolution in the Appendix. Template resolutions can also be found on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) under the "Resolutions" tab.

#### ✓ STEP ONE – Submission Requirements for Approval – CON

Local governments seeking approval to issue CONs shall submit the following information electronically to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov):

##### 1. Request Letter

The letter requesting approval to issue the CONs shall be from and signed by the local government's Chief Executive Officer or designer.

The request must state that the proposed sale is feasible and in the best interest of the local government and that the entity is able to repay the proposed indebtedness together with all other obligations of the local government.

##### 2. Adopted Resolution

The adopted, signed, and certified authorizing resolution, and draft note. The resolution should include the following key elements:

- Clearly described municipal project(s) that meet(s) the definition in Tenn. Code Ann. § 9-21-105.
- Not to exceed dollar amount.
- Economic life of the project(s) that is reasonable based upon the nature of the project.
- Method of sale (competitive sale, negotiated, informal bid process, or interfund). The proposed type of sale must comply with Tenn. Code Ann. § 9-21-607:
  - Up to 3 years & any amount = Competitive public sale or private negotiated sale.
  - >3 and up to 12 years & up to \$5,000,000 = Competitive (can be local) or informal bid.
  - >3 and up to 12 years & >\$5,000,000 = Competitive public sale only.
  - Land acquisition notes can be sold to the seller of land in a private negotiated sale in addition to other permitted methods of sale.
  - Interfund loans are not subject to the method of sale requirements in Tenn. Code Ann. § 9-21-607.
- Name of the note.



- Life/term of the note does not exceed:
  - Economic life of the project(s) or 12 years, whichever is less – Tenn. Code Ann. § 9-21-602(a).
  - Economic life of the project(s) or 20 years, whichever is less, for interfund CON lent from proceeds from the sale of a Tennessee private act hospital – T.C.A. § 9-21-604(b).
  - 10 years for a land purchase (Tenn. Code Ann. § 9-21-607).
  - 12 years for interfund loans (Tenn. Code Ann. § 9-21-408 & Title 9, Chapter 21, Part 6)
- Planned repayment begins after the first fiscal year the notes are issued and are repaid, either by maturity or by mandatory redemption. The amortization of the notes meets the statutory requirements of Tenn. Code Ann. § 9-21-604.
  - Level debt service payments (specifically, the amount for annual principal and interest does not exceed any prior year by more than 5%).
  - An equal amount of principal in each fiscal year.
  - As otherwise approved by the Comptroller's Office.
  - Interfund CON from Tennessee Private Act Hospital sale proceeds— not less than 1/20 of the original principal amount of the notes.
  - The Comptroller's Office may waive periodic retirement requirement.
- Disclosure of any recurring fees included in the interest rate.
- Not to exceed interest rate that does not exceed the state usury maximum (Tenn. Code Ann. § 47-14-103).
- If this is an internal loan and the entity is lending restricted monies (e.g., money from the water and sewer fund), the entity is paying interest – Tenn. Code Ann. § 9-21-408).
  - Interest should be the highest rate currently being earned on other investments, excluding pension investments.
  - If there are no applicable investments, the interest rate is the amount that could be earned for deposits in the Local Government Investment Pool administered by the Tennessee State Treasurer.
  - The fixed interest rate may be set on the day of issuance or locked in up to 60 days prior to the day of issuance, but not prior to the decision by the local government to execute the project.
- Security – Tenn. Code Ann. § 9-21-603
  - Notes shall be direct general obligations of entity; taxing power pledged.
  - If for an income-producing public works project (e.g., water utility fund), a secondary security/pledge payable from revenues of the public works may be added.
- The date of approval by governing body.
- Relevant signatures and certification.
- Interfund CON from the Tennessee Private Act Hospital sale proceeds – the authorizing resolution may provide that the notes must be subject to redemption prior to maturity at the option of the local government.

3. Informal Bid Attachment

If seeking informal bid approval, the CON must be for \$5 million or less. Tenn. Code Ann. § 9-21-609. See the sample informal bid form in the Appendix.

4. Statement of Monthly Cash Flow Analysis

This requirement only applies for interfund CONs. A monthly cash flow analysis is required for the lending fund(s) to demonstrate the lending of fund(s) will not adversely impact the cash flow/working capital needs of the lending fund. A monthly cash flow analysis (Microsoft Excel) template is available on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Tools” tab.

5. Copy of Proposed Disclosure Statement, if any

6. Schedule of Estimated Annual Principal and Interest Requirements

7. Detailed Estimated Costs of Issuance

This must include all amounts required to be reported under Tenn. Code Ann. § 9-21-134, if applicable.

8. List of Projects to be Financed

A detailed list of all proposed projects, including the amount and estimated life of those projects. A weighted average life calculator is available on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Tools” tab when financing several capital assets that have different estimated useful lives.

✓ **STEP TWO – Approval by the Comptroller's Office – CON**

1. The request will be reviewed within 10 days of receipt by the Division of Local Government Finance in the Comptroller's Office. If the submission is incomplete, the 10-day review period will not begin until the information needed is received.
2. Approval can only be granted if the issuance of the CONs, as compared to the issuance of GO bonds, is in the best interest of the local government pursuant to Tenn. Code Ann. § 9-21-601(b)(4).
  - When making this determination, the Comptroller's Office will consider whether the life of the project materially exceeds the life of the CON.
  - For example, if school construction is being financed for 12 years, and it is apparent that the entity will not be able to repay the CON within that period and will need to refund the CON in order to extend maturity to a later date, then the request cannot be approved.
3. Once the review process is complete, your local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval.

4. The approval is valid for six months after the date of the letter. If the CONs are not issued within that time, and the local government still plans to issue the notes, then a new note resolution must be adopted and submitted to the Comptroller's Office for approval. Please notify [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) as soon as possible if a decision is made not to issue the CONs.

### ✓ STEP THREE – Submission Requirements after Approval – CON

1. Debt Report

Pursuant to Tenn. Code Ann. § 9-21-134, a Debt Report shall be completed and filed with the governing body of the local government no later than 45 days after the issuance of the CONs and a copy (including attachments, if any) shall be filed with the Division of Local Government Finance in the Comptroller's Office. The form should be completed using the Comptroller's online application located at [tncot.cc/debt-report](http://tncot.cc/debt-report).

2. Debt Management Policy Revisions (when applicable)

Any changes made to a debt management policy should be approved by the governing body of the local government. A copy of the revised policy should be submitted to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov). Additional information on debt management policies may be found in Section 7.

3. Debt Default, Covenant Violation, or Credit Rating Downgrade (when applicable)

Any default, covenant violation, or credit rating downgrade, regardless of whether the associated debt obligation was approved or reported on by the Comptroller's Office, should be reported to the Division of Local Government Finance as further explained in Section 7.

#### d. Grant Anticipation Notes

Grant Anticipation Notes require the approval of the Comptroller's Office. The authority for issuance of Grant Anticipation Notes (GANs) is found in Tenn. Code Ann. Title 9, Chapter 21, Part 7. See the template GAN resolution in the Appendix. Template resolutions can also be found on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) under the "Resolutions" tab.

A local government may issue capital outlay notes or bond anticipation notes for the matching portion of public works grants, provided that the proceeds from the sale of any such capital outlay notes or bond anticipation notes shall not be applied to the payment of such grant anticipation notes.

### ✓ STEP ONE – Submission Requirements for Approval – GAN

Local governments seeking approval to issue GANs shall submit the following information electronically to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov):

1. Request Letter

The letter requesting approval to issue the GANs shall be from and signed by the local government's Chief Executive Officer or designee.

2. Adopted Resolution

The resolution shall authorize the issuance of GANs and shall be certified as well as include the draft note. The resolution should include the following key elements:

- Not to exceed dollar amount.
- Name of the note.
- Life/term of the note does not exceed 3 years from the date of issuance, unless requesting initial Comptroller approval to extend – Tenn. Code Ann. § 9-21-705.
- Disclosure of any recurring fees included in the interest rate.
- Not to exceed interest rate that does not exceed the state usury maximum (Tenn. Code Ann. § 47-14-103).
- Security – Tenn. Code Ann. § 9-21-704.
  - Notes shall not be direct general obligations of entity.
  - Pledge to repay principal shall be solely from a state or federal grant contract/agreement.
  - Pledge for interest payment may be from ad valorem taxes.
- Date of approval by governing body.
- Relevant signatures and certification.
- If this is an internal loan and the entity is lending restricted monies (e.g., money from the water and sewer fund), the entity is paying interest – Tenn. Code Ann. § 9-21-408.
  - Interest should be the highest rate currently being earned on other investments, excluding pension investments.
  - If there are no applicable investments, the interest rate is the amount that could be earned for deposits in the Local Government Investment Pool administered by the Tennessee State Treasurer.

3. Copy of Signed Contract and Notice to Proceed with Project Letter

The fully executed contract or agreement between the state or federal agency and the local government pledging the funds for the public works project and documentation indicating that a notice to proceed with the project or the equivalent has been received.

4. Statement of Monthly Cash Flow Analysis

This requirement only applies to interfund GANs. A monthly cash flow analysis is required for the lending fund(s). A monthly cash flow analysis Microsoft Excel template is available on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) under the "Tools" tab.

## ✓ STEP TWO – Approval by the Comptroller’s Office – GAN

1. The request will be reviewed within 10 days of receipt by the Division of Local Government Finance in the Comptroller’s Office. If the submission is incomplete, the 10-day review period will not begin until the information needed is received.
2. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval.
3. The approval is valid for six months after the date of the letter. If the GANs are not issued within that time, and the local government still plans to issue the notes, then a new note resolution must be passed and submitted to the Comptroller’s Office for approval. Please notify [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) as soon as possible if a decision is made not to issue the GANs.

## ✓ STEP THREE – Submission Requirements after Approval – GAN

1. Debt Report  
Pursuant to Tenn. Code Ann. § 9-21-134, a Debt Report shall be completed and filed with the governing body of the local government no later than 45 days after the issuance of the GANs and a copy (including attachments, if any) shall be filed with the Division of Local Government Finance in the Comptroller’s Office. The form should be completed using the Comptroller’s online application located at [tncot.cc/debt-report](http://tncot.cc/debt-report).
2. Debt Management Policy Revisions (when applicable)  
Any changes made to a debt management policy should be approved by the governing body of the local government. A copy of the revised policy should be submitted to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov). Additional information on debt management policies may be found in Section 7.
3. Debt Default, Covenant Violation, or Credit Rating Downgrade (when applicable)  
Any default, covenant violation, or credit rating downgrade, regardless of whether the associated debt obligation was approved or reported on by the Comptroller’s Office, should be reported to the Division of Local Government Finance as further explained in Section 7.

### e. Revenue Anticipation Notes

Pursuant to Tenn. Code Ann. §§ 7-34-111, 7-36-113, and 7-82-501, cities and counties as well as energy authorities and utility districts can issue certain utility Revenue Anticipation Notes (RANs), which require the approval of the Comptroller’s Office.

## ✓ STEP ONE – Submission Requirements for Approval – RAN

Local governments seeking approval to issue RANs shall submit the following information electronically to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov):

1. Request Letter

The letter requesting approval to issue the RANs shall be from and signed by the local government's Chief Executive Officer or designee.

2. Adopted Resolution

The resolution shall authorize the issuance of RANs and shall be certified as well as include the draft note. The resolution should include the following key elements:

- Name of the note.
- Not to exceed dollar amount.
- The next two requirements only apply to RANs issued for construction, etc. of public works systems pursuant to Tenn. Code Ann. § 7-34-111 (a)-(b):
  - Economic life of the project(s) that is reasonable based upon the nature of the project.
  - Life/term of the note does not exceed economic life of the project(s) and does not exceed 5-years.
- Planned amortization of the notes that meets statutory requirements.
  - Maximum 12 months for gas and/or power purchases – Tenn. Code Ann. §§ 7-34-111(d), 7-36-113(d), and 7-82-501. Note: The 12-month period does not have to mirror the entity's fiscal year.
  - Maximum 5 years for construction-related – Tenn. Code Ann. § 7-34-111(a)-(b).
- Not to exceed interest rate that does not exceed the state usury maximum (Tenn. Code Ann. § 47-14-103).
- Date of approval by the governing body.
- Relevant signatures and certification.

3. Copy of Budget

For RANs issued to fund gas and/or power purchases, budget showing the amount of budgeted electric power or gas purchases that will be used to calculate the 60% limitation should be included – Tenn. Code Ann. §§ 7-34-111(d), 7-36-113(d), and 7-82-501.

## ✓ STEP TWO – Approval by the Comptroller's Office – RAN

1. The request will be reviewed within 10 days of receipt by the Division of Local Government Finance in the Comptroller's Office. If the submission is incomplete, the 10-day review period will not begin until the information needed is received.
2. RANs issued for gas/power purchases must comply with the following requirements:

- The amount requested for approval is 60% or less than the total budgeted for the purchase of gas or electricity – Tenn. Code Ann. §§ 7-34-111(d), 7-36-113(d), and 7-82-501.
  - The entity has a positive ending net position for the last fiscal year audit and a positive change in net position in one of the last three fiscal years.
  - Revenue projections in the budget appear realistic in that the RANs may be retired within 12 months after issuance.
3. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval.
  4. The approval is valid for six months after the date of the letter. If the RANs are not issued within that time, a new note resolution must be passed and submitted to the Comptroller's Office for approval. Please notify [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) as soon as possible if a decision is made not to issue the RANs.

