

TITLE 5

MUNICIPAL FINANCE AND TAXATION¹

CHAPTER

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CHAPTER 1

MISCELLANEOUS

SECTION

- 5-101. Official depositories for city funds.
- 5-102. Fiscal year.
- 5-103. Procedures for sale of forest products.
- 5-104. Capital improvements program.

5-101. Official depository for city funds. (1) The official depositories for municipal funds shall be any FDIC insured bank and/or any FSLIC insured savings and loan association.

(2) Any depositories before being given custody of any city funds shall furnish adequate security to protect the interest of the city.

(3) Transfer from one depository to another shall be as authorized by resolution of the city council. (1972 Code, § 6-501)

5-102. Fiscal year. The fiscal year for the City of Norris shall be July 1 through June 30. (1972 Code, § 6-502)

¹Charter references: art. X.

5-103. Procedures for sale of forest products.¹ The following procedures shall be followed henceforth in the sale of sawtimber, pulpwood and other forest products.

(1) Sales shall be made in accordance with the objectives and policies set forth in the city council's resolution of March 23, 1954.

(2) All sales to be within clearly defined units, each sale to be approved in advance by the TVA Division of Forestry Development, the Tennessee Division of Forestry, or a competent consulting forester.

(3) Sawtimber and other forest products will be sold as marked trees or otherwise clearly designated stumpage. The city will make an advance estimate of the volume and quality involved.

(4) All sales to be made through competitive bidding by sealed bids or public auctions, and awards made to the highest responsible bidder, either on a price basis or, if determined to be preferable, on a most desirable overall basis after taking into consideration all other apparently applicable and favorable factors. The city retains the right to reject any and all bids.

(5) Public advertising of invitations will be required at least three weeks in advance. Bids will be opened in a public meeting and the successful bidder announced after award has been made by the city council. A suitable performance bond will be required before a bid is accepted.

(6) The successful bidder will be required to post a performance bond and enter a contract specifying products to be cut, time required for removal of products cut, and conditions to be met such as fire protection and other requirements making the operation compatible with the March 23, 1954, resolution. The contract will specify payments for stumpage according to a schedule anticipating the amount of forest products to be cut from time to time over the sale period. It will also specify a cash penalty for cutting unmarked trees.

(7) The above provisions shall apply to commercial timber sales only, commercial timber sales being defined as planned improvement or harvest cuttings which conform to the general provisions of the timber management plan. They shall not apply to salvage cuttings and sales necessitated by fire, wind, ice, snow or other unforeseeable destructive forces, or to cuttings of an experimental nature which are recommended and supervised by competent technical foresters. Noncommercial sales may be made on a negotiated basis with approval of the city council. (1972 Code, § 6-503)

5-104. Capital improvements program. As a part of the annual budget the city manager shall include a statement of pending capital projects

¹Municipal code reference

Authorization required for removal of trees on public property:
§ 11-502.

and proposed new capital projects, relating the respective amounts proposed to be raised therefor by appropriations in the budget and the respective amount, if any, proposed to be raised therefor by the issuance of bonds during the fiscal year. The city manager shall also include in the message, or attached thereto, a program of proposed capital projects for the five (5) fiscal years next succeeding the budget year together with his comments thereon and any estimate of costs. The capital improvements program shall be submitted to and reviewed by the planning commission as required by law. (1972 Code, § 6-504)

CHAPTER 2

REAL PROPERTY TAXES

SECTION

5-201. When due and payable.

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

5-203. County assessments to be used.

5-201. When due and payable.¹ Taxes levied by the City of Norris against real property shall become due and payable annually on the first day of August of the year for which levied. (1972 Code, § 6-101)

5-202. When delinquent--penalty and interest.² All real property taxes shall become delinquent on and after the first day of September next after they become due and payable and shall thereupon be subject to such penalty and/or interest as is authorized and prescribed by the charter.³ (1972 Code, § 6-102)

¹State law references

Tennessee Code Annotated, §§ 67-1-701, 67-1-702 and 67-1-801, read together, permit a municipality to collect its own property taxes if its charter authorizes it to do so, or to turn over the collection of its property taxes to the county trustee. Apparently, under those same provisions, if a municipality collects its own property taxes, tax due and delinquency dates are as prescribed by the charter; if the county trustee collects them, the tax due date is the first Monday in October, and the delinquency date is the following March 1.

