City of Franklin

109 3rd Ave S
Franklin, TN 37064
(615)791-3217

Meeting Agenda

Budget & Finance Committee

Thursday, August 18, 2016 | **3:00 PM** | **Board Room**

Call To Order

Approval of Minutes

1. 16-0527 Approval of Minutes from Budget and Finance Committee meetings:
May 12, 2016
June 9, 2016

Legislative History

6/9/16	Budget & Finance Committee	referred to the Budget & Finance Committee

2. 16-0522 Update of Water and Wastewater Project Financing

Sponsors: Eric Stuckey and Russ Truell

Attachments: 2012.01.13 Subordination Policy
2012.06.08 Intent on Parity Status
Proposed SRF Policy Guidance Draft for Public Comment
Moody's Sector In-depth - Green Bonds

3. 16-0576 Presentation of Debt Capacity Model

Sponsors: Eric Stuckey and Russ Truell

Attachments: Franklin Debt Capacity Update 8 12 2016

4. 16-0617 Consideration Of Ordinance 2016-31, An Ordinance To Amend The FY2016-2017 Budget. (08/18/16 Finance 4-0; 1ST Reading BOMA 9/13/16 8-0; 10/11/16 2ND Reading 8-0) THIRD AND FINAL READING

Sponsors: Michael Walters Young and Eric Stuckey

Attachments: 2016 Budget Amendment #1 Memo
Ord 2016-31FY 2017 Budget Amendment #1
Impact of 2016-31 - FY 2017 Budget Amendment #1

5. 16-0404 Monthly Reports for August

Sponsors: Eric Stuckey and Russ Truell

Attachments:
Local sales tax chart - May 2016
Local Sales Tax report 7 15 16
Property Tax Monthly AR Report - June 2016
Conference Center report June 2016
Transit Report - May 2016
Investment Report June 2016
Fuel Hedging Report - June 2016
Monthly Permit Summary - June 2016
Monthly Permit Summary - 1.1.2016 - 6.30.2016
Construction Activities Report FY2016
Hall Income Tax - Ten Year History

Other Business

Adjournment

ANYONE REQUESTING ACCOMMODATIONS DUE TO DISABILITIES SHOULD CONTACT A.D.A. COORDINATOR, AT 791-3277 AT LEAST 10 DAYS PRIOR TO THE MEETING, IF POSSIBLE.

Policy on Subordination of Tennessee Local Development Authority (TLDA) and State Revolving Fund (SRF) Program Debt

Background

The State Revolving Fund (SRF) loan program was created to provide financial assistance to local governments to address the health, safety and environmental requirements for clean water and safe drinking water. The program makes loans to qualified local governments (the "borrowers") at or below market rates loans to finance the infrastructure to address the above mentioned issues and to comply with federal EPA and state requirements. Although the SRF programs have successfully contributed to meeting the needs of over 150 communities since 1989, the program cannot meet all of the needs of the larger and faster-growing communities. As a result, some local governments must also issue its long-term debt in the capital markets to provide for funding needs. The blending of the rate of a SRF loan and the rate of debt sold in the capital markets has historically created average user fees that were lower than if the local government issued only its long-term debt.

The Tennessee Local Development Authority is delegated the responsibility for issuing bonds and notes to provide funds to make loans to (1) local governments for water, sewer and solid waste resource recovery facilities, (2) certain small business concerns for pollution control facilities, (3) local government units for capital projects, (4) farmers for certain capital improvements, (5) counties for the acquisition of equipment for use by county or volunteer fire departments serving unincorporated areas, (6) airport authorities and municipal airports, (7) mental health/mental retardation and drug facilities, and (8) reimburse reasonable and safe cleanup of petroleum sites.

T.C.A. §68-221-1003(7) et seq. defines a Local government as a county, incorporated town or city, metropolitan government, state agency, water/wastewater authority, energy authority or any instrumentality of government created by any one (1) or more of these or by an act of the general assembly. A Local government is also defined as any utility district created pursuant to title 7, chapter 82, existing on July 1, 1984, and which operates a wastewater facility; and also includes such utility district created after July 1, 1984, if such utility district operates a wastewater facility comprised of at least five hundred (500) customer connections.

Purpose

The purpose of this policy is to specify the lien position of the TLDA with respect to TLDA program borrowers' debt and establish guidelines and procedures for a local government that requests subordination of its existing TLDA or SRF indebtedness to its own outstanding debt that has been issued in the capital markets. Due to the nature of the SRF as a revolving loan fund, and the TLDA's responsiblity to ensure repayments of those funds, the TLDA does not make it a practice to grant permission to subordinate SRF debt. The following points will be considered in this process:

- The amount of debt that the Authority is willing to subordinate to the borrower while considering the following: State-shared taxes, other revenues, General Obligation (GO) pledge (other than the utility districts), increase in deposit amount required for the Utility District (UD)
- A requirement for a yearly report from the borrower, demonstrating they are meeting all loan covenants, for the life of the loan
- The debt rating of the borrower
- The amount of the borrower's revenue (as obtained from an independent source that is acceptable to the TLDA)
- The borrower's payment status (is current on all SRF debt, has not had a late payment in the past five years)
- The borrower's revenues from 10 number of largest users of the system do not constitute more than 10 percent of total system revenues

The policy applies to (a) local governments that have issued debt and have secured it with either a general obligation or revenue pledge, and (b) utility districts and authorities that either (i) sold debt directly in the capital markets and subsequently borrowed from the State Revolving Fund ("SRF") loan program, or (ii) borrowed from the SRF loan program and subsequently sold debt directly in the capital markets.

Effective Date

Immediately.

Policy

It is the Tennessee Local Development Authority's policy that it may consider the subordination of its debt to the debt of a local government upon the request of a borrower.

Analysis

TLDA program borrowers have inquired about the lien status of their SRF loans as compared to the lien status of the borrower's debt issued in the capital markets. They have also sought advice on the position of the debt service reserve fund and the perfection of the reserve for the payment of debt service in the event there is a default by the borrower. These questions provided the opportunity to document the analysis of the security opposition for the borrowers.

Office of State and Local Finance (SLF) staff with the assistance of the Office of the Attorney General, the Assistant to the Comptroller for Public Finance and staff from the Department of Environment and Conservation have examined this issue and have made the following conclusions:

For Municipalities

The concerns relating to parity are not significant for SRF loans approved for municipalities. Municipalities pledge user fees and charges and/or ad valorem taxes. They covenant to increase fees or the ad valorem tax levy to cover their expenses including depreciation. As further security, Local Governments pledge and assign their Unobligated State-Shared Taxes in an amount equal to the maximum annual debt service requirements under the Agreement. The ratio of debt service to State Shared Taxes is also considered. Loans are occasionally recommended even when debt service exceeds State-Shared Taxes and the financial analysis demonstrates the borrower's strong ability to pay. These borrowers have been determined to have strong management that has demonstrated a willingness to raise user fees if necessary. In the event a borrower fails to pay a delinquency within sixty days of receipt of a delinquency notice, the TLDA notifies the Commissioner of Finance and Administration who is obligated to withhold the delinquent amount from any State-Shared Taxes that were not previously obligated. Pursuant to Loan Agreement, a borrower acknowledges that it has no claim on State-Shared Taxes withheld under the Loan Agreement. (If multiple claims, first in time, first in line)

Pursuant to T.C.A. §68-221-1010, Local Governments may be referred to the Water and Wastewater Financing Board (the "WWFB") for failure to comply with the statute if there is an earnings deficit in any one year, has a negative change in net assets for any consecutive two-year period or is in default on any debt obligation. The WWFB can require the municipality to raise user fees and charges or to merge with other utilities to maintain financial stability.

For Utility Districts and Authorities

These same parity concerns are important to utility districts and authorities because the debt service payments of these entities are based on user fees and other revenues collected by the entity. By statute, the borrower pledges and assigns any funds due to the borrower from the State. In most cases, there are none. Similar to municipalities, any identified funds may be intercepted in the event of a delinquency.

Included in the Representations and Covenants of the Utility District or Authority Loan Agreement are the following:

- To advise the Department before applying for federal or other State assistance for the Project;

- To abide by and honor any further guarantees or securities as may be required by the State which are not in conflict with State or federal law;

- To do, file or cause to be done or filed any action or statement required to perfect or continue the lien(s) or Pledge(s) granted or created hereunder;

- To establish and collect, and to increase, user fees and charges as needed to pay the monthly installments due under this Agreement as well as the other cost of operation and maintenance including depreciation and debt service of the system of which the Project is a part;

- To establish and collect, and to increase user fees and charges sufficient to meet a 1.20X debt service coverage to net revenues. Net revenues are gross earnings, fees and charges, less current expenses. Current expenses are those incurred in the operation of the system, determined in accordance with generally accepted accounting principles (GAAP), including the reasonable and necessary costs of operating, maintaining, repairing and insuring the system, salaries, wages, cost of material and supplies, and insurance premiums, but shall specifically exclude depreciation and debt service payments. (Paragraph 7 (l))

- No additional debt payable from the revenues of the system will be issued or entered into unless

  (1) Prior approval is received from the Authority

  (2) The annual audit required by the terms of this Agreement for the most recent fiscal year has been delivered within six(6) months after the end of such fiscal year,

  (3) The covenant in Paragraph 7(l) was met for the most recent fiscal year,

  (4) The net revenues of the system for the next three fiscal years ending after the issuance of the additional debt shall be sufficient to comply with the covenant in Paragraph 7(l)

(5) The Local Government shall have adopted a revised schedule of rates and fees and taken action to put such revisions in effect at or prior to the issuance of the additional debt.

As additional security for the loan, prior to the first disbursement of funds under the loan agreement, the utility district or authority must deposit with the TLDA an amount of cash equal to the maximum annual debt service on the loan. This reserve must be funded from cash available to the utility district or authority exclusive of the amount of the loan.

These loans may take one of two positions:

(a) the SRF loan is issued first and subsequently the borrower needs to access the public market; or
(b) the borrower has outstanding debt, subsequently borrows from the SRF program and then once again may need to access to the public markets.

These positions raise the issue: What is the lien position of the SRF loan with respect to loan repayment and the debt service reserve fund?

To make this determination, staff examined the relevant statutes, loan agreements and other available information published by the federal government. We found and confirmed that:

(1) Neither the SRF statutes nor the loan agreements mandate a prior or parity lien status for the SRF loan.
(2) T.C.A. §9-22-101 et seq., "Perfection, Priority and Enforcement of Public Pledges and Liens Act" states that public obligations of the same issue shall be ratably secured . . .without priority unless otherwise authorized. It further states that any pledge is junior in priority to obligations created prior to the date of such pledge.
(3) The Utility Management Review Board ("UMRB") monitors all utility districts for timely and sufficient revenues. Should the revenues be insufficient, the UMRB requires the district to raise its rates to provide the necessary coverage. Prior to entering into the Loan Agreement, authorities must elect to place themselves under the jurisdiction of the UMRB or the WWFB for monitoring and compliance purposes.
(4) A goal of the TLDA is to provide financial assistance to local governments at the lowest possible cost to the users for safe drinking water and for clean water in Tennessee streams, rivers and other natural water ways.
(5) Additional educational materials provided by the Council for Infrastructure Authorities states that debt of the SRF program may be subordinated.

Conclusion

For Municipalities

(1) Parity is not an problem for municipalities that enter into SRF loans. In addition to the pledge of user fees, the municipality provides an ad valorem pledge and commits to the intercept of State-Shared Taxes. No debt service reserve fund is required. Municipalities should consult their bond or disclosure counsels to obtain advice on the appropriate loan disclosure in official statements for general obligation bonds or notes.

For Utility Districts and Regional Authorities

(1) If the SRF debt is issued prior to any public debt, the TLDA has the senior lien position, but the TLDA may, at the request of the borrower, subordinate its debt to any public debt thereafter issued by the borrower.

(2) If the public debt was issued prior to the SRF loan, the SRF loan is subordinate to the public debt previously issued by the borrower. If additional public debt is issued pursuant to that prior resolution, that debt also maintains a superior lien position to the SRF loan. However the borrower must seek approval from the Authority for the issuance of additional debt, must maintain all rate covenants and continue to meet all other requirements of the loan agreement.

Currently, under the loan agreement the debt service reserve fund should be held in the Local Government Investment Pool (LGIP) separate from the debt service reserve fund of any publicly issued debt.

Furthermore:

- At any time that a borrower wants to issue debt in the public market, it must seek approval from the TLDA
- It must meet the revenue covenants required in the loan agreement
- It must make a deposit to the debt service reserve fund from its own cash. This deposit is not a portion of the loan
- It must subject itself to the rules and regulations of the UMRB or the WWFB as the case may be.
- It must continuously meet all other requirements and covenants of the loan agreement

Given these requirements and the provisions of the law, staff continues to be comfortable recommending these borrowers for loans through the SRF program.

Dated 1/13/12

By: Joe Haugott

Intent of Parity Status

The Tennessee Department of Environment and Conservation (the "Department") and the Tennessee Local Development Authority (the "TLDA") enter into Revolving Fund Loan Agreements ("Loan Agreements") with eligible governmental entities pursuant to Parts 10 and 12 of Title 68, Chapter 221 of the Tennessee Code Annotated. The Loan Agreements prohibit the issuance of additional bonds or other evidences of indebtedness without the consent of the TLDA. Borrowers sometimes request that the TLDA consent to the issuance of bonds or other indebtedness on a parity. This document clarifies the TLDA's definition of "parity status" as the equal benefit ratably according to the principal amount of the respective debt obligations then outstanding. Parity status of the Loan Agreement(s) and debt issued by a Borrower extends and applies to the rights and remedies of the TLDA and the Department, on one hand, and of the debtholders, on the other hand, in the event of a default by the Borrower of its obligations under either the Loan Agreements or the debt.

1. For purposes of parity status of debt issued by a Borrower, TLDA Loan Agreements with the same Borrower will be treated as one obligation.
2. TLDA's consent (the "Consent") is subject to the condition that the documentation authorizing the debt provides that Borrower payments be due on the 20^{th} of the month.
3. The Consent to the issuance of the debt on parity with the Loan Agreement(s) refers only to parity of lien with respect to revenues of the system (wastewater or drinking water); and **not** to parity of lien with respect to pledge of state-shared taxes or to ad valorem tax collections (if applicable).
4. The Consent is subject to the condition that the documentation authorizing the debt clearly provide that the debtholders shall have no rights to any security deposits required by, and securing, the Loan Agreement(s)(if applicable).
5. Neither the Department nor the TLDA shall have any rights to any debt service reserve fund established in favor of the debt.
6. The Consent is subject to the condition that the documentation authorizing the debt does not provide debtholders acceleration rights in excess of those provided the TLDA under the Loan Agreement(s).
7. TLDA acknowledges that moneys collected from the pledge and collection of system revenues, following a default, from the exercise of TLDA's remedies under the Loan Agreements or from the exercise of debtholder's remedies under the resolution will, except as set forth above, be held for the equal benefit of TLDA and bondholders ratably according to the principal amount of the respective debt obligations then outstanding under the Loan Agreements and bond documents. This does **not** apply to, and under no circumstance will debtholders have any claim to, state-shared taxes or ad valorem tax collections.

The TLDA will not review the debt resolution or other documentation relating to the issuance of the proposed parity debt, and the TLDA will make no representation that the terms of any such documents or that the issuance of the debt is in compliance with the terms of the consent of the TLDA. The Borrower will be responsible for ensuring completeness and correctness of all documents.

Date: June 8, 2012

Tennessee Local Development Authority
State Revolving Fund
Policy & Guidance for Borrowers

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Tennessee Local Development Authority
State Revolving Fund
Policy & Guidance for Borrowers

Introduction

The purpose of the Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs (together, the "SRF program") is to provide financial assistance to address federal and state health, safety, and environmental requirements for clean water and safe drinking water. Through the SRF program, local governments and water systems are eligible to apply for below market rate loans to finance the infrastructure to meet these requirements. The purpose of this Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers ("Policy and Guidance") is to provide guidance to SRF program borrowers.

Over the years, the Tennessee Local Development Authority (the "TLDA") has established policies and other guidance to assist program borrowers. The TLDA has conducted a review of these documents with regards to their clarity and efficacy for SRF program borrowers, alignment with SRF program goals, and compliance with SRF program requirements. This resulting Policy and Guidance supersedes any policy or guidance previously approved by the TLDA, including, but not limited to:

- Incremental Funding Policy approved on August 26, 2008.
- Policy on Approval of Refundings Proposed by Utility Districts/Water and Wastewater Authorities approved on October 15, 2010.
- Policy on Subordination approved on January 13, 2012.
- Intent on Parity Status document approved on June 8, 2012.
- Loan Modification Policy approved on October 24, 2013.

Please note that the Tennessee General Assembly passed legislation in 2015 allowing privately owned for-profit community public water systems ("Private Systems") access to the Drinking Water SRF loan program. At the time of the approval of this Policy and Guidance, no loans have been made to Private Systems nor have any applications been received. As such, the policies and guidance included in this document are not at this time applicable to private systems. Please refer to the section titled Privately Owned For-Profit Community Public Water Systems for more information on the enacted legislation.

Definitions

For purposes of this Policy and Guidance, terms defined in Tenn. Code Ann. Title 68, Chapter 221, Parts 10 and 12, shall have the same meaning as defined in those parts unless the context otherwise requires. Any subsequent amendment to definitions in those parts or statutes cited in the definitions below is hereby incorporated by this Policy and Guidance.

"Borrower" means any municipality, system, or utility district for which a SRF program loan has received final approval by the TLDA in accordance with Tenn. Code Ann. § 68-221-1005(c) or Tenn. Code Ann. § 68-221-1205(g) unless such loan has been paid in full.

"Municipality" means a county, incorporated town or city, or metropolitan government.

"State-shared taxes" has the same meaning as defined in Tenn. Code Ann. § 4-31-102.

"System" means:

(1) A water/wastewater authority or an energy authority; or

(2) Any instrumentality of government created by one or both of the entities described in this definition; a municipality; or by an act of the General Assembly, but does not mean a utility district.

"Utility district" or "UD" means a utility district formed pursuant to the Utility District Law, compiled in Title 7, Chapter 82.

“Privately owned for-profit community public water system” or “Private System” means a system eligible to apply for Drinking Water SRF program loans pursuant to Code of Federal Regulations (“CFR”) Part 35 and Tenn. Code Ann. § 68-221-1203(6).

“Tennessee Local Development Authority” or “TLDA” means the entity created by Tenn. Code Ann. Title 4, Chapter 31.

Tennessee Department of Environment and Conservation” or “TDEC” means the department created by Tenn. Code Ann. § 4-3-501.

Issuance of Additional Debt

Purpose

The SRF program provides Borrowers with low cost loans in order to fund water and wastewater projects; however, the program may not be able to meet all of the financing needs of all Borrowers or potential borrowers. Rapidly growing local governments, systems, and UDs may also need to issue additional debt in order to address their needs. By blending a below market interest rate SRF program loan(s) with the higher rate debt sold in the public market, these Borrowers may be able to incur lower overall costs and as a result, provide service to their customers at lower average user fees than would be available if such Borrowers relied solely upon directly issued public debt. While recognizing that there may be a need for additional borrowing outside of the SRF program, the TLDA has a responsibility to ensure the integrity of the program, which relies on the repayment of monies borrowed to fund future loans. As such, the TLDA must carefully consider any request from a Borrower which might impair the security for a Borrower's SRF program loan(s), including requests to modify lien position with respect to new debt.

This section provides guidance to Borrowers that wish to issue additional debt, clarifies the TLDA's position with respect to requests by Borrowers to modify the TLDA's lien position on SRF loans, and outlines factors to be analyzed by the TLDA when considering requests to modify such lien position.

Utility Districts and Systems

Requests from UD's and Systems to Issue Additional Revenue Debt

Since UD's and Systems do not have taxing authority, they cannot issue general obligation debt. Therefore, any additional debt issued by a UD or System that is a Borrower, would be payable from the same revenues that are pledged to repay the Borrower's SRF program loan ("SRF Loan"), and must first meet all representations and covenants in the Borrower's SRF loan agreement. All requests to issue such additional revenue debt must be approved by the TLDA prior to the issuance of such debt. In order to allow adequate time for such consideration, all requests should be submitted to the TLDA in writing at least 45 days prior to the anticipated issuance date.