### ✓ **STEP THREE – Submission Requirements after Approval – RAN**

1. Debt Report

Pursuant to Tenn. Code Ann. § 9-21-134, a Debt Report shall be completed and filed with the governing body of the local government no later than 45 days after the issuance of the RANs and a copy (including attachments, if any) shall be filed with the Division of Local Government Finance in the Comptroller's Office. The form should be completed using the Comptroller's online application located at [tncot.cc/debt-report](http://tncot.cc/debt-report).

2. Debt Management Policy Revisions (when applicable)

Any changes made to a debt management policy should be approved by the governing body of the local government. A copy of the revised policy should be submitted to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov). Additional information on debt management policies may be found in Section 7.

3. Debt Default, Covenant Violation, or Credit Rating Downgrade (when applicable)

Any default, covenant violation, or credit rating downgrade, regardless of whether the associated debt obligation was approved or reported on by the Comptroller's Office, should be reported to the Division of Local Government Finance as further explained in Section 7.

#### **f. Revenue Anticipation Notes (RANs) for Emergency Cash Flow**

Pursuant to Tenn. Code Ann. §§ 7-34-111, 7-36-113, and 7-82-501, 68-221-611; and 68-221-1311, cities and counties that operate water, sewer, or gas systems, as well as municipal energy authorities, utility districts, water and wastewater authorities, and regional water and wastewater authorities, may issue Revenue Anticipation Notes (RANs) for emergency cash flow, which require the approval of the Comptroller's Office.



## ✓ STEP ONE – Submission Requirements for Approval – RAN for Emergency Cash Flow

Local governments seeking approval to issue RANs for emergency cash flow needs shall submit the following information electronically to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov):

1. Request Letter

The letter requesting approval to issue the RANs for emergency cash flow needs shall be from and signed by the local government's Chief Executive Officer or designee.

2. Adopted Resolution

The resolution shall authorize the issuance of RANs and shall be certified as well as include the draft note. The resolution should include the following key elements:

- Name and Series of the notes.
- Not to exceed dollar amount. Such amount must not exceed 60% of the total projected cash for that same period. – Tenn. Code Ann. §§ 7-34-111(d), 7-36-113(d), 7-82-501, 68-221-611, and 68-221-1311.
- Term – Planned amortization of the notes that does not exceed 12 months from the date of issuance – Tenn. Code Ann. §§ 7-34-111(d), 7-36-113(d), 7-82-501, 68-221-611, and 68-221-1311. Note: The 12-month period does not have to mirror the entity's fiscal year.
- Not to exceed interest rate that does not exceed the state usury maximum (Tenn. Code Ann. § 47-14-103).
- Security – The notes shall be secured by the revenues of the utility system.
- Date of approval by the governing body.
- Relevant signatures and certification.

3. Projected Cash Flow Schedules

Cash flow projections showing the amount that will be used to calculate the 60% limitation. The projections should be by individual month for both the 12-month term of the proposed RAN, and for the preceding 12-month period, or as otherwise required by the Comptroller's Office.

## ✓ STEP TWO – Approval by the Comptroller's Office – RAN for Emergency Cash Flow

1. The request will be reviewed within 10 days of receipt by the Division of Local Government Finance. If the submission is incomplete, the 10-day review period will not begin until the information needed is received.
2. RANs issued for emergency cash flow needs must not exceed 60% of total projected cash flows of the 12-month period – Tenn. Code Ann. §§ 7-34-111(d), 7-36-113(d), 7-82-501, 68-221-611; and 68-221-1311.



3. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval.
4. The approval is valid for six months after the date of the letter. If the RANs are not issued within that time, and the local government still plans to issue the RANs, a new note resolution must be passed and submitted to the Comptroller's Office for approval. Please notify [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) as soon as possible if a decision is made not to issue the RANs.
5. If approved the following will apply:
  - The Division of Local Government Finance, in consultation with the local government, shall develop a corrective action plan by which the local government must abide. The corrective action plan takes effect at the time the RANs are approved and remains in effect as long as the notes are outstanding and until the utility system, in the discretion of LGF, has adequate cash reserves and an adequate cash management plan.
  - The Division of Local Government Finance shall refer the local government to the Tennessee Board of Utility Regulation (TBOUR). TBOUR may review the system and order appropriate remedial measures, as set forth in Tenn. Code Ann. § 7-82-706.

### ✓ **STEP THREE – Submission Requirements after Approval – RAN for Emergency Cash Flow**

1. Debt Report  
Pursuant to Tenn. Code Ann. § 9-21-134, a Debt Report shall be completed and filed with the governing body of the local government no later than 45 days after the issuance of the RANs and a copy (including attachments, if any) shall be filed with the Division of Local Government Finance in the Comptroller's Office. The form should be completed using the Comptroller's online application located at [tncot.cc/debt-report](http://tncot.cc/debt-report).
2. Documentation of Repayment  
The RANs must be repaid no later than 12 months from the date of issuance and local officials are required to provide documentation of repayment to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) within 15 days of repayment.
3. Debt Management Policy Revisions (when applicable)  
Any changes made to a debt management policy should be approved by the governing body of the local government. A copy of the revised policy should be submitted to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov). Additional information on debt management policies may be found in Section 7.

4. Debt Default, Covenant Violation, or Credit Rating Downgrade (when applicable)  
Any default, covenant violation, or credit rating downgrade, regardless of whether the associated debt obligation was approved or reported on by the Comptroller's Office, should be reported to the Division of Local Government Finance as further explained in Section 7.

#### **g. Tax and Revenue Anticipation Notes**

Tax and Revenue Anticipation Notes (TRANs) require the approval of the Comptroller's Office. The authority for issuance of TRANs is found in Tenn. Code Ann. Title 9, Chapter 21, Part 8. See the template TRAN resolution in the Appendix. Template resolutions can also be found on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Resolutions” tab.

#### **✓ STEP ONE – Submission Requirements for Approval – TRAN**

Local governments seeking approval to issue TRANs shall submit the following information electronically to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov):

1. Request Letter

The letter requesting approval to issue the TRANs shall be from and signed by the local government's Chief Executive Officer or designee. It must identify the amount of the TRAN and whether it is an internal or external loan.

2. Adopted Resolution

The resolution shall authorize the issuance of TRANs and shall be certified as well as include the draft note. The resolution should include the following key elements:

- Approved and certified resolution and draft note.
- Not to exceed dollar amount.
- Borrowing Fund.
- Life/term of the note does not exceed beyond appropriation fiscal year.
- Name of the note.
- Not to exceed interest rate that does not exceed the state usury maximum (Tenn. Code Ann. § 47-14-103).
- Date of approval by the governing body.
- Relevant signatures and certification.

3. Statement of Monthly Cash Flow Analysis for the Borrowing Fund

A monthly cash flow analysis is required for the borrowing fund (the fund anticipating the future tax or other revenue). A monthly cash flow analysis Microsoft Excel template is available on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Tools” tab.

4. Statement of Monthly Cash Flow Analysis for the Lending Fund (for Internal Loans)  
This requirement only applies for interfund TRANs. A monthly cash flow analysis is required for the lending fund(s). A monthly cash flow analysis Microsoft Excel template is available on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Tools” tab.

#### ✓ **STEP TWO – Approval by the Comptroller's Office – TRAN**

1. The request will be reviewed within 10 days of receipt by the Division of Local Government Finance in the Comptroller's Office. If the submission is incomplete, the 10-day review period will not begin until the information needed is received.
2. Approval can only be granted if the following requirements are met:
  - The amount requested for approval is 60% or less than the total budgeted appropriations for the fund – Tenn. Code Ann. § 9-21-801.
  - Any prior year TRANs have been repaid and the entity sent proof to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov).
  - The cash flow for the borrowing fund: (1) appears reasonable/realistic; (2) demonstrates need; and (3) demonstrates ability to repay.
3. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval.
4. The approval is valid through the end of the fiscal year identified in our approval letter.

#### ✓ **STEP THREE – Submission Requirements after Approval – TRAN**

1. Debt Report  
Pursuant to Tenn. Code Ann. § 9-21-134, a Debt Report shall be completed and filed with the governing body of the local government no later than 45 days after the issuance of the TRANs and a copy (including attachments, if any) shall be filed with the Division of Local Government Finance in the Comptroller's Office. The form should be completed using the Comptroller's online application located at [tncot.cc/debt-report](http://tncot.cc/debt-report).
2. Repayment Requirement  
The local government must repay the TRANs no later than June 30 of the fiscal year of borrowing and provide the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) with documentation of repayment within 15 days of, but not later than June 30 of the fiscal year of borrowing.
3. Debt Management Policy Revisions (when applicable)

Any changes made to a debt management policy should be approved by the governing body of the local government. A copy of the revised policy should be submitted to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov). Additional information on debt management policies may be found in Section 7.

4. Debt Default, Covenant Violation, or Credit Rating Downgrade (when applicable)

Any default, covenant violation, or credit rating downgrade, regardless of whether the associated debt obligation was approved or reported on by the Comptroller's Office, should be reported to the Division of Local Government Finance as further explained in Section 7.

## h. Summary Grid of Notes Authorized Under Tenn. Code Ann. Title 9, Chapter 21

	Bond Anticipation Notes	Capital Outlay Notes	Grant Anticipation Notes	Tax Anticipation Notes
Purpose	Issued in anticipation of bond proceeds for all purposes which bonds can be legally issued and authorized for by a local government for public works projects and purposes authorized by Title 9, Chap. 11 and Title 49, Chap. 3, Part 10	For all purposes which bonds can be legally issued and authorized for by a local government for public works projects and for property valuation, tax assessment, and tax equalization programs	Notes issued in anticipation of monies received pursuant to a contract between the state or federal agency and the local government for public work projects	Tax anticipation notes are for the purpose of meeting appropriations made for the current fiscal year in anticipation of the collection of taxes and revenues.
Resolution	Yes (Adopted)	Yes (Draft or Authorizing)	Yes (Adopted)	Yes (Adopted)
Initial Resolution Published	Yes	No, except for certain refundings under TCA 9-21-606	NO	NO
Report by Director	Approval	Approval	Approval	Approval
Maximum Amount	No Maximum	No Maximum	No Maximum	60% of adopted appropriations for the current fiscal year
PAR	99%	99%	100% and accrued interest	100% and accrued interest
Serial	Yes	Yes	Yes	Yes
Sale Type Negotiated	Yes	Yes for notes with terms up to 3 years and land acquisition notes sold to seller of land	Yes	Yes
Competitive or Informal Bid	Yes	Yes, Notes over \$5,000,000 and with a term longer than 3 years shall be sold at competitive sale. Notes less than \$5,000,000 with a term longer than 3 years may be sold using an informal bid process as approved by the Comptroller of the Treasury or the Comptroller's Designee.	Yes	Yes
Security	Taxing Power, Revenue, or Taxing Power and Revenue	Taxing Power, Special Tax, Taxing Power and Revenue	Pledge of moneys for principal amount. General obligation of local government or may levy ad valorem taxes for interest.	Current Fiscal Year taxes and revenues.
Term (Yrs.)	2	Up to 12	10	Current Fiscal Year
Renewal	2 Terms	N/A	a. 3 Year - Extension 7 Years b. 7 Years -Extension 3 years	N/A
Total Life (Yrs.)	6	12 Years	10	One Year or Less
Renewal Approved by Director	Yes	N/A	Yes	N/A
Periodic Retirement Waiver	Yes	Yes. Also statutory waiver for interfund CON from TN Private Act Hospital sale proceeds	N/A	N/A
Minimum Retirement of Principal per Year	1/20th after first 2 years	Level debt service payments (specifically, principal and interest does not exceed any prior year by more than 5%). Interfund CON from TN Private Act Hospital sale proceeds- not less than 1/20 of the original principal amount of the notes.	N/A	100%
Other Special Requirements	None	20 Year notes issued to the EPA	None	None
Authority	TCA 9-21 Part 5	TCA 9-21 Part 6	TCA 9-21 Part 7	TCA 9-21 Part 8

## i. Financing Leases

Lease financing agreements meeting certain criteria must be approved by the Comptroller's Office. Tenn. Code Ann. § 9-24-101 et seq. This approval requirement applies to individual lease financing agreements with principal amounts greater than \$100,000 and to individual lease financing agreements that are \$100,000 or less if the principal amount, together with the principal amount of all exempt lease financings issued by the public entity in the same fiscal

year exceeds \$100,000. A lease is defined as an agreement for the use of property under which a public entity is the lessee, and a lease financing includes one of the following elements: (a) rental payments include an identifiable interest component; (b) the local government has the right to purchase the property that is subject to the lease at a price that is not based upon the fair market value of the property at the time of the purchase; or (c) the life of the asset is materially equal to the maturity of the lease.

### ✓ STEP ONE – Submission Requirements for Approval – Financing Lease

Local governments seeking approval to enter into Financing Leases shall submit the following information electronically to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov):

1. Request Letter

The letter requesting approval to enter into a Financing Lease shall be from and signed by the local government's chief executive officer or designee.

2. Plan of Lease Financing

A Plan of Lease Financing includes the following key elements:

- A certified copy of the draft lease agreement.
- Lease information summary sheet available on our website: [tncot.cc/debt](http://tncot.cc/debt).
- Not to exceed dollar amount.
- Schedule of estimated annual principal and interest requirements.
- Detailed estimated costs of issuance, including one-time fees and recurring administrative or similar fees paid over the life of the lease.
- Lease terms that are reasonable and comparable to debt being issued in the current markets.
- Interest rates and other borrowing costs from two additional lenders for the same amount and maturity of the proposed lease financing.
- When leasing multiple assets that have different useful lives: A weighted average maturity of the lease principal payments that does not exceed the estimated weighted average life of the property being financed – Tenn. Code Ann. § 9-24-104(a)(2). A weighted average life calculator is available on the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt) – select the "Tools" tab.
- A lease term that does not exceed the maximum term of debt that could be issued by the public entity to finance the proposed project – Tenn. Code Ann. § 9-24-104(a)(3).
- Description of the project(s) to be financed with the following minimum information:
  - Estimated useful life (or lives).
  - Authorizing law to incur indebtedness for the project [Tenn. Code Ann. § 9-24-104(a)(3)].