²Charter and state law reference

Tennessee Code Annotated, § 67-5-2010(b) provides that if the county trustee collects the municipality's property taxes, a penalty of 1/2 of 1% and interest of 1% shall be added on the first day of March, following the tax due date and on the first day of each succeeding month.

³Charter and state law references

A municipality has the option of collecting delinquent property taxes any one of three ways:

- (1) Under the provisions of its charter for the collection of delinquent property taxes.
- (2) Under Tennessee Code Annotated, §§ 6-55-201--6-55-206.
- (3) By the county trustee under Tennessee Code Annotated, § 67-5-2005.

5-203. County assessments to be used. The assessed value of real property in the City of Norris for county tax purposes shall also be the valuation used for city tax purposes. (1972 Code, § 6-103)

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

5-301. Tax levied.

5-302. License required.

5-301. Tax levied. Except as otherwise specifically provided in this code, there is hereby levied on all vocations, occupations, and businesses declared by the general laws of the state to be privileges taxable by municipalities, an annual privilege tax in the maximum amount allowed by state laws. The taxes provided for in the state's "Business Tax Act" (Tennessee Code Annotated, § 67-4-701, et seq.) are hereby expressly enacted, ordained, and levied on the businesses, business activities, vocations, and occupations carried on within the city at the rates and in the manner prescribed by the said act. Provided, however, that the minimum tax for exterminators and contractors other than public road contractors shall be fifteen dollars (\$15.00) instead of one hundred dollars (\$100.00). (1972 Code, § 6-301)

5-302. License required. No person shall exercise any such privilege within the city without a currently effective privilege license, which shall be issued to each applicant therefor upon the applicant's compliance with all regulatory provisions in this code and payment of the appropriate privilege tax. (1972 Code, § 6-302)

CHAPTER 4

WHOLESALE BEER TAX**SECTION**

5-401. To be collected.

5-401. To be collected. The city manager is hereby directed to take appropriate action to assure payment to the City of Norris of the wholesale beer tax levied by the "Wholesale Beer Tax Act," as set out in Tennessee Code Annotated, title 57, chapter 6.¹ (1972 Code, § 6-401)

¹State law reference

Tennessee Code Annotated, title 57, chapter 6 provides for a tax of 17% on the sale of beer at wholesale. Every wholesaler is required to remit to each municipality the amount of the net tax on beer wholesale sales to retailers and other persons within the corporate limits of the municipality.

CHAPTER 5

SALES TAX

SECTION

5-501. Tax levied.

5-502. When collection to begin.

5-503. State to collect for city.

5-504. Suits to recover taxes illegally assessed or collected.

5-505. Notice of tax levy.

5-501. Tax levied. As authorized by Tennessee Code Annotated, § 67-6-701, as amended, there is levied a tax in the same manner and on the same privileges subject to the Retailers' Sales Tax Act under TCA, title 67, chapter 6, as the same may be amended, which are exercised in Norris. The tax is levied on all such privileges at a rate of one-third of rates levied in the Retailers' Sales Tax Act, TCA, title 67, chapter 6, as amended, so long as the general state rate continues at 4.5 per cent, and at one-half of the state rates if and when the general state rate is reduced to 3 per cent. Provided with respect to industrial and farm machinery as defined in TCA, § 67-6-517, the tax thereon is imposed at the rate of one third of 1%. Provided further, the tax shall not exceed \$7.50 on the sale or use of any single article of personal property, and there is excepted from the tax levied by this chapter the sale, purchase, use, consumption or distribution of electric power or energy, or natural or artificial gas or coal and fuel oil, so long as such exception is required by state law. Penalties and interest for delinquencies shall be the same as provided in TCA, § 67-6-516. (1972 Code, § 6-201)

5-502. When collection to begin. If a majority of those voting in the election required by a TCA, § 67-6-706, vote for the ordinance,¹ collection of the tax levied by this chapter shall begin on the first day of the month occurring 30 or more days after the county election commission makes its official canvass of the election returns. (1972 Code, § 6-202)