Any request for which the Borrower seeks either parity or a senior lien position for the new revenue debt must specifically request such position in writing, and the TLDA must approve any modification of the SRF program's lien position prior to the issuance of any new debt. (See section titled Lien Position.)

If the additional revenue debt is being issued solely to refund previously outstanding debt, approval may be granted by the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

Borrowers should always consult their bond or disclosure counsel in order to obtain advice on the appropriate disclosure to be made in offering documents for any new debt concerning the lien held by the SRF program.

Approval for the Issuance of Refunding Debt

Due to short time frames required to take advantage of market conditions to achieve savings through the issuance of refunding debt, the Vice-Chairman of the TLDA is authorized to approve refunding debt proposed to be issued by a Borrower when:

- The refunding does not extend the life of the debt;
- The refunding debt is structured to generate debt service savings of at least 3 percent net present value savings of the refunded debt;
- Documentation is provided to the Vice-Chairman, in the form of a projected savings report certified by a financial advisor or underwriter, demonstrating such savings can be achieved;
- The Borrower is not requesting parity or senior lien position for the refunding debt;
- Staff has analyzed the transaction and has concluded that any prerequisites for TLDA approval of the issuance of additional debt have been met; and,
- The Borrower agrees to provide a final savings report to the Vice-Chairman, which shows the actual savings achieved by the refunding.

All requests should be submitted to the TLDA in writing at the same time that the plan of finance for the issuance of refunding debt is submitted to the Director of the Office of State and Local Finance pursuant to Tenn. Code Ann. § 7-82-501. The Vice-Chairman will report any such approvals at the next meeting of the TLDA. At that time, (or as soon as it is available), the Vice-Chairman will provide the final savings report to all members of the TLDA for review.

The Vice-Chairman will report any such approvals at the next meeting of the TLDA. At that time (or as soon as it is available), the Vice-Chairman will provide the final savings report to all members of the TLDA for review.

Security and Representations and Covenants Required for Consideration of a UD or System's Request to Issue Additional Revenue Debt

SRF loans to Utility Districts and Systems are secured by user fees and other revenues collected by the Borrowers. Utility Districts and Systems do not have State-shared or ad valorem taxes to pledge as security for SRF loans. In order to secure these loans, alternative procedures and covenants relating to these entities have been established. By statute, a UD or System Borrower pledges and assigns any funds due to it from the State. However, in most cases, there are no state funds due to a UD or System to intercept in the event of a delinquency.

The requirements summarized below are included in the representations and covenants made in the SRF loan agreements for Utility Districts and Systems:

- To do, file or cause to be done or filed any action or statement required to perfect or continue the lien(s) or pledge(s) granted or created under the loan agreement;

- To establish and collect, and to increase user fees and charges sufficient to meet a 1.20x debt service coverage to net revenues. Net revenues are gross earnings, fees and charges, less current expenses. Current expenses are those incurred in the operation of the system, determined in accordance with generally accepted accounting principles ("GAAP"), including the reasonable and necessary costs of operating, maintaining, repairing and insuring the system, salaries, wages, cost of material and supplies, and insurance premiums, but specifically excluding depreciation and debt service payments; and

- No additional debt payable from the revenues of the system will be issued or entered into unless:

(1) Prior approval is received from the TLDA;

(2) The annual audit required by the terms of the loan agreement for the most recent fiscal year has been delivered within six months after the end of such fiscal year;

(3) The covenant requiring 1.20x debt service coverage to net revenues was met for the most recent fiscal year;

(4) The net revenues of the system for the next three fiscal years ending after the issuance of the additional debt shall be sufficient to comply with the covenant to establish and collect user fees and charges sufficient to meet a 1.20x debt service coverage to net revenues; and

(5) The UD or System has adopted a revised schedule of rates and fees and taken action to put such revisions in effect at or prior to the issuance of the additional debt.

As additional security for a SRF Loan, prior to the first disbursement of funds under a SRF loan agreement, a Utility District or System must deposit with the TLDA an amount of cash equal to the maximum annual debt service on such SRF Loan (or a portion of such amount, to be paid in up to four equal installments in accordance with the section titled Incremental Funding of Security Deposit). This security deposit must be funded from cash available to a UD or System and no portion of a security deposit may be funded with proceeds of a SRF Loan.

Municipalities

Requests from Municipalities to Issue General Obligation Debt

Municipal Borrowers do not need to seek approval from or provide notification to the TLDA to issue general obligation debt if the new general obligation debt will be considered to have a subordinate lien position to the SRF loan(s). However, if a Borrower intends to seek parity or senior lien position for its new general obligation debt, the Borrower must request in writing the approval of the TLDA. Such request should be submitted at least 45 days in advance (or as soon as possible) of proposed issuance of additional debt. The TLDA must approve any modification of the SRF program's lien position prior to the issuance of any general obligation debt (new money or refunding). Borrowers should always consult bond or disclosure counsel in order to obtain advice on the appropriate disclosure to be made in offering documents for general obligation bonds or notes concerning the lien held by the SRF program.

Requests from Municipalities to Issue Revenue Debt

A Municipal Borrower that intends to issue revenue debt, which will be secured by a source of revenue other than the revenues of its water/wastewater system, should notify the TLDA in writing prior to the issuance of such debt. The written communication should be made at least 45 days in advance (or as soon as possible), but no approval is required from the TLDA. If the revenue debt will be secured by the revenues of the water/wastewater system, but the Borrower is not asking for parity or senior lien position, the Borrower should notify the TLDA in writing prior to the issuance of such debt and should include a statement that the Borrower understands that such debt will be subordinate to the SRF loan. The written communication should be made at least 45 days in advance (or as soon as possible), but no approval is required from the TLDA. If a Borrower seeks parity or senior lien position for the revenue debt (new money or refunding), the Borrower must request in writing the approval of the TLDA. Such request should be submitted at least 45 days in advance of proposed issuance of additional debt or as soon as possible. The TLDA must approve any modification of the SRF program's lien position prior to the issuance of any revenue debt (new money or refunding). (See section titled Lien Position.)

Borrowers should always consult bond or disclosure counsel in order to obtain advice on the appropriate disclosure to be made in offering documents for any revenue debt concerning the lien held by the SRF program.

Encumbrance of State-Shared Taxes

If the additional debt involves a pledge of State-shared taxes, the Borrower must request in writing approval from the TLDA to encumber the Borrower's State-shared taxes, and the TLDA must approve any encumbrance of the Borrower's State-shared taxes prior to the issuance of any such new debt. Such request should be submitted at least 45 days in advance of the proposed issuance date of such debt or as soon as possible.

Lien Position

Requests from UD's, Systems, or Municipalities to Modify Lien Position

Generally, lien position, or lien priority, is determined by the date of the debt. The date of any SRF Loan shall be the date that the TLDA approves such loan request (as evidenced on the SRF loan agreement). Therefore, in the absence of an approval by the TLDA to modify its lien position, any debt issued by a Borrower after the approval of a SRF Loan would be subordinate to the SRF Loan. However, if a Borrower requests a modification of the TLDA's lien position to new debt, the TLDA may consider a modification upon demonstration from a Borrower of good cause, sufficient resources to repay the SRF Loan(s), and ability to satisfy any other such requirements as set forth by the TLDA at the time of the request. Because a request for subordination of SRF debt to a Borrower's debt may pose more risk to the SRF loan program than a request for parity, such a request warrants very careful consideration by the TLDA. The TLDA may approve a request for subordination under limited circumstances if a Borrower demonstrates a reasonable need, meets all requirements set forth by the TLDA, and the TLDA deems such request to be in the best interest of the Borrower and the users of the UD, System, or Municipal system.

All requests to modify a SRF program lien position must be approved by the TLDA prior to the issuance of any such debt (new money or refunding). In order to allow adequate time for such consideration, all requests should be submitted in writing to the TLDA at least 45 days prior (or as soon as possible) to the anticipated issuance date of such new debt.

Factors to be Considered for a Request to Modify Lien Position

The TLDA shall analyze several factors, as appropriate, when considering requests to issue additional debt payable, which would modify the SRF program's lien position. These factors shall include but are not limited to:

- Compliance of the Borrower with its SRF loan agreement(s) and covenants and representations set forth in the loan agreement;
- Amount of authorized and outstanding SRF program debt of the Borrower;
- Borrower's history of timely repayments of SRF loans;
- Borrower's timely filing of financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury;
- Purpose and amount of proposed debt issuance;
- Borrower's credit rating (if applicable);
- Current and pro-forma (projected) debt service coverage;
- Amount of unobligated state-shared taxes (if applicable);
- The system's reliance on revenues generated from its largest user(s) as a percentage of total system revenues;
- The lien position of existing SRF debt remains the same or is improved; and
- Impact on the health, safety, and well-being of the people of the state of Tennessee.

Consent to Modify Lien Position

Any consent by the TLDA to modify its SRF program lien position applies only to revenues pledged to serve the SRF loan, and/or ad valorem taxes (if applicable). Consent to modify the SRF lien position does not affect any pledge of State-shared taxes or any rights to security deposits held by the TLDA (if applicable).

Consent of the TLDA to modify the SRF program's lien position is subject to the condition that the documentation authorizing the new debt: 1) clearly states that debtholders have no rights to any security deposits required by, and securing, the SRF loan agreement(s) and 2) does not provide debtholders acceleration rights that are superior to, or more generous than, those provided under the SRF loan agreement(s). Neither the TLDA nor the TDEC shall have any rights to any debt service reserve fund established in favor of the new debt.

The Borrower will be responsible for ensuring completeness and correctness of all documents. The TLDA makes no representation that the issuance of additional debt by the Borrower is in compliance with all applicable laws, or that such issuance is in the best interest of the Borrower. The TLDA is not a municipal financial advisor, and offers no financial advice to Borrowers concerning such requests.

Report on Debt Obligation

A Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose for the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued. More information on this Report is included as a resource for local governments on the Comptroller's Office of State and Local Finance website.

Disclosure

The Electronic Municipal Market Access (EMMA) website was created by the Municipal Rulemaking Securities Board (MSRB) to provide municipal market information, such as official statements, continuing disclosure documents, advanced refunding documents, and trade data for all municipal securities in the United States. All local government issuers are required to perform continuing disclosure undertakings related to Securities and Exchange Commission Rule 15c2-12 via EMMA.

A local government may need to disclose information concerning its SRF program loan(s) on the MSRB's EMMA website. The local government should consult with counsel to determine what the appropriate disclosures should be. More information about EMMA can be found on the MSRB's website.

Forgiveness of Principal

<u>Purpose</u>

Beginning with a capitalization grant received as a part of the American Recovery and Reinvestment Act of 2009, the U.S. Environmental Protection Agency ("EPA") has required, as a condition of acceptance of the annual EPA Capitalization Grant that the SRF program set aside a portion of the funds received from such grant in order to subsidize the loans to eligible Borrowers. Pursuant to Tenn. Code Ann. § 68-221-1005(*l*)(1), "[t]he department and the authority may use any federal funds allocated to the state to make loans and to subsidize loans made through the program authorized by this part, through such mechanisms as forgiveness of principal and negative interest rates." The Intended Use Plan ("IUP") prepared by TDEC is a required part of TDEC's annual application for the EPA Capitalization Grants. This document outlines the percent of principal forgiveness that will be given for each loan made from that EPA Capitalization Grant.

No principal shall be forgiven except as required by the IUP and specified in the SRF loan agreements. Furthermore, privately owned for-profit community public water systems eligible for SRF loans pursuant to 40 CFR Part 35 shall not be considered for loans with principal forgiveness pursuant to Tenn. Code Ann. § 68-221-1206(f)(11)(A).

<u>Terms and Conditions</u>

SRF loan agreements that provide for principal forgiveness shall specify the amount of principal to be forgiven. Funds disbursed to a Borrower that has been awarded principal forgiveness, shall be disbursed pro rata as principal forgiveness and loan. If a Borrower submits requests for reimbursement that total an amount less than the total SRF program funding that the Borrower was awarded, then pro rata shares of principal forgiveness and loan shall be deemed to have been disbursed. For example:

Project A

Total SRF Funding Awarded:	**$1,000,000**
Total Principal Forgiveness Awarded:	$ 150,000 (15%)
Total Loan Awarded:	$ 850,000 (85%)
Reimbursement Request #1:	**$ 350,000**
Principal Forgiveness:	$ 52,500 (15%)
Loan Amount to be Repaid:	$ 297,500 (85%)
Reimbursement Request #2:	**$ 300,000**
Principal Forgiveness:	$ 45,000 (15%)
Loan Amount to be Repaid:	$ 255,000 (85%)
Reimbursement Request #3 (Final):	**$ 300,000**
Principal Forgiveness:	$ 45,000 (15%)
Loan Amount to be Repaid:	$ 255,000 (85%)
Total Disbursements to Borrower:	**$ 950,000**
Total Principal Forgiveness:	$ 142,500 (15%)
Total Loan Amount to be Repaid:	$ 807,500 (85%)

Incremental Funding of Security Deposit for Utility Districts and Systems

Purpose

Pursuant to Section 8 of the loan agreement for Utility Districts and Systems, a security deposit is required in an amount of funds equal to the maximum annual debt service.

Section 8 of the loan agreement states in part:

> Prior to the first disbursement of funds under this Agreement, the Local Government will deposit with the Authority an amount of funds equal to the maximum annual debt service (the "security deposit"). The amount of the security deposit will be adjusted to reflect adjustments in the payment schedule.

The amount of the security deposit is calculated based on the total approved loan amount. It is important to note that the SRF program operates on a reimbursement basis, but will not reimburse a Borrower with loan proceeds to fund the security deposit. A Borrower must fund the required deposit from its own resources prior to any disbursement of loan proceeds. The TLDA recognizes that although a Borrower may have increased user rates and fees to generate necessary cash flow needed for a project, sufficient cash flow might not be available at the beginning of a project to fully fund the security deposit up front, since the construction period during which loan proceeds are disbursed could take one to three years. Consequently, the TLDA authorizes its Assistant Secretary, upon the concurrence of TDEC, to approve Borrower requests for incremental funding of security deposits.

Upon approval of incremental funding by the Assistant Secretary, a Borrower would be allowed to deposit with the TLDA its security deposit in up to four equal installments (see Exhibit A). The Assistant Secretary shall use his/her discretion to recommend the number of installments that will be allowed, based upon the amount of the required security deposit. Upon the concurrence of TDEC with such recommendation, the Assistant Secretary will notify the Borrower of the required incremental amount to be deposited. Then a pro rata share of project reimbursement requests may be disbursed upon the deposit of the first increment. Project reimbursement requests in excess of the amount supported by the then current security deposit will not be honored until the next required increment of funding is received and deposited.

Terms and Conditions

Such allowance for incremental funding of a security deposit is subject to the following:

- The Borrower has submitted a request in writing to the TLDA and has received written approval from the Assistant Secretary;
- The Borrower has provided staff with financial statements that demonstrate the Borrower's ability to make the approved incremental installments from current or projected cash flows; and

- The construction completion date for the project as outlined in the Loan Conditions section of the SRF loan agreement must be at least two (2) years after the date that the loan was approved by the TLDA.

The Borrower may request disbursements in any amount and at any frequency within the conditions listed above.

A Borrower who has been granted approval for incremental funding of the security deposit:

- Has no right to additional reimbursements of project costs under the SRF loan agreement until the required increment of the security deposit has been received and deposited by TLDA staff; and

- Is eligible to earn and receive interest only on the amount of the security deposit held by the TLDA.

<u>Exhibit A</u>

This example illustrates the concept of incremental funding. The funding for the security deposit is divided into four equal installments.

Loan Amount	$	20,000,000
Term		20 years
Interest Rate		2.50%
Annual Debt Service	$	1,271,767

Required Security Deposit	Amount Supported		
$ 317,942	$ 1	to	$ 5,000,000
$ 635,883	$ 5,000,001	to	$ 10,000,000
$ 953,825	$ 10,000,001	to	$ 15,000,000
$ 1,271,767	$ 15,000,001	to	$ 20,000,000

Modification of SRF Program Loan Repayment Schedules for Financially Distressed Borrowers

Purpose

The TLDA wants to be responsive to Borrowers who may be in financially difficult situations. However, the TLDA has a responsibility to ensure the integrity of the SRF program, which relies on the repayment of monies borrowed to fund future loans. As such, the TLDA must carefully consider any request from a Borrower which may impact the SRF program, including requests to modify loan repayment schedules.

Terms and Conditions

The TLDA will consider modification of SRF loan repayment schedules only if:

(1) The Comptroller has filed a copy of the Borrower's audited financial statements with the Utility Management Review Board pursuant to Tenn. Code Ann. §7-82-703(a) or the Borrower's audit report with the Water and Wastewater Financing Board pursuant to Tenn. Code Ann. § 68-221-1010(a); or

(2) A significant event beyond the control of the Borrower occurs and impacts the Borrower's ability to repay the SRF Loan, such as:

- A natural disaster; or
- Loss (or reduction in capacity) of a large customer (commercial, industrial, governmental); or
- Similar unforeseen event despite prudent action having been taken; or

(3) The TLDA deems such action to be for the benefit of the people of the state in the performance of essential public functions and that such action serves a public purpose in improving and otherwise promoting the health, welfare, and prosperity of the people of the state.

In considering a request to modify a SRF loan repayment schedule, the TLDA will take into account whether or not the Borrower has:

- Implemented or is about to implement a plan to adopt a multi-year rate schedule to address its financial difficulties;
- Rates sufficient to cover debt service on a new debt issuance for capital improvements necessary to bring the Borrower in compliance with any TDEC administrative orders, including, but not limited to: Agreed Orders, Commissioner's Orders, Director's Orders, or Consent Decrees;

- A history of timely debt service payments on the loan to the SRF program in accordance with the current payment schedule;
- A plan to attract new customers or to expand the existing customer base;
- A plan to reduce expenses or make efficiency improvements to the system; and
- A debt management policy compliant with the State Funding Board's directive under Tenn. Code Ann. § 9-21-151 that addresses actions to be taken to avoid default or to provide adequate rates to service debt (rates will be set to provide at least a 1.20x debt service coverage).

Such requests for modification of a SRF loan repayment schedule should be made in writing to the TLDA.

Relief

The TLDA may offer as relief a reduction or waiver of the interest due on the loan for a specified period of time. In the event of a disaster or catastrophic loss, additional measures may be considered on a case-by-case basis by the TLDA. However, no principal will be forgiven except as originally contemplated under federal directives and approved by the TLDA in the loan agreement.

A Borrower in financial distress with outstanding capital market securities may be required to disclose the financial distress as an event pursuant to SEC Rule 15c2-12. Borrowers should seek the advice of bond or disclosure counsel in determining what disclosure is appropriate.

Privately Owned For-Profit Community Public Water Systems

On April 20, 2015, Public Chapter No. 207 amended Tenn. Code Ann. § 68-221-1203(6) to allow privately owned for-profit community public water systems access to the Drinking Water State Revolving Fund. However, Private Systems are not eligible for loans from the Clean Water State Revolving Fund.

Terms and Conditions

Tennessee state law includes terms and conditions for Private Systems that seek Drinking Water SRF program funding.

Tenn. Code Ann. § 68-221-1206(f)(11) stipulates that loans may be made to Private Systems pursuant to 40 CFR Part 35; provided, that:

- No Private System shall be considered for loans with principal forgiveness under this program;

- Private Systems shall be categorized as one hundred percent (100%) ability to pay on the index established pursuant to § 68-221-1205;
- A Private System borrower shall have at least a debt/service coverage ratio of 1.25;
- Private Systems shall provide security determined by the TLDA to be acceptable to secure a loan under this part; and
- The TLDA has the authority to direct a Private System to the water and wastewater financing board for compliance as set forth in § 68-221-1009 and § 68-221-1010, and by the Comptroller of the Treasury.

At the time of the approval of this Policy and Guidance, no loans have been made to Private Systems nor have any applications been received. Therefore, the policies and guidance included in this document are not at this time applicable to Private Systems.