- The lease is payable from all or any portion of the revenues of the public entity, pursuant to applicable law [Tenn. Code Ann. § 9-24-104(a)(4)].
  - Not to exceed interest rate that does not exceed the state usury maximum (Tenn. Code Ann. § 47-14-103).
3. Initial Resolution  
If the lease is payable from or secured by property taxes, and the term of the lease exceeds the maximum term of a capital outlay note that may be issued for the same project, the entity must adopt and publish an initial resolution with respect to the lease financing consistent with Tenn. Code Ann. Title 9, Ch. 21, Pt. 2, as applicable with respect to the type of property that is being financed [Tenn. Code Ann. § 9-24-104(a)(5)]. A statement that the local government complied with this provision, as applicable, should be included in the request letter.
  4. Balloon Indebtedness  
When the lease is considered balloon indebtedness as defined in Tenn. Code Ann. § 9-21-133, a separate request to issue balloon debt is required pursuant to State Funding Board Guidelines. Refer to Section 7.

### ✓ **STEP TWO – Approval by the Comptroller’s Office – Financing Lease**

1. The request will be reviewed within 15 days of receipt by the Division of Local Government Finance in the Comptroller’s Office. If the submission is incomplete, the 15-day review period will not begin until the needed information is received.
2. Approval can only be granted if the issuance of the lease, as compared to debt being issued in the current markets, is in the best interest of the local government pursuant to Tenn. Code Ann. § 9-24-104. When making this determination, the Comptroller’s Office will consider the following:
  - Do the lease terms appear reasonable and comparable to debt being issued in the current markets?
  - Does the weighted average maturity of the lease principal payments exceed the estimated weighted average life of the property being financed? Tenn. Code Ann. § 9-24-104(a)(2).
  - Does the term of the lease not exceed the maximum term of debt that could be issued by the public entity to finance the proposed project? Tenn. Code Ann. § 9-24-104(a)(3).
3. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval.
4. The approval is valid for six months after the date of the letter. If the Financing Lease is not issued within that time, a new plan of lease financing must be prepared and submitted to the Comptroller’s Office for approval. Please notify [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) as soon as possible if a decision is made not to issue the Financing Lease.

### ✓ STEP THREE – Submission Requirements after Approval – Financing Lease

1. Debt Report

Pursuant to Tenn. Code Ann. § 9-21-134, a Debt Report shall be completed and filed with the governing body of the local government no later than 45 days after the issuance of the Financing Lease and a copy (including attachments, if any) shall be filed with the Division of Local Government Finance in the Comptroller's Office. The form should be completed using the Comptroller's online application located at [tncot.cc/debt-report](http://tncot.cc/debt-report).

2. Debt Management Policy Revisions (when applicable)

Any changes made to a debt management policy should be approved by the governing body of the local government. A copy of the revised policy should be submitted to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov). Additional information on debt management policies may be found in Section 7.

3. Debt Default, Covenant Violation, or Credit Rating Downgrade (when applicable)

Any default, covenant violation, or credit rating downgrade, regardless of whether the associated debt obligation was approved or reported on by the Comptroller's Office, should be reported to the Division of Local Government Finance as further explained in Section 7.



## Section 7 – Other Comptroller Oversight

### a. Plans of Refunding

#### Requirements for a Plan of Refunding

Tennessee statutes require local governments to submit a plan of refunding (the “Plan”) to the Comptroller’s Office for review prior to the adoption of a resolution authorizing the issuance of refunding bonds. The Comptroller’s Office may present the local government with a report on the Plan (“Refunding Report”) that must be submitted to the governing body and reviewed at the public meeting during which the refunding bond authorizing resolution is considered for adoption.

**A fillable and downloadable form of a Refunding Plan can be found on the Comptroller’s website at [tncot.cc/debt](http://tncot.cc/debt). Please contact the Comptroller’s Office with any questions about this online form.**

#### Statutory Sections Requiring Plans

The following Plans are required to be filed with our office:

- Tenn. Code Ann. § 9-21-612—To issue Capital Outlay Notes (CONs) to refund CONs;
- Tenn. Code Ann. § 9-21-903—To issue General Obligation Bonds to refund General Obligation and/or Revenue debt;
- Tenn. Code Ann. § 9-21-1003—To issue Revenue Refunding Bonds to refund Revenue debt; and
- Tenn. Code Ann. § 12-10-116—To issue Public Building Authority Loans to refund any General Obligation and/or Revenue Debt.

#### Developing the Plan

Write the Plan to communicate the narrative of the refunding in easy-to-understand language. Clearly state the objectives for the refunding and explain, in detail, how the refunding will accomplish the objectives. There may be multiple objectives; however, list each objective individually and describe them in order of importance.

Objectives of the potential refunding must be clearly stated and may include:

- Debt service savings;
- Reduction of risk;
- Removal of restrictive covenants; or

- Payment of outstanding debt to prevent a default.

#### Method of Submission

- Requests for Refunding Reports shall be submitted online via the Comptroller of the Treasury's website at [tncot.cc/debt](http://tncot.cc/debt). **Please select the "Refunding Plan" tab, fill out the online form, upload supporting documentation, and hit the "Submit" button. Your request will automatically be emailed to [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov).**
- **As an alternative, requests may be e-mailed to [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov).** Please note that all Refunding Plans must be submitted in the standard format as shown in the online form under the "Refunding Plan" tab on [tncot.cc/debt](http://tncot.cc/debt). **Please contact the Comptroller's Office if you have questions about the online form.**

#### **Minimum Requirements for a Request for a Refunding Report:**

##### Plan of Refunding

The Plan of Refunding must include all relevant portions as explained in the following Narrative. A fillable and downloadable form of a Refunding Plan can be found on the Comptroller's website at [tncot.cc/debt](http://tncot.cc/debt). **Please contact the Comptroller's Office with any questions about the online form.**

##### *Narrative*

1. State the objective of the refunding and provide a detailed explanation of how the refunding will achieve the objective.
  - a. Cost savings (see savings schedule requirements in number 10 below).
    - i. Describe how the refunding's cost savings meets the requirements of the local government's adopted debt management policy.
    - ii. Quantify and state savings in dollars and as a percentage of the amount of the refunded debt.
    - iii. Describe how any change in structure and/or interest rate impacts savings.
    - iv. Justify refunding if total combined net present value (NPV) debt service savings are less than 2.5 times the costs of issuance (including underwriter's discount and bond insurance as costs of issuance). Include a sentence that states: *NPV Savings are "\_\_\_\_\_ " times costs of issuance.*
    - v. If multiple bonds are being refunded and the refunding of a candidate does not produce positive NPV or gross savings, describe why the bond is being included in the refunding.
  - b. Restrictive covenant removal or change (describe the restrictive covenant).
  - c. Payment of outstanding debt to prevent a default (explain in detail).
  - d. Reduction or elimination of risk (list and describe risk(s) and how it is (they are) reduced or eliminated).

2. Security of debt issue (general obligation, revenue, general obligation & revenue, or other [please specify]).
3. Type of sale (competitive or negotiated: if GO bonds are planned to be negotiated, see number 18 below for specific requirements).
4. Heightened Risk Debt – If the refunding bonds will be issued at a variable interest rate, contains an interest reset option, or contains a feature where the holder of the debt can “put” the bond or loan to the local government at a predetermined date, provide details of the variable rate or other options, as applicable. Refer to the “Heightened Risk Debt Approval” requirements within this Section.
5. Maximum authorized amount, and anticipated size of issue.
6. Description of each refunded candidate including the following:
  - a. Call date and premium (if any).
  - b. Maturities being called.
  - c. Par amount originally issued.
  - d. Dated date.
  - e. Current amount outstanding.
  - f. Amount to be refunded.
  - g. Tax status (and explanation if status has changed).
  - h. Purpose for which the bonds were issued (Projects).
7. Type of refunding for each refunded candidate:
  - a. Current.
  - b. Advance, in which case provide a statement of the feasibility of an advance refunding under current market conditions including assumptions.
8. One of the following statements regarding Balloon Indebtedness (as defined in Tenn. Code Ann. § 9-21-133):
  - a. Statement that the refunding does not constitute Balloon Indebtedness and provide the reason; or
  - b. Statement that a separate Plan of Balloon Indebtedness was submitted as prescribed by the State Funding Board (see State Funding Board Guidelines on Balloon Debt, which is available on the Comptroller of the Treasury’s website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Balloon Debt” tab.).
9. Please specify if a derivative is associated with the refunded debt. If a derivative instrument is associated with the refunding, please contact the Comptroller’s Office for separate submission requirements.

*Schedules*

10. Savings schedule, if refunding for savings, or a cost schedule, if restructuring. For each individual refunding bond and an aggregate report, both containing at a minimum:
  - a. A comparison of refunded and anticipated refunding debt service.
  - b. Gross savings amount.
  - c. Net present value savings (NPV) amount (see calculation information in e. below).
  - d. NPV as a percent of refunded principal.

- e. NPV should be calculated using the arbitrage yield or all in true interest cost (TIC) and should show the discounted difference between total refunded debt service and new refunding debt service for each yearly period: calendar year, fiscal year, or any 12-month recurring period may be used (do not calculate NPV savings using less than a 12-month period).
  - f. Any cost of issuance paid from sources other than bond proceeds and any cash contributed to the escrow other than bond proceeds must be subtracted from savings; only rounding amount up to a whole bond may be included in the final savings amount.
- 11. Before and after overall debt portfolio schedule (in tabular and chart format) for the security of the bonds (General Obligation/Revenue, or paying source, e.g., water, gas, etc.); showing the effect of the refunding on the overall portfolio.
- 12. Refunding bond schedules:
  - a. Amortization schedule including principal, interest, and total debt service.
  - b. Average coupon, arbitrage rate, all in cost, and TIC
  - c. Weighted average maturity/average life.
  - d. Minimum and maximum debt service payment.
- 13. Refunded bond schedules for each refunding candidate:
  - a. Amount to be refunded.
  - b. Amortization schedule of refunded maturities, including maturity date, principal, interest, and total debt service.
  - c. Average coupon.
  - d. Call date.
  - e. Weighted average maturity/average life.
  - f. Amortization schedule of un-refunded maturities.
  - g. Savings schedule for each bond being refunded.
- 14. If multiple refunded bonds, include an aggregate schedule of all refunded bonds, including Parts a–d of #13 above.
- 15. Sources and uses schedule.
- 16. Detailed costs of issuance schedule (identify firms associated with respective cost, or TBD if to be determined).
- 17. If the refunding will extend the maturity of the refunded bonds (a) by more than 6 months after the date the last maturity is due; or (b) by more than 2% of the weighted average maturity, provide a detailed statement as to why the extension is in the public's interest and an assertion that the new maturity does not extend beyond the project life.
- 18. Requirements for negotiated sale of general obligation refunding bonds:
  - a. Approval by the Comptroller's Office is required for general obligation refunding bonds, including revenue and tax bonds.
  - b. The request for approval of a negotiated sale should be included as part of the request letter for a plan of refunding and must state and demonstrate the private negotiated sale is:
    - i. in the best interest of the local government,

- ii. feasible, and
- iii. the proposed bonds can be amortized with all other obligations outstanding.

At a minimum, the following shall be included with the request for approval:

- i. Draft copy of the proposed resolution authorizing the issuance of the refunding bonds;
- ii. Copy of the proposed disclosure statement, if any; and
- iii. Documentation and analysis that supports the three assertions at 18(b)i-iii above.

The preceding items must be included in a Plan; however, the minimum required information for a Plan must be sufficient to provide an understanding of the transaction, outline the costs, risks, and benefits, and communicate the transaction to your governing body and citizens thus requiring more than the preceding items in the narrative and in any supporting schedules or documents. Additional information may be required to support the planned refunding. The narrative should include an explanation of the information and schedules that support the refunding. The Comptroller's Office may request additional information.

The Comptroller's Office has 15 days from the date of receipt of a complete plan to provide a report. If, due to time constraints, a local government needs the report sooner than 15 days, please contact your Analyst in the Comptroller's Division of Local Government Finance and request an expedited review.

The report issued for a plan will be relevant for 90 days after the date of the report. If the proposed bond issue has not priced during this period, and the local government wishes to continue with the pricing, a new plan (with current assumptions) will need to be submitted for review. Requests for 30-day extensions may be granted on a case-by-case basis and only if the extension is needed due to extenuating circumstances. Please contact the Comptroller's Office if you need to request a 30-day extension.

#### Contact List

The contact list must include the name, title, firm name, address, phone number, and email address for the following individuals, as applicable:

- 1. Local Government Issuer:
  - a. Mayor or Executive
  - b. Each member of the governing body
  - c. Chief Financial Officer
- 2. Municipal Advisor
- 3. Bond Counsel
- 4. Underwriter

If professional services are not retained, please state the reason, and identify the individual who prepared the plan of refunding.

#### After Issuance

Within 45 days of the issuance of refunding bonds, a Debt Report must be completed and presented to the governing body and a copy shall be filed with the Comptroller's Office. We recognize that the information provided in the Plan submitted to the Comptroller's Office is based on preliminary analysis and estimates and that actual results will be determined by market conditions at the time of sale. However, if it is determined prior to the issuance of the debt that the actual results will significantly differ from the information provided in the submitted Plan, and the local government decides to proceed with the issue, the governing body and the Comptroller's Office should be notified after the sale by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences and that the Chief Executive Officer was aware of the differences and determined to proceed with the issuance of the debt.

