



POLICY #
ADOPTED _____, 2024

STATED INVESTMENT POLICY

Stated Investment Policy (the “Policy”) of the City of Crossville, Tennessee, and associated enterprise entities, systems, authorities, and agencies (the “City”) provides for written guidelines to promote actions regarding the safe and secure investment of the funds and monies of the City. The Policy is intended to affect strategic and legal considerations to ensure optimization of efficiency in customer service through changing economic, operational, financial environments.

The purpose of this Investment Policy is to establish investment objectives; authority and responsibility; standards of prudence and indemnification; standards for safekeeping and custody; accounting standards and methods; internal control systems; reporting requirements; qualified institutions; term and maturity requirements; portfolio diversification requirements; competitive practices; and authorized investments for the City. The policy denotes types of investment instruments eligible for the City, investment processes, and portfolio management. Investment policy improves the quality of decisions and demonstrates a commitment to the fiduciary care of public funds where emphasis stresses balancing safety of principal with financial flexibility issues affecting liquidity with yield and return on investment.

The Policy incorporates GFOA Best Practices and guidelines Creating an Investment Policy (2010). The Policy incorporates and provides for legally authorized investments for City governmental entities by the State of Tennessee. The investment policy describes the most prudent primary objectives for sound policy governing the foundational concepts of safety, liquidity, and yield. Adherence to investment policy signals to rating agencies, the capital markets, and the public that the City is well managed and is earning income suitable meet the requirements of the law and changing economic, operational, and financial environments.

Adopted _____, 2024

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I. INTRODUCTION:

Stated Investment Policy (the “Policy”) of the City of Crossville, Tennessee, and associated enterprise entities, systems, authorities, and agencies (the “City”) provides for written guidelines intended to guide actions regarding the safe and secure investment of the funds and monies of the City. The Policy is intended to affect strategic and legal considerations to ensure optimization of efficiency in customer service through changing economic, operational, financial environments. The purpose of this Investment Policy is to establish investment objectives; authority and responsibility; standards of prudence and indemnification; standards for safekeeping and custody; accounting standards and methods; internal control systems; reporting requirements; qualified institutions; term and maturity requirements; portfolio diversification requirements; competitive practices; and authorized investments for the City. The policy denotes types of investment instruments eligible for the City, investment processes, and portfolio management. Investment policy improves the quality of decisions and demonstrates a commitment to the fiduciary care of public funds where emphasis stresses balancing safety of principal with financial flexibility issues affecting liquidity with yield and return on investment.

The Policy incorporates GFOA Best Practices and guidelines “Creating an Investment Policy (2010)” and the laws of the State of Tennessee which set forth permitted investments for City governments. The investment policy describes the most prudent primary objectives for sound policy governing the foundational concepts of safety, liquidity, and yield. Adherence to investment policy signals to rating agencies, the capital markets, and the public that the City is well managed and is earning income suitable meet the requirements of the law and changing economic, operational, and financial environments. Stated Investment policies establish a framework within which governance, management, staff, customers, and investors understand roles, responsibilities, and expectations regarding investment of public funds. The City recognizes the development and revision of stated investment policy as fundamental to the efficient operations and management of the City and essential to the achievement of the lowest possible costs for the tax payers and users of the enterprise entities and systems of the City. Stated investment policy shall be utilized in conjunction with the annual operating budget, capital expenditures budget, long-term capital improvement plan, and debt management plan to effectuate more connective and synergistic long term financial approaches and methodologies. It is the intent of the City that operational, financial, and credit initiatives and policies represent to the tax, ratepayers, and customers of enterprise entities and systems, credit rating agencies, and capital markets that the City is well managed and structured to meet financial and economic challenges and opportunities which arise in the due course of business.

II. THE CITY OF CROSSVILLE, TENNESSEE:

City of Crossville (the “City”) is the county seat of Cumberland County, Tennessee (the “County”) which is situated on the Cumberland Plateau region of the State and located along U.S. Interstate 40 approximately 71 miles West of Knoxville, 114 miles east of Nashville, and 79 miles north of Chattanooga. The County is at the heart of the Appalachian Plateau Province which stretches from the southern border of New York to central Alabama and is the largest timbered plateau in America. Cumberland County has an approximate land area of 679 square miles and has a mean elevation of approximately 1,980 feet above sea level. It enjoys a temperate climate with an average annual temperature of 56 degrees, average July temperature of 86 degrees, average January low temperature of 25 degrees, average annual precipitation of 55 inches, and prevailing winds are from the Southwest.