Adoption of Policy and Guidance

The TLDA adopted this Policy and Guidance on ______________, 2016, effective on

______________, 2016.

____

Vice Chair

Tennessee Local Development Authority

MOODY'S
INVESTORS SERVICE

SECTOR IN-DEPTH
26 July 2016

Rate this Research

Green Bonds – Global

Record Quarterly Issuance Achieved in Q2 2016; Market Poised to Reach $75 billion

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Green bond issuance during the second quarter of 2016 reached a new quarterly high of $20.3 billion, raising total volume to $37.2 billion for the first half, an 89% increase over the same period a year ago. With strong issuance already observable in the first two weeks of the third quarter, the global green bond market is poised to reach $75 billion in total volume for the year and set a new record for the fifth consecutive year. Although the first quarter was buoyed by strong issuance from Chinese-based financial institutions that accounted for almost one-half of the quarter's volume, in the latest three-month interval, issuers, sectors and countries of origin have been more diverse.

» **The number of issuers and transactions increased, while average transaction size declined.** There were 54 distinct issuers offering a total of 81 transactions, a material increase relative to the first quarter when 31 issuers brought 56 transactions to market. Average transaction size declined during the second quarter, averaging about $250 million per tranche.

» **Renewable energy and energy efficiency remain projects of choice.** Almost two-thirds of second quarter green bond proceeds are once again earmarked for renewable energy and energy-efficiency projects, with approximately 61% of issuances by total dollar volume disclosing that proceeds would be allocated to these two categories.

» **Issuance by sector more balanced in the second quarter.** Green bond issuance in the second quarter achieved a more balanced distribution across sectors. This is a reversal from the first quarter when financial institutions dominated. Also, the ABS sector experienced a 5% jump in issuance relative to the average achieved last year and accounted for 12.9% of global issuance, while the US municipal sector contributed meaningfully to second quarter volumes and helped push the US to regain its top issuer spot.

» **Issuance also more geographically diverse.** The United States led with 22.8% of issuance, followed by the supranational and development banks at 16.7% and the Netherlands at 14.3%. By contrast, China in the first quarter of the year accounted for 46.7% of volume while the US weighed in with 19.8%.

- **Aaa-rated transactions continue to dominate, but issuances also span the investment-grade spectrum.** Second quarter green bond transactions were, once again, largely in the investment-grade range. Based on our ratings, 97% were investment grade, and 43% were rated Aaa.
- **Performance of broad bond market and green bonds diverge, but both continue to generate strong total returns.** The bond market in the aggregate as well as the much smaller green bond market produced strong total return results in the second quarter of 2016. But the results diverged somewhat, with green bonds generating lower quarterly returns (1.7%) than the overall market (2.5%). The divergence, we posit, may be due to the shorter weighted average life of the bonds that comprise the green bond index relative to longer-dated bonds.
- **The Green Bond Principles are updated and expanded.** Among key changes are a broadening of the use of proceeds categories. In addition, the universe of assurance providers, now called “external reviewers,” has been expanded to include a fourth category, which is a rating by qualified third parties, including rating agencies. Other changes include the expansion of the concept of “use of proceeds” to cover financing for projects with social objectives, and the launch of a new on-line based resource center.
- **We assign first time Green Bond Assessments.** We issued three Green Bond Assessments covering three individual transactions that came to market in the second quarter and raised approximately $1.8 billion. These included a residential mortgage backed securities (RMBS) deal as well as corporate and municipal transactions.

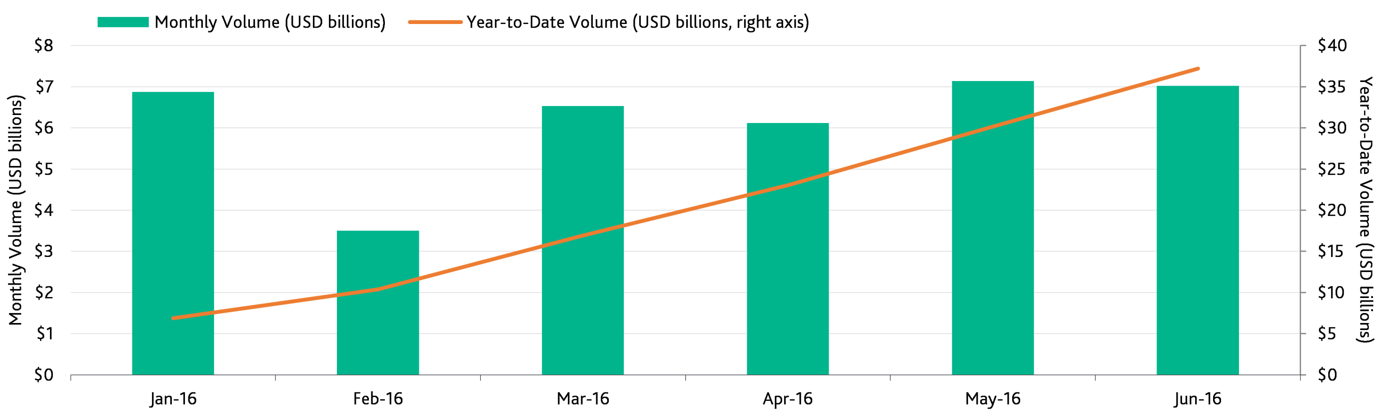
Green Bond Volume Reaches New Quarterly High

Green bond volume during the second quarter of 2016 reached a new all-time quarterly high as $20.3 billion in green bonds reached the market. This volume pushed green bond issuance for the first six months of the year to $37.2 billion, an increase of 89% from $19.7 billion issued during the first half of 2015, and represents 88% of issuance registered during the entire 2015 calendar year (Exhibit 1).

With strong issuance already observable in the first two weeks or so of July, on the heels of the Bank of China's blockbuster $3 billion green bond offered in three currencies, the global green bond market is poised to reach $75 billion in total volume for the year and set a new record for the fifth consecutive year. Importantly transactions in the second quarter were more balanced by issuers, sectors and countries of origin.

Exhibit 1

Record Q2 Green Bond Issuance Propels Year-to-Date Volume



Source: Climate Bonds Initiative; Environmental Finance; Dealogic; Bloomberg; MSRB Electronic Municipal Market Access; various issuer websites; Moody's; OANDA currency converter.

Number of Issuers and Transactions Increased, Average Transaction Size Declined

The second quarter saw 54 distinct issuers come to market offering a total of 81 transactions, a material increase relative to the first quarter when 31 issuers brought 56 transactions to market. Although the first quarter was largely dominated by Chinese banks, including for example Shanghai Pudong Development Bank Co. (Baa1 negative, ba1) and China Industrial Bank (A1 negative, baa2), which together floated $6.5 billion in green bonds, the second quarter saw a greater number of market participants that were more evenly distributed across both sector and geography. Six issuers each led with bond offerings in excess of $1 billion, topped by a six-tranche $1.6 billion ABS offering from Toyota securitizing consumer purchases and leases of energy efficient Toyotas and Lexus vehicles. Among the other largest issuers were the European Investment Bank (EIB) (Aaa stable) at $1.5 billion, Southern Power Company (Baa1 stable) at $1.2 billion, Iberdrola S.A. (Baa1 positive) at $1.1 billion, KfW (Aaa stable) at $1.1 billion and TenneT Holding B.V. (A3 stable) also at $1.1 billion.

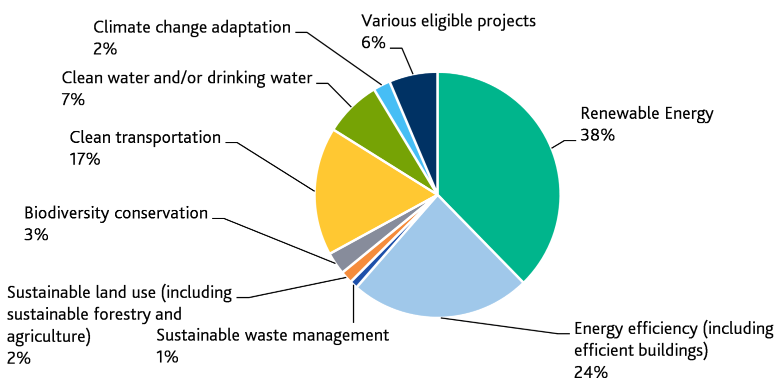
Broader issuer diversity and the increased number of transactions lowered average transaction size, which declined to $250.3 million per tranche in the second quarter versus $343.7 million in the first quarter. The distribution ranged from the largest $1.6 billion Toyota deal to a $878,000 tranche issued by the IFC.

Renewable Energy and Energy Efficiency Remain Projects of Choice

Almost two-thirds of second quarter green bond proceeds are once again earmarked for renewable energy and energy-efficiency projects, with approximately 61% of issuances by total dollar volume disclosing that proceeds would be allocated to these two categories (Exhibit 2). This distribution of projects has remained largely unchanged since Moody's began tracking the usage of proceeds in the second quarter of 2015, but project types have slowly diversified over time. Clean transportation has emerged as the third most popular use of proceeds category in the first half of the year, with 17% of use of proceeds being available for this project type in the second quarter, following a similarly strong 21% allocation in the first quarter.

Exhibit 2

Majority of Q2 Green Bond Proceeds are Earmarked for Renewable Energy or Energy Efficiency Projects



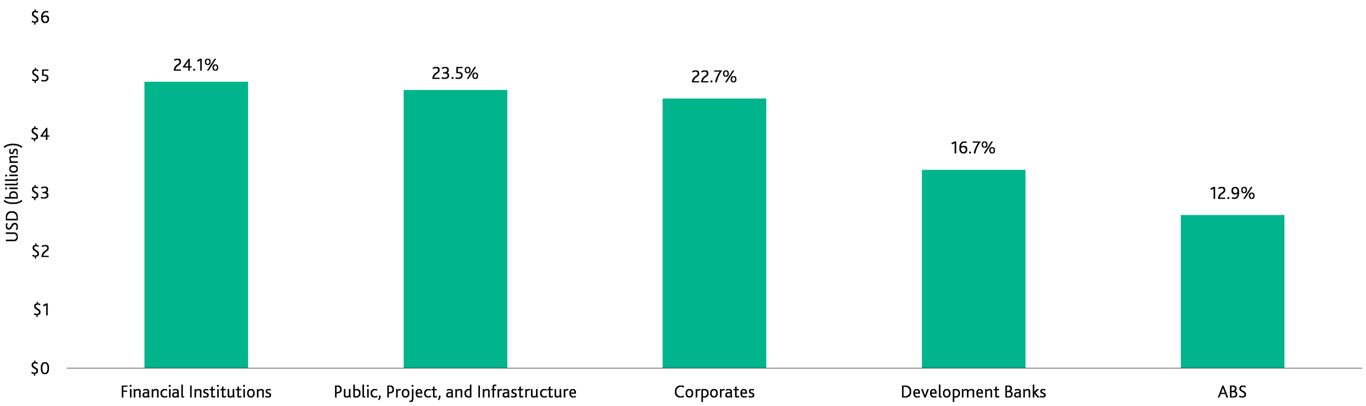
Projects qualifying under more than one eligible project category are accounted for in each of the resective project categories.
Source: Climate Bonds Initiative; Environmental Finance; Dealogic; Bloomberg; various issuer websites; Moody's; OANDA currency converter; Moody's Investors Service analysis.

Issuance by Sector More Balanced in the Second Quarter

Green bond issuance in the second quarter achieved a more balanced distribution across sectors. This was a significant departure from the first quarter when financial institutions dominated. Financial institutions marginally led the way in the second quarter with 24.1% of total volume, just ahead of public, project, and infrastructure finance issuers at 23.5% and corporate issuers at 22.7% (Exhibit 3). This was a significant reversal from the first quarter when almost 57% of issuance volume was attributable to financial institutions, driven by China-based banks issuing a combined total of $7.5 billion. That said, financial institutions still lead with 39.2% of volume for the first half of the year, versus corporates, the second-highest issuer category at 20.5% over the first six months of the year.

Exhibit 3

Q2 Green Bonds More Balanced Across Sectors



Issuance Volume (USD billions) and Percent of Total Q2 Issuance

Source: Climate Bonds Initiative; Environmental Finance; Dealogic; Bloomberg; MSRB Electronic Municipal Market Access; various issuer websites; OANDA currency converter.

The ABS sector brought to market $2.6 billion in green bonds, largely on the strength of a $1.6 billion Toyota automobile securitization as well as a first of its kind energy efficient residential mortgage backed securitization in the form of a $500 million GREEN STORM 2016 (graded GB1 by Moody's) transaction executed by Obvion, a wholly owned subsidiary of Rabobank (Aa2 stable). This pushed ABS transactions to 12.9% of global issuance in the second quarter. When combined with the $620 million issued in the first quarter, the ABS share of global issuance year-to-date moved up to almost 9% for a 5% jump in issuance relative to 2015.

The US municipal sector contributed meaningfully to second quarter volumes, especially in pushing the US to regain its top issuer spot. Thirteen municipal entities came to market in the second quarter with $2.6 billion in green bonds that accounted for 56.2% of total US issuance. The four largest issuers included state-wide entities in Massachusetts, New York, California and Maryland that were responsible for 76% of the volume (Exhibit 4).

Exhibit 4

U.S. Municipal Green Bond Issuers: Second Quarter 2016

Issuer	$ Amount	Percent
Massachusetts Water Resources Authority	681,615,000	25.90%
New York MTA	588,305,000	22.35%
California Infrastructure and Economic Development Bank	410,735,000	15.60%
Maryland Economic Development Corporation	313,035,000	11.89%
San Francisco Public Utilities Commission	240,580,000	9.14%
Indiana Finance Authority	115,790,000	4.40%
San Diego County Water Authority	98,945,000	3.76%
Massachusetts Development Finance Agency	50,265,000	1.91%
Columbia University	50,000,000	1.90%
City of Cleveland, OH	32,390,000	1.23%
New Jersey Environmental Infrastructure Trust	23,925,000	0.91%
Rhode Island Infrastructure Bank	18,790,000	0.71%
City of St. Paul, MN	7,715,000	0.29%

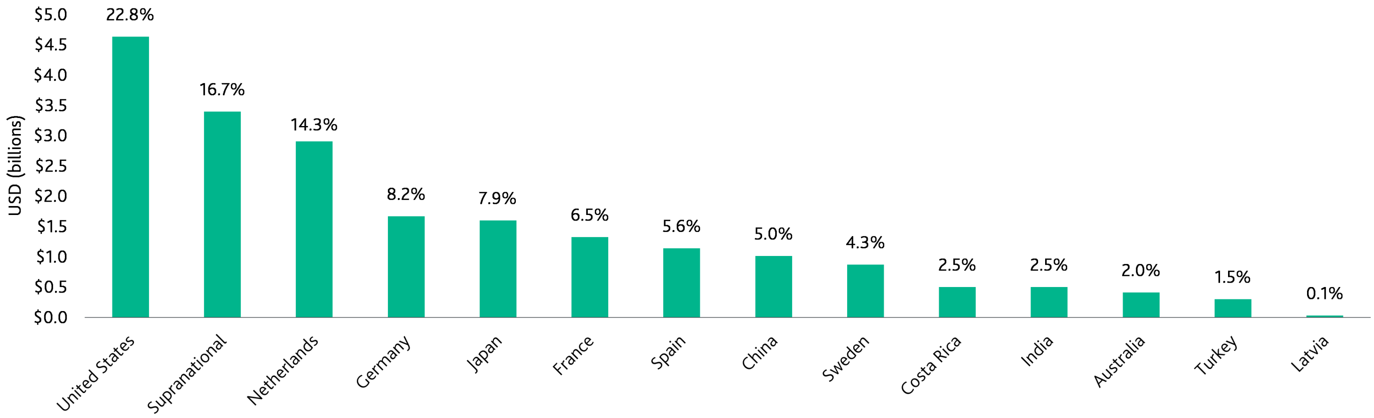
Source: Moody's Investors Service; MSRB Electronic Municipal Market Access

Issuance Also More Geographically Diverse

Global green bonds also exhibited greater geographic diversity in the second quarter. After green bonds from Chinese issuers accounted for nearly half of the volume in the first quarter, the US led the way with 22.8% of issuance, followed by the supranational development banks at 16.7% and the Netherlands at 14.3% (Exhibit 5). Issuers from eight separate countries/geographies issued at least $1 billion in green bonds and registered at least 5% of the total volume in the second quarter, reflecting greater geographic diversity.

Exhibit 5

Q2 Green Bond Volume More Evenly Distributed by Geography



Issuance Volume (USD billions) and Percent of Total Q2 Issuance

Source: Climate Bonds Initiative; Environmental Finance; Dealogic; Bloomberg; MSRB Electronic Municipal Market Access; various issuer websites; Moody's; OANDA currency converter.

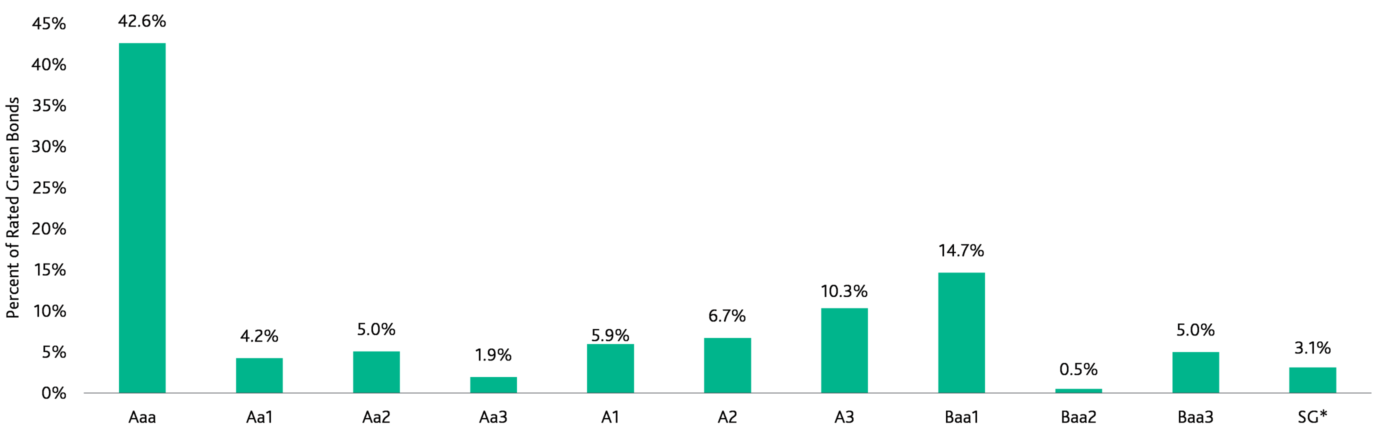
While Chinese issuance fell substantially in the second quarter to 5% of total volume from nearly half in the first quarter, the share of total green bonds from China is already slated to increase substantially in the third quarter. In just the first week of July, the Bank of China already came to market with approximately $3 billion in green bonds consisting of three tranches in three different currencies.

Aaa-Rated Issuance Continues to Dominate, but Issuances Also Span the Investment Grade Spectrum

Second quarter green bond transactions were, once again, largely arrayed in the investment grade range. Based on our ratings, 97% were investment grade, while 43% were rated Aaa (Exhibit 6). The one speculative grade green bond was a $500 million, Ba1-rated Banco Nacional de Costa Rica deal to finance renewable energy and clean water projects. Although recent struggles of some below-investment-grade green bond issuers may be limiting issuance from this end of the rating spectrum, the second quarter saw deals achieving ratings across the entirety of the investment-grade spectrum. For instance, 23.0% of issuance was A-rated and 20.1% was Baa-rated, compared to 14.4% and 6.5%, respectively, in the first quarter.

Exhibit 6

Q2 Moody's-Rated Green Bonds Have Broader Ratings Distribution, but Aaa-Rated Issuance Continues to Lead



*SG represents all Moody's rated below investment grade ratings. Ratings represent ratings at time of issuance. For purposes of this analysis securities or tranches carrying a P-1 short-term rating only are reflected as a long-term rating of A2.

Source: Moody's Investors Service; Climate Bonds Initiative; Environmental Finance; Dealogic; Bloomberg; MSRB Electronic Municipal Market Access; various issuer websites; Moody's; OANDA currency converter.

Transactions Subject to External Reviews Dominate in Europe

Forty-eight transactions, or 59%, based on the number of issues, relied on external reviews (refer to Green Bond Principles update) in the form of at least one second party opinion, audit, or third-party certification. This is in line with 61% of transactions in the first quarter of 2016. On a dollar basis, $12.4 billion in bonds, or 61%, were subject to external reviews. Some transactions include more than one external review.

