HISTORIC FRANKLIN TENNESSEE

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

City of Franklin

Meeting Agenda

Budget & Finance Committee

Thursday, August 13, 2015 | **4:00 PM** | **Board Room**

Call To Order

Approval of Minutes

1. 15-0718 Approval of Minutes from July 9, 2015.

2. 15-0715 Report on Cool Springs Conference Center renovation project.

Sponsors: Russ Truell

3. 15-0156 Consideration of Resolution 2015-65, A Resolution to Adopt an Updated Investment Policy for Non-Pension Assets ; (08/13/15 Finance 4-0; 08/25/15 BOMA 8-0)

Sponsors: Russ Truell and Eric Stuckey

Attachments: 15-0156 Resolution 2015-65.docx
Investment Policy 2015

4. 15-0690 Consideration of Resolution 2015-85, a Resolution Authorizing the Issuance, Sale and Payment of up to $12,000,000 in Aggregate Principal Amount of Water and Sewer System Revenue Bonds of the City of Franklin, Tennessee and Making Provision for the Operation of the Municipality and the Collection and Disposition of its Revenues (08/13/15 Finance 4-0; Deferred from 08/25/15 WS)

Sponsors: Eric Stuckey and Russ Truell

Attachments: Resolution 2015-85 water revenue bonds
SRF Loan Program
SRF Bid Requirements
Summary of Financing Options
SRF Subordination Policy
Proposed SRF Policy and Guidance for Borrowers_Redline_Final Draft 9.21.16
Resolutin 2015-85 Water and Sewer Revenue Bond Resolution

5. 15-0716 Preliminary report on Fiscal Year 2014-2015 financial results

Sponsors: Mike Lowe and Eric Stuckey

Attachments: Preliminary Fiscal Year End 2015 - General Fund

6. 15-0155 PUBLIC HEARING: Consideration of Ordinance 2015-41, an Ordinance to Amend Fiscal Year 2015-2016 Budget (08/13/15 Finance 4-0; 1ST Reading BOMA 08/25/15 8-0) SECOND AND FINAL READING

Sponsors: Eric Stuckey and Michael Walters Young

Attachments: 2016 Budget Amendment #1 Memo - August 13
2015-41 - 2016 Budget Amendment Ordinance - #1

7. 15-0717 Update on Implementation of Utility Billing and Cashiering Project

8. 15-0673 Monthly Reports for August

Attachments: sales tax chart - July 2015
sales tax report - July 2015
Construction Activities Report - June 2015
Conference Center report - June 2015
Fuel Hedging report June 2015
Monthly Permit Summary - June 2015
2014 Property Tax Report at June 2015

Other Business

Adjournment

ANYONE REQUESTING ACCOMMODATIONS DUE TO DISABILITIES SHOULD CONTACT A.D.A. COORDINATOR, AT 550-5721 AT LEAST 10 DAYS PRIOR TO THE MEETING, IF POSSIBLE.

RESOLUTION 2015-65

A RESOLUTION OF THE BOARD OF MAYOR AND ALDERMEN FOR ADOPTION OF AN INVESTMENT POLICY FOR NON-PENSION INVESTMENT ASSETS

WHEREAS, the City of Franklin, by action of the Board of Mayor and Aldermen in 2006, adopted an investment policy for non-pension investment assets, and

WHEREAS, the Board of Mayor and Aldermen has amended this policy from time to time to conform with State and federal laws and regulations, and

WHEREAS, the Budget and Finance Committee of the City has reviewed and recommended certain changes to update the policy, and

WHEREAS, the City will be best served by incorporating the approved changes and adopting the revised policy for investing reserve funds.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Mayor and Aldermen for the City of Franklin as follows:

Section 1. That the Investment Policy is hereby amended and adopted.

Section 2. That this Resolution shall be effective upon adoption.

IT IS SO RESOLVED AND DONE on this 22nd day of September, 2015.