The City of Crossville is known as the Golf Capital of Tennessee. Fairfield Glade, Lake Tansi Village, Cumberland Cove, and Deer Creek represent a few of the resorts and private communities which offer world class golf, leisure activities and other recreational amenities. The County is home to twelve championship golf courses, which include approximately 90 holes at Fairfield Glade and the Jack Nicklaus Bear Trace Course at Cumberland Mountain State Park. Each course offers a unique golfing experience and incorporates a variety of rolling hills, mountain streams and rock formations in design layout which includes blue grass fairways and bent grass greens.

The United States Chess Federation (“USCF”) was established in 1939 and was headquartered in New York City and Newburgh, New York. In 2004, the USCF chose to establish its new home in Crossville and construction of a new national headquarters building was completed in 2006. The U.S. Chess Federation reports over 93,000 members across the nation.

The County is a rural cultural destination center for visitors from across the country and is home to The Cumberland County Playhouse, the only major non-profit professional performing arts center in rural Tennessee. The Cumberland County Playhouse serves more than 145,000 visitors annually with two indoor and two outdoor stages, young audience productions, a comprehensive dance program, a concert series and touring shows. Outdoor activities are enjoyed by County residents and visitors. Cumberland Mountain State Park, Lake Tansi Village, Fairfield Glade, Mariner’s Pointe, Cumberland Cove, Crossville Recreation Park, Caryonah Hunting Lodge and Preserve and the Catoosa Wildlife Management Area provide an abundance of swimming, skiing, hiking, fishing, hunting, and other sporting opportunities.

III. SCOPE AND INTENT OF STATED INVESTMENT POLICY:

It is the intent of the Stated Investment Policy of the City to define the parameters within which funds are to be managed. In methodology, procedure, and practice the policy formalizes the framework for investment activities that must be exercised to ensure effective and judicious fiscal and investment management of City funds. The guidelines are intended to be broad enough to allow the City Manager/Finance Director to function properly within parameters of responsibility and authority as directed by the City Council to enact processes and methodologies which are sufficient to safeguard investment assets and public funds and monies.

The City may commingle fund accounts to maximize investment earnings and to increase efficiencies regarding investment pricing, safekeeping and administration. Investment income will be allocated to the various accounts based on their respective participation and in accordance with generally accepted accounting principles.

This policy applies to all activities of the City regarding investing the financial assets to include all funds and monies of the City. The existing funds, and any new funds created by the City, unless specifically exempted by the City Council or as directed by this policy, are defined in the City’s Comprehensive Annual Financial Reports.

IV. AUTHORIZATION AND ADMINISTRATION OF STATED INVESTMENT POLICY:

The City’s investment policies and programs shall be administered in compliance with all applicable provisions of federal and state statutes, regulations, rules decrees, and orders of agencies and authorities having jurisdiction thereof. Responsibility for the enactment and management of this Policy is herewith vested with the City Manager/Finance Director by the City Council of the City.

V. GENERAL OBJECTIVES OF STATED INVESTMENT POLICY:

The primary objectives of the City in the following order of priority shall apply to the investment of all funds and monies of the City to include:

- A. Safety: The City establishes safety of principal as the foremost objective in the investment, deposit, and safekeeping of its funds and accounts. Investments shall be undertaken in such a manner that seeks to ensure the preservation of capital in the total portfolio. The goal of the City is to mitigate principal, credit, and interest rate risk in association with investing activities;
- B. Liquidity: The City establishes that invested funds shall remain sufficiently liquid to meet all operating requirements and financial obligations which are reasonably anticipated in a timely manner;
- C. Return: The City establishes that investment activities shall be designed to incorporate periodic Requests for Proposals (RFP's) from legally compliant and pre-qualified institutions with the objective of attaining market competitive rates of return throughout changing economic, operating, and financial cycles while taking into consideration risk constraints associated with specific investments in meeting the objectives of safety and liquidity stated herein;
- D. Special Considerations: The City establishes that where all other things being equal funds should be invested through financial institutions which are local or state banking, investment bank and broker dealer firms, or depository entities to further the interests of the local and state economy. Special consideration shall be given to financial institutions who invest in the debt obligations of the City and are active in promoting local economic development interests.