External review practices vary dramatically in the U.S versus Europe and Asia. In the US, only 23.9% of transactions on a dollar value basis include an external review while in Europe and Asia combined, 71.8% of transactions offer at least one form of external review.

Performance of Broad Bond Market and Green Bonds Diverge but Continue to Generate Strong Total Returns

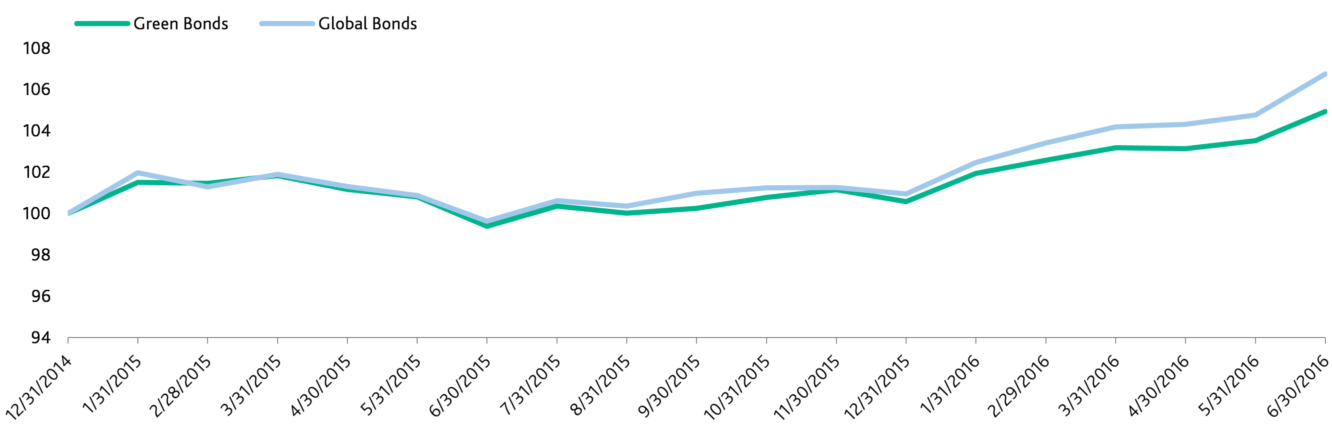
The bond market in the aggregate as well as the much smaller green bond market produced strong total return results in the second quarter and added to gains already realized in the first three months of the year. The BofA Merrill Lynch Global Bond Index ended the quarter up 2.5% on a total rate of return basis, matching the S&P 500 Index, and registering an outsized gain of 5.7% for the first half of the year. Green bonds lagged slightly with gains of 1.7% for the quarter and 4.3% for the first half of the year (Exhibit 7).

The performance of green bonds, which tracked the aggregate bond market more closely through the end of last year, has been diverging somewhat since the beginning of the year. Given their similar credit profiles, we believe that this variation in total return results may be attributable to the shorter weighted average life of the bonds that comprise the index, at 5.84 years, versus the 8.68 years for the weighted average life of the broader index. Longer-dated 10+ year bonds for example outperformed bonds maturity within 1-3 years by as much as 9.4% over the six months through June 30[1]

Although index performance diverged somewhat, pricing and spreads of green bonds in the primary market continue to be aligned with equivalent non-green counterparts.

Exhibit 7

Green Bond Performance Diverges from Broad Market But Continues to Deliver Strong Returns in Quarter



BofA Merrill Lynch Green Bond and Global Bond Indices: 31 December 2014 – 30 June 2016

Source: BofA Merrill Lynch Green Bond Index (Ticker = GREN), consisting of 122 issues as of 30 June 2016, with a total of $77.706 billion in assets. BofA Merrill Lynch Global Broad Market Index (Ticker = GBMI), consisting of 23,933 issues as of 30 March 2016, with a total of $49.354 trillion in assets. Both indices recalibrated 31 December 2014=100, with local currency used for indexing purposes to limit the effects of currency conversion rates on bond returns.

Green Bond Principles are Updated and Expanded

The International Capital Markets Association (ICMA) on 16 June 2016 announced updates to the Green Bond Principles (GBP), a set of voluntary process-oriented guidelines applicable to green bonds. The update, which reflects the conclusion of a consultation process that involved Green Bond Principles members and observers as well as inputs from working groups established in 2015 to address key themes surfaced during the consultation process, covers four key areas as well as some additional clarifications, including:

» The explicit categories listed under the Use of Proceeds have been expanded to nine from the previous eight and the categories now include more details.

» The universe of assurance providers has been expanded to include a fourth category, which is a rating by qualified third parties, including rating agencies. The assurance category, which also includes second party reviews, audits and third party certifications is now referred to as an "external review," and each of the categories has been redefined. Importantly, the GBP now advocate for the public disclosure of external reviews.

» The Green Bond Principles have expanded the concept of "use of proceeds" to encapsulate the concept of financing projects with social objectives or with a combination of social and environmental objectives. This expansion offers a framework for classifying the type of bond issued by Starbucks in early June which raised $500 million in the form of a 10-year 2.45% sustainability bond to pay for sustainability projects, including support programs for farmers in coffee-growing regions.

» A new internet-based resource center has been launched, with recommended templates for posting by issuers as well as external reviewers.

It should be noted that Moody's Green Bond Assessment (GBA) will not be directly affected by these updates since the GBA represents an independent approach and methodology to assessing green bonds.

Moody's Assigns first Green Bond Assessments During the Quarter

Since launching our Green Bond Assessment methodology on 30 March 2016, we have assigned three first-time Green Bond Assessments during the second quarter. Although all three transactions were originated in Europe, they vary by issuer type and include an energy-efficient residential mortgage-backed securitization, a wind energy corporate transaction, and a sub-sovereign transaction financing a portfolio of projects focused on pollution prevention and control, sustainable management, clean transportation and energy efficiency. The transactions are listed below (Exhibit 8).

Exhibit 8

First Time Green Bond Assessments Assigned by Moody's in Second Quarter 2016

Issuer	Issuer Type	Geography	Amount Issued (M)	Currency	US Dollar Equivalent ($M)	Month of Issue	GBA	Use of Proceeds
Green Storm 2016 B.V. (Obvion)	ABS	Netherlands	500	EUR	554	Jun-16	GB1	Energy efficient residential mortgage backed loans.
TenneT Holding B.V.	Public, Project, and Infrastructure	Netherlands	1,000	EUR	1,108	Jun-16	GB1	Offshore wind transmission projects in Germany. These projects, which qualify as renewable energy/wind energy transmission.
City of Gothenburg	Public, Project, and Infrastructure	Sweden	1,000	SEK	118	Jun-16	GB1	Various projects, including climate change mitigation and adaptation and environmental or climate resiliency.

GB1 grade represents a forward looking relative opinion that the green bond issuer has adopted an excellent approach to manage, administer, allocate proceeds to and report on environmental projects financed with proceeds derived from green bond offerings. Prospects for achieving stated environmental objectives are excellent.

Source: Moody's Investors Service

Exhibit 9

Appendix: Green Bond Issues in 2016 Q2

Issuer	Amount Issued (millions)	Currency	US Dollar Equivalent ($M)	Month of Issue
Alliander	300	EUR	342	Apr-16
BAIC Motors Corporation	2,500	CNY	386	Apr-16
Banco Nacional de Costa Rica	500	USD	500	Apr-16
California Infrastructure and Economic Development Bank	411	USD	411	Apr-16
Century Concord Wind Power	200	CNY	31	Apr-16
City of Cleveland, OH	32	USD	32	Apr-16
City of St. Paul, MN	8	USD	8	Apr-16
Columbia University	50	USD	50	Apr-16
EIB	1,500	USD	1,500	Apr-16
Flexi Trust	50	AUD	38	Apr-16
FrieslandCampina	300	EUR	342	Apr-16
Iberdrola	1,000	EUR	1,140	Apr-16
IFC	700	USD	700	Apr-16
IFC	500	MXN	29	Apr-16
IFC	2	USD	2	Apr-16
Indiana Finance Authority	63	USD	63	Apr-16
Indiana Finance Authority	53	USD	53	Apr-16
Latvenergo	25	EUR	29	Apr-16
OPIC	26	USD	26	Apr-16
Rikshem	250	SEK	31	Apr-16
Vasakronan	550	SEK	68	Apr-16
World Bank	300	INR	5	Apr-16
World Bank	280	USD	280	Apr-16
World Bank	50	USD	50	Apr-16
ABN AMRO Bank	500	EUR	556	May-16
Axis Bank	500	USD	500	May-16
Fabege	600	SEK	72	May-16
Fonciere des Regions	500	EUR	556	May-16
IFC	3	TRY	1	May-16
KfW	1,000	EUR	1,112	May-16
LTC GB Ltd	400	USD	400	May-16
Massachusetts Water Resources Authority	681.6	USD	681.6	May-16
MTA	413	USD	413	May-16
MTA	175	USD	175	May-16
New Jersey Environmental Infrastructure Trust	24	USD	24	May-16
NIB	500	SEK	60	May-16
San Francisco Public Utilities Commission	240.6	USD	240.6	May-16
Stockholm Lans Landsting	1,500	SEK	180	May-16
Toyota	490	USD	490	May-16
Toyota	446	USD	446	May-16

Issuer	Amount Issued (millions)	Currency	US Dollar Equivalent ($M)	Month of Issue
Toyota	361	USD	361	May-16
Toyota	134	USD	134	May-16
Toyota	129	USD	129	May-16
Toyota	40	USD	40	May-16
TSKB	300	USD	300	May-16
Wallenstam	400	SEK	48	May-16
World Bank	835	INR	12	May-16
World Bank	300	INR	4	May-16
World Bank	5	USD	5	May-16
Xinjiang Goldwind	1,000	CNY	152	May-16
Zhejiang Jiahua Energy Chemical Industry Co Ltd	300	CNY	46	May-16
City of Gothenburg	1,000	SEK	118	Jun-16
Credit Agricole CIB	64	AUD	48	Jun-16
Deutsche Kreditbank	500	EUR	554	Jun-16
EBRD	130,000	IDR	10	Jun-16
Green Storm 2016 B.V.	500	EUR	554	Jun-16
Ile de France	650	EUR	720	Jun-16
Maryland Economic Development Corporation	162	USD	162	Jun-16
Maryland Economic Development Corporation	100	USD	100	Jun-16
Maryland Economic Development Corporation	27	USD	27	Jun-16
Maryland Economic Development Corporation	23	USD	23	Jun-16
Massachusetts Development Finance Agency	50	USD	50	Jun-16
NIB	500	EUR	554	Jun-16
OPIC	30	USD	30	Jun-16
OPIC	15	USD	15	Jun-16
Renew Financial	123	USD	123	Jun-16
Renovate America	305	USD	305	Jun-16
Rhode Island Infrastructure Bank	19	USD	19	Jun-16
San Diego County Water Authority	99	USD	99	Jun-16
SBAB Bank	2,000	SEK	235	Jun-16
Södra Skogsägarna	1,000	SEK	118	Jun-16
Southern Power Company	600	EUR	665	Jun-16
Southern Power Company	500	EUR	554	Jun-16
TenneT Holdings	500	EUR	554	Jun-16
TenneT Holdings	500	EUR	554	Jun-16
Westar Energy, Inc.	350	USD	350	Jun-16
Westpac Bank	500	AUD	371	Jun-16
World Bank	263	INR	4	Jun-16
World Bank	200	INR	3	Jun-16
World Bank	140	INR	2	Jun-16
World Bank	100	USD	100	Jun-16

Source: Climate Bonds Initiative; Environmental Finance; Dealogic; Bloomberg; MSRB Electronic Municipal Market Access; various issuer websites; Moody's Investors Service; OANDA currency converter

Moody's Related Research

Methodology

» Green Bonds Assessment (GBA), March 2016 (188333)

Issuer In-Depth

» TenneT Holding B.V.: Green Bond Assessment, July 2016 (1030918)

» GREEN STORM 2016 B.V.: Green Bond Assessment, June 2016 (1029482)

Sector In-Depth

» Environmental Risks: Risks and Opportunities: What the Paris Agreement Means for Capital Markets, July 2016 (1033890)

» Environmental Risks: Moody's To Analyse Carbon Transition Risk Based On Emissions Reduction Scenario Consistent with Paris Agreement, June 2016 (1029574)

» Green Bonds - Global: Green Bonds Assessment (GBA)-Summary of Responses to Request for Comment, April 2016 (1022002)

» Green Bonds - Global: China Bonds Drive Q1 Issuance Record; Global Market Set for New Full-Year High, April 2016 (1023944)

» Green Bonds - US: Survey of Municipal Issuers: Disclosure Practices Differ Widely, April 2016 (1024182)

» Environmental Risks and Developments: FSB Task Force Could Begin to Clear Fog on Climate Risk Disclosures, April 2016 (1022814)

» Green Bonds - Global: Issuance Achieves Record Volume in 2015, Could Exceed $50 billion in 2016, February 2016 (1012678)

» Environmental Risks and Developments: Paris Agreement Advances Adoption of Carbon Regulations; Credit Impact to Rise, December 2015 (1011009)

» Cross Sector - Global: Moody's Approach to Assessing the Credit Impacts of Environmental Risks, November 2015 (1010009)

» Environmental Risks: Heat Map Shows Wide Variations in Credit Impact Across Sectors, November 2015 (1009845)

» Environmental, Social and Governance (ESG) Risks - Global: Moody's Approach to Assessing ESG Risks in Ratings and Research, September 2015 (1007087)

Sector Comment

» US Green Bonds: Municipal Green Bond Issuance Set to Exceed Fourth Quarter with Early 2016 Activity, January 2016 (1012863)

Issuer Comment

» Apple's First Green Bond Includes Rigorous Voluntary Verification Guidelines, February 2016 (187811)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

1 Analysis based on Barclays Aggregate Bond Index data.

REPORT NUMBER 1033801

MOODY'S
INVESTORS SERVICE

HISTORIC
FRANKLIN
TENNESSEE

Debt Capacity Model Update

Presented on
August 18, 2016

The PFM Group
Financial & Investment Advisors

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530 Oak Court Drive
Memphis, TN 38117-3722
P 901.682.8356
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Capacity Model Overview

The Capacity Model includes:

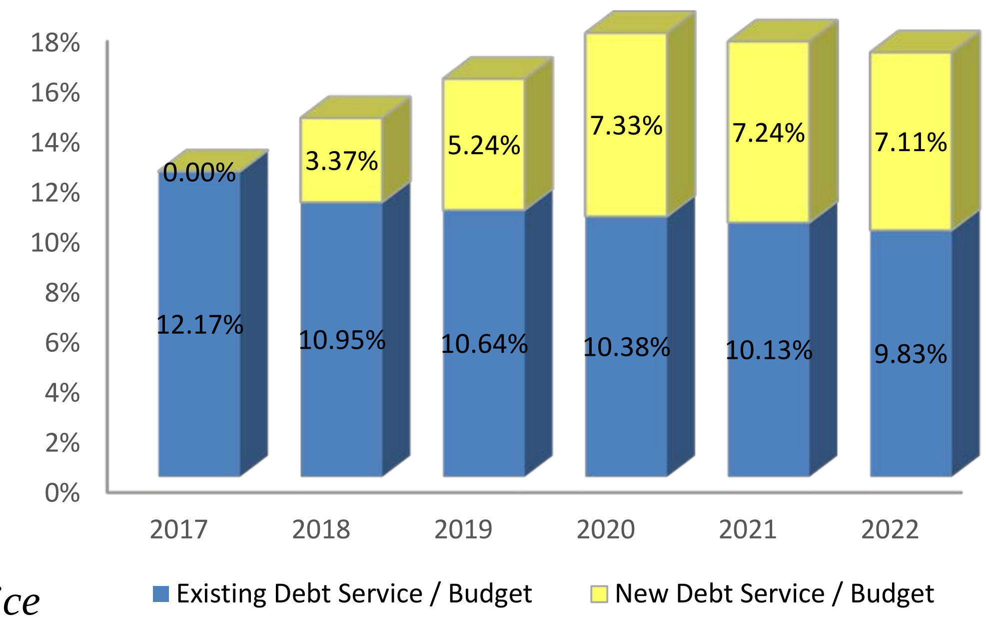
- Actual, Audited Revenues and Expenditures for FY 2015
- Estimated, Unaudited FY 2016 Revenues and Expenditures
- Budgeted FY 2017 Revenues and Expenditures
- Revenue and Expenditure Growth Rate Assumptions for FY 2018 – 2022 provided by the City
- Bonds issued in FY 2017, FY 2019 and FY 2021 to cover CIP project needs of $82.3 million which results in bonds issued totaling $63.8 million

CIP Summary

Projects	Project Description	2017	2018	2019	2020	2021	2022	5 Year Total (18-22)	Project Total
	CIP Work Sheet								
	August 2016 Analysis								
1	East McEwen Drive - Phase 4	2,600,000	1,000,000	12,164,000	12,164,400	-	-	25,328,400	27,928,400
	Net Funding Needs	2,350,000	750,000	7,914,000	7,914,400	-	-	16,578,400	18,928,400
2	East/Southeast Multipurpose Park	1,200,000	4,000,000	4,000,000	4,000,000	-	-	12,000,000	13,200,000
	Net Funding Needs	-	3,800,000	3,800,000	3,800,000	-	-	11,400,000	11,400,000
3	Sidewalk Gaps	250,000	250,000	250,000	250,000	250,000	-	1,000,000	1,250,000
	Net Funding Needs	250,000	250,000	250,000	250,000	250,000	-	1,000,000	1,250,000
4	Fire Station 7	80,000	4,150,000	100,000	-	-	-	4,250,000	4,330,000
	Net Funding Needs	-	-	-	-	-	-	-	-
5	Franklin Road Improvements & Streetscape	-	2,550,000	5,895,000	5,895,000	-	-	14,340,000	14,340,000
	Net Funding Needs	-	1,900,000	4,405,450	5,155,450	-	-	11,460,900	11,460,900
6	Goose Creek Interchange Lighting	60,000	810,000	-	-	-	-	810,000	870,000
	Net Funding Needs	30,000	405,000	-	-	-	-	405,000	435,000
7	Major Street Resurfacing	-	2,400,000	-	1,700,000	-	1,300,000	5,400,000	5,400,000
	Net Funding Needs	-	2,400,000	-	1,700,000	-	1,300,000	5,400,000	5,400,000
8	Hillsboro Road	15,000,000						-	15,000,000
	Net Funding Needs	15,000,000	-	-	-	-	-	-	15,000,000
Project Subtotal		19,190,000	15,160,000	22,409,000	24,009,400	250,000	1,300,000	63,128,400	82,318,400
Net Funding Needs		17,630,000	9,505,000	16,369,450	18,819,850	250,000	1,300,000	46,244,300	63,874,300
	Bonds Issued	27,135,000		35,189,300		1,550,000			63,874,300

Debt Service to Budget Metrics

	2017	2018	2019	2020	2021	2022
New Debt Service	-	2,177,383	3,492,094	5,001,063	5,058,973	5,125,439
Estimated Gen Fund Budget (GF Revenues)	62,851,566	64,679,768	66,609,758	68,217,387	69,909,525	72,111,789
New Debt Service / Budget	0.00%	3.37%	5.24%	7.33%	7.24%	7.11%
Existing Debt Service	7,651,190	7,079,596	7,084,969	7,080,820	7,085,047	7,086,321
Existing Debt Service / Budget	12.17%	10.95%	10.64%	10.38%	10.13%	9.83%
New + Existing Debt Service	7,651,190	9,256,978	10,577,063	12,081,883	12,144,019	12,211,760
New + Existing Debt Service / Budget	12.17%	14.32%	15.88%	17.71%	17.37%	16.94%



Debt Assumptions:
Interest rate of 5.00%
20 year, level debt service

Debt Management Policy Ratios

The City's updated Debt Management Policy includes the following ratios:

1. Direct debt as a % of Full Value $\leq$ 1.75%
2. Direct debt of Operating Revenues of $\leq$ 3.00X
3. Total Governmental Funds Debt Service as a % of expenditures $\leq$ 25%

The City also has a reserve fund policy to maintain at least 33% of General Fund Revenues.