Notification will be necessary only if there is a change of ten percent (10%) or more in any of the following:

1. An increase in the principal amount of the debt issued;
2. An increase in costs of issuance; or
3. A decrease in the cumulative savings or increase in the loss.

The notification must include an explanation for any significant differences and the justification for change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the governing body and the Comptroller's Office with the required filing of the Debt Report.

#### **b. State Law Reissuance**

Pursuant to Tenn. Code Ann. § 9-21-901(e), the modification of an outstanding obligation must be deemed a refunding of the modified obligation, and such refunding must be required to comply with this chapter, if the modification is of such significance that the obligation would be deemed to be reissued for federal tax law purposes, whether or not the outstanding obligation is tax-exempt for purposes of federal tax laws.

In other words, if the terms of an outstanding obligation are materially changed and would be deemed a reissuance for federal tax law purposes, then the obligation is a refunding and must comply with the requirements of Tenn. Code Ann. Title 9, Chapter 21, including the submission of a plan of refunding to the Comptroller's Office as well as submission of a new Debt Report to the governing body and copy to the Comptroller's Office not later than 45 days following the reissuance.

An example of significant modification would be the change in timing of payments due under the tax-exempt obligation such as an extension of the final maturity or a deferral of payments prior to maturity. Another potential modification is a significant change in the interest rate; however, in no event shall an outstanding obligation be deemed significantly modified and rise to the level of a state law reissuance, if the original obligation allows for and contemplates a

modification of the rate of interest of the outstanding obligation at any time during its existence.

### **c. Utility Districts, Utility Authorities, and E-911 Plans of Financings**

Pursuant to Tenn. Code Ann. §§ 7-36-113, 7-82-501, 7-86-114, 68-221-611, and 68-221-1311, Municipal Energy Authorities, Utility Districts, E-911 Districts, Water & Wastewater Authorities, and Regional Water & Wastewater Authorities must submit a plan of finance to the Division of Local Government Finance in the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) prior to issuance of any debt so the Comptroller's Office can report on it. The plan of finance will be reviewed within 15 days of receipt by the Division of Local Government Finance in the Comptroller's Office. The local government must publish the Comptroller's Report in accordance with state law prior to issuing the debt.

#### **Minimum Requirements for a Request for a Report on a Plan of Finance:**

1. Request letter signed by the General Manager/President of the Board.
2. Plan of Finance – New Money
  - Pro forma financial statements for the three fiscal years subsequent to the most recent audit, including debt coverage ratios.
  - Draft resolution, when available.
  - Description of the capital project.
  - Maximum authorized amount, and anticipated size.
  - Amortization schedule including principal, interest, and total debt service;
  - Average coupon, arbitrage rate, all in cost, and true interest cost (TIC);
  - Sources and uses schedule.
  - Detailed costs of issuance schedule.
  - Heightened Risk Debt – If the proposed debt will be issued at a variable interest rate, contains an interest reset option, or contains a feature where the holder of the debt can “put” the bond or loan to the local government at a predetermined date, provide details of the variable rate and other options, as applicable. Refer to the “Heightened Risk Debt Approval” requirements within this Section.
  - Balloon Indebtedness – provide one of the following:
    - Statement that the proposed repayment structure does not constitute Balloon Indebtedness as defined in Tenn. Code Ann. § 9-21-133, and provide the reason; or
    - Statement that a separate Plan of Balloon Indebtedness was submitted to the Comptroller's Office. See requirements for “Balloon Debt” in Section 7d.
3. Plan of Finance - Refunding
  - The requirements outlined for “Plans of Refunding” in Section 7a should be followed.
  - The objective of the refunding for utility districts and water and wastewater authorities (including regional) is governed by state law and must be for savings, removal or modification of a restrictive covenant change, elimination or mitigation of risk due to interest rate changes, or to prevent default See Tenn. Code Ann. §§ 7-82-501(a), 9-21-1001(b), 68-221-611(a), and 68-221-1311(a).



#### 4. Plan of Finance – New Money and Refunding

- The plan of finance should include the elements identified above for both new money and refunding debt issues.

**Federal Loans:** Utility systems may receive loans from a federal agency, such as the USDA (Rural Development Loans), and the EPA (Drinking Water and Clean Water State Revolving Fund (SRF) Loans, and the Water Infrastructure Finance and Innovation Act (WIFIA) Loans). These federal loans are often approved and administered by a state agency. A report on a Plan of Finance is not required when:

- The debt will be purchased by a direct lending department of the federal government. For example, interim financing is obtained from a non-federal lending entity, such as a local bank, and later refinanced (purchased) with proceeds from a federal loan.
- The loan is with a lending department of the federal government.

However, a Plan of Finance is required when the federal lending department is only guaranteeing the debt. For example, the Rural Utilities Service (RUS) federal loan guarantee program administered by the USDA. This program supports rural development by providing loan guarantees to private lenders, enabling them to extend credit to qualified borrowers in rural areas. The RUS guarantees a portion of the loan, generally up to 80 or 90 percent, and for a term up to 35 years.

#### d. Balloon Debt

Pursuant to requirements outlined in the “Tennessee State Funding Board Guidelines – Comptroller Approval of Balloon Indebtedness,” all requests for approval of balloon indebtedness should include a request letter and plan of balloon indebtedness and be submitted to the Division of Local Government Finance in the Comptroller’s Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) for review and approval. The guidelines are available on the Comptroller of the Treasury’s website at [tncot.cc/debt](http://tncot.cc/debt) – select the “Balloon Debt” tab. For further illustration of what constitutes balloon indebtedness, see the balloon debt flowchart in the Appendix.

#### Minimum Requirements to Request Approval to Issue Balloon Indebtedness:

##### 1. Request Letter

The letter must be signed by the Mayor/Executive or designee and clearly describe the public purpose for the balloon repayment structure and why it is in the public’s interest. See Tenn. Code Ann. § 9-21-133(f). It must also include contact information, including e-mail addresses, for all professionals working on the issuance.

##### 2. Plan of Balloon Indebtedness including the following key elements:

- Not to exceed dollar amount and/or estimated amount of issuance.
- Name of the debt issuance.
- Security.
- Project.



- Material terms of transaction.
- Amortization schedule(s).
- Multiple series of debt to be issued simultaneously that will finance the same project must be reviewed in the aggregate and included in one plan.
- New money debt must be evaluated separately from any refunding debt when issued at the same time.

The Comptroller's Office has 15 business days after receipt of a plan to review and either approve or disapprove the plan. Incomplete plans are not considered received and additional information may be requested to properly review the proposed plan. The Comptroller's Office will evaluate each plan based on the plan's particular circumstances and approve the plan only if a determination is made that the repayment structure is in the public's interest.

#### **e. Pledge of Non-tax Revenues**

Municipalities or counties that have created a Tourism Development Authority may pledge non-ad valorem taxes and revenues toward the payment of bonds issued pursuant to Tenn. Code Ann. § 7-69-111. Prior to authorization by the creating municipalities and/or counties, approval must be requested from our Office.

Requests for approval should include the following:

- Signed request letter from the Mayor, County Executive, City Manager, or Finance Director
- Proposed resolution authorizing the bonds or notes
- Proposed disclosure statement; if any
- Schedule showing the estimated annual principal and interest requirements
- Detailed statement showing the estimated cost of issuance
- Listing of projects to be financed
- Detailed description of non-ad valorem tax revenue pledge including a listing of individual revenues pledged
- Five-year history of the pledged revenues
- Five-year proforma balance sheet, income statement, and cash flow analyses for the project showing the estimated inflow and outflows of revenues, expenses, cash, and the effects on net assets and cash balance

#### **f. Debt Report**

In Tennessee, any governmental entity that issues debt must complete a Debt Report once the debt is issued. The report must be submitted to the governmental entity's governing body (e.g., the county commission) within 45 days after the issuance, and an additional copy must be filed with the Comptroller's Office. Please visit the Comptroller's website at [tncot.cc/debt-report](http://tncot.cc/debt-report) for specific requirements and filing information, including an online submission process.

As approved by the Tennessee State Funding Board, the Debt Report includes various information about the debt incurred, such as:

- the type of debt – bond, note, loan, or lease financing – and the purpose of the debt issuance (e.g., general government, education, refunding or refinancing of prior debt);
- the par value of the debt and any discount or premium;
- the interest cost, and whether the interest is taxable or tax-exempt; and
- the method of sale, cost of issuance, and professionals involved on the financing team.

#### **g. Events of Default, Covenant Violations, and Credit Rating Downgrades**

As approved by the Tennessee State Funding Board, public entities, including all state and local governmental entities, are required to report events of default, covenant violations, and credit rating downgrades to the Comptroller's Office (Tenn. Code Ann. § 9-21-134). Timely notification of the following occurrences enables the Comptroller's Office to be proactive in supporting public entities that may be at risk of financial distress.

##### Events of Default

Events of default include defaults (monetary), events of acceleration, termination events, modifications of terms, or other similar events under the terms of a debt obligation of a public entity. Events of default must be reported to the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) within 10 business days using the notice form available at [tncot.cc/debt-notice](http://tncot.cc/debt-notice). Industrial development boards have 15 calendar days to report a default (see requirements at [tncot.cc/idc](http://tncot.cc/idc)).

##### Covenant Violations

Covenants are contractual obligations associated with a debt obligation (bond contract, note form, financing lease, loan agreement, etc.) that are meant to protect the interests of the debt holder. Covenant violations must be reported to the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) within 10 business days using the notice form at [tncot.cc/debt-notice](http://tncot.cc/debt-notice).

##### Credit Rating Downgrades

Credit rating downgrades are the reduction or elimination of a credit rating by any nationally recognized statistical rating organization as identified by the United States Securities and Exchange Commission. Credit rating downgrades must be reported to the Comptroller's Office at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) within 10 business days using the notice form at [tncot.cc/debt-notice](http://tncot.cc/debt-notice).

#### **h. Debt Management Policies**

Pursuant to Tenn. Code Ann. § 9-21-134(b)(1), the State Funding Board is authorized to develop model financial transaction policies for local governments in Tennessee. Local governments incurring or issuing debt shall have an adopted debt management policy (DPM) that complies with the guidance from the State Funding Board found on our website.

The DMP shall be fitted to the local government's needs and reviewed and amended as needed. The DMP should be reviewed at a minimum each time there are legislative changes that impact your policy and when there is a change in the administration.

#### **i. Heightened Risk Debt Approval**

Pursuant to Tenn. Code Ann. § 9-21-409, prior to issuing any heightened risk debt, a local government must receive approval from the Division of Local Government Finance. Heightened risk debt includes any debt obligation that contains:

- a put option (a provision where the holder of the debt can force repayment with a limited notice);
- an interest rate reset provision; or
- a variable interest rate.

For the purposes of this statutory requirement, local government includes any incorporated county, metropolitan government, municipality (city or town), water, wastewater, or energy authority, or utility district.

#### **Minimum Requirements to Request Approval:**

A fillable and downloadable form for a request to issue heightened risk debt can be found on the Comptroller's website at [tncot.cc/debt](http://tncot.cc/debt). Please contact the Comptroller's Office with any questions about the request or the online form.

#### **When Approval Overlaps with Other Comptroller Approvals and Reports:**

1. For debt that is approved by the Comptroller's Office, such as capital outlay notes, follow the requirements already outlined within this manual for the proposed debt, and also include a completed request form, available at: [tncot.cc/debt](http://tncot.cc/debt), for heightened risk debt. These may be sent as one submission.
2. For debt that is reported on by the Comptroller's Office, for example: refundings and plans of finance, follow the minimum requirements outlined above and submit as a separate request.

Requests should be sent to the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov) for review and approval. Requests will be reviewed within 15 days; however, if the submission is incomplete, the 15-day review period will not begin until all information is received. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval. Pursuant to Tenn. Code Ann. § 9-21-409, the Comptroller will evaluate each request based on the local government's particular circumstances and approve the request only if a determination is made that the debt terms are in the public's interest.

j. **Comptroller's Annual Budget Approval – Impact on Debt Issuance**

See Tenn. Code Ann. §§ 7-36-113, 7-82-501, 9-21-404, 68-221-611, and 68-221-1306.

**Annual Budget Approval – Prerequisite to Incurring Debt**

State legislators have recognized the importance of having an approved budget by passing legislation specifying that if the annual budget is not approved by the Comptroller's Office, local governments (counties, municipalities, metropolitan governments, utility districts, municipal energy authorities, water and wastewater treatment authorities, and other local governments subject to the Comptroller's budget oversight) may not issue debt or financing obligations until a subsequent budget is approved.

**Emergency Financial Transactions**

The Comptroller's Office may waive the requirement of budget approval to allow a local government to enter into an emergency financial transaction. If the local government does not receive an approved budget for the fiscal year and requires a waiver to enter into an emergency financing transaction, local officials should contact their regional financial analyst within the Division of Local Government Finance for assistance. Requests for waivers must contain:

- A letter requesting approval for a waiver so that the local government may enter into an emergency financial transaction. The letter should:
  - Be from and signed by the local government's chief executive (mayor, etc.).
  - Include a description of the nature of the emergency financing need, including the capital project.
  - Describe the debt transaction including:
    - Not to exceed amount
    - Security
    - Maturity/term
  - What corrective actions the local government has done, or plans to do, to address the reason why the budget was not approved.
- A proposed amortization schedule.
- Any additional documentation that will demonstrate the emergency financing need.