5-503. State to collect for city. It having been determined by the Department of Revenue of the State of Tennessee that it is feasible for this tax to be collected by that department, said determination being evidenced by local option sales and use tax rules and regulations heretofore promulgated by the department of revenue, the department shall collect such tax concurrently with the collection of the state tax in the same manner as the state tax is collected in

¹The tax levied in this chapter was approved at a referendum held on November 7, 1978.

accordance with rules and regulations promulgated by said department. The city manager is hereby authorized to contract with the department of revenue for the collection of the tax by the department, and to provide in said contract that the department may deduct from the tax collected a reasonable amount or percentage to cover the expense of the administration and collection of said tax. (1972 Code, § 6-203)

5-504. Suits to recover taxes illegally assessed or collected. In the event the tax is collected by the department of revenue, suits for the recovery of any tax illegally assessed or collected shall be brought against the city manager. (1972 Code, § 6-204)

5-505. Notice of tax levy. A certified copy of this chapter shall be transmitted to the said department of revenue by the city manager forthwith and shall be published one time in a newspaper of general circulation in Norris prior to the election called for in this chapter. (1972 Code, § 6-205)

CHAPTER 6**PURCHASING PROCEDURES****SECTION**

5-601. Purchasing procedures.

5-601. Purchasing procedures. (1) As provided in TCA, § 6-56-301, et seq., the office of purchasing agent is hereby created and the city manager shall faithfully discharge the duties of said office. Purchases shall be made in accordance with the Municipal Purchasing Law of 1983 and amendments thereto, this chapter and purchasing procedures approved by the governing body.¹

(2) The city manager or designated representative, as provided herein, shall purchase materials, supplies, services and equipment, provide for leases and lease-purchases and dispose of surplus property in accordance with purchasing procedures approved by the governing body and filed with the city manager.

(3) Pursuant to Chapter No. 269 (SB839/HB1815) as passed by the 1999 Tennessee General Assembly the City of Norris hereby increases the amount of purchases before advertisement and competitive bidding is required to \$10,000.

(4) After initial approval by resolution of the governing body of this city, changes or revisions to the purchasing procedures shall be made as council approves. (1972 Code, § 6-505, as amended by Ord. #452, Nov. 1999)

¹Purchasing procedures made by the governing body are available in the office of the city clerk.

CHAPTER 7

PURCHASING CARD PROVISIONS

SECTION

5-701. Provisions and transactions.

5-701. Provisions and transactions. (1) Purchasing cards, hereinafter referred to as P-cards, shall be issued to city and water commission department heads at the discretion of the city manager.

(2) P-cards are to be used only for city or water commission expenditures that directly pertain to the operation of the city and/or water commission.

(3) No travel or training expenses shall be paid for with a city P-card without advance approval from the city manager.

(4) P-cards are fully subject to all City of Norris Purchasing Procedures, including, but not limited to:

- (a) Purchase order requirements;
- (b) Spending limits;
- (c) Quotations;
- (d) Emergency purchasing procedure.

(5) In addition, P-card transactions shall require:

(a) Credit card receipts with receiving signatures and documentation of why the charge was incurred.

(b) Review and approval of the individual transactions by the city manager prior to payment of the monthly invoice statement.

(c) Review and approval of the city manager's P-card's detailed transactions and monthly statement in excess of one hundred dollars (\$100.00) by the mayor or vice-mayor prior to payment.

(6) P-card transactions shall be properly coded to specific ledger accounts electronically and:

- (a) Approved electronically by the appropriate department head;
- (b) Reviewed and approved electronically by the city recorder prior to sending to accounts payable for processing. (as added by Ord. #525, March 2011)

CHAPTER 8

DEBT POLICY

SECTION

- 5-801. Debt policy.
- 5-802. Definition of debt.
- 5-803. Approval of debt.
- 5-804. Transparency.
- 5-805. Role of debt.
- 5-806. Types and limits of debt.
- 5-807. Use of variable rate debt.
- 5-808. Use of derivatives.
- 5-809. Costs of debt.
- 5-810. Refinancing outstanding debt.
- 5-811. Professional services.
- 5-812. Conflicts.
- 5-813. Review of policy.
- 5-814. Compliance.