Policy Ratios

	Affordability Matrix				
	Direct Debt % of Full Value	Direct Debt to Operating Revenue	Govt. Fund DS % Govt. Expenditures	General Fund Balance as a % of Operating Revenues[1]	Debt Service as a % of Operating Expenditures[2]
Debt Policy	≤ 1.75%	≤ 3.00x	≤ 25%	≥ 30%	
FY 2017 (Series 2017 Bonds)	1.3%	2.4	14.9%	61.9%	10.8%
FY 2018	1.2%	2.2	16.2%	62.8%	12.8%
FY 2019 (Series 2019 Bonds)	1.4%	2.5	17.4%	64.5%	14.1%
FY 2020	1.3%	2.3	19.0%	66.7%	15.5%
FY 2021 (Series 2021 Bonds)	1.2%	2.1	18.9%	69.3%	15.3%
FY 2022	1.1%	2.0	18.3%	72.2%	15.1%

(1) Moody's 2013 Aaa Median = 38.5%
(2) This metric is no longer reported by Moody's.

Assumptions:
Market Value/Full Value grows at 1%
Governmental Expenditures grow at 1%
Operating Expenses include debt service to be paid out of the General Fund

HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

August 9, 2016

TO: Members of the Board of Mayor and Aldermen
Members of Budget and Finance Committee

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO
Mike Lowe, Comptroller
Michael Walters Young, Budget & Analytics Manager

RE: Consideration of Ordinance 2016-31, 1st Quarter 2017 Budget Amendments

Purpose
The purpose of this item is to amend the Fiscal Year 2017 Budget for compliance with State budgeting guidance regarding:

1. Ensuring authorizations in place to balance each fund's budget on a cash basis on June 30, 2016.

Background
The State Comptroller has provided guidance that budget amendments are to be on the cash basis and must occur prior to fiscal year end (June 30) to ensure no fund has a deficit fund balance or deficit cash balance at June 30.

In order to stay ahead of this responsibility, staff is proposing five budget amendments.

The amendments are as follows:

1. Transfer of $1,421,368 from General Expenses to various departments within the General Fund. The two purposes of the transfers are:
    a. Distribution of planned wage increases ($500 added to base + 4%) and personnel reclassifications - $1,351,572
    b. Pension Budget v. Actual reclassifications - $69,796
2. Increase of $48,148 in the Sanitation & Environmental Services Fund. This consists of three items:
    a. A transfer of $65,283 from SES Admin Regular Wages to various departments within the SES Fund for the following purposes:
        i. Distribution of planned wage increases ($500 added to base + 4%) and personnel reclassifications - $59,191
        ii. Pension Budget v. Actual reclassifications - $6,092
    b. A transfer of $100,006 from the SES Collection Division to the SES Disposal Division for proper accounting of paving expense. (There is no net increase).
    c. An increase of $48,148 in SES Disposal for the purpose of leasing a new wheel loader. This purchase, unplanned within the FY 2017 budget is essential for the continued efficient operation of the Transfer Station. Total price of this item is $169,536.03 and can

be purchased via a state contract. Sufficient lease capacity remains from prior year's lease agreements to reduce the impact on the SES Fund in FY 2017 and beyond.

3. Increase of $38,960 to various departments within the Stormwater Fund. The two purposes of the transfers are:
   a. Distribution of planned wage increases ($500 added to base + 4%) and personnel reclassifications - $36,883
   b. Pension Budget v. Actual reclassifications - $2,077
4. Increase of $100,680 in expense to the Capital Projects Fund for the final expenses incurred for the conversion and integration process of utility billing into Infor.
5. Transfer of $185,373 from the Water General and Wastewater General Departments to various departments within the Water & Wastewater Funds. The two purposes of the transfers are:
   a. Distribution of planned wage increases ($500 added to base + 4%) and personnel reclassifications - $174,410
   b. Pension Budget v. Actual reclassifications - $10,663

This is the first budget amendment during this Fiscal Year to the budget. We envision several more during the course of the Fiscal Year.

Financial Impact
The amendments, as proposed, would result in:

1. General Fund: No Change.

2. Sanitation & Environmental Services Fund: Decrease of Fund Balance of $48,148. Deficit to be made up through future revenues adjustments.

3. Stormwater Fund: Decrease of Fund Balance of $38,960. Deficit to be made up through future revenues adjustments.

4. Capital Projects Fund: Decrease of Fund Balance of $100,680. Deficit to be made up through future revenues and/or bond proceeds.

5. Water & Wastewater Funds: No Change.

Options

1. Approve amendment(s) as proposed and forward to BOMA.

2. Make changes to the amendment(s) where desired and forward to BOMA.

Recommendation
Staff recommends approval of the amendments.

ORDINANCE NO. 2016 – 31

TO BE ENTITLED: "A ORDINANCE TO AMEND THE BUDGET OF THE CITY OF FRANKLIN FOR FISCAL YEAR 2016-2017"

WHEREAS, the City Charter, Article VIII, provides for adoption of an annual budget for departments of the City of Franklin; and

WHEREAS, an annual budget process appropriating funds to the various departments and divisions of the City government for the fiscal year beginning July 1, 2016 has been completed in accordance with state law and local ordinances; and

WHEREAS, the Board of Mayor and Aldermen find it is in the best interests of the citizens of the City of Franklin to modify the annual budget from time to time.

NOW, THEREFORE BE IT ORDAINED, by the Board of Mayor and Aldermen of the City of Franklin, Tennessee:

SECTION I: That the annual budget for the City of Franklin for the Fiscal Year 2016-2017 shall be amended and does allocate and appropriate additional funding as follows:

GENERAL FUND [Amendment 1]
REVENUE

EXPENDITURES			
Court	Increase	$	6,149
Administration	Increase	$	7,594
Revenue Management	Increase	$	32,954
Project & Facilities Management	Increase	$	14,868
Communications	Increase	$	13,259
Purchasing	Increase	$	5,607
IT	Increase	$	75,327
Legal	Increase	$	32,479
Finance	Increase	$	30,521
Engineering	Increase	$	60,036
TOC	Increase	$	8,620
Human Resources	Increase	$	40,725
Planning & Sustainability	Increase	$	44,265
BNS	Increase	$	68,337
Police-Admin	Increase	$	39,653
Police-CID	Increase	$	75,802
Police-Patrol	Increase	$	240,262
Fire	Increase	$	421,729
Streets-Maintenance	Increase	$	82,840
Streets-Traffic	Increase	$	25,372
Streets-Fleet	Increase	$	24,134
Parks	Increase	$	70,836
General Expenses	Decrease	($	1,421,368)

Net Increase (Decrease) to Total General Fund Balance		**$**	**-**

SANITATION & ENVIRONMENTAL SERVICES FUND [Amendment 2]
REVENUE

EXPENDITURES

SES Admin	Decrease	($ 64,591)
SES Collection	Decrease	($ 38,306)
SES Disposal	Increase	$ 151,045

Net Increase (Decrease) to Sanitation & Environmental Services Fund Balance		**($ 48,148)**

STORMWATER FUND [Amendment 3]
REVENUE

EXPENDITURES

Stormwater Streets	Increase	$ 30,809
Stormwater Engineering	Increase	$ 8,151

Net Increase (Decrease) to Stormwater Fund Balance		**($ 38,960)**

CAPITAL PROJECTS FUND [Amendment 4]
REVENUE

EXPENDITURES

Utility Billing Conversion Process (Infor)	Increase	$ 100,680

Net Increase (Decrease) to Capital Projects Fund Balance		**($ 100,680)**

WATER & WASTEWATER FUND [Amendment 5]
REVENUE

EXPENDITURES

Utility Billing	Increase	$ 5,352
Water Distribution	Increase	$ 34,033
Water Plant	Increase	$ 28,681
Water General	Decrease	($ 68,066)
Utility Administration	Increase	$ 31,462
Wastewater Collection	Increase	$ 46,105
Wastewater Plant	Increase	$ 39,740
Wastewater General	Decrease	($ 117,307)

Net Increase (Decrease) to Total Water & Sewer Fund Balance		**$ -**

SECTION II: That each department of the City shall limit its expenditures to the amount appropriated; that any changes or amendments to the appropriations set forth in the budget shall be made in accordance with the City Code, Article VIII.

SECTION III: That this Ordinance shall take effect on after the passage of the Third and Final Reading; the health, safety and welfare of the citizens of the City of Franklin requiring it.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE**
By: ______________________________	**By:** ___________________________
ERIC S. STUCKEY **City Administrator**	**DR. KEN MOORE** **Mayor**

PASSED FIRST READING: ________________________
PUBLIC HEARING: ________________________
PASSED SECOND READING: ________________________
PASSED THIRD READING: ________________________

City of Franklin, Tennessee
FY 2017 Operating Budget

Impact of Ordinance 2016-31 on Budgets

The following demonstrates the impact of Ordinance 2016-31 on five separate funds: the General Fund, the Sanitation & Environmental Services Fund, the Stormwater Fund, the Capital Projects Fund & the Water & Wastewater Funds. It is important to note:

a) The General Fund has no impact on the bottom line by these transfers. All expense increases are being offset by budget transfers from General Expenses.
b) The Sanitation & Environmental Services Fund will go into deficit by $48,148 as a result of this amendment. Future revenue proposals will be forthcoming later in the budget year to offset this increase.
c) The Stormwater Fund will go into deficit by $38,960 as a result of this amendment.
d) The Capital Projects Fund will go into deficit by another $100,680 as a result of this amendment. The deficit will be made up by future revenues and/or bond proceeds.
e) The Water and the Wastewater Funds have no impact on the bottom line by these transfers. All expense increases are being offset by budget transfers from their respective General Expense Departments.

Fund 110 - General Fund

	A	B	C(B-A)	D (B/A)
	2017 Budget	2017 Amended	Difference $	%
Beginning Balance*	$ 37,932,210	$ 37,932,210	$ -	0.00%
Revenues	$ 64,147,849	$ 64,147,849	$ -	0.00%
Expenses				
Personnel	$ 45,110,622	$ 45,110,622	$ -	0.00%
Operations	$ 16,462,227	$ 16,462,227	$ -	0.00%
Capital	$ 2,575,000	$ 2,575,000	$ -	0.00%
Expenses	$ 64,147,849	$ 64,147,849	$ -	0.00%
Ending Balance	$ 37,932,210	$ 37,932,210	$ -	0.00%

Fund 124 - Sanitation & Environmental Services Fund

	A	B	C(B-A)	D (B/A)
	2017 Budget	2017 Amended	Difference $	%
Beginning Balance	$ 613,691	$ 613,691	$ -	0.00%
Revenues	$ 9,372,227	$ 9,372,227	$ -	0.00%
Expenses				
Personnel	$ 3,004,482	$ 3,004,482	$ -	0.00%
Operations	$ 6,335,451	$ 6,383,599	$ 48,148	0.76%
Capital	$ -	$ -	$ -	0.00%
Expenses	$ 9,339,933	$ 9,388,081	$ 48,148	0.52%
Ending Balance	$ 645,985	$ 597,837	$ (48,148)	-7.45%

City of Franklin, Tennessee
FY 2017 Operating Budget

Impact of Ordinance 2016-31 on Budgets

Fund 135 - Stormwater Fund

	A	B	C(B-A)	D (B/A)
	2017 Budget	2017 Amended	Difference $	%
Beginning Balance*	$ 4,706,201	$ 4,706,201	$ -	0.00%
Revenues	$ 2,714,224	$ 2,714,224	$ -	0.00%
Expenses				
Personnel	$ 1,312,840	$ 1,351,800	$ 38,960	2.97%
Operations	$ 1,185,465	$ 1,185,465	$ -	0.00%
Capital	$ 2,672,357	$ 2,672,357	$ -	0.00%
Expenses	$ 5,170,662	$ 5,209,622	$ 38,960	0.75%
Ending Balance	$ 2,249,763	$ 2,210,803	$ (38,960)	-1.73%

Fund 310 - Capital Projects Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	$ (5,081,054)	$ (5,081,054)	$ -	0.00%
Revenues	$ -	$ -	$ -	0.00%
Expenses				
Personnel	$ -	$ -	$ -	0.00%
Operations	$ -	$ 100,680	$ 100,680	100.00%
Capital	$ -	$ -	$ -	100.00%
Expenses	$ -	$ 100,680	$ 100,680	100.00%
Ending Balance	$ (5,081,054)	$ (5,181,734)	$ (100,680)	1.98%

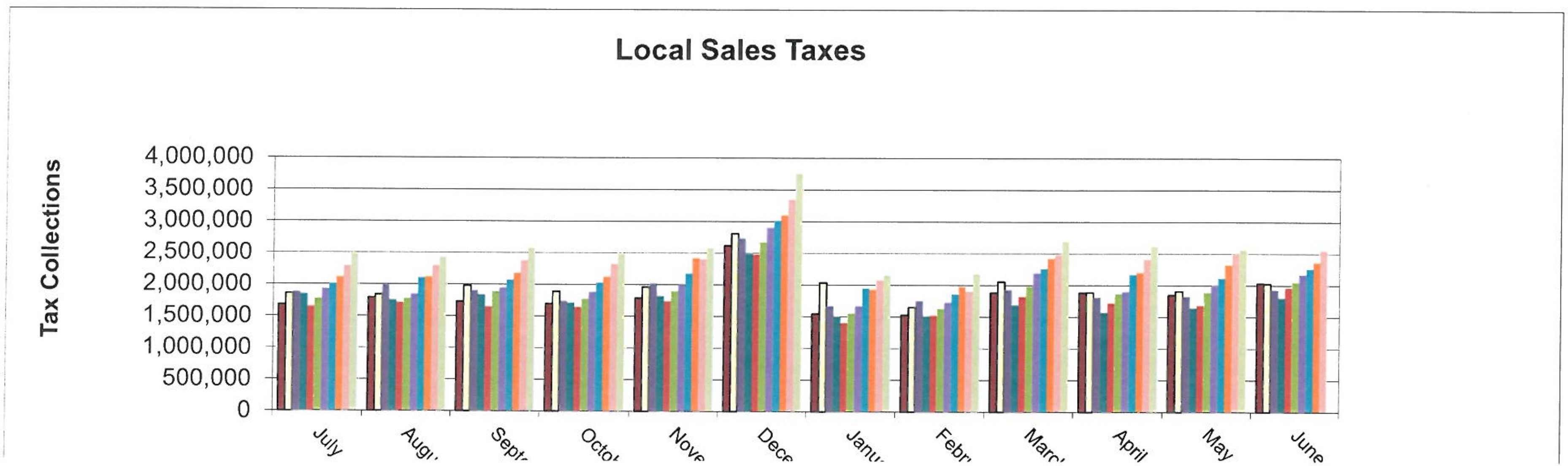
Funds 421 & 431 - Water & Wastewater Fund

	A	B	C(B-A)	D (B/A)
	2017 Budget	2017 Amended	Difference $	%
Beginning Balance*	$ 33,549,525	$ 33,549,525	$ -	0.00%
Revenues	$ 26,150,977	$ 26,150,977	$ -	0.00%
Expenses				
Personnel	$ 6,173,894	$ 6,173,894	$ -	0.00%
Operations	$ 13,131,062	$ 13,131,062	$ -	100.00%
Capital	$ 5,401,035	$ 5,401,035	$ -	100.00%
Expenses	$ 24,705,991	$ 24,705,991	$ -	0.00%
Ending Balance	$ 34,994,511	$ 34,994,511	$ -	0.00%

**All beginning balances estimated as of June 30, 2016*

Local Sales Tax Revenue Comparison

Month	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	% over prior yr	$ over prior yr
July	1,676,862	1,857,805	1,876,318	1,842,160	1,646,449	1,769,523	1,925,395	2,003,719	2,113,374	2,288,457	**2,477,647**	8.3%	189,190
August	1,788,477	1,837,563	1,985,123	1,747,507	1,711,487	1,774,021	1,843,928	2,101,518	2,115,836	2,296,081	**2,420,111**	5.4%	124,030
September	1,724,983	1,977,557	1,900,808	1,834,296	1,645,241	1,888,809	1,946,970	2,065,402	2,178,174	2,374,572	**2,571,550**	8.3%	196,978
October	1,695,501	1,887,613	1,734,361	1,707,123	1,639,767	1,767,404	1,881,099	2,026,865	2,117,978	2,327,025	**2,485,462**	6.8%	158,437
November	1,787,276	1,960,370	2,018,105	1,816,125	1,736,146	1,892,149	1,998,723	2,176,371	2,419,578	2,399,941	**2,579,786**	7.5%	179,845
December	2,617,849	2,806,905	2,730,286	2,491,017	2,479,640	2,670,491	2,902,675	3,012,759	3,097,595	3,345,841	**3,752,983**	12.2%	407,143
January	1,544,557	2,034,121	1,664,281	1,502,087	1,401,398	1,552,324	1,664,281	1,948,752	1,926,687	2,079,073	**2,151,378**	3.5%	72,306
February	1,526,301	1,649,397	1,752,131	1,507,868	1,521,898	1,628,745	1,729,002	1,856,748	1,973,541	1,900,629	**2,181,227**	14.8%	280,599
March	1,880,654	2,054,793	1,925,296	1,688,794	1,819,095	1,979,080	2,191,405	2,265,006	2,421,918	2,479,918	**2,689,471**	8.5%	209,553
April	1,883,777	1,885,024	1,812,244	1,572,824	1,719,674	1,866,180	1,897,741	2,168,372	2,201,566	2,410,499	**2,611,014**	8.3%	200,515
May	1,846,229	1,909,074	1,824,127	1,642,271	1,686,756	1,884,275	1,989,477	2,109,923	2,323,975	2,489,724	**2,559,116**	2.8%	69,393
June	2,033,237	2,025,044	1,926,353	1,800,044	1,961,270	2,047,664	2,168,095	2,260,297	2,364,520	2,552,236			0
Total **Budgeted**	**22,005,703**	**23,885,264**	**23,149,433**	**21,152,117**	**20,968,821**	**22,720,667**	**24,138,792**	**25,995,732**	**27,254,742**	**28,943,994**	**28,479,746**	**26,391,758**	**2,087,988**
	Up 11.2%	Up 8.5%	Down -3.1%	*Down* -8.6%	*Down* -0.9%	*year to date* 8.4%	*year to date* 6.2%	*year to date* 7.7%	*year to date* 4.8%	*year to date* 6.2%	*year to date* 7.9%	*last yr YTD* 26,391,758	*YTD difference*



HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

MEMORANDUM

July 15, 2016

TO: Eric Stuckey, City Administrator

FROM: Russ Truell, ACA/CFO

RE: Local Sales Tax Report

The local sales tax remittance from the State of Tennessee for July was $2,559,116 compared to $2,489,724 for the same month in 2015, an increase of $69,393 or 2.8%. [The July remittance is for sales tax collected during the month of May, representing the eleventh month of the fiscal year on an accrual basis.] During the same period, the State of Tennessee sales tax collections were up 1.3% from the prior year.

Year-to-date, the City has received $28.4 million compared to $26.4 million in the previous year, a difference of $2,087,988 or 7.9%. The State of Tennessee sales tax collections, year-to-date, are $7.52 billion compared to $7.02 billion in the prior year, a difference of $504 million or 7.1%.

For budget comparisons, the City anticipated collections of $28.0 million through eleven months of the fiscal year. Through the month of May, the City is $446,513, or 1.6%, above budgeted collections. As a further comparison, the May collection of $2.55 million compares to $1.68 million in 2010, $1.88 million in 2011, $1.98 million in 2012, $2.10 million in 2013 and $2.32 million in 2014.

The local sales tax collections have increased year-over-year in 73 of the last 76 months reported.