VI. STANDARDS OF CARE:

The City hereby established the following standards of care which shall be incorporated into all of the City's investment decisions and transactions:

- A. Prudence: The standard of prudence shall be utilized by investment officials of the City which shall be the "prudent person" standard and shall be applied to all actions related to the investments and deposits of the City and considered applicable to the total investment portfolio. The "prudent person" standard with respect to the investments and deposits of the City dictates that investment decisions shall be made with judgment and care under prevailing circumstances which persons of prudence, knowledge, discretion, and intelligence exercise in the management of their own personal affairs, not for speculation, but for investment while considering the probable safety of their capital, probable income to be derived, and need to utilize applicable earnings to properly conduct personal business;
- B. Ethics and Conflicts of Interest: Disclosure of financial interests by officers, employees, and members of the City Council shall be in conformity with the City's code of ethics as in force from time to time.
- C. Delegation of City Responsibilities: The City Council shall retain ultimate fiduciary responsibility for the funds and monies of the City. The City Manager/Finance Director or Designee shall provide monthly reports, designate investment officers, and provide an annual review of Stated Investment Policy and make deemed relevant and necessary changes as a part of the annual operating budget process.

- D. The Finance Director of the City is the Chief Investment Officer of the City and is herewith designated to such role. The Finance Director shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. The Finance Director will prepare monthly investment reports and other special reports as may be deemed necessary or contemplated herein. All participants in the investment process shall act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.
- E. Investment Committee: The City may establish an investment committee to provide guidance to the Finance Director;
- F. Investment Advisor: The City may engage the services of one or more independent investment advisors to assist with the management of the investment portfolio in a manner consistent with the City's stated objectives. Such advisors shall be registered under the Investment Advisors Act of 1940 or the United States Securities Acts of 1933 and 1934 as amended.

VII. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/BANK DEALERS:

- 1. Authorized Financial Institutions: Only qualified financial institutions and depositories authorized to provide depository, investment, trust, and safekeeping services will be utilized. Also, only approved securities bank/broker/dealers will be selected by conducting a process of due diligence. These may include 'primary' dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).
- 1. The Finance Director or Designee shall determine which financial institutions are authorized to provide depository, investment, trust, or safekeeping services for the City. Institutions eligible to transact such business with the City include:
 - a. National or state chartered banks;
 - b. The Federal Reserve Bank;
 - c. Primary government dealers as designated by the Federal Reserve Bank;
 - d. Direct issuers of securities which are permitted investment and eligible for purchase.
- 2. Selected financial institutions authorized to engage in depository, investment, trust, or safekeeping services with the City shall comply with the laws of the State of Tennessee and this Policy.
- 3. The City may require a bank, bank/broker dealer, trust department, or companies desiring to become qualified to provide services for the City to supply the following information upon request of the City to include:
 - a. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines and requirements;
 - b. Evidence of certification in good standing with Federal, State, and Local regulatory laws and agencies;

- c. Certification of having read, understood, and agreeing to comply with the City's stated investment policy; and
 - d. Evidence of City deemed adequate insurance coverage.
4. The City will require a financial institution desiring to provide depository services for the City to supply certification that all deposits of the City are collateralized in compliance with State law;
 5. The City will conduct a periodic review of the financial condition, registration, and qualification of all financial institutions providing depository, investment, trust, or safekeeping services as a part of the operating budget process.
 6. Minority, Emerging, and Community Financial Institutions: The Finance Director or Designee shall encourage efforts to conduct the business of the City with community or minority financial institutions.
 7. Competitive Transactions: The City shall encourage competition among providers of depository, investment, trust, safekeeping, or other providers of financial services.

VIII. SAFEKEEPING AND CUSTODY:

- A. Delivery versus Payment: All financial transactions of marketable securities shall be executed (cleared and settled) on a delivery versus payment (DVP) basis to ensure securities are deposited in the City's safekeeping institution prior to the release of funds;
- B. Third-Party Safekeeping: Securities shall be held by an independent third-party safekeeping institution selected by the City. All securities will be evidenced by safekeeping receipts in the City's name.

IX. INTERNAL CONTROLS:

In December 2015 the State of Tennessee Office of the Comptroller published requirements for Governmental Units and Other Organizations to develop an Internal Controls Compliance Manual. In addition, Section 9-18-102(a), Tennessee Code Annotated was amended to expressly require each county, municipal, and metropolitan government to establish and maintain internal controls. The published requirement states that while the 17 principles established in the U.S. Comptroller's Green Book are recommended, use of the exact principles are not required, however establishing and maintaining a system of internal controls is required by state and federal law. Implementing the five (5) components of internal control should be considered mandatory.

As with current policy and practices of proven internal controls, the City will maintain effective internal controls. These controls shall be reviewed annually during the City's financial audit, which is conducted by an independent auditor.

These controls are designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City. The internal control structure provides reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits

and requires estimates and judgments by management. The Auditor for the City provides an annual independent written review to assure compliance with state law, policies and procedures. Any internal controls consider the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial safekeeping;
- Avoidance of physical delivery securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Authorizations of wire transfers;
- Staff training; and
- Review, maintenance and monitoring of security procedures both manual and automated.