The request will be reviewed within 10 days of receipt by the Division of Local Government Finance. If the submission is incomplete, the 10-day review period will not begin until all the information that is needed is received. Once the review process is complete, the local government will receive a letter via e-mail from the Division of Local Government Finance indicating approval or non-approval. Approval may be conditioned upon some action by the local government. Consideration will be given when the financing is needed to prevent an emergency, to respond to an emergency, or when public health or essential public services are at risk.

## Section 8 – Federal Oversight of Municipal Bonds

### a. Internal Revenue Service and Tax-Exempt Status

The interest paid on debt obligations issued by local governmental entities may be exempt from federal income taxation. Very complex provisions of the Internal Revenue Code, together with hundreds of pages of regulations issued by the Internal Revenue Service, provide guidance as to whether the interest on a debt obligation of a governmental entity is exempt from federal income taxation. If the interest on a debt obligation of a governmental entity is exempt from federal income taxation, that type of debt obligation is frequently referred to as a tax-exempt bond, whether the obligation is a bond, note, loan agreement, or financing lease. For purposes of this Section, all debt obligations that are tax-exempt (i.e., the interest on the debt obligation is exempt from federal income taxation) are referred to as tax-exempt bonds irrespective of the type of debt obligation.

It is often beneficial for a local government entity to issue a debt obligation that is a tax-exempt bond when undertaking a borrowing. Because the holder of the tax-exempt bond does not pay federal income tax on the interest of the tax-exempt bond, the holder should charge a lower interest rate on the tax-exempt bond. The interest rate on a tax-exempt bond is usually 20% to 30% less than a comparable taxable debt obligation. Therefore, it is often in the best interests of the local government entity to ensure that a debt obligation qualifies as a tax-exempt bond.

A debt obligation issued by a local government entity is never automatically a tax-exempt bond. Although many debt obligations issued by local government entities can be tax-exempt, a local government entity must meet certain requirements of the Internal Revenue Code and the related regulations to qualify a debt obligation as a tax-exempt bond. For example, in connection with any tax-exempt bond, a notice filing must be made with the Internal Revenue Service. Because these requirements can be very complex, many local government entities retain bond counsel that has experience with tax-exempt bond issues to provide an opinion that a debt obligation is tax-exempt, and many purchasers of tax-exempt debt also require the receipt of such an opinion.

In determining whether a debt obligation of a local government entity can be a tax-exempt bond, the Internal Revenue Code distinguishes between two types of obligations—governmental bonds and private activity bonds. Almost all governmental bonds can be tax-exempt bonds, while many private activity bonds cannot be tax-exempt bonds. A

governmental bond is essentially any debt obligation issued by a local government entity that is not a private activity bond. Very generally, a private activity bond is a debt obligation issued by a local government entity if (i) more than 10% of the proceeds of the debt obligation will be used by a private party or the federal government **and** (ii) more than 10% of the debt service on the debt obligation is payable by a private party or the federal government. Very complex regulations interpret this general rule, but in most cases, debt obligations issued by traditional governmental entities, such as counties, cities, school districts, and utility districts, will not be private activity bonds and instead will be governmental bonds that can be tax-exempt.

If a debt obligation of a local government entity is a private activity bond, it likely will be a taxable obligation, but under certain circumstances, it still might qualify as a tax-exempt bond. The following categories of private activity bonds may be eligible to be tax-exempt bonds provided all other relevant requirements are met:

- Bonds for non-profit entities that are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Under this exemption, bonds issued for many hospitals, private schools and colleges, and other non-profit institutions can be tax-exempt.
- Bonds issued to finance low-income housing, even if privately owned.
- Bonds issued to finance airport facilities, even if privately used or owned.
- Bonds issued to finance certain small manufacturing facilities, even if privately owned (generally facilities with a total capital cost of less than \$20 million).
- Bonds issued to finance certain solid waste disposal facilities, even if privately owned.

Most private activity bonds are issued by local government instrumentalities, such as industrial development boards and health, education, and housing facility boards, and not traditional local government entities. In these cases, the issuing entity usually issues bonds at the request of a private party and loans the proceeds of the bonds to the private party. This type of financing is frequently referred to as a conduit bond financing because the local government entity is just serving as a conduit for the financing in order to obtain tax-exempt status, and the local government entity generally has no liability to pay the bonds except from payments made by the private party.

As previously mentioned, complex rules apply to all tax-exempt bonds. The most complex rules address issues relating to arbitrage, which means the investment of proceeds of tax-exempt bonds at a higher interest rate than the interest rate being paid on the bonds. Because bond proceeds can be invested in taxable investments, the interest rate on the investments can sometimes exceed the interest rate paid on the tax-exempt bonds, and this difference is considered arbitrage by the Internal Revenue Service. Some types of arbitrage are acceptable, and other types are not. An issuer's bond counsel should assist the issuer in complying with any arbitrage rules.

Many other rules apply to tax-exempt bonds, particularly private activity bonds that are tax-exempt bonds. Those additional rules include the following:

- The applicable rules may limit the amount of bond proceeds that a local government issuer can use to reimburse itself for expenditures that were made prior to the bonds being issued. This rule applies to governmental bonds and private activity bonds.
- A volume cap allocation from the State or a State agency may be required for certain private activity bonds including bonds for low-income housing.
- Most private activity bonds must be approved by the highest elected official in the jurisdiction in which the financed project is located.
- Most tax-exempt bonds are subject to a requirement that average weighted maturity of the bonds cannot exceed 120% of the average economic life of the assets financed, either through the arbitrage rules or a specific rule applicable to private activity bonds.
- Private activity bonds are generally subject to a limit on financed issuance costs.
- Tax-exempt bonds cannot be refinanced with other tax-exempt bonds more than 90 days before the refinanced tax-exempt bonds can be redeemed. In other words, “advance refundings,” which at one point were fairly common for governmental bonds, can no longer be issued as tax-exempt bonds.

Notes issued for working capital purposes, such as tax anticipation notes, can be issued as tax-exempt obligations if a number of requirements are met. The most significant requirement is that the issuer must demonstrate that a cash flow deficit is expected to occur in order to justify the working capital borrowing. Except under the most unusual of circumstances, working capital borrowings must be short-term in order to be tax-exempt.

Many tax-exempt bonds issued by smaller issuers are also “bank qualified” obligations under the Internal Revenue Code. “Bank qualified” obligations are a subset of tax-exempt bonds. The interest on “bank qualified” bonds is exempt from federal income taxation just like other tax-exempt bonds, but there are some additional tax benefits to banks and other financial institutions to buy “bank qualified” bonds. Therefore, a bank may offer a particularly attractive interest rate to purchase a tax-exempt bond that is also “bank qualified.” Bond counsel can advise as to whether a tax-exempt bond issue can also be “bank qualified.”

The Internal Revenue Service can audit a debt obligation of a local government entity in a manner similar to an audit of a tax return for an individual or a corporation. The audit process can be complex, and a local government should consider obtaining professional assistance if an issuer’s tax-exempt bond is the subject of an audit. In the worst-case scenario, the Internal Revenue Service could determine that a debt obligation is not eligible to be a tax-exempt bond, in which case the holders of the obligation would have to pay tax on the interest on the obligation (and would likely seek relief against the local government issuer or other parties involved).

## **b. Federal Securities Laws**

When private entities publicly sell debt and/or equity, private entities are frequently required to submit a registration statement relating to the debt and/or equity to the federal Securities and Exchange Commission (“SEC”). Local government entities are generally exempt from such registration requirements in connection with the sale of debt. Therefore, only in very rare circumstances will a local government entity be required to file a registration statement with



the SEC. Generally, official statements and other offering documents of local government entities are not required to be submitted to or approved by the SEC or any other government entity prior to the sale of the debt.

While local government entities are generally exempt from registration requirements, local government entities are not exempt from the anti-fraud regulations that have been issued by the SEC. Under these regulations, the issuer of debt must not make fraudulent statements or engage in certain other abusive practices in connection with the sale of securities, and municipal bonds and other types of municipal debt are typically considered securities for this purpose. If a local government entity makes a material misstatement in connection with the sale of its debt, the local government entity could be the subject of an enforcement action by the SEC or could be sued by the purchasers of its debt. It is therefore essential that the official statement or other offering document pursuant to which a local government entity offers to sell debt be as accurate as is possible.

Many local government entities rely on a municipal advisor (also known as a financial advisor) to prepare the disclosure relating to the local government entity that is included in the official statement or other offering document. Even though a third party prepares this information, the local government still remains primarily responsible for the accuracy of the information in the official statement or other offering document, and the Chief Executive Officer and/or Chief Financial Officer should carefully review all offering documents as to the accuracy of the information contained therein. Some local government issuers retain legal counsel, which is known as disclosure counsel, to assist in ensuring that requirements of the securities laws are met in connection with disclosure of a debt offering. Disclosure counsel may be the same law firm as bond counsel or may be another law firm hired specifically for that purpose. Unless bond counsel is asked to also assist with the accuracy of disclosure relating to a local government, bond counsel generally has no role in that regard, and bond counsel's involvement with the official statement or other offering document is limited to describing the debt being sold (and not the information relating to the issuer).

If a local government entity sells debt in a public sale, the local government will become obligated to provide updated financial information to the holders of the debt on at least an annual basis under Rule 15c2-12 issued by the SEC. If the local government entity has less than \$10 million in public debt outstanding, the local government entity may only be required to file its audit each year, and if the local government entity has more than \$10 million in public debt outstanding, the local government entity will likely have to provide additional financial information. These annual updates are filed on a financial reporting website with the acronym "EMMA," which is maintained by the Municipal Securities Rulemaking Board ("MSRB"). Many local government entities rely on a dissemination agent to make annual disclosure filings, but the primary responsibility for making such filings remains with the local government entity. Failure to make such annual filings can make the future offering of public debt by the issuer more difficult and possibly more expensive.

While the federal government does not generally have the right to exercise direct oversight over the issuance of debt by local government entities, the federal government, through the MSRB, exercises broad regulatory oversight over underwriters and municipal advisors. Under



MSRB regulations, underwriters must comply with a number of rules relating to the purchase and sale of municipal securities, such as the delivery of official statements. In order to comply with these rules, underwriters will require local government entities, in connection with the purchase of debt, to provide certain information and meet certain requirements to allow the underwriter to comply with MSRB requirements. The MSRB also regulates municipal advisors and regulates the standards of conduct of municipal advisors.

## Section 9 – Best Practices and Other Resources

Various resources are available to local government entities to assist with the issuance of debt. The resources referenced in this section will be helpful to local government entities that are not conduit debt issuers, and that issue debt based upon their own credit.

### a. Seven Keys

The Seven Keys to a Fiscally Well-Managed Government is a document produced by the Comptroller's Office that outlines various characteristics present in financially well-managed governments. Follow this link for a printable copy for your board and for related videos: [tncot.cc/7keys](http://tncot.cc/7keys)

#### Building a Strong Budget for a Resilient Government

##### ***Structurally Balanced Budget***

A budget is structurally balanced when recurring revenues are sufficient to pay recurring expenditures. Recurring revenues can be relied on every year (property taxes, sales taxes, wheel taxes). Recurring expenditures are those required for normal governmental operations (debt payments, salaries, pension payments). Using overly optimistic revenue projections or underestimating expenditures, as well as relying on one-time revenue from selling assets, restructuring debt, spending savings, or deferring maintenance, indicate the budget is not structurally balanced. [Tenn. Code Ann. § 9-21-403]

##### ***Cash Flow Management***

A local government's ability to track how much revenue is coming into the government and how much is going out is vital to its fiscal health. Local governments that rely heavily on property taxes will need larger cash reserves to fund governmental services until tax revenue is received. Prior to its adoption, the budget must contain adequate revenues along with cash on hand to fund the government throughout the year. In addition, local governments need to have plans in place if additional sources of liquidity either internally (interfund tax anticipation note "TAN") or externally (bank issued TAN) prove to be necessary. [Tenn. Code Ann. § 9-21-801]

##### ***Forecasting Budgetary Amounts***

Mechanisms for forecasting revenues and expenditures that consider economic trends and growth rates provide for reliable revenue estimates. Local governments that do not routinely forecast budgetary amounts may find revenues overstated and expenditures understated. [Tenn. Code Ann. § 9-21-403]

## Planning for Unknowns

### ***Rainy Day Reserve***

Beyond liquidity management, local governments need to have reserves for unforeseen events like natural disasters or economic downturns. A government that creates a rainy day fund should at times expect to use the reserves but also have a policy for replacing the funds.

### ***Contingency Spending Plans***

Knowledge of what part of a budget is discretionary and can be legally and practically cut is necessary for dealing with unforeseen circumstances. If an event decreases a significant revenue source or increases spending during a year, and revenues cannot be adjusted quickly, then cuts to expenditures are necessary. Prior planning as to what cuts will be made will expedite the recovery.

## Planning for Tomorrow

### ***Long-Term Liability Planning***

Debt, pension, and OPEB payments are set amounts in the annual budget. The larger these payments are, the less ability the governing body has to make changes to the budget. Ongoing decisions of whether to issue additional debt or to make changes to benefits have a direct budgetary impact that must be considered. When the repayment of long-term liabilities comprises a large percentage of the budget, consistent management of the government's obligations is essential.

### ***Multi-Year Financial Planning***

Having a plan that considers the long-term affordability of programs or projects before they become an item in the annual budget is crucial. Assets will need to be replaced, maintenance performed, and programs expanded; advanced planning of these items will help ensure the funding is available in the future.