CITY of FRANKLIN
2015 PROPERTY TAX COLLECTIONS
As of June 30, 2016

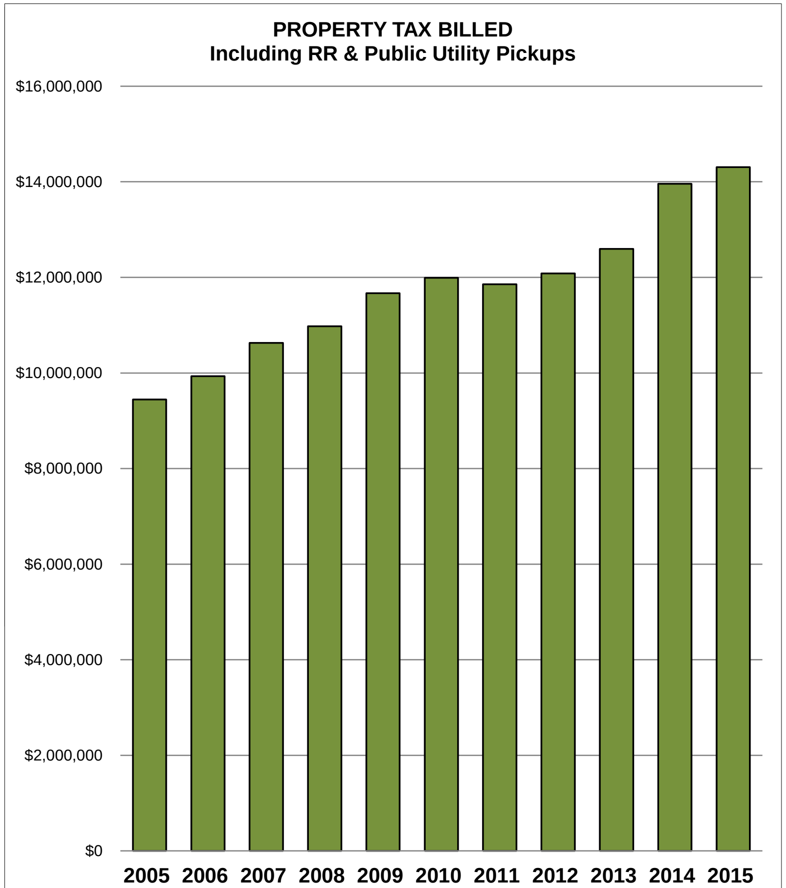
YEAR	Beginning Balance	150 Corrections	600 Refunds	400 Adjustments	100 Pickups	210 Cleanup	700 Returned Checks	200 Receipts	AR Balance
2015	$14,306,693	($34,044)	$79,959	($6,811)	$269,776	$311,408	($304,597)	($14,350,643)	$271,741
2014	$13,742,347	($443,588)	$0	$0	$659,878	$256,113	($256,113)	($13,940,264)	$18,373
Prior Years (2004 - 2013)	$74,656,547	($176,942)	$837,477	($17,310)	$1,725,590	($600)	$22,114	($76,999,770)	$47,107

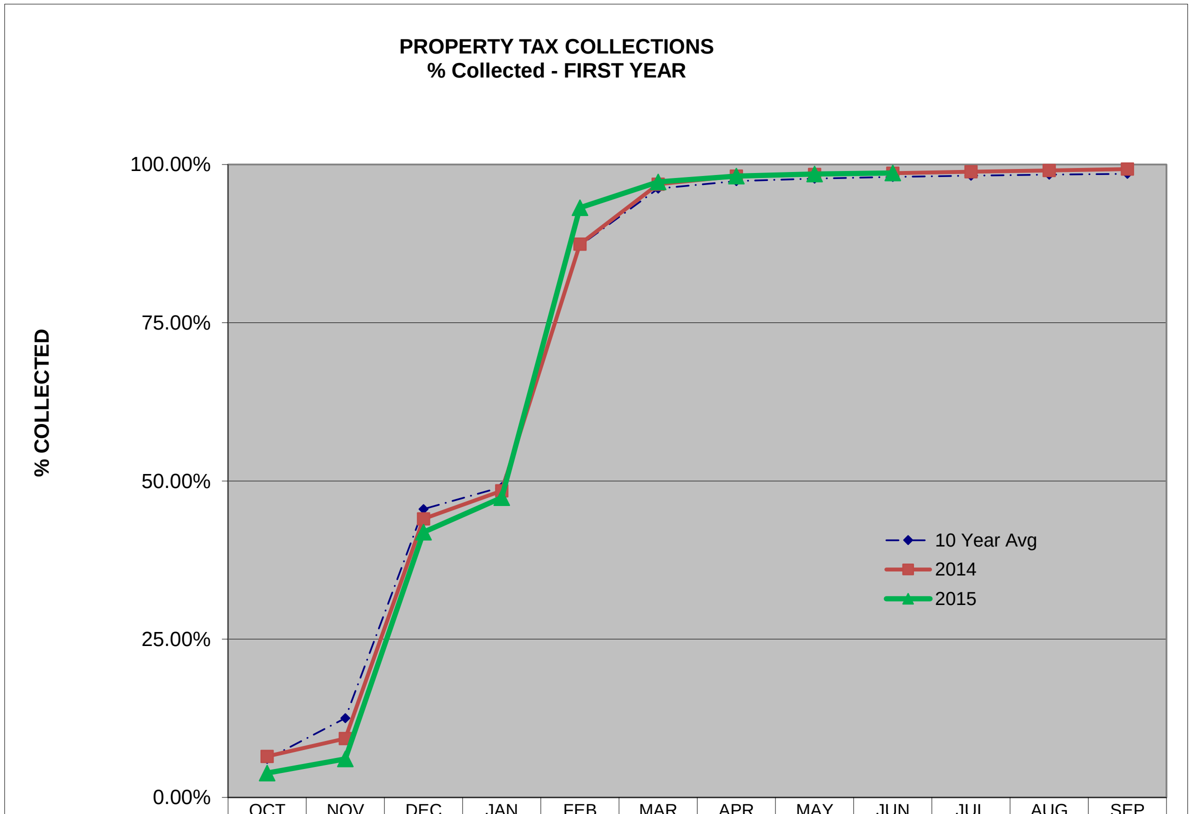
Beginning Balance does not include RR & Public Utilities added later, rollbacks & other adjustments

RR and Public Utilities typically added in January (reflected in 100 PICKUPS); typically about $200k annually

2011 and earlier have been turned over to Clerk & Master to initiate legal action for collection

Receipts include penalty & interest (bills are issued in October and Penalty/interest apply starting the following March)





	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
10 Year Avg	6.08%	12.53%	45.54%	49.04%	87.19%	96.20%	97.38%	97.77%	98.03%	98.23%	98.40%	98.53%
2014	6.49%	9.32%	44.00%	48.45%	87.44%	96.88%	98.16%	98.43%	98.63%	98.85%	99.04%	99.28%
2015	3.85%	6.10%	41.91%	47.35%	93.18%	97.25%	98.18%	98.51%	98.66%			

Marriott
HOTELS & RESORTS

Franklin Marriott Cool Springs
700 Cool Springs Boulevard
Franklin, TN 37067
t: 615.261.6100 f: 615.261.6161
Marriott.com/BNACS

July 15, 2016

Mr. Russ Truell, CFO
City of Franklin, Tennessee
109 Third Avenue South
Franklin, TN 37064

Dear Mr. Truell:

Please find enclosed the Consolidated Profit and Loss Statement for the Cool Springs Conference Center for period end June 30, 2016.

A summary of the financial and distribution date is as follows:

COOL SPRINGS CONFERENCE CENTER
June, 2016

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	BUDGET	LAST YR	ACTUAL	BUDGET	LAST YR
GROSS REVENE	727,920	565,562	547,400	6,884,804	6,157,140	6,420,770
HOUSE PROFIT	111,328	37,939	206,575	816,397	337,110	637,549
Less: FIXED EXPENSES	17,154	19,196	17,929	225,251	230,352	233,690
NET INCOME	94,174	18,743	188,646	591,146	106,758	403,859
Less: FF&E RESERVE 5%	36,396	28,228	27,370	344,240	307,858	321,059
NET CASH FLOW	57,778	(9,485)	161,276	246,906	(201,100)	82,800

TOTAL CURRENT BALANCE DUE TO OWNERS	57,778.00
TOTAL DUE TO/(FROM) CITY OF FRANKLIN	28,889.00
TOTAL DUE TO/(FROM) WILLIAMSON COUNTY	28,889.00

Please note: An additional $40,000 was accrued for bonuses based on current year trends.

The financial statements for the Cool Springs Conference Center, subject to routine year-end audit and adjustments, is true and correct in all material respects to the best of my knowledge.

Sincerely,

Randy Hansen
Controller

Michael Sanders
General Manager

The TMA Group
Statement of Activities
Franklin Transit Service
For the Eleven Months Ending May 31, 2016

	Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Revenues					
COF Transit Operating	(169,748.62)	43,057.83	635,663.02	473,636.13	516,694.00
Revenue - Contracts	1,500.00	833.33	13,285.00	9,166.63	10,000.00
Revenue - Fares Fixed Route	4,989.50	2,125.00	41,781.73	23,375.00	25,500.00
Revenue - Fares TODD	0.00	4,958.33	29,419.00	54,541.63	59,500.00
Revenue - Transit Fares; HT	0.00	0.00	12,621.00	16,000.00	16,000.00
Revenue - Building & EquipRent	800.00	800.00	8,800.00	8,800.00	9,700.00
Revenue - Transit-Interest	586.31	266.67	3,998.43	2,933.37	3,200.00
Revenue - Sale of Surpls Asset	0.00	0.00	20,151.32	0.00	0.00
Revenue - Operating Assistance	249,600.00	250,000.00	249,600.00	250,000.00	250,000.00
State New Freedoms	14,845.09	13,500.00	14,845.09	13,500.00	13,500.00
State 5307 IT	0.00	0.00	0.00	0.00	2,800.00
State 5307 Cap. Cost. Contract	0.00	4,190.67	38,997.14	46,097.37	50,288.00
State 5309 Rent Assistance	0.00	0.00	0.00	0.00	4,050.00
Federal New Freedoms	29,690.00	27,000.00	29,690.00	27,000.00	27,000.00
Federal 5307 IT	0.00	0.00	0.00	0.00	22,400.00
Feder 5307 Preventative Mainte	0.00	0.00	52,194.00	73,504.00	85,008.00
Federal 5307 Routematch	0.00	0.00	2,086.00	0.00	0.00
Feder 5307 Cap. Cost. Contract	0.00	34,293.33	311,977.00	377,226.63	411,520.00
Federal 5309 Rent Assistance	0.00	0.00	0.00	0.00	32,400.00
Total Revenues	**132,262.28**	**381,025.16**	**1,465,108.73**	**1,375,780.76**	**1,539,560.00**
Direct Cost of Program					
Salaries	38,698.21	42,499.99	529,209.39	488,999.89	531,500.00
Employer Taxes and Benefits	14,158.02	16,796.67	177,431.45	186,063.37	202,860.00
Professional Services	3,407.84	2,366.67	43,147.15	26,133.37	28,500.00
Transit Bldg/Oper. Maintenance	962.50	833.33	6,293.41	9,166.63	10,000.00
Transit Maintenance	6,531.99	6,750.00	75,842.75	74,250.00	81,000.00
Transit Center Cleaning	422.00	416.67	4,567.00	4,583.37	5,000.00
Transit Security	0.00	0.00	225.00	0.00	0.00
Education/Community Outreach	0.00	83.33	0.00	916.63	1,000.00
Education/Community Outrch HT	0.00	0.00	147.62	0.00	0.00
Promotional Products	0.00	333.33	0.00	3,666.63	4,000.00
Recruitment	50.06	0.00	806.60	0.00	0.00
Print Advertising	1,080.00	666.67	8,588.26	7,333.37	8,000.00
Print Advertising HT	0.00	0.00	911.50	0.00	0.00
Radio Advertising/Web	240.04	500.00	4,756.71	5,500.00	6,000.00
Printed Brochures & Pieces	0.00	500.00	8,436.00	5,500.00	6,000.00
Legal Fees	0.00	208.33	100.00	2,291.63	2,500.00
Transit-DAM Compliance	1,007.64	166.67	4,444.99	1,833.37	2,000.00
Transit Fuel	5,838.03	10,833.34	60,976.20	119,666.74	130,500.00
Supplies	642.68	0.00	5,904.42	0.00	0.00
Transit Maint. Fac - Utilities	1,303.99	1,875.00	18,869.76	20,625.00	22,500.00
Radio Communications	90.00	0.00	4,226.48	0.00	0.00
Trolley Insurance	6,608.33	5,583.33	71,815.59	61,416.63	67,000.00
Transit General Liability	1,805.03	500.00	15,606.68	5,500.00	6,000.00
Errors & Omissions Liability	606.68	541.67	6,536.22	5,958.37	6,500.00

The TMA Group
Statement of Activities
Franklin Transit Service
For the Eleven Months Ending May 31, 2016

	Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Vehicle Licensing & Registrati	0.00	0.00	35.00	0.00	0.00
Dues, Subs, Tuition	585.67	583.33	8,238.54	6,416.63	7,000.00
Meetings	114.14	41.67	927.07	458.37	500.00
Postage	9.26	0.00	9.26	0.00	0.00
Travel and Training	0.00	833.33	5,328.71	9,166.63	10,000.00
Trolley Cleaning Supplies	420.00	708.33	5,736.95	7,791.63	8,500.00
Equipment - Other	95.00	0.00	789.00	0.00	0.00
Bank Credit Card Charges	38.43	33.33	509.48	466.63	500.00
Transit Maint. Facility-Rent	3,354.67	3,375.00	36,901.37	37,125.00	40,500.00
Depreciation - Transit Off Equ	165.50	8.33	1,696.20	91.63	100.00
Total Direct Cost of Program	**88,235.71**	**97,038.32**	**1,109,014.76**	**1,090,921.52**	**1,187,960.00**
Indirect Expenditures	32,855.40	29,300.00	366,805.66	322,300.00	351,600.00
Net Difference - Operations	**$ 11,171.17**	**$ 254,686.84**	**($ 10,711.69)**	**($ 37,440.76)**	**0.00**

The TMA Group
Statement of Activities
Franklin Transit Service
For the Eleven Months Ending May 31, 2016

		Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Planning						
Federal 5307 Planning	$	0.00 $	0.00 $	5,538.00 $	7,691.67	35,000.00
State 5307 Planning		0.00	0.00	692.26	964.58	4,375.00
COF Planning Cost Share		0.00	0.00	692.34	964.58	4,375.00
Total Planning Revenues		**0.00**	**0.00**	**6,922.60**	**9,620.83**	**43,750.00**
Planning Costs						
Planning/Transit		0.00	0.00	6,922.60	9,620.83	43,750.00
Net Difference - Planning	**$**	**0.00 $**	**0.00 $**	**0.00 $**	**0.00**	**0.00**
Equipment						
Federal 5307 Capital Expenditu	$	43,848.00 $	0.00 $	90,828.00 $	47,640.00	180,000.00
State 5307 Capital Expenditure		5,481.00	0.00	11,353.50	5,955.00	22,500.00
COF Capital Cost Share		5,481.00	0.00	11,353.50	5,955.00	22,500.00
Total Equipment Revenues		**54,810.00**	**0.00**	**113,535.00**	**59,550.00**	**225,000.00**
Equipment Costs						
Equipment - Transit		54,810.00	0.00	113,535.00	59,550.00	225,000.00
Net Difference - Equipment	**$**	**0.00 $**	**0.00 $**	**0.00 $**	**0.00**	**0.00**

GOVERNMENT PORTFOLIO ADVISORS

Monthly Report

Account **6/30/2016**

City of Franklin - Core Investment Fund

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Month End Commentary – June 2016

The uncertainty caused by the surprising Brexit vote drove yields to historically low levels as global financial markets witnessed a flight to quality to the safe haven of U.S. Treasuries. Leading up to the vote, stocks had rallied and bond prices dropped as expectations were that the U.K. would choose to stay in the European Union. After the vote to leave the EU, global equity markets plummeted, yields dropped and the dollar and gold spiked higher. After a very disappointing jobs report, yields dropped as the odds for a June rate hike were lowered dramatically in response. By the end of the month, the Dow Jones had recovered over half of the loss, post Brexit, however, two-year bond yields finished out the month at their lowest levels since October. Five-year treasuries closed at their lowest level in three years.

Immediate reaction to the Brexit vote:

- Moody's put the United Kingdom on negative outlook.
- The Dow Jones had the largest drop in ten months.
- European equity markets were battered after the vote.
- The Bank of England pledged $250 billion in liquidity.
- The pound hit a 31-year low.

FOMC: The FOMC members unanimously voted against raising interest rates. The Fed cited weak job growth and tame inflation as the reasons for not raising rates. This decision was made prior to the Brexit vote on 6/27/16. The Fed forecast 2.0% growth in 2016. Its prior forecast was 2.2%. It predicted higher inflation, at 1.4% instead of its previous forecast of 1.2%. The Committee continues to closely monitor inflation indicators and global economic and financial developments. The Fed Funds futures is now showing a zero percent chance of a rate hike in 2016 until a 9% chance at the December 2016 meeting.

Non-farm Payrolls/Unemployment: Treasury prices increased considerably after a report showed the U.S. economy added the fewest number of workers in almost six years. The two-year note yield fell by the most since March after the report said the U.S. created 38,000 jobs in May, compared with the 160,000 median forecast. The unemployment rate dropped from 5% to 4.7%.

GDP: Real GDP increased at an annual rate of 1.1% in the first quarter of 2016, according to the "third" estimate. In the fourth quarter of 2015, real GDP increased 1.4%. This estimate is based on more complete source data than were available for the second estimate issued last month. In the second estimate, the increase in real GDP was .8%. With the third estimate for the first quarter, the general picture of economic growth remains the same; exports increased more than previously estimated.

Treasury Yield Curve Total Returns over the last 12 months:*

3month bill	.19
1 year note	.71
2 year note	1.17
3 year note	2.22
5 year note	4.74

*Source: Bloomberg

TREASURY BENCHMARK TOTAL RETURNS IN MONTH

Benchmark	Period Return	Duration
BAML 0-3 Year Treasury	.44%	1.35
BAML 0-5 Year Treasury	.78%	2.15
BAML 1-3 Year Treasury	.60%	1.83
BAML 1-5 Year Treasury	.97%	2.66

Changes in the Treasury Market (absolute yield levels):*

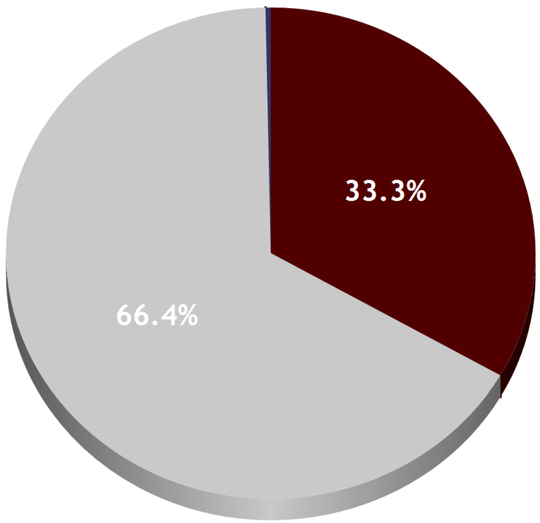
	06/30/15	05/31/16	06/30/16	Change in June	Change from Prior Year
3 month bill	.01	.29	.26	-.03	+.25
6 month bill	.11	.45	.35	-.10	+.24
2 year note	.64	.88	.58	-.30	-.06
3 year note	1.00	1.03	.69	-.34	-.31
5 year note	1.65	1.37	1.00	-.37	-.65
10 year	2.35	1.85	1.47	-.38	-.88

*Source: Bloomberg

Weighted Averages

Book Yield	0.93
Maturity	1.53
Coupon	0.94
Moody	Aaa
S&P	AA+

Fixed Income Allocation



Fixed Income Totals

Par Value	30,097,216
Market Value	30,282,908.59
Amortized Book Value	30,096,517.82
Unrealized Gain/Loss	186,390.77
Estimated Annual Cash Flow	281,259.72

Security Type	Market Value	% Assets
US Agency (USD)	10,082,040.00	33.3
US Treasury (USD)	20,103,652.50	66.4
Bank or Cash Deposit (USD)	97,216.09	0.3
Fixed Income Total	**30,282,908.59**	**100.0**

Portfolio Summary

June 30, 2016

Portfolio Name	Par Amount	Total Original Cost	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Mod Dur	Eff Dur	Bench Dur	Benchmark
City of Franklin - Core Investment Fund	30,097,216	30,099,164.07	30,096,517.82	30,282,908.59	186,390.77	0.93	1.51	1.50	1.35	BofA Merrill 0-3 Treasury
TOTAL PORTFOLIO	**30,097,216**	**30,099,164.07**	**30,096,517.82**	**30,282,908.59**	**186,390.77**	**0.93**	**1.51**	**1.50**	**1.35**	