5-801. Debt policy. The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the City of Norris, Tennessee. This policy reinforces the commitment of the city and its officials to manage the financial affairs of the city so as to minimize risks, avoid conflicts of interest, and ensure transparency while still meeting the capital needs of the city. A debt management policy signals to the public and the rating agencies that the city is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

The goal of this policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater stability over the long-term will be generated by the use of consistent guidelines in issuing debt. (as added by Ord. #543, Nov. 2011)

5-802. Definition of debt. All obligations of the city to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of city resources. This includes but is not limited to notes, bond issues, capital leases, and loans of any type (whether from an outside source such as a bank or from another internal fund). (as added by Ord. #543, Nov. 2011)

5-803. Approval of debt. Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be

submitted to the State of Tennessee Comptroller's Office and the city council prior to issuance or entering into the obligation. A plan for refunding debt issues will also be submitted to the comptroller's office prior to issuance. Capital or equipment leases may be entered into by the city council; however, details on the lease agreement will be forwarded to the comptroller's office on the specified form within forty-five (45) days. (as added by Ord. #543, Nov. 2011)

5-804. Transparency. (1) The city shall comply with legal requirements for notice and for public meetings related to debt issuance.

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

(3) All costs (including principal, interest, issuance, continuing, and one (1) time) shall be clearly presented and disclosed to the citizens, city council, and other stakeholders in a timely manner.

(4) The terms and life of each debt issue shall be clearly presented and disclosed to the citizens/members, city council, and other stakeholders in a timely manner.

(5) A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens/members, city council, and other stakeholders in a timely manner. (as added by Ord. #543, Nov. 2011)

5-805. Role of debt. (1) Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvement, regional development, transportation, or master process or plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the city will minimize the use of short-term cash flow borrowing by maintaining adequate working capital and close budget management.

(2) In accordance with generally accepted accounting principles and state law:

(a) The maturity of the underlying debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed thirty (30) years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with law and accepted practices.

(b) Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence. (as added by Ord. #543, Nov. 2011)

5-806. Types and limits of debt. (1) The city will seek to limit total outstanding debt obligations to twenty percent (20%) (percent of assessments, per capita amount, etc.), excluding overlapping debt, enterprise debt, and revenue debt.

(2) The limitation on total outstanding debt must be reviewed prior to the issuance of any new debt.

(3) The city's total outstanding debt obligation will be monitored and reported to the city council by the city manager. The city manager shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The city manager shall also report to the city council any matter that adversely affects the credit or financial integrity of the city.

(4) The city is authorized to issue general obligation bonds, revenue bonds, TIFs, loans, notes and other debt allowed by law.

(5) The city will seek to structure debt with level or declining debt service payments over the life of each individual bond issue or loan.

(6) As a rule, the city will not backload, use "wrap-around" techniques, balloon payments or other exotic formats to pursue the financing of projects. When refunding opportunities, natural disasters, other non-general fund revenues, or other external factors occur, the city may utilize non-level debt methods. However, the use of such methods must be thoroughly discussed in a public meeting and the mayor and governing body must determine such use is justified and in the best interest of the city.

(7) The city may use capital leases to finance short-term projects.

(8) Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The city may use its general obligation pledge with revenue bond issues when the populations served by the revenue bond projects overlap or significantly are the same as the property tax base of the city. The city council and management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the city's general fund. (as added by Ord. #543, Nov. 2011)

5-807. Use of variable rate debt. (1) The city recognizes the value of variable rate debt obligations and that cities have greatly benefitted from the use of variable rate debt in the financing of needed infrastructure and capital improvements.

(2) However, the city also recognizes that are inherent risks associated with the use of variable rate debt and will implement steps to mitigate these risks; including:

(a) The city will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.

(b) Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider, the city council shall be informed of the potential affect on rates as well as any additional costs that might be incurred should the insurance fail.

(c) Prior to entering into any variable rate debt obligation that is backed by a letter of credit provider, the city council shall be informed

of the potential affect on rates as well as any additional costs that might be incurred should the letter of credit fail.