X. SUITABLE AND LEGAL AUTHORIZED PERMITTED INVESTMENTS:

- A. Investment Types and Credit Guidelines: Consistent with GFOA Policy Statement on State and Local Laws Concerning Investment Practices, and the Tennessee Code Annotated Title 6 Chapter 56 Section 106 which governs permitted investments in addition to any other investment permitted for governmental entities by the laws of the State of Tennessee as from time to time amended, the investments described in Tennessee Code Annotated 6-56-106 shall be deemed permitted investments by the City.”

XI. INVESTMENT PARAMETERS:

- A. Mitigating Risk in the Investment Portfolio: Credit risk is the risk a security or portfolio will lose some or all of its value due to a real or perceived change in the ability of an issuer to repay its debt. Market risk is the risk that a security or portfolio will lose some value due to changes in the market value of the security prior to the time of stated maturity. The City shall mitigate credit and market risk associated with investments by implementing the following:
1. Diversification: The investments of the City shall be diversified by:
 - Limiting investments to avoid concentration in securities from a specific issuer or business sector to include U.S. Treasury securities and the securities of Federal Government Service Entities;
 - Limiting investment in securities that have ratings from national recognized services (i.e. Moody’s Investors Service and Standard & Poor’s Corporation in accordance with State law;
 - Investing in securities with varying maturities and only with the express intent to invest in such securities until the stated date of maturity;
 - Continuously investing a portion of the portfolio in readily available funds such as bank money market accounts, no-penalty certificates of deposit, and other such accounts which are legally collateralized to ensure liquidity is maintained and that all credit and market risk are mitigated.
 2. Adequacy of Operating Funds: The City shall mitigate risk by providing adequate liquidity for operating cash needs and by making longer term investments only in instruments in such instruments which 1) provide for flexible penalty free access

to funds reasonably required to conduct the day to day business operation; 2) do not subject the funds of the City to the loss of principal should such invested funds be required to fund the operation of the City on a date prior to the stated maturity of such instruments.

XII. PERFORMANCE AND EVALUATION STANDARDS:

The depository, investment, trust, safekeeping, and other accounts of the City shall be managed in accordance with the parameters specified within this Policy. The earnings of the account portfolio should equate to a market average rate of return during the current market/economic environment taking into consideration limitations with respect to acceptance of credit and market risk.

XIII. EXCEPTIONS TO STATED INVESTMENT POLICY:

Exceptions to the policy shall be approved by the City Council of the City. All depository, investment, trust, safekeeping, or other accounts of the City shall be made to comply with this Policy upon adoption.

It is the express will of the City Council that the provisions of this Policy apply to all accounts where funds and monies of the City are domiciled on an immediate basis and accounts with financial institutions which do not comply with this Policy shall be terminated if legal compliance does not exist or through negotiation cannot be achieved. Legal, suitable, and permitted investments of the City existing at the time of the adoption of this policy shall be exempted until the date of stated maturity. At maturity or liquidation all monies of the City shall be reinvested only as provided by this Policy.

XIV. PUBLIC TRANSPARENCY:

It is the policy of the City to provide for transparency of action associated with operations to tax and rate payers, customers, investors, and public trust. The City shall comply with any and all legal disclosure requirements of State and Federal Agencies. The City shall comply with any and all legal disclosure requirements associated with the debt or investments of the City. The City shall from time to time make voluntary disclosures of information deemed to be of public interest and importance that is not mandated by any covenant, State, or Federal Agency requirements.

XV. CONFLICTS OF INTEREST:

The City recognizes that from time-to-time various firms may seek to serve in multiple capacities so the interests of rate payers are not properly served. It is the policy of the City that firms seeking to conduct business shall not be permitted to engage in any activity where any actual or potential conflict of interest to those of the City may exist.

XVI. FEDERAL AND STATE LAW COMPLIANCE PRACTICES:

The City shall fully comply with all local, state, and federal statutes and laws. The City undertakes internal due diligence practices designed to locate potentially problematic areas and provide corrective response. The City shall continue to be proactive in efforts to comply with the law and disclose to appropriate agencies instances where non-compliance shall exist. To the best of its knowledge the City is in full compliance with all local, state, and federal statutes and laws.