Accrual Earnings and Activity Report

Cost Basis Summary

	Month End Ending 6/30/2016	Fiscal Year-to-Date 12/31/2015
Beginning Amortized Cost	30,074,662.66	25,092,330.78
Investment Purchases	0.00	4,966,124.53
Investment Maturities/Sells/Calls	0.00	0.00
Amortization	(29.16)	(2,161.85)
Change in Cash Equivalents	21,884.31	40,224.35
Realized Gains / Losses	0.00	0.00
Ending Amortized Costs	**30,096,517.82**	**30,096,517.82**

Accrual Earnings Summary

	Month End Ending 6/30/2016	Fiscal Year-to-Date 12/31/2015
Amortization/Accretion	(29.16)	(2,161.85)
Interest Earned	22,930.52	129,220.04
Realized Gain (Loss)	0.00	0.00
Total Income	22,901.36	127,058.19
Average Portfolio Balance	30,210,042.48	27,943,260.71
Earnings Yield	**0.92%**	**0.91%**

MarketValue Summary

	As of 6/30/2016
Ending Market Value	30,282,908.59
Unrealized Gain/Loss	186,390.77

Interest Earnings Summary

	Month End Ending 6/30/2016	Fiscal Year-to-Date 12/31/2015
Beginning Accrued Interest	71,260.70	56,159.75
Coupons Paid	21,884.31	129,719.51
Purchased Accrued Interest	0.00	(16,646.63)
Sold Accrued Interest	0.00	0.00
Ending Accrued Interest	72,306.91	72,306.91
Interest Earned	**22,930.52**	**129,220.04**

Total Return Report

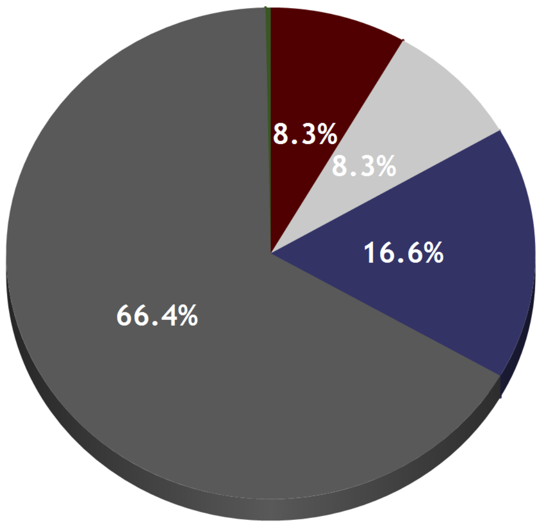
City of Franklin - Core Investment Fund

Net of Accrued Fees | US Dollar 5/31/2016 - 6/30/2016

Total Return For Period

	Since 5/31/2016
Beginning Principal Value	**30,138,781.78**
Beginning Accrued Interest	71,260.70
Net Contributions/Withdrawals	0.00
Market Value Change	122,242.50
Interest Earnings	22,930.52
Ending Principal Value	**30,282,908.59**
Accrued Interest	72,306.91
Total Return	**145,173.02**
Advisory Fees for Period	-2,083.34
Net Total Return	**143,089.68**

Portfolio Allocation as of 6/30/2016



Issuer	Market Value	% Assets	Yield
FEDERAL NATL MTG ASSN	2,522,970.00	8.3	1.0
FEDERAL HOME LOAN BANKS	2,518,685.00	8.3	1.0
FEDERAL HOME LN MTG CORP	5,040,385.00	16.6	1.2
UNITED STATES TREAS NTS	20,103,652.50	66.4	0.9
FIFTH THIRD BK CINCINNATI STN	97,216.09	0.3	0.0
Total	**30,282,908.59**	**100.0**	**0.9**

Historical Performance

City of Franklin - Core Investment Fund

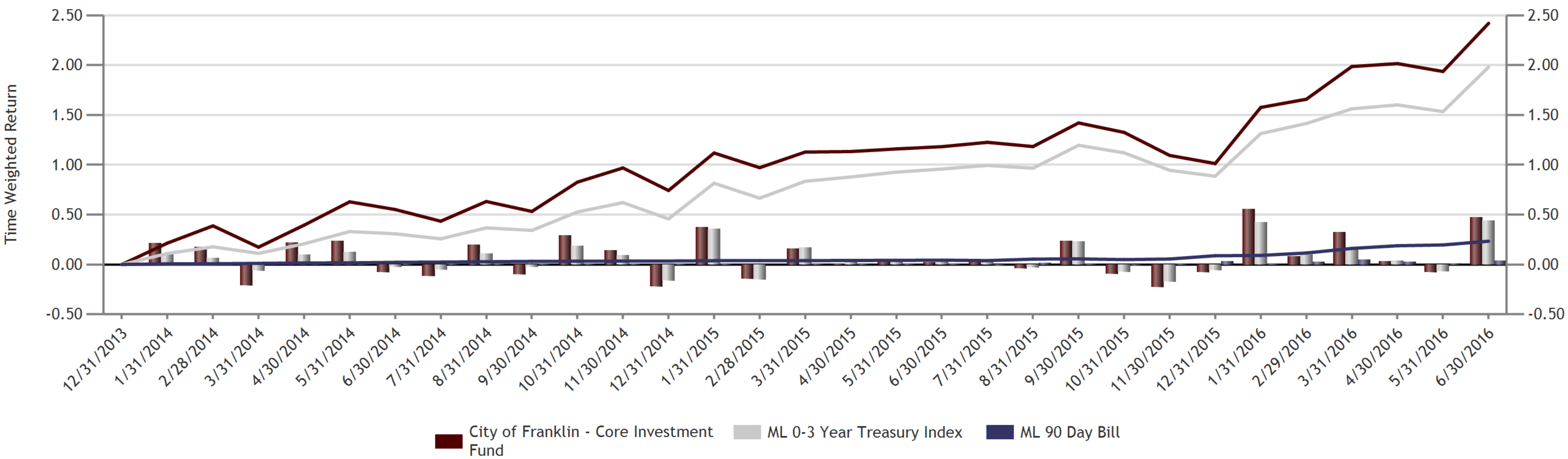
Net of Allocated Accrued Fees | US Dollar 6/30/2016

Performance History

Portfolio	Month To Date	Quarter To Date	Fiscal Year To Date	Annualized Latest 1 Year	Annualized Inception To Date
Account	**0.47**	**0.42**	**1.39**	**1.22**	**0.96**

Index					
ML 0-3 Year Treasury Index	0.44	0.41	1.08	1.01	0.79
ML 90 Day Bill	0.04	0.07	0.15	0.19	0.09

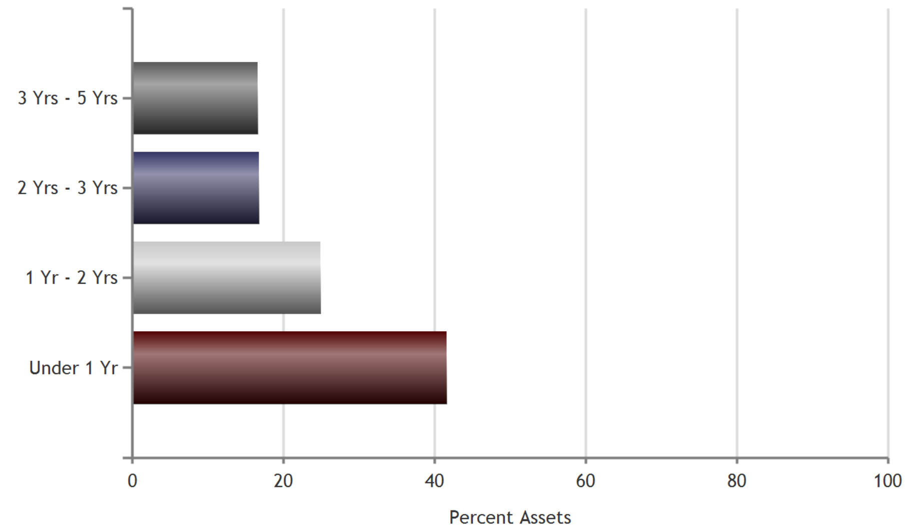
Time Weighted Return Inception (12/31/2013) to Date



Distribution by Maturity

Maturity	Number	Market Value	% FI Holdings	Average Curr. Yld	Average Coupon	Average Duration
Under 1 Yr	6	12,609,363.59	41.6	0.6	0.645%	0.4
1 Yr - 2 Yrs	3	7,554,480.00	24.9	1.1	1.083%	1.6
2 Yrs - 3 Yrs	2	5,079,122.50	16.8	1.3	1.314%	2.5
3 Yrs - 5 Yrs	2	5,039,942.50	16.6	1.1	1.063%	3.1

Distribution by Maturity



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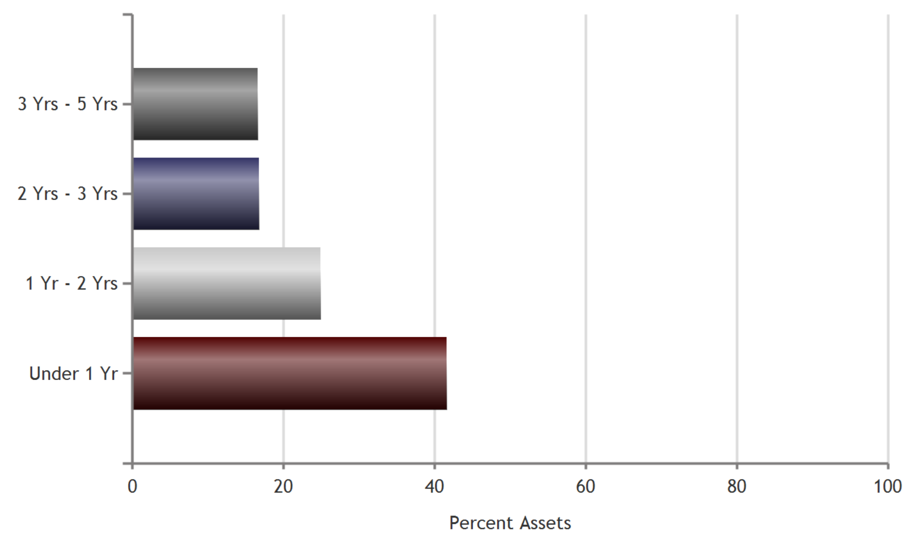
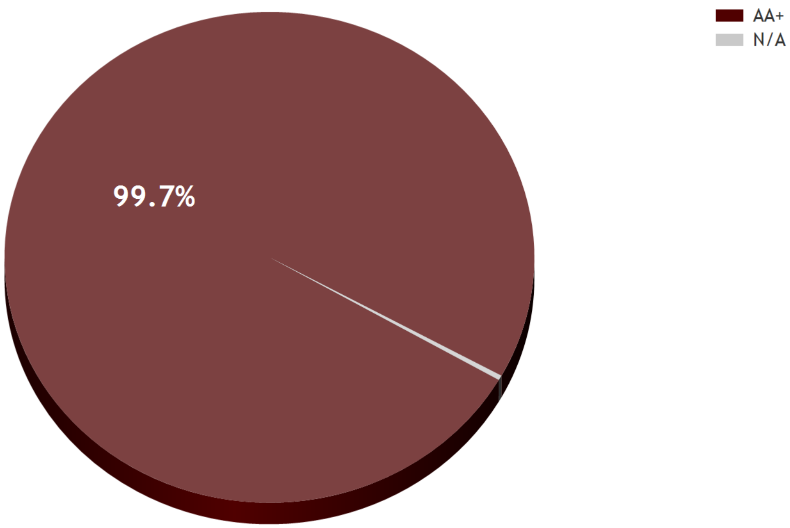
Distribution by Duration



Distribution by S&P Rating

S&P Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
AA+	12	30,185,692.50	99.7	0.9	0.939%	2.8
N/A	1	97,216.09	0.3	0.0	0.010%	0.3

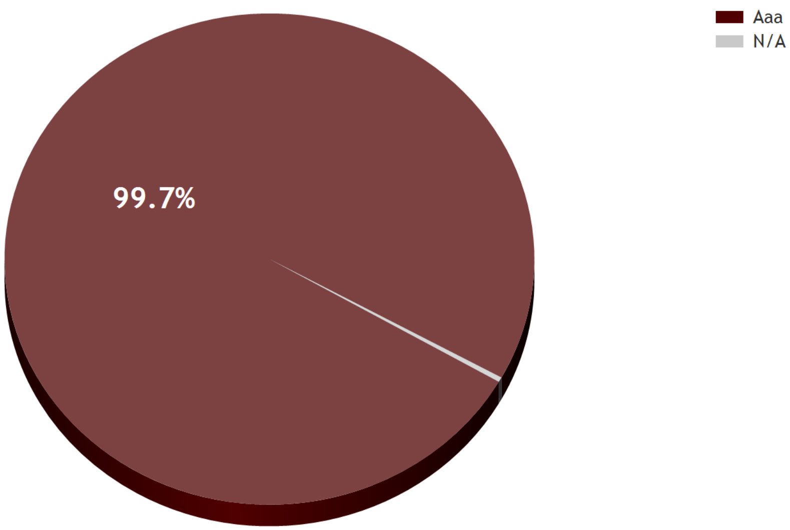
Distribution by S&P Rating



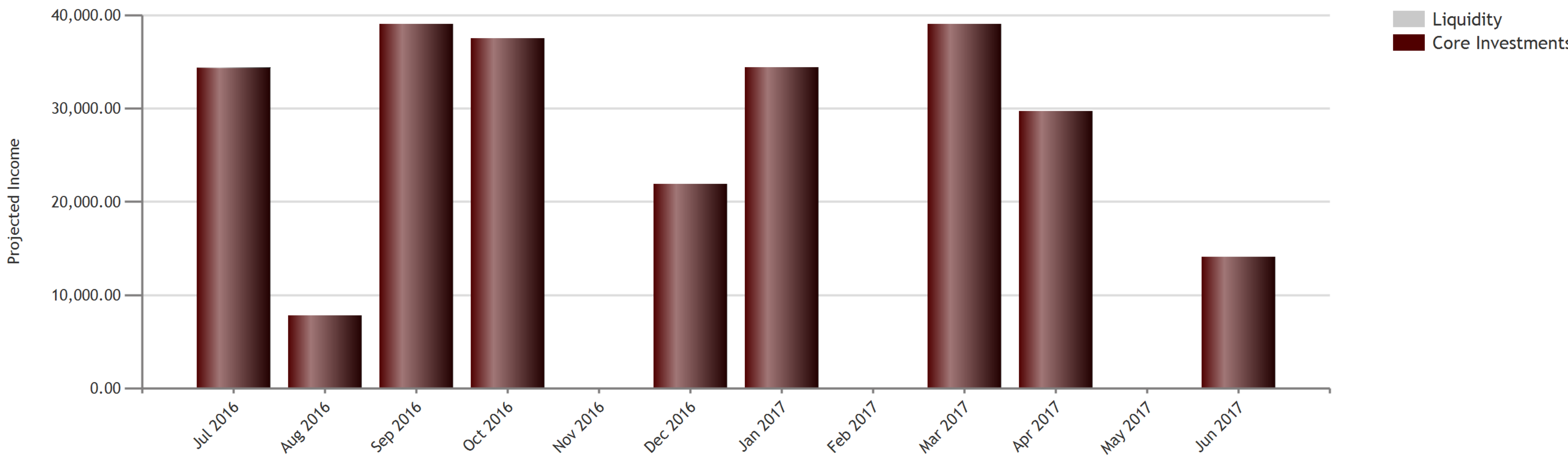
Distribution by Moody Rating

Moody Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
Aaa	12	30,185,692.50	99.7	0.9	0.939%	2.8
N/A	1	97,216.09	0.3	0.0	0.010%	0.3

Distribution by Moody Rating



Coupon Cash Flow Projection



	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017
Core Investments	34,375.00	7,812.50	39,062.50	37,500.00	0.00	21,875.00	34,375.00	0.00	39,062.50	29,687.50	0.00	14,062.50
US Agency (USD)	12,500.00	0.00	14,062.50	29,687.50	0.00	0.00	12,500.00	0.00	14,062.50	29,687.50	0.00	0.00
US Treasury (USD)	21,875.00	7,812.50	25,000.00	7,812.50	0.00	21,875.00	21,875.00	0.00	25,000.00	0.00	0.00	14,062.50
Liquidity	0.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank or Cash Deposit (USD)	0.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**34,375.81**	**7,812.50**	**39,062.50**	**37,500.00**	**0.00**	**21,875.00**	**34,375.00**	**0.00**	**39,062.50**	**29,687.50**	**0.00**	**14,062.50**

Grand Total	**257,813.31**

Interest

Trade Date	Settle Date	Symbol	Security	Amount
6/1/2016	6/1/2016	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 07-29-16	9
6/15/2016	6/15/2016	912828A59	UNITED STATES TREAS NTS 0.625% Due 12-15-16	7,813
6/15/2016	6/15/2016	912828XF2	UNITED STATES TREAS NTS 1.125% Due 06-15-18	14,063
Total Interest				**21,884**

Expenses

Trade Date	Settle Date	Symbol	Security	Amount
6/30/2016	6/30/2016	manfee	Management Fee	2,083
Total Expenses				**2,083**

Contributions

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Price	Amount
6/1/2016	6/1/2016	9	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 07-29-16	100.00	9
6/15/2016	6/15/2016	21,875	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 07-29-16	100.00	21,875
Total Contributions						**21,884**

Portfolio Holdings

City of Franklin - Core Investment Fund

June 30, 2016

Cusip	Quantity	Security	Call Date	Trade Date	Amor Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Eff Dur
US Treasury															
912828VR8	2,500,000	UNITED STATES TREAS NTS 0.625% Due 08-15-16		03-27-14	100.00	0.62	100.0475	0.25	2,501,187.50	5,837.91	2,507,025.41	1,182.45	8.3	0.13	0.11
912828WA4	2,500,000	UNITED STATES TREAS NTS 0.625% Due 10-15-16		03-27-14	99.98	0.70	100.0781	0.36	2,501,952.50	3,244.54	2,505,197.04	2,508.50	8.3	0.29	0.28
912828A59	2,500,000	UNITED STATES TREAS NTS 0.625% Due 12-15-16		12-18-13	99.99	0.64	100.1024	0.40	2,502,560.00	640.37	2,503,200.37	2,694.31	8.3	0.46	0.45
912828SC5	2,500,000	UNITED STATES TREAS NTS 0.875% Due 01-31-17		03-27-14	100.02	0.84	100.2491	0.45	2,506,227.50	9,074.52	2,515,302.02	5,785.59	8.3	0.58	0.57
912828J92	2,500,000	UNITED STATES TREAS NTS 0.500% Due 03-31-17		07-24-15	99.92	0.60	100.0088	0.49	2,500,220.00	3,107.92	2,503,327.92	2,140.44	8.3	0.75	0.73
912828XF2	2,500,000	UNITED STATES TREAS NTS 1.125% Due 06-15-18		08-18-15	100.20	1.02	101.0039	0.61	2,525,097.50	1,152.66	2,526,250.16	20,015.79	8.3	1.94	1.92
912828SN1	2,500,000	UNITED STATES TREAS NTS 1.500% Due 03-31-19		11-16-15	100.55	1.30	102.2461	0.67	2,556,152.50	9,323.77	2,565,476.27	42,492.41	8.4	2.69	2.68
912828TH3	2,500,000	UNITED STATES TREAS NTS 0.875% Due 07-31-19		03-10-16	99.02	1.20	100.4102	0.74	2,510,255.00	9,074.52	2,519,329.52	34,737.05	8.3	3.03	3.02
	20,000,000					0.87		0.50	20,103,652.50	41,456.21	20,145,108.71	111,556.53	66.4	1.24	1.23
US Agency Bullet															
3137EADJ5	2,500,000	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17		12-18-13	100.01	0.99	100.4279	0.60	2,510,697.50	10,555.56	2,521,253.06	10,367.30	8.3	1.07	1.05
3130A5PE3	2,500,000	FEDERAL HOME LOAN BANKS 1.125% Due 03-29-18		07-24-15	100.18	1.02	100.7474	0.69	2,518,685.00	7,109.37	2,525,794.37	14,110.64	8.3	1.72	1.71
3135G0E58	2,500,000	FEDERAL NATL MTG ASSN 1.125% Due 10-19-18		10-06-15	100.35	0.97	100.9188	0.72	2,522,970.00	5,546.87	2,528,516.87	14,239.15	8.3	2.27	2.26
3137EADM8	2,500,000	FEDERAL HOME LN MTG CORP 1.250% Due 10-02-19		03-10-16	99.74	1.33	101.1875	0.88	2,529,687.50	7,638.89	2,537,326.39	36,117.15	8.4	3.18	3.17
	10,000,000					1.08		0.72	10,082,040.00	30,850.69	10,112,890.69	74,834.24	33.3	2.06	2.05

Portfolio Holdings

City of Franklin - Core Investment Fund

June 30, 2016

Cusip	Quantity	Security	Call Date	Trade Date	Amor Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Eff Dur
Money Market Fund															
0000FIFTH	97,216	FIFTH THIRD BANK MMF 0.010% Due 07-29-16		03-31-16	100.00	0.01	100.0000	0.01	97,216.09	0.00	97,216.09	0.00	0.3	0.08	0.01
TOTAL	**30,097,216**					**0.93**		**0.57**	**30,282,908.59**	**72,306.91**	**30,355,215.50**	**186,390.77**	**100.0**	**1.51**	**1.50**

This report is for general informational purposes only and is not intended to provide specific advice or recommendations. Government Portfolio Advisors (GPA) is an investment advisor registered with the Securities and Exchange Commission and is required to maintain a written disclosure statement of our background and business experience.