ATTEST:

By: ____________________________
Eric Stuckey
City Administrator

CITY OF FRANKLIN, TENNESSEE

By: ____________________________
Dr. Ken Moore, Mayor

Version

2015

INVESTMENT POLICY

For Reserves and Temporarily Idle Funds

City of Franklin

CITY OF FRANKLIN

Investment Policy

Prepared by
Finance Department Staff
109 Third Avenue South • Suite 111
Phone 615.791.1457 • Fax 615.791.3249
Submitted June 29, 2004
Adopted by Finance Committee, July 6, 2004
Adopted by Board of Mayor & Aldermen, July 13, 2004
Revised 2012, 2014

Version

2015

I. GFOA Sample Investment Policy As Source Document

This investment policy is derived from the model investment policy created by the Government Finance Officers Association (GFOA) to aid its general membership in the preparation of an investment policy. The sample policy was intended to help cities that invest to customize a policy to fit their particular needs, constraints and capabilities.

The Finance Department staff has amended and supplemented the sample policy to adjust for the goals and objectives of the City of Franklin and those circumstances that are unique to the City. These circumstances include: budget size, composition of departments, cash flow needs to support city services, current fund balance, current and estimated future demands for reserves, and market equilibrium.

The use of this sample policy as a foundation is intended to give a standardized presentation to the City policy, and to make certain that those issues identified at the national level as significant are included.

Management of the procedural details of investment of public funds is delegated to the Finance Department.

II. Governing Authority

The investment program shall be operated in conformance with federal, state, and other legal requirements, including TCA 6-56-106, titled Authorized Investments, which governs the investment of public funds by cities and towns. (Appendix A)

III. Scope

This policy applies to the investment of all funds, excluding the investment of the City of Franklin retirement funds. Retirement funds and proceeds from certain bond issues, as well as separate foundation or endowment assets, are covered by a separate policies.

1. Pooling of Funds

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

2. Special Funds

Those funds that are considered restricted and special funds are: City of Franklin Employee Retirement Fund, Adequate Facilities Tax Fund, Road Impact Fund, Stormwater Fund, and retainage accounts.

IV. General Objectives

The primary objectives, in order of priority, of investment activities shall be safety, liquidity, and return.

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the types of securities listed in Section VIII of this Investment Policy;

Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section VI;

Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;

Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds, bank repurchase agreements, or local government investment pools, which offer same-day liquidity for short-term funds.

3. Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

A security with declining credit may be sold early to minimize loss of principal;

A security swap would improve the quality, yield, or target duration in the portfolio;

Liquidity needs of the portfolio require that the security be sold.

The City's cash management portfolio shall be designed with the objective of regularly meeting or exceeding a performance benchmark, such as the average return on three-month U.S. Treasury bills, the state investment pool, or the average rate on Fed funds, whichever is higher. These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

4. Local Considerations

The City of Franklin seeks to promote local economic development through various programs and activities. Included is a program of rewarding local financial institutions that increase their commitments to private economic growth and local housing investment.

The City may accept a proposal from an eligible institution that provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.

The Board of Mayor and Aldermen recognizes that a Linked Deposit Program might diminish short-term investment yields by up to 10 basis points in exchange for potential expansion of the tax base.

V. Standards of Care

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The "prudent person" standard states that "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. *Delegation of Authority*

The Board of Mayor & Aldermen will retain ultimate fiduciary responsibility for the portfolios. The Board or its designated committee shall receive monthly reports, designate investment officers and review the investment policy making any changes necessary by adoption. Authority to manage the investment program is granted to Chief Financial Officer, hereinafter referred to as investment officer. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The investment officer will prepare, or cause to be prepared, monthly investment reports and other special reports as may be deemed necessary. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the supporting. . The City may seek to establish an investment committee, or assign the Budget & Finance Committee or its successor as the investment committee, to provide guidance to investment officers. The City of Franklin may engage the services of one or more external investment managers to assist in the management of the investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in according c with the Investment Policy. Such managers must be registered under the Investment Adviser Act of 1940.

VI. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. Authorized Financial Institutions, Depositories, and Broker/Dealers

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The investment officer shall determine which financial institutions are authorized to provide investment services to the City. Institutions eligible to transact investment business include:

1) Primary government dealers as designated by the Federal Reserve Bank;

2) Nationally or state-chartered banks;

3) The Federal Reserve Bank; and,

4) Direct issuers of securities eligible for purchase.

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the City shall be at the sole discretion of the City.