## **b. Financial Health Metrics**

Financially healthy local governments tend to have a few traits in common—they operate with balanced budgets, do not spend nonrecurring funds on recurring expenses, maintain adequate cash reserves, have a manageable debt burden, and keep liabilities in check. Local governments that do not manage these items tend to experience financial issues that show up in the following metrics that the Comptroller's Office calculates annually:

For Governmental Operating Funds (General Fund, General Purpose School Fund, and Other Funds with Recurring Payroll Expenditures)				
Financial Health Metric	Description	No Concern	Slight Concern	Distress Concern
Cash as a Percent of Expenditures	Do we have enough cash reserves to manage cash flow and fund unexpected spending?	Greater than 15%	15% to 8%	Less than 8%
Current Liabilities as a Percent of Cash	Do we have the ability to pay short-term obligations?	Less than 25%	25% to 75%	Greater than 75%
Change in Fund Balance as a Percent of Expenditures	How much did we overspend last year? (A concern exists when cash reserves are low.)	Positive	Decrease of 0% to 2%	Decrease greater than 2%
For Counties, Metros, and Municipalities with a Property Tax - General Governmental Debt as a Percent of Assessed Value*	How burdensome is our debt load?	Less than 8%	8% to 10%	Greater than 10%
For Municipalities without a Property Tax - General Governmental Debt as a Percent of Median Household Income	How burdensome is our debt load?	Less than 8%	8% to 10%	Greater than 10%

For Utility Systems (Operated by a City/Town, County, Metro Govt, Utility District, Authority, or Joint Venture)				
Financial Health Metric	Description	No Concern	Slight Concern	Distress Concern
Cash as a Percent of Cash Expenses	Do we have enough cash reserves to manage cash flow and fund unexpected spending?	Greater than 15%	15% to 8%	Less than 8%
Current Assets as a Percent of Current Liabilities	Do we have the ability to pay short-term obligations?	Greater than 1.25x	1.25x to 1.0x	Less than 1.0x
Statutory Change in Net Position as a Percent of Operating Revenue for Systems under TBOUR Jurisdiction	Are my rates sufficient to cause a positive statutory change in net position?	Positive	N/A	Negative
Business Type Activity Debt Coverage Ratio**	Do we have revenues sufficient to cover debt service?	Greater than 1.20x	N/A	Less than 1.20x

\* Debt as a Percent of Assessed Value is calculated as: total general governmental debt divided by total assessed value of property in the local government as reported by the Comptroller on the Tax Aggregate Report.

\*\* Debt Coverage Ratio is calculated as annual operating revenues minus annual operating expenses excluding depreciation divided by annual debt service (principal and interest) payments.

### c. Technical Assistance Services

The Municipal Technical Advisory Service (MTAS) assists Tennessee *cities* and *towns* with finance and accounting, human resources, legal services, municipal management, public safety, public utilities, and public works. <https://www.mtas.tennessee.edu/>

The County Technical Assistance Service (CTAS) assists Tennessee *counties* with financial services, legal services, information technology, highway services, public safety, environmental services, training services, and research and analysis. <http://www.ctas.tennessee.edu/>

The Tennessee Association of Utility Districts (TAUD) provides Tennessee *utilities* with training, industry information and publications, and legislative updates. <https://taud.org/>

#### **d. Debt Coverage**

The State of Tennessee does not limit the amount of debt a local government can issue; however, all local governments should know what amount of debt they can afford.

The Government Finance Officers Association (GFOA) states in its Debt Management Policy Best Practices that local governments' debt management policy should consider setting specific limits or acceptable ranges for each type of debt. Limits generally are set for legal, public policy, and financial restrictions and planning considerations. Debt limits often are expressed as ratios. Different limits are used for different types of debt. Examples include:

i. General Government Debt:

- Debt per capita,
- Debt to personal income,
- Debt to taxable property value, and
- Debt service payments as a percentage of general fund revenues or expenditures.

ii. Revenue Debt

Revenue debt levels often are limited by debt service coverage ratios, additional bond provisions contained in bond covenants, and potential credit rating impacts.

For more information, see the GFOA website at: <https://www.gfoa.org/>

For local governments with rated debt, or those seeking a rating, rating agencies set outer limits on the amount of debt and/or debt service allowed for their various rating categories (see Section 9e and rating agency websites and other resources for more information on specific rating methodologies).

The Division of Local Government Finance recommends that all local governments that have outstanding debt, or plan to issue debt, review their debt management policy and discuss the merits of setting a debt limit for each debt security (general obligation/revenue) the local government maintains. The local government should also review the Financial Health Metrics section of this Manual for guidance on debt metrics.

### e. Rating Agencies

Rating agencies provide, for a fee, opinions on the credit quality of an entity that issues bonds, or a specific bond issue—in other words, how likely the issuer is to pay principal and interest on time. In determining a rating, the rating agency reviews, among other factors, the issuer's financial reports, tax structure and related laws, demographic data, and economic statistics.

The three major rating agencies are Moody's Investors Service, Standard and Poor's (S&P), and Fitch Ratings.

	Rating		Definition
	Moody's	Standard & Poor's	
<b>Investment Grade</b>	Aaa	AAA	The highest rating – considered the highest quality, with minimal risk of default.
	Aa	AA	Considered high quality with very low risk.
	A	A	Considered upper-medium grade with low risk of default.
	Baa	BBB	Considered medium-grade; may have speculative characteristics.
<b>Non-Investment Grade – Speculative or “Junk” Bonds</b>	Ba	BB	Considered to have some speculative elements and substantial risk of default.
	B	B	Considered speculative with high risk of default.
	Caa	CCC	Considered poor quality with very high risk of default.
	Ca/C	CC/C	Considered highly speculative, and likely in default or close to default; some chance of recovering principal and interest.
	C	D	The lowest rating – usually in default with little chance of recovering principal and interest.

Depending on the rating agency, modifiers of 1, 2, and 3, or +/- are added to each rating classification—e.g., Aa1 or BB+ – to indicate whether the security falls into the low or high end of the range. Definitions adapted from Moody's Investors Service.

- 1. Bond Anticipation Note Resolution**
- 2. Capital Outlay Note Resolution**
- 3. Grant Anticipation Note Resolution**
- 4. Tax Anticipation Note Resolution**
- 5. Informal Bid Form**
- 6. Balloon Debt Law Flowchart**

## Appendix 1

# Bond Anticipation Note Resolution

Resolution No. \_\_\_\_\_

RESOLUTION OF THE GOVERNING BODY OF

\_\_\_\_\_, TENNESSEE,

AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF

\_\_\_\_\_ BOND ANTICIPATION NOTES

NOT TO EXCEED \$ \_\_\_\_\_

WHEREAS, the Governing Body of \_\_\_\_\_, Tennessee (the Local Government) has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): \_\_\_\_\_

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, the Local Government intends to issue and sell general obligation bonds (the "Bonds") pursuant to the provisions of Title \_\_\_\_\_, Tennessee Code Annotated, to finance the cost of the Project; and, if required by law, has duly adopted an initial resolution authorizing the issuance of the Bonds; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to issue and sell interest bearing bond anticipation notes for the purpose of providing funds in anticipation of the issuance of bonds upon the approval of the Comptroller of the Treasury or the Comptroller's designee; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of bond anticipation notes at this time:

NOW THEREFORE, BE IT RESOLVED by the Governing Body of \_\_\_\_\_, Tennessee, as follows:

**Section 1.** For the purpose of providing funds in anticipation of the issuance of the Bonds, the chief executive officer of the Local Government is hereby authorized in accordance with the terms of this resolution, and upon approval of the Comptroller of the Treasury or Comptroller's designee for the sale of the Notes, to issue and sell interest-bearing bond anticipation notes in a principal amount not to exceed



\_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the “Notes”) at either a competitive public sale or at a private negotiated sale pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated “\_\_\_\_\_Bond Anticipation Notes, Series 20\_\_\_”, shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination(s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed \_\_\_\_\_ percent (\_\_\_\_\_% ) per annum, and in no event shall the rate exceed the legal limit provided by law.

**Section 2.** The Notes shall mature not later than two (2) years after the date of issuance. If any of the Notes shall remain unpaid at the end of two (2) years from the original issue date, then the unpaid Notes shall be renewed or extended as permitted by law or retired from the funds of the Local Government or be converted into bonds pursuant to state law or be otherwise liquidated as approved by the Comptroller of the Treasury or Comptroller’s designee.

**Section 3.** The Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount an accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

**Section 4.** The Notes shall be direct general obligations of the Local Government and, for the purpose of providing funds for the payment of principal of and interest on the Notes, the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

If applicable, the Notes shall be further secured by \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(If the revenues generated by the Project are to be applied as additional security for the Notes, describe such revenues here.)

**Section 5.** The Notes shall be executed in the name of the Local Government and bear the signature of the chief executive officer of the Local Government and the signature of the \_\_\_\_\_ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the \_\_\_\_\_ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the \_\_\_\_\_ of the Local Government and shall be paid out for the purpose of providing funds in anticipation of the issuance of the Bonds pursuant to this Resolution and as required by law.

**Section 6.** The Notes will be issued in fully registered form and that at all times during which any Notes remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner’s attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the

registered owner of the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date of the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

**Section 7.** The Notes shall be in substantially the form attached as Attachment 1 with only changes as are necessary or appropriate to comply with the requirements of the purchaser thereof.

**Section 8.** The Bonds will be issued under the authority of Title \_\_\_\_\_ of Tennessee Code Annotated.

**Section 9.** This Resolution shall not be effective until the initial resolution authorizing the issuance of the Bonds, if required by law, shall have been adopted and published, and no petition protesting the issuance of the Bonds shall have been filed as permitted by law.

**Section 10.** The Notes may be renewed or extended as permitted by law.

**Section 11.** The Notes shall not be sold until receipt of written approval for the sale of the Notes from the Comptroller of the Treasury or the Comptroller's designee.

**Section 12.** After the sale of the Notes, and for each year that any of the Notes are outstanding, the Local Government shall prepare an annual budget and budget ordinance in a form consistent with accepted governmental standards and as approved by the Comptroller of the Treasury or Comptroller's designee. The budget shall be kept balanced during the life of the Notes and shall appropriate sufficient monies to pay all annual debt service. The annual budget and ordinance shall be submitted to the Comptroller of the Treasury or Comptroller's designee immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Comptroller of the Treasury or Comptroller's Designee in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes"). If the Comptroller of the Treasury or Comptroller's Designee determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Comptroller of the Treasury or Comptroller's designee.

**Section 13.** That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage and the satisfaction of all conditions referenced in this Resolution.

Duly passed and approved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

---

(Local Government Chief Executive)

ATTESTED:

---

(Recording Officer)

Attachment 1  
BOND ANTICIPATION NOTE FORM

Registered Note No. \_\_\_\_\_

Registered \$ \_\_\_\_\_

\_\_\_\_\_  
(Name of Local Government)

of the State of Tennessee

Bond Anticipation Notes, Series 20\_\_

Bond Anticipation Notes, Extension Note Series 20\_\_

DATED: \_\_\_\_\_

INTEREST RATE: \_\_\_\_\_

MATURITY DATE: \_\_\_\_\_

Registered Owner: \_\_\_\_\_

Principal Sum: \_\_\_\_\_

The \_\_\_\_\_ (Governing Body) of \_\_\_\_\_ Tennessee (the Local Government) hereby acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner hereof (named above), or registered assigns, the Principal Sum (specified above) on the Maturity Date (specified above) (unless this note shall have been duly called for prior redemption and payment of the redemption price shall have been duly made or provided for), upon presentation and surrender to the Local Government or its agent, and to pay interest on the Principal Sum on \_\_\_\_\_ and thereafter on \_\_\_\_\_ of each year at the Interest Rate per annum (specified above), by check, draft, or warrant mailed to the Registered Owner at the address of the Registered Owner as it appears on the fifteenth (15th) calendar day of the month next preceding the applicable payment date in the note register maintained by or on behalf of the Local Government. Both principal of and interest on this note are payable at the office of the \_\_\_\_\_ of the Local Government or a paying agent duly appointed by the Local Government in lawful money of the United States of America.

This note is a direct obligation of the Local Government for the payment of which as to both principal and interest the full faith and credit of the Local Government is pledged.

This note is subject to redemption prior to its stated maturity in whole or in part at any time at the option of the Local Government upon payment of the principal amount of the note together with the interest accrued thereon to the date of redemption with a premium of \_\_\_\_\_ % of par value.

This note is issued under the authority of Parts I, IV, and V of Title 9, Chapter 21, Tennessee Code Annotated, and a Resolution duly adopted by the Governing Body of the Local Government meeting in session on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Resolution") to provide funds in anticipation of the issuance of the bonds referenced in the Resolution.

This note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the Registered Owner of the note in person or by the Registered Owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent of the note together with a written instrument of transfer satisfactory to the Local Government duly executed by the Registered Owner or the Registered Owner's duly authorized attorney but only in the manner as provided in the Resolution of the Local Government authorizing the issuance of this note and upon surrender hereof for cancellation. Upon the transfer of any such note, the Local Government or its agent shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered note. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Title 9, Chapter 21, Section 117, Tennessee Code Annotated provides that this note and interest thereon are exempt from taxation by the State of Tennessee or by any county, municipality, or taxing district of the State, except for inheritance, transfer, and estate taxes and except as otherwise provided under the laws of the State of Tennessee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of Tennessee, and that the amount of this note, together with all other indebtedness of the Local Government, does not exceed any constitutional or statutory limitation thereon, and that this note is within every constitutional and statutory limitation.

IN WITNESS WHEREOF, the Governing Body of the Local Government has caused this note to be executed in the name of the Local Government by the signature of the \_\_\_\_\_, and attested by the signature of the \_\_\_\_\_ with the Seal of the Local Government affixed hereto or imprinted hereon, and this note to be dated as of the \_\_\_\_\_ day of 20\_\_\_\_.