XVII. MARKET AND INVESTOR RELATIONS:

The Securities and Exchange Commission has issued guidance pertaining to the need for issuers of municipal securities to disclose financial statements and material events notices in accordance with the law. The City encourages the scrutiny of the market, credit rating agencies, and prioritizes the importance of good relations with the citizens and institutions that have invested in its debt obligations. The City understands those who are customers and investors have a vested interest in the operational, financial, and credit fundamentals of the organization. The City shall continue institute measures to foster good relations with market professionals and investors through commitment to the achievement of excellence in association with all parties of interest to its continued successful operations. The City shall strive to achieve the highest standards of professionalism in the timely reporting of information to comply with continuing disclosure agreements and material events notices and continue to assist market professionals and investors to obtain requested information.

XVIII. STATED INVESTMENT POLICY REVIEW AND REPORTING:

It is stipulated by the City that any change to this Policy may adversely impact operating, financial, or credit strength and position. It is contemplated that the City may from time to time amend or modify this Policy to enhance the ability to achieve the objectives stated herein or incorporate new policies that fundamentally strengthen its underlying financial position and credit strength.

The Finance Director or Designee shall review stated investment policy at least annually with changes to be adopted as of the date of adoption of the annual budget. The review shall consider continued consistency with overall objectives of preservation of principal, liquidity, and rate of return and relevance to current law and financial and economic trends. The City engages in an annual process of independent review by the Auditor of the City to assure compliance with internal control procedures. The audit includes tests deemed appropriate by the Auditor.

XIX. MISCELLANEOUS:

A listing of attachments is provided containing information integral to the implementation and maintenance of this Policy which includes:

- A. Financial Resources;
- B. Material Events Notice Coversheet;
- C. Relevant state statutes and permitted investments; and
- D. Glossary;

ADOPTED AND APPROVED, THIS ____TH DAY OF _____, 2024

Mayor

ATTEST:

City Clerk

SEAL OF THE CITY

ATTACHMENT A -- MINIMUM LANGUAGE

(State of Tennessee Comptroller Release Dated June 2023)

COMPLIANCE - TENNESSEE DEBT MANUAL FOR LOCAL GOVERNMENT:

- The Tennessee Comptroller of the Treasury Tennessee Debt Manual for Local Governments (the “TCOT Debt Manual” was most recently approved by the State Funding Board in June 2023. The City shall at all times conduct actions to comply with all federal and state regulations. The TCOT Debt Manual is herewith incorporated in full to the Debt Management Policy of the City and may be found at the following web address:

<https://comptroller.tn.gov/content/dam/cot/lgf/documents/manuals/LocalGovernmentDebtManualFinal.pdf>

1. **TRANSPARENCY:** The Entity shall comply with legal requirements for notice and for public meetings related to debt issuance. In the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens/members, governing body, and other stakeholders in a timely manner.
 3. **PROFESSIONALS:** 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 Entity and the lender or conduit issuer, if any. This includes “soft” costs or compensations in lieu of direct payments.
- **Bond/Disclosure/Other Counsel ⁱ:** 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.)*
 - **Municipal Advisor ⁱⁱ:** If the City chooses to hire a Municipal Advisor, the City shall enter into a written agreement with the firm serving as Municipal Advisor for debt management and transactions.
 - **Underwriter:** If there is an underwriter, the City shall require the Underwriter to clearly identify itself in writing (*e.g.*, in a response to a request for proposals or in promotional materials provided to an issuer) as an underwriter and not as a Municipal Advisor from the earliest stages of its relationship with the City with respect to that issue. The Underwriter must clarify its primary role as a purchaser of securities in an arm’s-length commercial transaction and that it has financial and other interests that differ from those of the Entity. The Underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the governing body (*or its designated official*) in advance of the pricing of the debt.
4. **CONFLICTS:** Professionals involved in a debt transaction hired or compensated by the District must disclose existing client and business relationships between and among the professionals to a transaction that may be in conflict, or may be perceived as a conflict of interest in accordance with rules and regulations of the Municipal Securities Rulemaking Board (MSRB); United States Securities and Exchange Commission (SEC); and the State of Tennessee (including but not limited to municipal advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counter-party, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the Entity to appreciate the significance of the relationships.

ATTACHMENT B - GLOSSARY

Conflicts of Interest occur in situations where parties in a transaction have multiple interests or relationships that could possibly corrupt the motivation to act. The presence of a conflict of interest indicates the potential for divided loyalty and does not automatically indicate wrongdoing.

Costs means fees and expenses of professionals and service providers and other similar fees and expenses, whether or not payable at the time the debt is incurred. “Costs” also means recurring and nonrecurring fees and expenses during the life of the debt.

Debt means indebtedness lawfully issued, executed or assumed by a public entity. Debt is created when a public entity agrees to pay over-time to someone else, in exchange for receiving an upfront payment or loan or for acquiring an asset. “Security” refers both to debt that can be transferred or delivered to another party, as well to property or assets pledged as collateral for a debt. Common instruments or evidence of debt are:

Bonds are debt instruments issued for a period of one year or longer, usually for permanent financing.