C. All broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

1) Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;

2) Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties);

3) Proof of state registration;

4) Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties);

5) Certification of having read and understood and agreeing to comply with the City's investment policy;

6) Evidence of adequate insurance coverage.

D. All financial institutions who desire to become depositories must supply the following, as appropriate:

1. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
2. Proof of state registration
3. Evidence of adequate insurance coverage.

E. An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

2. Minority and Community Financial Institutions

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. All terms and relationships will be fully disclosed prior to purchase, will be reported to the Budget and Finance Committee on a regular basis, and should be consistent with state or local law.

VII. Safekeeping and Custody

1. *Delivery vs. Payment*

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

2. *Safekeeping*

Securities will be held by a centralized independent third-party safekeeping institution selected by the City. All securities will be evidenced by safekeeping receipts in the City's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Service Organization Control Reports, formerly Statement of Auditing Standards No. 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagement (SSAE) No.16 (effective June 15,2011).

3. *Internal Controls*

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Specifics for the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated periodically by the investment officers. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities

- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Staff training, and

Review, maintenance and monitoring of security procedures both manual and automated.Management shall make certain that the internal controls are reviewed by the Budget & Finance committee and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

VIII. Suitable and Authorized Investments

1. Investment Types & Credit Guidelines

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable. If additional types of securities are approved for investment by public funds by State statute, they will not be eligible for investment by the City until this Policy has been amended and the amended version adopted by the Board of Mayor & Aldermen. Types of securities include:

- U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- Federal agency or U. S. government sponsored enterprises (GSE) obligations, participations or other instruments ;
- Negotiable certificates of deposit,
- Federally insured time deposits (non-negotiable certificates of deposit) in state of federally chartered banks, savings and loan or credit unions, provided that the amount per institution is limited to the maximum covered under federal insurance;

- Time deposits (non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with State law;

- Bankers' acceptances;

- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;

- Investment-grade obligations of state, provincial and local governments and public authorities;

- Fully collateralized repurchase agreements collateralized in compliance with this Policy, governed by a SIFMA Master Repurchase Agreement and with a maximum maturity. Capital project funds may be invested in a single flex repurchase agreement with a maximum stated maturity that shall be matched to the expenditure plan ;

- SEC-registered ,money market mutual ; and

- Local government investment pools.

If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Officer will apply the general objectives of safety, liquidity, yield and legality to make the decision.

2. Collateralization

In accordance with State law (TCA 9-4-105) and the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts, negotiable certificates of deposit, and non-negotiable certificates of deposit, except in the following instances: 1) when the institution issuing the certificate of deposit belongs to the State of Tennessee Collateral Pool, or 2) in the case where CDRS (Certificate of Deposit Account Registry Services) are used in lieu of collateralization.

IX. Investment Parameters

1. Diversification

It is the policy of the City to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, assets in all City funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds except for the employee retirement fund.

The investments shall be diversified by:

- limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- limiting investment in securities that have higher credit risks,
- investing in securities with varying maturities, and
- continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

In establishing specific diversification strategies, the following general policies and constraints shall apply:

- Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.
- For cash management funds, liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.

- Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

The investment committee/investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct periodic review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

2. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term/core portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate 3environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City shall maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;

- The maximum percent of callable securities in the portfolio shall be 15%;

- The maximum stated final maturity of individual securities in the portfolio shall be five years except as otherwise stated in this policy; and

- Liquidity funds will be held in the State Investment Pool or in money market instruments maturing one year and shorter;

- Longer term/core funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between one day and five years and will be only invested in higher quality and liquid securities;

- The duration of the portfolio shall at all times be approximately equal to the duration (plus or minus ten percent) of a market benchmark index selected by the City based on the City's investment objectives, constraints and risk tolerances. The City's current Benchmark shall be documented in the Investment Procedures Manual.

Total Portfolio Maturity Constraints;

- Under 30 days:
- Under one year:
- Under 5 years
- Weighted Average Maturity (WAM):

Exceptions to the five Exceptions to the five ear maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding five years if the maturities of such investments are made to coincide as nearly as practicable with the expected us of the funds.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at ta point in time subsequent to the purchase of a particular issuer or investment type or security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made.

3. *Competitive Bids*

The investment officer shall obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market.

