



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872  
FAX (615) 741-5986

May 15, 2015

Honorable Mayor and City Commission  
City of Fairview  
7100 City Center Way  
Fairview, TN 37062-0069

Dear Mayor Carroll and Commissioners:

Please present a copy of this letter at the next meeting of the governing body following receipt of this letter and provide a copy to each Commissioner.

This Office received a request from the City of Fairview (the "City") on May 13, 2015, for retroactive approval to issue three-year capital outlay extension notes in an amount not to exceed \$178,746 to be known as the "General Obligation Capital Outlay Notes, Series 2012" (the "Notes").

This Office received a copy of Resolution #13-15 adopted on May 7, 2015, that retroactively authorizes the issuance of the Notes to finance the purchase of a 2012 Peterbilt fire pump truck, Model 348. The proposed note form was included with the resolution.

**NONCONFORMING OBLIGATION**

The City self-reported that the Notes did not conform with the requirements precedent to the issuance of capital outlay extension notes as the private placement of a bank loan. The original notes mature in fiscal years 2013 through 2016.

The City subsequently met the requirements for the issuance of capital outlay notes, except for approval by this Office. The City submitted its adopted resolution authorizing the issuance of the Notes and requested retroactive approval by this Office in accordance with T.C.A. § 9-21-406.

**COMPLIANCE WITH THE TOWN'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy. The City did submit the required Report on Debt Obligation (Form CT-0253) to this Office on January 25, 2013, which indicated that the Notes were issued in compliance with its debt management policy.

The City should note that Section IV of its debt management policy adopted on July 19, 2012, requires that debt will only be issued under the statutory authority provided by the Tennessee Code Annotated and with the approval, as required, of the State of Tennessee Comptroller's Office (the "Comptroller"). In its debt management policy, the City committed to provide information sufficient for the Comptroller's report and/or approval.

## NOTE APPROVAL

This letter constitutes retroactive approval for the City's issuance of the Notes pursuant to Tennessee Code Annotated § 9-21-604 and § 9-21-607 **contingent upon the City replacing the current bank loan document with the Capital Outlay Note Form as the loan document.** Please send a copy of the executed note to us along with the form CT-0253.

Approval of the sale of the Notes is conditional upon the City's compliance with all parts of Tennessee State law giving authority to issue such notes and its debt management policy.

The amount of the Notes being approved is based on the City's determination of the cost of the original public works project as authorized in Tennessee Code Annotated § 9-21-109.

The City is responsible for insuring compliance with Title 9, Chapter 21, Parts 1, 4, and 6 Tennessee Code Annotated, its debt management policy, and timely payment of outstanding note principal and interest in accordance with the note provisions.

**This letter and the approval to issue debt do not address the compliance with federal tax regulations and should not be relied upon for that purpose. The City should discuss these issues with a tax attorney or bond counsel.**

*This approval is valid for six months after the date of this letter. If the Notes have not been issued within that time, a new note resolution must be passed by the Governing Body and submitted to this Office for approval.*

## Purpose, Terms, and Life

This Project meets the definition of a public works project in T.C.A. § 9-21-105, and the Town may issue notes under the authority of Title 9 Chapter 21 of the Tennessee Code Annotated to finance such a Project. The maturity of the Notes does not exceed the life of the proposed Project as attested by the local governing body. The submitted certified resolution and supporting documents appear to meet the requirements for the issuance of notes in Title 9 Chapter 21 Parts 1, 4, and 6 of the Tennessee Code Annotated. The maximum maturity for the Notes as authorized by the governing body is three years after the date of issuance.

In accordance with the requirements of T.C.A. § 9-21-604, a condition for this approval is that not less than one-ninth (1/9) of the original principal amount of the Notes is paid each year after the year issued with the balance being paid in the final year of the Notes. In its resolution, the Town committed to pay one-third (1/3) but in no event not less than one-ninth (1/9) of the original principal each year the Notes are outstanding.

## NONCONFORMING OBLIGATIONS

Notes issued contrary to Title 9, Chapter 21, Parts 4 and 6, Tennessee Code Annotated or Notes not properly extended are nonconforming obligations. The Comptroller has the option to levy a penalty for notes deemed nonconforming obligations.

## **DIRECTOR'S BUDGET APPROVAL REQUIREMENT**

By issuing debt under the authority of Title 9 Chapter 21 of the Tennessee Code Annotated, the Town has placed itself under the budget approval authority of the Director of the Office of State and Local Finance (the "Director") for the life of any outstanding debt. This authority requires you, as Chief Executive Officer, to submit to the Director the appropriation resolution for official budget approval within 15 days of adoption, with any necessary supporting documents that substantiate:

- the Town's budget is balanced as required by state law,
- the Town intends to pay all of its outstanding debt obligations, and
- the annual budget is prepared in a form consistent with accepted governmental standards and as approved by the Director.

This Office can require the Town to provide any information or perform any audits necessary to ascertain that the Town maintains a balanced budget and make payments on its outstanding debt obligations. If the government is unwilling to submit information to comply with the requirements of T.C.A. § 9-21-403, the approval to issue the Notes is rescinded.

## **Municipal Securities Rulemaking Board (MSRB) Voluntary Disclosure of Bank Loans**

The Municipal Securities Rule Making Board (MSRB) released regulatory notices: MSRB Notice 2011-52, providing guidance on the use of "bank loans" that could be a private placement of municipal securities subject to specific regulatory requirements including disclosure; and MSRB Notice 2012-18, encouraging the voluntary disclosure of bank loan financings through the MSRB's Electronic Municipal Market Access (EMMA®) website ([emma.msrb.org](http://emma.msrb.org)). For more information see the preceding notices on the MSRB's website ([msrb.org](http://msrb.org)). To learn how to submit disclosure see the link at the bottom of the EMMA website labeled Submit Documents or the Education Center of the MSRB's website.

## **Report on Debt Obligation**

Enclosed is a Report on Debt Obligation (Form CT-0253). The Report on Debt Obligation must be filed with the governing body of the public entity issuing the Debt not later than forty-five (45) days following the issuance or execution of a debt obligation by or on behalf of any public entity, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letter or by email to [StateandLocalFinance.PublicDebtForm@cot.tn.gov](mailto:StateandLocalFinance.PublicDebtForm@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

Please notify us if the Town decides not to issue the Notes.

Sincerely,



Sandra Thompson  
Director of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Encl: Report on Debt Obligation  
Three-year Capital Outlay Note Form