Notes are debt instruments issued for a short period of time, often for interim financing. Notes may be rolled to bonds. Examples are Capital Outlay Notes, Tax and Revenue Anticipation Notes, Bond Anticipation Notes, and Grant Anticipation Notes.

Capital leases or a lease purchase are written agreements allowing the use of property in exchange for payment of funds.

Loans are debt agreements usually with a financial institution such as a local bank or an organized loan program such as the Tennessee Municipal Bond Fund or the State Revolving Loan Program. Loans are also internal loans between funds within the entity or **seller financed loans**.

Debt service means a series of payments including **interest** (the amount or fee earned or paid for use of money or credit, calculated on the amount of principal) and **principal** (the amount of money borrowed or credit provided) required on a debt over time. The rate of interest can be **variable** or **fixed**.

Schedule means the plan listing the amount and when debt service will be paid.

Backloading refers to delaying repayment of principal until the end of the financing term. A standard or default structure for debt service is level debt service payments, similar to a standard home mortgage. Backloading should be considered only when beneficial to the overall amortization of debt, upon the occurrence of natural disasters, or when project revenues are not available during the early years of a project.

Maximum total level of debt means the maximum principal amount of debt a public entity will have outstanding at any time, usually for each type of debt issued.

Federal compliance issues means the ongoing responsibilities of a public entity after issuing debt. If the debt is sold as being “federally tax-exempt,” then the entity will have to comply with federal tax law. If the debt is a “security” for federal securities laws, then the public entity is subject to anti-fraud provisions and possibly is subject to continuing disclosure obligations.

Finance transaction means both debt obligations and derivatives. A derivative is a financial product deriving value from a separate security. This term refers to many different products.

“Derivative” includes an Interest Rate Agreement as defined in Tennessee Code Annotated Section 9-22-103 and other transactions as identified by the State Funding Board.

Guidelines means the document adopted by the Tennessee State Funding Board providing statutorily required guidance on Interest Rate and Forward Purchase Agreements. The current version became effective November 1, 2009. The Guidelines are available on the internet at <http://tn.gov/comptroller/lf/pdf/SFB%20Guidelines%2010-9%20Final.pdf>

Professionals means individuals or firms advising or offering to provide professional services to a public entity with respect to a finance transaction. Examples of professionals are:

- **Municipal Advisor** means an independent or municipal securities dealer firm registered with the Municipal Securities Rulemaking Board (MSRB) and United States Securities and Exchange Commission (SEC), and regulated with the SEC. A Municipal Advisor must possess the MSRB Series 50 and 54 certifications. It can include a Financial, Swap, or Program Administrator.
- **Counsel** means a legal advisor or attorney, whether an individual or a firm, representing a client. It can include Bond, Disclosure, Issuer, Swap, Tax, or Underwriters Counsel.
- **Counterparty** means the other party or participant in an agreement or contract; usually it refers to the other party in an Interest Rate (or swap) Agreement.
- **Lender** means an individual or firm who loans a borrower money.
- **Paying Agent** means an individual or firm that transfers the periodic interest and principal payments from the public entity to the investors.
- **Registrar** means the individual or firm responsible for maintaining a record or list of owners or investors in debt (sometimes referred to as holders of the debt).
- **Remarketing Agent** means the firm responsible for reselling to new investors debt instruments that have been “tendered” for purchase by their holders. The remarketing agent is also usually responsible for resetting the interest rate for variable rate debt instruments.
- **Underwriter** means the firm that buys new debt for reselling to the public for a profit. The underwriter may acquire the debt either through negotiation or by award on the basis of competitive bidding.
- **Verification Agent** usually means a certified public accountant or other independent third party that determines that the cash flow from investments purchased with proceeds of a refunding debt issue, along with other money, will be sufficient to pay the refunded bonds.

Public Entity is a governmental organization or unit that has a legal existence and is authorized to borrow money or enter into debt. It includes the State, state agencies, local governments, local government instrumentalities, and any other authority, board, City, instrumentality, or entity created by the State, a state agency, local government, a local government instrumentality, or any combination of the above. It does not include legal entities without debt authority, such as a county school board; however, a special school City with debt authority is included.

Governing Body means the group of individuals with the authority to make decisions for a public entity, often referred to as the “legislative body.” Governing bodies are subject to the Tennessee Open Meetings Law (requiring public notice and recording of minutes). **Members** are the individuals serving on the governing body.