(d) Prior to entering into any variable rate debt obligation, the city council will be informed of any terms, conditions, fees, or other costs associated with the prepayment of variable rate debt obligations.

(e) The city shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any variable rate debt obligation. (as added by Ord. #543, Nov. 2011)

5-808. Use of derivatives. (1) The city chooses not to use derivative or other exotic financial structures in the management of the city's debt portfolio.

(2) Prior to any reversal of this provision:

(a) A written management report outlining the potential benefits and consequences of utilizing these structures must be submitted to the city council; and

(b) The city council must adopt a specific amendment to this policy concerning the use of derivatives or interest rate agreements that complies with the state funding board guidelines. (as added by Ord. #543, Nov. 2011)

5-809. Costs of debt. (1) All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or changes) shall be disclosed prior to action by the city council in accordance with the notice requirements stated above.

(2) In cases of variable interest or non-specified costs, detailed explanation of the assumptions shall be provided along with the complete estimate of total costs anticipated to be incurred as part of the debt issue.

(3) Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded (i.e. general obligations bonds in context of the general fund, revenue bonds in context of the dedicated revenue stream and related expenditures, loans and notes). (as added by Ord. #543, Nov. 2011)

5-810. Refinancing outstanding debt. (1) The city will refund debt when it is in the best financial interest of the city to do so, and the chief financial officer shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The decision to refinance must be explicitly approved by the governing body, and all plans for current or advance refunding of debt must be in compliance with state laws and regulations.

(2) The chief financial officer will consider the following issues when analyzing possible refunding opportunities:

(a) Onerous restrictions. Debt may be refinanced to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.

(b) Restructuring economic purposes. The city will refund debt when it is in the best financial interest of the city to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the chief financial officer if the refunding generates positive present value savings, and the chief financial officer must establish a minimum present value savings threshold for any refinancing.

(c) Term of refunding issues. The city will refund bonds within the term of the originally issued debt. However, the chief financial officer may consider maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The chief financial officer may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

(d) Escrow structuring. The city shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the city from its own account.

(e) Arbitrage. The city shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding. (as added by Ord. #543, Nov. 2011)

5-811. Professional services. The city shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the city and the lender or conduit issuer, if any. This includes "soft" costs or compensations in lieu of direct payments.

(1) Counsel. The city shall enter into an engagement letter agreement with each lawyer or law firm representing the city in a debt transaction. (No engagement letter is required for any lawyer who is an employee of the city or lawyer or law firm which is under a general appointment or contract to serve as counsel to the city. The city does not need an engagement letter with counsel not representing the city, such as underwriters' counsel).

(2) Financial advisor. (If the city chooses to hire financial advisors, the city must select between the following options.) The city shall enter into a written agreement with each person or firm serving as financial advisor in debt management and transactions.

(a) In a competitive sale, the financial advisor shall not be permitted to bid on an issue for which they are or have been providing advisory services.

(b) In a publicly offered, negotiated sale, the financial advisor (either):

(i) Shall not be permitted to resign as financial advisor in order to underwrite an issue for which they are or have been providing advisory services; or

(ii) May resign as financial advisor only in advance of negotiations in order to underwrite an issue for which they are or have been providing advisory services.

(3) **Underwriter.** (If there is no financial advisor) in advance of pricing of the debt in a publicly offered, negotiated sale, the underwriter must provide information both as to interest rates and to takedown per maturity to the city council (or its designated official). (as added by Ord. #543, Nov. 2011)

5-812. Conflicts. (1) Professionals involved in a debt transaction hired or compensated by the city shall be required to disclose to the city existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the city to appreciate the significance of the relationships.

(2) Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct. (as added by Ord. #543, Nov. 2011)

5-813. Review of policy. This policy shall be reviewed at least annually by the city council with the approval of the annual budget. Any amendments shall be considered and approved in the same process as the initial adoption of this policy, with opportunity for public input. (as added by Ord. #543, Nov. 2011)

5-814. Compliance. (City designee) is responsible for ensuring compliance with this policy. (as added by Ord. #543, Nov. 2011)