Questions About an Account: GPA's monthly & quarterly reports are intended to detail the investment advisory activity managed by GPA. The custodian bank maintains the control of assets and executes (ie. Settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. GPA recognizes that clients may use these reports to facilitate record keeping and that the custodian bank statement and the GPA report should be reconciled and differences resolved. Many custodians use a settlement date basis which may result in the need to reconcile due to a timing difference.

GPA relies on the information provided by the clients when reporting pool balances, bank balances and other assets that are not held at the clients custodial bank.

Account Control:
GPA does not have the authority to withdraw funds from or deposit funds to the custodian. Our clients retain responsibility for their deposit funds to the custodian. Our clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

Market Value:
Generally, market prices in GPA's reports are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC –insured bank certificates of deposit are priced at par. Although GPA believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold.

Amortized Cost:
The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premiums with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straightline basis. Such discount or premium with respect to longer term securities is amortized using a straight-line basis.

Financial Situation:
In order to better serve you, GPA should be promptly notified of any material change in your investment objective or financial situation.

Callable Securities:
Securities subject to redemption prior to maturity may be redeemed in whole or in part before maturity, which could affect the yield represented. Certain call dates may not show up on the report if the call date has passed and it is continuously callable.

Duration:
The duration listed on the reports is duration to maturity and duration to call. Effective duration is calculated on Bloomberg and imported into these reports and reflects the OAS duration which incorporates the probability of the bond being called. Effective duration is what GPA compares to the benchmark to reflect current market risk.

Benchmark Duration:
The benchmark duration is the historical weighted average of the benchmark duration over monthly periods. GPA is reporting this number as a static amount period over period.

Portfolio:
The securities in this portfolio are not guaranteed or otherwise protected by GPA, the FDIC (except for non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.

Rating:
Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed.

Coupon Payments and Maturities on Weekends:
Oftentimes, coupon payments and maturities will occur on a weekend or holiday. GPA will track these payments on an accrual basis, while the custodian bank may track on a cash basis. The accrual basis allocates the earnings in the period earned.

Results of Fuel Hedging Program, FY2015-2016, through month of June

Gas Price	Gas Contract	Spread	Diesel Price	Diesel Contract	Spread	Month	**Gas Contracts**	**Diesel Contracts**	Total
							7.14%	*3.30%*	
							12,000 gallons	*9,700 gallons*	
$1.9111	$2.6883	($0.777)	$1.6184	$1.7275	($0.109)	July	($9,326.40)	($1,058.16)	($10,384.56)
1.6036	2.6883	-1.085	1.4614	1.7275	-0.266	August	($13,016.40)	($2,580.90)	(15,597.30)
1.3817	2.6883	-1.307	1.4423	1.7275	-0.285	September	($15,679.20)	($2,766.15)	(18,445.35)
1.3383	2.6883	-1.350	1.4186	1.7275	-0.309	October	($16,200.00)	($2,996.02)	(19,196.02)
1.3343	2.6883	-1.354	1.3584	1.7275	-0.369	November	($16,248.00)	($3,579.90)	(19,827.90)
1.2543	2.6883	-1.434	1.0915	1.7275	-0.636	December	($17,208.00)	($6,168.56)	(23,376.56)
1.0941	2.6883	-1.594	0.9561	1.7275	-0.771	January	($19,130.40)	($7,481.81)	(26,612.21)
0.9953	2.6883	-1.693	0.9959	1.7275	-0.732	February	($20,316.00)	($7,095.79)	(27,411.79)
1.4161	2.6883	-1.272	1.1291	1.7275	-0.598	March	($15,266.40)	($5,803.88)	(21,070.28)
1.4880	2.6883	-1.200	1.2006	1.7275	-0.527	April	($14,403.60)	($5,110.40)	(19,514.00)
1.5807	2.6883	-1.108	1.3754	1.7275	-0.352	May	($13,291.20)	($3,415.02)	(16,706.22)
1.5575	2.6883	-1.131	1.4585	1.7275	-0.269	June	($13,569.60)	($2,609.03)	(16,178.63)
1.7574	2.6883	-0.931	1.5399	1.7275	-0.188	**Fiscal Yr Total**	**-183,655.20**	**-50,665.64**	**-234,320.84**
	Average			Average					

Contract schedule:

Contract	Trade Date	Effective Date	Termination Date	Price	Gallons
Diesel	2/1/15	7/1/15	6/30/16	1.728	294,000
Gasoline	6/5/14	7/1/14	6/30/16	2.690	84,000
Gasoline	8/7/14	9/1/14	6/30/16	2.687	84,000

DEVELOPMENT ACTIVITY SUMMARY
PERMITS ISSUED & FEES RECEIVED
Including Construction Valuation

From: 6/1/16-6/30/16

HISTORIC FRANKLIN TENNESSEE

PERMIT FEES RECEIVED - Includes Permit Fees, & Technology Fees	# of PERMITS ISSUED* *Permits without associated fees are not included.	FEES RECEIVED
Residential (inc Townhomes/ Duplexes)	**666**	**$168,938**
Building Permits	102	$158,987
Electrical Permits	235	$6,321
Mechanical Permits	191	$1,940
Plumbing Permits	129	$1,370
Swimming Pool Permits	8	$260
Demolition Permits	1	$60
Non-Residential (inc Multi-Family)	**187**	**$66,477**
Building Permits	28	$59,531
Electrical Permits	65	$5,666
Mechanical Permits	60	$650
Plumbing Permits	27	$310
Demolition Permits	7	$320
TOTAL PERMITS ISSUED	**853**	**$235,415**

ADDITIONAL FEES RECEIVED

Residential (inc Townhomes/ Duplexes)	**$654,966**
Road Impact Fees	$357,731
Facilities Tax	$288,872
Plan Review Fees	$938
Reinspection Fees	$1,200
Garbage Container Fees	$6,225
Non-Residential (inc Multi-Family)	**$1,260,115**
Road Impact Fees	$1,003,813
Facilities Tax	$249,681
Plan Review Fees	$6,621
TOTAL ADDITIONAL FEES	**$1,915,081**

NEW DWELLING UNITS Building Permits Issued - Number of Units by Type	# of UNITS
Single Family (Detached) Dwellings	71
Townhomes	12
TOTAL DWELLING UNITS	**83**

WATER & SEWER FEES RECEIVED	FEES RECEIVED
Residential (inc Townhomes/ Duplexes)	$166,574
Water Tap Fees	$28,014
Sewer Tap Fees	$138,560
Non-Residential (inc Multi-Family)	$466,294
Water Tap Fees	$150,053
Sewer Tap Fees	$316,241
TOTAL WATER & SEWER	**$632,868**

STORMWATER, GRADING, & UTILITY PERMITS ISSUED	# of PERMITS ISSUED	FEES RECEIVED
TOTAL STORMWATER & GRADING PERMITS ISSUED:	5	$500
TOTAL GRADING ONLY PERMITS ISSUED:	1	$100
TOTAL UTILITY CONSTRUCTION/ INFRASTRUCTURE PERMITS ISSUED:	2	$600

ESTIMATED VALUATION OF BUILDING PERMITS*	# of BUILDING PERMITS ISSUED	VALUATION
Residential Valuation of Construction	102	$26,056,101
New	83	$25,430,115
Accessory Building	1	$25,000
Addition	10	$471,050
Miscellaneous	3	$13,375
Renovation	5	$116,561
Non-Residential Valuation of Construction	28	$37,771,082
New	5	$35,056,823
Addition	1	$286,370
Interior Finish/Build-Out	11	$1,317,389
Miscellaneous	6	$253,800
Renovation	5	$856,700
TOTAL ESTIMATED VALUATION OF BUILDING PERMITS*		**$63,827,183**

*Includes all new residential construction (single family detached dwellings and townhomes), new non-residential construction (including multi-family dwellings), accessory buildings, additions, tenant build-out, renovations, and miscellaneous construction. Estimated Valuations (Construction Costs) are provided by Applicants on **Building** Permit Applications only.

Permit values transacted during the month do not necessarily equal dollars collected because of the timing of the payment and actual issuance of the permits. Permit values are rounded up to the nearest dollar; therefore, totals may not match.

DEVELOPMENT ACTIVITY SUMMARY

PERMITS ISSUED & FEES RECEIVED

Including Construction Valuation

From: 1/1/16-6/30/16

HISTORIC FRANKLIN TENNESSEE

PERMIT FEES RECEIVED - Includes Permit Fees, & Technology Fees	# of PERMITS ISSUED* *Permits without associated fees are not included.	FEES RECEIVED
Residential (inc Townhomes/ Duplexes)	**3,497**	**$944,619**
Building Permits	696	$889,200
Electrical Permits	1,189	$36,990
Mechanical Permits	913	$9,536
Plumbing Permits	675	$8,043
Swimming Pool Permits	18	$540
Demolition Permits	5	$300
Floodplain Permits	1	$10
Non-Residential (inc Multi-Family)	**1,509**	**$336,872**
Building Permits	192	$291,644
Electrical Permits	904	$37,333
Mechanical Permits	222	$3,880
Plumbing Permits	169	$3,065
Swimming Pool Permits	3	$80
Demolition Permits	18	$870
Floodplain Permits	1	$0
TOTAL PERMITS ISSUED	**5,006**	**$1,281,491**

ADDITIONAL FEES RECEIVED

Residential (inc Townhomes/ Duplexes)	**$3,750,575**
Road Impact Fees	$2,088,588
Facilities Tax	$1,610,531
Plan Review Fees	$8,906
Reinspection Fees	$4,750
Garbage Container Fees	$37,800
Non-Residential (inc Multi-Family)	**$4,516,652**
Road Impact Fees	$3,501,688
Facilities Tax	$968,030
Plan Review Fees	$44,534
Garbage Container Fees	$2,400
TOTAL ADDITIONAL FEES	**$8,267,227**

NEW DWELLING UNITS Building Permits Issued - Number of Units by Type	# of UNITS
Single Family (Detached) Dwellings	399
Multi-Family (Attached) Dwellings	144
Townhomes	119
TOTAL DWELLING UNITS	**662**

WATER & SEWER FEES RECEIVED		FEES RECEIVED
Residential (inc Townhomes/ Duplexes)		$1,126,232
Water Tap Fees		$197,115
Sewer Tap Fees		$929,117
Non-Residential (inc Multi-Family)		$1,371,150
Water Tap Fees		$351,066
Sewer Tap Fees		$1,020,084
TOTAL WATER & SEWER		$2,497,382

STORMWATER, GRADING, & UTILITY PERMITS ISSUED	# of PERMITS ISSUED	FEES RECEIVED
TOTAL STORMWATER & GRADING PERMITS ISSUED:	23	$11,069
TOTAL GRADING ONLY PERMITS ISSUED:	5	$1,500
TOTAL UTILITY CONSTRUCTION/ INFRASTRUCTURE PERMITS ISSUED:	10	$4,000

ESTIMATED VALUATION OF BUILDING PERMITS*	# of BUILDING PERMITS ISSUED	VALUATION
Residential Valuation of Construction	696	$155,076,992
New	518	$148,346,739
Accessory Building	22	$395,361
Addition	75	$4,021,179
Miscellaneous	27	$250,171
Renovation	54	$2,063,542
Non-Residential Valuation of Construction	192	$292,847,528
New	36	$150,334,664
Accessory Building	2	$165,000
Addition	4	$8,193,510
Interior Finish/Build-Out	48	$14,069,951
Miscellaneous	28	$2,657,750
Renovation	71	$58,787,772
Foundation	3	$58,638,881
TOTAL ESTIMATED VALUATION OF BUILDING PERMITS*		$447,924,520

*Includes all new residential construction (single family detached dwellings and townhomes), new non-residential construction (including multi-family dwellings), accessory buildings, additions, tenant build-out, renovations, and miscellaneous construction. Estimated Valuations (Construction Costs) are provided by Applicants on **Building** Permit Applications only.

Permit values transacted during the month do not necessarily equal dollars collected because of the timing of the payment and actual issuance of the permits. Permit values are rounded up to the nearest dollar; therefore, totals may not match.

Road Impact fees

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	733,816	229,572	366,758	504,244	367,058
August	215,478	139,840	223,405	75,638	(7,927)
September	515,097	217,394	347,303	297,703	167,794
October	956,474	200,301	319,996	756,173	636,478
November	1,438,657	254,561	406,680	1,184,096	1,031,977
December	367,975	203,249	324,705	164,726	43,270
January	273,088	177,164	283,032	95,924	(9,944)
February	1,652,231	183,500	293,155	1,468,731	1,359,076
March	454,061	255,892	408,806	198,169	45,255
April	357,387	925,840	1,479,097	(568,453)	(1,121,710)
May	469,946	432,960	691,685	36,986	(221,739)
June	435,390	391,681	625,739	43,709	(190,349)
Total (year-to-date)	7,869,600	3,611,954	5,770,361	4,257,646	2,099,239
% of Prior Year YTD/ % of Budget YTD >>>>>				217.9%	136.4%

* seasonality based on last year's results
128-32800

Facilities Tax

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	460,763	174,169	149,610	286,594	311,153
August	138,739	128,599	110,466	10,140	28,273
September	405,920	155,707	133,752	250,213	272,168
October	693,869	211,229	181,445	482,640	512,424
November	561,169	160,556	137,917	400,613	423,252
December	235,832	168,587	144,815	67,245	91,017
January	227,208	186,851	160,504	40,357	66,704
February	575,877	130,798	112,355	445,079	463,522
March	302,406	227,269	195,223	75,137	107,183
April	336,678	383,594	329,506	(46,916)	7,172
May	325,313	256,477	220,313	68,836	105,000
June	564,194	284,637	244,502	279,557	319,692
Total (year-to-date)	4,827,968	2,468,473	2,120,407	2,359,495	2,707,561
% of Prior Year YTD/ % of Budget YTD >>>>>				195.6%	227.7%

* seasonality based on last year's results

130-31600

Building Permits

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	219,601	82,353	79,337	137,248	140,264
August	107,814	69,863	67,304	37,951	40,510
September	194,999	127,700	123,023	67,299	71,976
October	184,004	123,191	118,679	60,813	65,325
November	153,876	94,573	91,109	59,303	62,767
December	144,063	74,673	71,938	69,390	72,125
January	146,071	117,569	113,263	28,502	32,808
February	184,600	81,060	78,091	103,540	106,509
March	170,519	138,911	133,823	31,608	36,696
April	193,006	171,524	165,242	21,482	27,764
May	198,688	153,798	148,165	44,890	50,523
June	239,081	190,972	183,978	48,109	55,103
Total (year-to-date)	**2,136,322**	**1,426,187**	**1,373,951**	**710,135**	**762,371**
			% of Prior Year YTD/ % of Budget YTD >>>>>	**149.8%**	**155.5%**

* seasonality based on last year's results
110-32120

Williamson County Facilities Tax

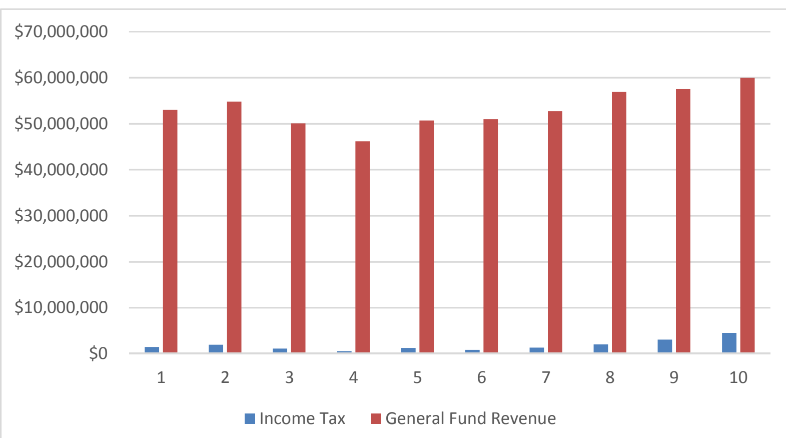
Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	143,941	83,121	83,121	60,820	60,820
August	101,030	77,682	29,478	23,348	71,552
September	89,284	66,808	66,808	22,476	22,476
October	100,660	75,521	75,521	25,139	25,139
November	101,862	80,039	80,039	21,823	21,823
December	137,145	77,729	77,729	59,416	59,416
January	78,117	67,795	67,795	10,322	10,322
February	79,539	83,183	83,183	(3,644)	(3,644)
March	81,274	79,939	79,939	1,335	1,335
April	129,225	96,468	96,468	32,757	32,757
May	98,950	100,933	100,933	(1,983)	(1,983)
June	100,215	93,387	93,387	6,828	6,828
Total (year-to-date)	1,241,241	982,605	982,605	258,636	306,840
% of Prior Year YTD/ % of Budget YTD >>>>>				126.3%	132.8%

* seasonality based on last year's results
budgeted in Capital Projects Fund beginning with FY11
310-31600

CITY OF FRANKLIN
HALL INCOME TAX
TEN YEAR SUMMARY

Fiscal Year	Income Tax	General Fund Revenue	Percent of Total
2007	$1,474,563	$52,980,428	2.8%
2008	$1,952,187	$54,797,564	3.6%
2009	$1,102,450	$50,061,922	2.2%
2010	$559,388	$46,182,200	1.2%
2011	$1,228,236	$50,701,700	2.4%
2012	$793,173	$50,965,432	1.6%
2013	$1,329,465	$52,677,369	2.5%
2014	$1,996,034	$56,918,504	3.5%
2015	$3,081,197	$57,489,269	5.4%
2016	$4,493,574	$59,942,263 *	7.5%
	$18,010,267	$532,716,651	3.4%

* Current unaudited for 2016 as of August 9, 2016



Description: State taxes levied on the earnings of stock dividends and interest on bonds earned by individuals, partnerships, associations, trusts and corporations. The municipality's share depends upon the residence of taxpayers; i.e., if he/she resides within the corporate limits of the municipality.

Authorization: T.C.A. § 67-2-101 *et seq.*

Requirements or Restrictions: N/A

Current Rate: Earnings are taxed at 6 percent with 37.5 percent of the earnings going to the municipality in which the taxpayer resides.

Frequency of Payment: Annually on or before July 31.

Late Pay Penalty: N/A

Exemptions: Exemptions are listed in T.C.A. § 67-2-104. The most common exemptions include the first $1,250 of an individual's return and the first $2,500 of income for a joint return; people 65 or older whose income is not more than $37,000 ($68,000/couple); blind people; pension trusts; profit-sharing trusts; and all income derived from government bonds and securities.

Collection: State forwards municipalities' share annually.

[Tennessee lawmakers voted] to phase out the state's 6 percent Hall Income Tax on interest and some investments over a six-year period.

The Hall Tax — which would be abolished in its entirety in 2022 — was enacted in 1929, raises about $300 million annually for state and local governments with locals received three fifths of the revenue.

In the upcoming fiscal year, the levy would go from 6 percent to 5 percent, resulting in up to a $28 million reduction for the state and about $14 million for local governments.

Source: Chattanooga Times Free Press, 4/22/2016.