Conduit Entity means a governmental entity or agency that borrows money to lend to another entity, and not to finance a project for itself. Examples of conduit issuers are health and education boards, economic development boards, and public building authorities.

Risk refers to the uncertainty (downside) involved in a debt transaction, including investment, business, credit, market, liquidity, operations, tax, and basis risks.

State Agency Loan Program refers to programs offered by the state or state agencies, such as the State Revolving Loan Program offered by the Tennessee Local Development City or the Qualified School Construction Bond program offered by the Tennessee State School Bond Authority.

State Funding Board means the state entity whose members are the Governor, the Commissioner of Finance and Administration, the Comptroller, the State Treasurer, and the Secretary of State. The State Funding Board is created by Tennessee Code Annotated Section 9-9-101.

ATTACHMENT C

FORM MATERIAL EVENTS NOTICE COVERSHEET

This coversheet and material events notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, of applicable, pursuant to the Securities and Exchange Commission Rule 15c2-12(b)(5)(I)(C) and (D).

Issuer's and/or Other Obligated Person Name _____

Issuer's Six-Digit CUSIP Number(s): _____

Or Nine-Digit CUSIP Number(s) to which this material relates: _____

Number of Pages of Attached Material Event Notice: _____

Description of Material Events Notice (Check One):

1. ☐ Principal and Interest delinquencies;
2. ☐ Non-payment-related defaults;
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties;
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties;
5. ☐ Substitution of credit or liquidity providers or their failure to perform;
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of issuer security;
7. ☐ Modifications to rights of security holders;
8. ☐ Bond Calls, redemption, or tender offers;
9. ☐ Defeasances;
10. ☐ Release, substitution, or sales of property securing repayment of the securities
11. ☐ Credit rating or outlook changes;
12. ☐ Bankruptcy, insolvency, or receivership;
13. ☐ Merger, acquisition, or sale of all issuer assets;
14. ☐ Appointment of successor trustee;
15. ☐ Financial obligation¹ incurrence or agreement;
16. ☐ Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties;
17. ☐ Failure to provide annual financial information is required
18. ☐ Other material event notice (specify) _____

¹The term "financial obligation" is defined as a debt obligation, derivative instrument entered into in connection with, or (ii) Pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) Guarantee of (i) or (iii) The term financial obligation shall not include municipal securities as to which a final official statement.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (____) _____

Please print the material event notice attached to this debt management policy in 10-point type or larger. The coversheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or dissemination of this notice.

ATTACHMENT D – STATE STATUTE

6-56-106. Authorized investments.

(a) In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized to invest in the following:

(1) Bonds, notes or treasury bills of the United States;

(2) Nonconvertible debt securities of the following federal government sponsored enterprises that are chartered by the United States congress; provided, that such securities are rated in the highest category by at least two (2) nationally recognized rating services:

(A) The federal home loan bank;

(B) The federal national mortgage association;

(C) The federal farm credit bank; and

(D) The federal home loan mortgage corporation;

(3) Any other obligations not listed in subdivisions (a)(1) and (2) that are guaranteed as to principal and interest by the United States or any of its agencies;

(4) Certificates of deposit and other evidences of deposit at state and federally chartered banks, and savings and loan associations. Notwithstanding any other public or private act to the contrary, all investments made pursuant to this subdivision (a)(4) shall be secured by collateral in the same manner and under the same conditions as state deposits under title 9, chapter 4, parts 1 and 4, or as provided in a collateral pool created under title 9, chapter 4, part 5;

(5) Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested; provided, that municipalities may invest in repurchase agreements only if the comptroller of the treasury or the comptroller's designee approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board;

(6) The local government investment pool created by title 9, chapter 4, part 7;

(7)

(A) Municipalities having a population in excess of one hundred fifty thousand (150,000), according to the 1990 federal census or any subsequent federal census, may also permit investment of idle funds in the following investment instruments:

(i) Prime banker's acceptances that are eligible for purchase by the federal reserve system; and

(ii) Prime commercial paper that is rated at least A1 or equivalent by at least two (2) nationally recognized rating services;

(B) Municipalities having a population of not less than twenty thousand (20,000) nor more than one hundred fifty thousand (150,000), according to the 1990 federal census or any subsequent federal census, may also permit investment of idle funds in prime commercial paper in accordance with the following:

(i) Such paper shall be rated in the highest category by at least two (2) commercial paper rating services; and

(ii) The paper shall have a remaining maturity of ninety (90) days or less;

(C) Investment in the instruments set forth in this subdivision (a)(7) shall first be authorized by the municipality's legislative body, acting by resolution or ordinance. In addition, investment in such instruments shall be prohibited until the legislative body has adopted written policies to govern the use of such instruments, with such policies being no less restrictive than those established by the state funding board to govern state investments in such instruments;

(8) The municipality's own bonds or notes issued in accordance with title 9, chapter 21; and

(9)

(A) Investment in the instruments set forth in subdivision (a)(2), (a)(5), (a)(7), or any type of investment authorized pursuant to a municipality's charter that is of a type that is not included in this part shall require the following:

(i) The municipality's legislative body must authorize the investment by ordinance; and

(ii) The legislative body must adopt a written enforceable investment policy by ordinance to govern the use of investments, with the policies being no less restrictive than those established by the state funding board to govern state investments in these types of instruments.

