ORIGINAL

RESOLUTION NO. 2012-16

TO ADOPT A DEBT MANAGEMENT POLICY FOR WEAKLEY COUNTY, TENNESSEE

WHEREAS, *Tennessee Code Annotated*, Section 9-21-151(b) (1), authorizes the State Funding Board to develop model financial transaction policies for local governments and local government instrumentalities; and

WHEREAS, the State Funding Board has adopted a statement on debt management and directed local governments and government entities that borrow money to draft their own debt management policies with certain mandatory provisions; and

WHEREAS, Weakley County has prepared a debt management policy that includes the mandatory provisions relative to transparency, professionals and conflicts.

NOW, THEREFORE, BE IT RESOLVED by the Weakley County Legislative Body meeting in regular session in Dresden, Tennessee, on this 21st day of November, 2011, that:

SECTION 1. The debt management policy attached as Exhibit A to this resolution, incorporated herein by reference, is hereby adopted.

SECTION 2. This resolution shall take effect upon passage, the public welfare requiring it.

Pursuant To The Rules Of The Commission, This Resolution Is Sponsored By The Following Members Of The Weakley County Board Of County Commissioners:

SPONSORED BY: [signature]

SPONSORED BY: Roger Stewart

ACKNOWLEDGED AND APPROVED:

Josh Kincaid

Chairman, Financial Management Committee

Motion made by Commissioner Vincent that the foregoing resolution be adopted: Motion seconded by Commissioner Stewart.

Upon being put to a ~~roll-call~~ voice vote, Motion carried by a vote of 16 Yeas, 0 Nays, 0 Passed and 2 Absent.

ATTESTED: Pat Scarbrough

Pat Scarbrough, County Clerk

APPROVED: James H Westbrook

James H. Westbrook, Chairman

THIS THE 21st DAY OF NOVEMBER, 2011.

APPROVED: Houston W. Patrick

Houston W. Patrick, County Mayor

DATE: 11/23/11

VETOED:

Houston W. Patrick, County Mayor

DATE:

Weakley County, Tennessee
Debt Policies

To utilize debt financing which will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current or future revenues.

A. Use of Debt Financing

Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, commercial paper, lease/purchase agreements, and other obligations permitted to be issued or incurred under state law, shall only be used to purchase capital assets that cannot be acquired from either current revenues or fund balance/retained earnings and to fund infrastructure improvements and additions. The useful life of the asset or project shall exceed the payout schedule of any debt the County assumes.

B. Affordability Targets

1. **General Obligation Bonds:** The County shall use an objective analytical approach to determine whether it can afford to assume new general purpose debt beyond what it retires each year. This process shall compare generally accepted standards of affordability to the current values for the County.

These standards shall include debt per capita, debt as a percent of taxable value, debt service payments as a percent of current revenues and current expenditures, and the level of overlapping net debt of all local taxing jurisdictions. The process shall also examine the direct costs and benefits of the proposed expenditures. The decision on whether or not to assume new debt shall be based on these costs and benefits, the current conditions of the municipal bond market and the County's ability to "afford" new debt as determined by the aforementioned standards. The County shall strive to achieve and/or maintain these standards at a low to moderate classification.

2. **Revenue Bonds:** For the County to issue new revenue bonds, revenues, as defined in the ordinance authorizing the revenue bonds in question, shall be a minimum of 125% of the average annual debt service and 110% of the debt service for the year in which requirements are scheduled to be the greatest, but should be maintained at 150% of the maximum annual debt service for financial planning purposes. Annual adjustments to the County's rate structures will be made as necessary to maintain a 150% coverage factor.

C. Debt Structure

The County shall normally issue bonds with an average life of 10.5 years or less for general obligation bonds and 12.0 years for revenue bonds. The structure should approximate level principal on general obligation bonds and level debt service for revenue bonds. There shall be no debt structures which include increasing debt service levels in subsequent years, with the first and second year of a bond payout schedule the exception. There shall be no "balloon" bond repayment schedules which consist of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal starting no later than the second fiscal year after the bond issue. Normally, there shall be no capitalized interest included in the debt structure unless there are no historical reserves upon which to draw.

D. Call Provisions

Call provisions for bond issues shall be made as short as possible consistent with the lowest interest cost to the County. When possible, all bonds shall be callable only at par.

E. Sale Process

The County shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. The County shall attempt to award the bonds based on a true interest cost (TIC) basis. However, the County may award bonds based on a net interest cost (NIC) basis as long as the financial advisor agrees that the NIC basis can satisfactorily determine the lowest and best bid.

F. Rating Agencies Presentations

Full disclosure of operations and open lines of communication shall be made to the rating agencies. County staff, with assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. Credit rating will be sought from Moody's, Standard & Poor's, and Fitch as recommended by the County's financial advisor.

G. Continuing Disclosure

The County is committed to continuing disclosure of financial and pertinent credit information relevant to the County's outstanding securities and will abide by the provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

H. Debt Refunding

County staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the present value savings of a particular refunding should exceed 3.5% of the refunded maturities.

I. Interest Earnings

Interest earnings received on the investment of bond proceeds shall be used to assist in paying the interest due on bond issues, to the extent permitted by law.

J. Lease/Purchase Agreements

Over the lifetime of a lease, the total cost to the County will generally be higher than purchasing the asset outright. As a result, the use of lease/purchase agreements and certificates of participation in the acquisition of vehicles, equipment and other capital assets shall general be avoided, particularly if smaller quantities of the capital asset(s) can be purchased on a "pay-as-you-go" basis.