---

(Local Government Chief Executive)

ATTESTED:

---

(Recording Officer)

## ASSIGNMENT

Note No. \_\_\_\_\_

Amount: \$ \_\_\_\_\_

For value received, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Name and Address of assignee)

\_\_\_\_\_  
(Please indicate social security or other tax identifying number of assignee)

The within-mentioned note, and hereby irrevocably constitutes and appoints \_\_\_\_\_  
attorney-in-fact, to transfer the same on the note register in the office of the \_\_\_\_\_  
or the agent of the Local Government with full power of substitution in the premises.

Date: \_\_\_\_\_

Assignor: \_\_\_\_\_

Address: \_\_\_\_\_

## Appendix 2

# Capital Outlay Note Resolution

Resolution No. \_\_\_\_\_

RESOLUTION OF THE GOVERNING BODY OF

\_\_\_\_\_, TENNESSEE,

AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF

\_\_\_\_\_ CAPITAL OUTLAY NOTES

NOT TO EXCEED \$ \_\_\_\_\_

WHEREAS, the Governing Body of the \_\_\_\_\_ Tennessee, (the "Local Government") has determined that it is necessary and desirable to issue capital outlay notes in order to provide funds for the following public works project: \_\_\_\_\_ (the "Project"); and

WHEREAS, the Governing Body has determined that the Project is a public works project within the meaning of the Act (as defined below); and

WHEREAS, under the provisions of Parts I, IV and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to finance the cost of this Project through the issuance and sale of interest-bearing capital outlay notes upon the approval of the Comptroller of the Treasury or Comptroller's designee; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of capital outlay notes to finance the cost of the Project.

NOW THEREFORE, BE IT RESOLVED by the Governing Body of \_\_\_\_\_ Tennessee, as follows:

**Section 1.** For the purpose of providing funds to finance the cost of the Project, the chief executive officer of the Local Government is hereby authorized in accordance with the terms of this resolution, and upon approval of the Comptroller of the Treasury or Comptroller's designee, to issue and sell interest-bearing capital outlay notes in a principal amount not to exceed \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "Notes"). The Notes shall be designated "\_\_\_\_\_ Capital Outlay Notes, Series 20\_\_"; shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination(s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value plus accrued interest if any; and shall bear interest at a rate or rates not to exceed \_\_\_\_\_ per cent (\_\_\_\_%) per annum, and in no event shall the rate exceed the legal limit provided by law.

**Section 2.** The Notes shall mature \_\_\_\_\_ (\_\_\_\_\_) fiscal years after the fiscal year of issuance and, unless otherwise approved by the Comptroller of the Treasury or Comptroller's designee, the Notes shall be amortized through mandatory redemption in amounts reflecting level debt service on the Notes or an equal amount of principal paid in each fiscal year as is agreed upon by the chief executive officer and the Purchaser. The principal amount paid in each fiscal year shall be set forth in the form of the Note. The weighted average maturity of the Notes shall not exceed the reasonably expected weighted average life of the Project, which is hereby estimated to be \_\_ years.

**Section 3.** [The Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount as determined with the purchaser.] [The Notes shall not be subject to redemption prior to maturity.] [Select one option]

**Section 4.** The Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the Notes, the full faith and credit of the Local Government is irrevocably pledged, and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local Government over and above all other taxes authorized by the Local Government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

**Section 5.** The Notes shall be executed in the name of the Local Government; shall bear the signature of the chief executive officer of the Local Government and the signature of the recording officer of the Local Government and shall be payable as to principal and interest at the office of recording officer of the Local Government or at the office of the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the official designated by law as custodian of the funds of the Local Government. All proceeds shall be paid out for financing the Project pursuant to this Resolution and as required by law.

**Section 6.** The Notes will be issued in fully registered form and that at all times during which any Note remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register for the registration, exchange or transfer of the Notes. The note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument or transfer satisfactory to the Local Government duly executed by the registered owner or the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

**Section 7.** The Notes shall be in substantially the form attached as Attachment 1 with only changes as are necessary or appropriate to comply with the requirements of the purchaser thereof as determined by the chief executive officer.

**Section 8.** [The Notes shall be sold at competitive sale in accordance with the Act.] or [The Notes shall be sold by negotiated sale in accordance with the Act.] or [The Notes shall be sold through the informal bid process provided in Tenn. Code Ann. Section 9-21-609.]

**Section 9.** The Notes shall not be sold until receipt of the Comptroller of the Treasury or Comptroller's Designee's written approval for the sale of the Notes.

**Section 10.** The chief executive officer is authorized to designate the Notes as qualified tax-exempt obligations for the purpose of Section 265(b) (3) of the Internal Revenue Code of 1986 if so eligible to be designated.

**Section 11.** After the sale of the Notes, and for each year that any of the Notes are outstanding, the Local Government shall prepare an annual budget and budget ordinance in a form consistent with accepted governmental standards and as approved by the Comptroller of the Treasury or Comptroller's designee. The budget shall be kept balanced during the life of the Notes and shall appropriate sufficient monies to pay all annual debt service. The annual budget and ordinance shall be submitted to the Comptroller of the Treasury or Comptroller's designee immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Comptroller of the Treasury or Comptroller's Designee in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes"). If the Comptroller of the Treasury or Comptroller's designee determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Comptroller of the Treasury or Comptroller's designee.

**Section 12.** All orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

---

(Local Government Chief Executive)

ATTESTED:

---

(Recording Officer)



Attachment 1  
CAPITAL OUTLAY NOTE FORM

Registered Note No. \_\_\_\_\_

Registered \$ \_\_\_\_\_

\_\_\_\_\_

*(Name of Local Government)*

of the State of Tennessee

Capital Outlay Notes, Series 20\_\_

DATED: \_\_\_\_\_

INTEREST RATE: \_\_\_\_\_

MATURITY DATE: \_\_\_\_\_

Registered Owner: \_\_\_\_\_

Principal Sum: \_\_\_\_\_

\_\_\_\_\_, Tennessee (the Local Government) hereby acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner hereof (named above), or registered assigns, the Principal Sum specified above on the Maturity Date specified above or according to an amortization schedule attached hereto (unless this note shall have been duly called for prior redemption and payment of the redemption price shall have been duly made or provided for), upon presentation and surrender to the Local Government or its agent, and to pay interest on the Principal Sum on \_\_\_\_\_ and thereafter on \_\_\_\_\_ of each year at the Interest Rate per annum specified above or according to an amortization schedule attached hereto, by check, draft, or warrant mailed to the Registered Owner at the address of the Registered Owner as it appears on the fifteenth (15th) calendar day of the month next preceding the applicable payment date in the note register maintained by or on behalf of the \_\_\_\_\_ Local Government. Both principal of and interest on this note are payable at the office of the Of the Local Government or a paying agent duly appointed by the Local Government in lawful money of the United States of America.

This note is a direct obligation of the Local Government for the payment of which as to both principal and interest the full faith and credit of the Local Government is pledged.

[This note is subject to redemption prior to its stated maturity in whole or in part at any time at the option of the Local Government upon payment of the principal amount of the note together with the

interest accrued thereon to the date of redemption with a premium of \_\_\_\_\_% of par value.][This note is not subject to redemption prior to maturity.] [Select one option.]

This note is issued under the authority of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated, and a Resolution duly adopted by the Governing Body of the Local Government meeting on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_(the "Resolution") to provide funds to finance the cost of public works projects referenced in the Resolution.

This note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the Registered Owner of the note in person or by the Registered Owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent of the note together with a written instrument of transfer satisfactory to the Local Government duly executed by the Registered Owner or the Registered Owner's duly authorized attorney but only in the manner as provided in the Resolution of the Local Government authorizing the issuance of this note and upon surrender hereof for cancellation. Upon the transfer of any such note, the Local Government or its agent shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered note. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Pursuant to Tenn. Code Ann. Section 9-21-117, this note, and interest thereon are exempt from all state, county, and municipal taxation except for inheritance, transfer and estate taxes and except as otherwise provided under the laws of the State of Tennessee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of Tennessee, and that the amount of this note, together with all other indebtedness of the Local Government, does not exceed any constitutional or statutory limitation thereon, and that this note is within every constitutional and statutory limitation.

IN WITNESS WHEREOF, the Governing Body of the Local Government has caused this note to be executed in the name of the Local Government by the signature of the \_\_\_\_\_ and attested by the signature of the \_\_\_\_\_ with the Seal of the Local Government affixed hereto or imprinted hereon, and this note to be dated as of the \_\_\_\_\_ day of 20\_\_\_\_\_.

\_\_\_\_\_  
(Local Government Chief Executive)

ATTESTED:

\_\_\_\_\_  
(Recording Officer)

## ASSIGNMENT

Note No. \_\_\_\_\_

Amount: \$ \_\_\_\_\_

For value received, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Name and Address of assignee)

\_\_\_\_\_  
(Please indicate social security or other tax identifying number of assignee)

The within-mentioned note and hereby irrevocably constitutes and appoints \_\_\_\_\_  
attorney-in-fact, to transfer the same on the note register in the office of the \_\_\_\_\_  
\_\_\_\_\_ or the agent of the Local Government with full power of substitution in the premises.

Date: \_\_\_\_\_

Assignor: \_\_\_\_\_

Address: \_\_\_\_\_

## Appendix 3

# Grant Anticipation Note Resolution

Resolution No. \_\_\_\_\_

RESOLUTION OF THE GOVERNING BODY OF

\_\_\_\_\_, TENNESSEE,

AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF

\_\_\_\_\_ GRANT ANTICIPATION NOTES

NOT TO EXCEED \$ \_\_\_\_\_

WHEREAS, the Governing Body of \_\_\_\_\_, Tennessee, (the "Local Government" has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): \_\_\_\_\_

(If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ; ) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, there is on file in the offices of the Local Government a fully executed contract or agreement between \_\_\_\_\_ (designate the state or federal agency) (the "Agency") and the Local Government, dated \_\_\_\_\_, 20\_\_\_\_, whereby the Agency agrees to pay the Local Government a principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the "Agency Grant") to finance the cost of the Project; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to issue and sell interest-bearing grant anticipation notes upon the approval of the Comptroller of the Treasury or the Comptroller's designee; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance and sale of grant anticipation notes to provide funds in anticipation of the Agency Grant;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of \_\_\_\_\_, Tennessee as follows:

**Section 1.** For the purpose of providing funds in anticipation of the Agency Grant, the Local Government is hereby authorized to issue and sell interest-bearing grant anticipation notes in a principal amount not to exceed \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the "Notes") at either a competitive public sale or at a private negotiated sale upon approval of Comptroller of the Treasury or the Comptroller's designee pursuant to the term, provisions, and conditions of the Act. The Notes shall be

designated \_\_\_\_\_ Grant Anticipation Note, Series 20\_\_\_\_; shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be sold at not less than par value and accrued interest; and shall bear interest at a rate or rates not to exceed \_\_\_\_per cent (\_\_\_\_%) per annum, and in no event shall the rate exceed the legal limit provided by law.

**Section 2.** The Notes shall mature not later than \_\_\_\_\_ (designate either three/3 or seven/7 years) after the date of issuance.

**Section 3.** The Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time that the funds of the Agency Grant become available to the Local Government, at the principal amount and accrued interest to the date of redemption without a premium.

**Section 4.** The principal amount of the Notes shall be secured solely by the pledge of funds to be received pursuant to the Agency Grant, and the Local Government hereby pledges a portion or all of the Agency Grant in an amount at least equal to the principal amount of the Notes, being \_\_\_\_\_ Dollars (\$\_\_\_\_), to the payment of the principal amount of the Notes. The Local Government shall have no authority to levy ad valorem taxes for the payment of the principal of the Notes.

**Section 5.** The interest on the Notes shall be direct general obligations of the Local Government and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of interest on the Notes. Provided, however, that the proceeds of any capital outlay notes, or bond anticipation notes shall not be applied to any payment of the Notes.

**Section 6.** The Notes shall be executed in the name of the Local Government and bear the signature of the chief executive officer of the Local Government and the signature of the \_\_\_\_\_ (Recording Officer) and shall be payable as to principal and interest at the office of the \_\_\_\_\_ (Recording Officer) of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the \_\_\_\_\_ (Recording Officer) of the Local Government and shall be paid out for the purpose of providing funds in anticipation of the Agency Grant pursuant to this Resolution and as required by law.

**Section 7.** The Notes will be issued in fully registered form and that at all times during which any Note remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register for the registration, exchange or transfer of the Notes. The notes register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner or the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Note. The Local Government shall not be obligated to make any such note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

**Section 8.** That, the Notes may be extended or renewed as permitted by law.

**Section 9.** The Notes shall be in substantially the form attached as Attachment 1 with only changes as are necessary or appropriate to comply with the requirements of the purchaser thereof.

**Section 10.** The Notes shall not be sold until receipt of written approval for the sale of the Notes from the Comptroller of the Treasury or the Comptroller's designee.

**Section 11.** After the sale of the Notes, and for each year that any of the Notes are outstanding, the Local Government shall prepare an annual budget and budget ordinance in a form consistent with accepted governmental standards and as approved by the Comptroller of the Treasury or Comptroller's designee. The budget shall be kept balanced during the life of the Notes and shall appropriate sufficient monies to pay all annual debt service. The annual budget and ordinance shall be submitted to the Comptroller of the Treasury or Comptroller's designee immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Comptroller of the Treasury or Comptroller's Designee in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes") . If the Comptroller of the Treasury or Comptroller's Designee determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Comptroller of the Treasury or Comptroller's designee.