(B) Investment in instruments covered by this subdivision (a)(9) shall be prohibited until the legislative body has adopted written policies to govern the use of the investments or an ordinance has been passed to authorize the investment.

(b) The investments listed in subdivisions (a)(1)-(4) may have a maturity of not greater than four (4) years from the date of investment; however, such investments may have a maturity of greater than four (4) years from the date of investment if such maturity is approved by the comptroller of the treasury or the comptroller's designee.

(c)

(1) Proceeds of bonds, notes and other obligations issued by municipalities, reserves held in connection therewith and the investment income therefrom, may be invested in obligations that:

(A) Are rated in either of the two (2) highest rated categories by a nationally recognized rating agency of such obligation;

(B) Are direct general obligations of a state of the United States, or a political subdivision or instrumentality thereof, having general taxing powers; and

(C) Have a final maturity on the date of investment of not to exceed forty-eight (48) months or that may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than forty-eight-month intervals.

(2) Such proceeds and the investment income thereon may also be invested as otherwise set forth in this section.

(d) The investments authorized by this section are in addition to those authorized in any other general law or in any municipality's charter.

History

Acts 1943, ch. 47, § 1; mod. C. Supp. 1950, § 3516.29 (Williams, § 3516.31); T.C.A. (orig. ed.), § 6-805; Acts 1985, ch. 299, § 1; 1988, ch. 632, § 1; 1990, ch. 814, § 1; 1991, ch. 165, § 1; 1992, ch. 592, § 7; 1993, ch. 448, § 3; 1994, ch. 752, § 7; 1994, ch. 794, § 1; 1994, ch. 806, § 2; 2000, ch. 996, §§ 4-6; 2004, ch. 466, §§ 1, 2; 2006, ch. 693, §§ 5-7; 2010, ch. 868, §§ 14, 15.

TENNESSEE CODE ANNOTATED

ATTACHMENT E



Depository Requirements to Collateralize Public Funds Accounts T.C.A. Title 9 Chapter 4 Articles 501-



Tennessee Bank Collateral Pool HB9073 | SB9010 Sexton | McNally | TCA Title 9 Chapters 4-5

Allows banks and local governments statewide to participate in a pool designed to provide greater efficiency and a lower risk. Tennessee's Bank Collateral Pool was authorized by the General Assembly in 1990 to allow banks and local governments statewide to participate in a pool designed to provide greater efficiency and a lower risk when collateralizing public funds.

The HB9073 | SB9010 legislation allows bank to utilize cash as a form of eligible collateral in addition to securities or a letter of credit to secure the public deposits it holds. The legislation reduces the collateral pledge level to 90% for banks meeting the Collateral Pool Board-established criteria to pledge at the 100% level. This is temporary reduction of the pledge level until December 31, 2026, to coincide with the deadline to expend all American Rescue Plan funds. The changes in the law are intended to help reduce the difficulty in securing the collateral necessary for public deposits.

The following web address contains the institutions that have been authorized to participate in the Tennessee Bank Collateral Pool as of November 2022.

<https://treasury.tn.gov/Portals/0/Documents/Investments/Bank%20Collateral%20Pool/ListOfPoolBanks.pdf>

CD Rates for State Depository Banks may be found at the following web address. The rates are nominal and based upon a 360-day basis.

<https://treasury.tn.gov/Investments/Investment-Management/Bank-Collateral-Pool>

*Updated December 2, 2022. For further information, contact the Office of the Tennessee Treasurer at 615-532-1163.

Guidance for Financial Institutions and the Tennessee Bank Collateral Pool may be found at the following web address.

<https://treasury.tn.gov/Portals/0/Documents/Investments/Bank%20Collateral%20Pool/BankCollateralPoolFAQ.pdf>

ATTACHMENT F
TENNESSEE COMPTROLLER OF THE TREASURY
INTERNAL CONTROLS AND COMPLIANCE MANUEL
DECEMBER 2015 PUBLISHED REQUIREMENTS