**Section 12.** That, all orders or resolutions in conflict with this Resolution in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

---

(Local Government Chief Executive)

ATTESTED:

---

(Recording Officer)

Attachment 1  
GRANT ANTICIPATION NOTE FORM

Registered Note No. \_\_\_\_\_

Registered \$ \_\_\_\_\_

\_\_\_\_\_  
(Name of Local Government)

of the State of Tennessee

Grant Anticipation Notes, Series 20\_\_\_\_\_

DATED: \_\_\_\_\_

INTEREST RATE: \_\_\_\_\_

MATURITY DATE: \_\_\_\_\_

Registered Owner: \_\_\_\_\_

Principal Sum: \_\_\_\_\_

The \_\_\_\_\_ (Governing Body) of \_\_\_\_\_ Tennessee (the Local Government) hereby acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner hereof (named above), or registered assigns, the Principal Sum (specified above) on the Maturity Date (specified above) (unless this note shall have been duly called for prior redemption and payment of the redemption price shall have been duly made or provided for), upon presentation and surrender to the Local Government or its agent, and to pay interest on the Principal Sum on \_\_\_\_\_ and thereafter on \_\_\_\_\_ of each year at the Interest Rate per annum (specified above), by check, draft, or warrant mailed to the Registered Owner at the address of the Registered Owner as it appears on the fifteenth (15th) calendar day of the month next preceding the applicable payment date in the note register maintained by or on behalf of the Local Government. Both principal of and interest on this note are payable at the office of the \_\_\_\_\_ of the Local Government or a paying agent duly appointed by the Local Government in lawful money of the United States of America.

This note is a direct obligation of the Local Government for the payment of which as to both principal and interest the full faith and credit of the Local Government is pledged.

This note is subject to redemption prior to its stated maturity in whole or in part at any time at the option of the Local Government upon payment of the principal amount of the note together with the interest accrued thereon to the date of redemption with a premium of \_\_\_\_\_ % of par value.

This note is issued under the authority of Parts I, IV, and V of Title 9, Chapter 21, Tennessee Code Annotated, and a Resolution duly adopted by the Governing Body of the Local Government meeting in session on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Resolution") to provide funds in anticipation of the issuance of the bonds referenced in the Resolution.

This note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the Registered Owner of the note in person or by the Registered Owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent of the note together with a written instrument of transfer satisfactory to the Local Government duly executed by the Registered Owner or the Registered Owner's duly authorized attorney but only in the manner as provided in the Resolution of the Local Government authorizing the issuance of this note and upon surrender hereof for cancellation. Upon the transfer of any such note, the Local Government or its agent shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered note. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Title 9, Chapter 21, Section 117, Tennessee Code Annotated provides that this note and interest thereon are exempt from taxation by the State of Tennessee or by any county, municipality, or taxing district of the State, except for inheritance, transfer and estate taxes and except as otherwise provided under the laws of the State of Tennessee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of Tennessee, and that the amount of this note, together with all other indebtedness of the Local Government, does not exceed any constitutional or statutory limitation thereon, and that this note is within every constitutional and statutory limitation.

IN WITNESS WHEREOF, the Governing Body of the Local Government has caused this note to be executed in the name of the Local Government by the signature of the \_\_\_\_\_, and attested by the signature of the \_\_\_\_\_ with the Seal of the Local Government affixed hereto or imprinted hereon, and this note to be dated as of the \_\_\_\_\_ day of 20\_\_\_\_.

---

(Local Government Chief Executive)

ATTESTED:

---

(Recording Officer)



## ASSIGNMENT

Note No. \_\_\_\_\_

Amount: \$ \_\_\_\_\_

For value received, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Name and Address of assignee)

\_\_\_\_\_  
(Please indicate social security or other tax identifying number of assignee)

The within-mentioned note and hereby irrevocably constitutes and appoints \_\_\_\_\_  
attorney-in-fact, to transfer the same on the note register in the office of the \_\_\_\_\_  
\_\_\_\_\_ or the agent of the Local Government with full power of substitution in the premises.

Date: \_\_\_\_\_

Assignor: \_\_\_\_\_

Address: \_\_\_\_\_

## Appendix 4

# Tax Anticipation Note Resolution

Resolution No. \_\_\_\_\_

RESOLUTION OF THE GOVERNING BODY OF

\_\_\_\_\_, TENNESSEE,

AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF

\_\_\_\_\_ REVENUE/TAX ANTICIPATION NOTES

NOT TO EXCEED \$ \_\_\_\_\_

WHEREAS, the Governing Body of \_\_\_\_\_, Tennessee, (the “Local Government”) has determined that it is necessary and desirable to borrow a limited amount of funds to meet appropriations made for the \_\_\_\_\_ Fund (the “Fund”) for the current fiscal year, being July 1, 20\_\_\_\_, through June 30, 20\_\_\_\_, inclusive, (the “Fiscal Year”), in anticipation of the collection of taxes and revenues for the Fund during the Fiscal Year; and

WHEREAS, under the provisions of Part I, IV, IV, and VIII of Title 9, Chapter 21, Tennessee Code Annotated (the “Act”), local governments in Tennessee are authorized to issue and sell revenue/tax anticipation notes in amounts not exceeding sixty percent (60%) of the Fund appropriation for the Fiscal Year upon the approval of the Comptroller of the Treasury or Comptroller’s Designee; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance and sale of revenue/tax anticipation notes.

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of the Local Government \_\_\_\_\_, as follows:

**Section 1.** For the purpose of providing funds to meet certain appropriations for the Fiscal Year, the chief executive officer of the Local Government is hereby authorized in accordance with the terms of this Resolution to issue sell revenue/tax anticipation notes in a principal amount not to exceed \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the “Notes”) upon approval of the Comptroller of the Treasury or Comptroller’s designee pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated “\_\_\_\_\_ Revenue/Tax Anticipation Notes, Series 20\_\_\_\_”; shall be dated as of the date of issuance and shall bear interest at a rate or rates not to exceed \_\_\_\_\_ percent (\_\_\_\_\_% ) per annum, and in no event shall the rate exceed the legal limit provided by law.

**Section 2.** That, the sum of the principal amount of the Notes, together with the principal amount or amounts of any prior revenue/tax anticipation notes issued during the Fiscal Year, does not exceed sixty percent (60%) of the Fund appropriation for the Fiscal Year.

**Section 3.** That, the Notes may be renewed from time to time and money may be borrowed from time to time for the payment of any indebtedness evidenced by the Notes; provided, that the Notes and any renewal notes shall mature and be paid in full without renewal on or before the end of the Fiscal Year. If the Local Government overestimates the amount of taxes and revenue collected for the Fiscal Year and it becomes

impossible to retire the Notes and all renewal notes prior to the close of the Fiscal Year, then the Local Government shall apply to the Comptroller of the Treasury or Comptroller's designee within ten (10) days prior to the close of the Fiscal year for permission to issue funding bonds to cover the unpaid Notes in the manner provided by Title 9, Chapter 11 of Tennessee Code Annotated or as otherwise provided for in a manner approved by the Comptroller of the Treasury or Comptroller's designee.

**Section 4.** That, the Notes shall be secured solely by the receipt of taxes and revenues by the Fund during the Fiscal Year.

**Section 5.** That, the Notes shall be subject to redemption at the option of the Local government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption without a premium.

**Section 6.** The Notes shall be executed in the name of the Local Government; shall bear the signature of the chief executive officer of the Local Government and the signature of the recording officer of the Local Government and shall be payable as to principal and interest at the office of the recording officer of the Local Government or at the office of the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the official designated by law as custodian of the funds. All proceeds shall be paid out for the purpose of meeting Fund appropriations made for the Fiscal Year in anticipation of the collection of revenues and taxes pursuant to this Resolution and as required by law.

**Section 7.** The Notes shall be in substantially the form attached as Attachment 1 with only changes as are necessary or appropriate to comply with the requirements of the purchaser thereof.

**Section 8.** The Notes shall be issued only after the receipt of the approval of the Comptroller of the Treasury or Comptroller's designee for the sale of the Notes.

**Section 9.** If any of the Notes shall remain unpaid at the end of the fiscal year of issue, then the unpaid Notes shall be retired from the funds of the Local Government or be converted into bonds pursuant to Chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approved by the Comptroller of the Treasury or Comptroller's designee.

**Section 10.** All orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

---

(Local Government Chief Executive)

ATTESTED:

---

(Recording Officer)

Attachment 1  
TAX/REVENUE ANTICIPATION NOTE FORM

Registered Note No. \_\_\_\_\_

Registered \$ \_\_\_\_\_

\_\_\_\_\_  
(Name of Local Government)

of the State of Tennessee

Tax/Revenue Anticipation Notes, Series 20\_\_

DATED: \_\_\_\_\_

INTEREST RATE: \_\_\_\_\_

MATURITY DATE: \_\_\_\_\_

Registered Owner: \_\_\_\_\_

Principal Sum: \_\_\_\_\_

The \_\_\_\_\_ (Governing Body) of \_\_\_\_\_ Tennessee (the Local Government) hereby acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner hereof (named above), or registered assigns, the Principal Sum (specified above) on the Maturity Date (specified above) (unless this note shall have been duly called for prior redemption and payment of the redemption price shall have been duly made or provided for), upon presentation and surrender to the Local Government or its agent, and to pay interest on the Principal Sum on \_\_\_\_\_ and thereafter on \_\_\_\_\_ of each year at the Interest Rate per annum (specified above), by check, draft, or warrant mailed to the Registered Owner at the address of the Registered Owner as it appears on the fifteenth (15th) calendar day of the month next preceding the applicable payment date in the note register maintained by or on behalf of the Local Government. Both principal of and interest on this note are payable at the office of the \_\_\_\_\_ of the Local Government or a paying agent duly appointed by the Local Government in lawful money of the United States of America.

This note is a direct obligation of the Local Government for the payment of which as to both principal and interest the full faith and credit of the Local Government is pledged.

This note is subject to redemption prior to its stated maturity in whole or in part at any time at the option of the Local Government upon payment of the principal amount of the note together with the interest accrued thereon to the date of redemption with a premium of \_\_\_\_\_ % of par value.

This note is issued under the authority of Parts I, IV, and V of Title 9, Chapter 21, Tennessee Code Annotated, and a Resolution duly adopted by the Governing Body of the Local Government meeting in session on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Resolution") to provide funds in anticipation of the issuance of the bonds referenced in the Resolution.

This note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the Registered Owner of the note in person or by the Registered Owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent of the note together with a written instrument of transfer satisfactory to the Local Government duly executed by the Registered Owner or the Registered Owner's duly authorized attorney but only in the manner as provided in the Resolution of the Local Government authorizing the issuance of this note and upon surrender hereof for cancellation. Upon the transfer of any such note, the Local Government or its agent shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered note. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Title 9, Chapter 21, Section 117, Tennessee Code Annotated provides that this note and interest thereon are exempt from taxation by the State of Tennessee or by any county, municipality, or taxing district of the State, except for inheritance, transfer and estate taxes and except as otherwise provided under the laws of the State of Tennessee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of Tennessee, and that the amount of this note, together with all other indebtedness of the Local Government, does not exceed any constitutional or statutory limitation thereon, and that this note is within every constitutional and statutory limitation.

IN WITNESS WHEREOF, the of the Local Government has caused this note to be executed in the name of the Local Government by the signature of the \_\_\_\_\_, and attested by the signature of the \_\_\_\_\_ with the Seal of the Local Government affixed hereto or imprinted hereon, and this note to be dated as of the \_\_\_\_\_ day of 20\_\_\_\_.

---

(Local Government Chief Executive)

ATTESTED:

---

(Recording Officer)

## ASSIGNMENT

Note No. \_\_\_\_\_

Amount: \$ \_\_\_\_\_

For value received, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Name and Address of assignee)

\_\_\_\_\_  
(Please indicate social security or other tax identifying number of assignee)

The within-mentioned note and hereby irrevocably constitutes and appoints \_\_\_\_\_  
attorney-in-fact, to transfer the same on the note register in the office of the \_\_\_\_\_  
\_\_\_\_\_ or the agent of the Local Government with full power of substitution in the premises.

Date: \_\_\_\_\_

Assignor: \_\_\_\_\_

Address: \_\_\_\_\_

## Appendix 5

# Informal Bid Form

[Enter Name of Local Government], TENNESSEE

NOT TO EXCEED [Amount Requested]

GENERAL OBLIGATION CAPITAL OUTLAY NOTE, SERIES 20\_\_

As required by Title 9, Chapter 21, Part 609, Tenn. Code Ann., this information is being submitted to the Comptroller's Division of Local Government Finance to request approval to issue the above notes by the informal bid process based upon the following:

1. The informal bid process is feasible.
2. The informal bid process is in the best interest of our local government.
3. Our local government will be able to amortize the notes together with all other outstanding obligations.
4. Financial institutions were contacted by telephone or in writing and presented our local government with the interest rates as detailed below (at least three should be contacted, if possible):

Financial Institution/Lender	Interest Rate Quoted
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Issuance Costs

\_\_\_\_\_ There are no issuance costs associated with these notes.

\_\_\_\_\_ There are issuance costs, and they are itemized on the attached schedule:

Signed: \_\_\_\_\_

Name and Title (printed): \_\_\_\_\_

Attachment 1  
**Schedule of Informal Bid Issuance Costs**

Fee	Lender 1	Lender 2	Lender 3	Lender 4	Lender 5
Financial Advisor					
Legal Counsel					
Registration					
Paying Agent					
Rating Agency					
Underwriter					
Remarketing Agent					
Advertising					
Other					
Total					



## Appendix 6

# Balloon Debt Law Flowchart

Tenn. Code Ann. § 9-21-133