X. Performance Standards

1. *Evaluation*

The City's cash management portfolio shall be designed with the objective of regularly meeting or exceeding a selected performance benchmark, which could be the average return on three-month U.S. Treasury bills, the state investment pool, a money market mutual fund or the average rate of Fed funds. These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

XI. Reporting

1. Methods

The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Administrator, the Board of Mayor and Aldermen, and the Finance Committee. The report will include the following:

a. An asset listing of individual securities showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate

b. Average maturity of the portfolio and modified duration of the portfolio

c. Maturity distribution of the portfolio

d. Average portfolio credit quality

e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year-to-date, and since inception compared to the Benchmark Index returns for the same periods

f. Average weighted yield to maturity of the portfolio on investments as compared to applicable benchmarks

g. Distribution by type of investment

Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall be in compliance with state law and shall be distributed to the investment committee and others as required by law. Copies shall be transmitted to the independent auditor.

Within 40 days of the end of the fiscal year, the investment officer shall present a comprehensive annual report on the investment program and investment activity. The annual report shall include 12-month and separate quarterly comparisons of return and shall suggest policies and improvements that might be made in the investment program. Alternatively, this report may be included within the City annual Comprehensive Annual Financial Report.

XII. Marking to Market

Market Valuation

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Best Practice on "mark to market" practices for State and Local Government Investment Portfolios.

XIII. Policy Considerations

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officer and the Finance Committee, as well as being reviewed by the individuals charged with maintaining internal controls.

XIV. Approval of Investment Policy

Approval of Investment Policy

The investment policy shall be formally approved and adopted by the governing body of the City.

RESOLUTION 2015-85
A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND PAYMENT OF WATER SYSTEM REVENUE BONDS OF THE CITY OF FRANKLIN, TENNESSEE AND MAKING PROVISION FOR THE OPERATION OF THE MUNICIPALITY AND THE COLLECTION AND DISPOSITION OF ITS REVENUES.

BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, as follows:

1. Authority; Findings.

a. The City of Franklin, Tennessee (the "Municipality") is duly incorporated pursuant to Chapter 79 of the 1903 Private Acts of Tennessee, as amended.

b. The Municipality owns and operates a water system (the "System").

c. Sections 7-34-101, *et seq.*, (the "Act") authorizes the Municipality to issue bonds and use the proceeds to finance extensions and improvements to the Municipality's System and pay costs of issuance in connection with the issuance of such bonds.

d. The Board of Mayor and Aldermen of the Municipality finds that it is advisable to issue bonds to finance extensions and improvements to the System payable solely from the Net Revenues (as defined herein) of the System.

2. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by necessary implication requires otherwise:

a. "Acquired System" shall mean any water procurement, treatment, storage or distribution system acquired by the Municipality pursuant to the Act.

b. "Act" shall have the meaning ascribed in Section 1.

c. "Balloon Indebtedness" shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period. Any Balloon Indebtedness that is considered to be "balloon indebtedness" for purposes of Tennessee Code Annotated, 9-21-134 must be approved by the Director of State and Local Finance of the Office of the Tennessee Comptroller of the Treasury prior to the adoption of a supplemental resolution authorizing such balloon indebtedness unless such balloon indebtedness qualifies for an exception to Tennessee Code Annotated, 9-21-134.

d. "Bond Fund" shall mean the Principal and Interest Sinking Fund established herein.

e. "Bonds" means the Series 2015 Bonds and any Parity Bonds.

f. "Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical bond certificates in fully registered form are issued to a Depository, or to its nominee as registered owner, with the certificate of bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the Municipality or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those bonds.

g. "Capital Appreciation Bonds" shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

h. "Chief Financial Officer" means the Municipality's Assistant City Administrator and Finance & Administration/CFO.

i. "City Administrator" means the Municipality's City Administrator/Recorder.

j. "Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

k. "Compound Accreted Value" shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

l. "Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

m. "Current Expenses" means expenses incurred by the Municipality in the operation of the System, determined in accordance with generally accepted accounting principles; provided however that depreciation, amortization and interest on any bonds, notes or other obligations of the Municipality shall be excluded from the definition of Current Expenses.

n. "Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Municipality or any paying agent for the Bonds or other obligations of the Municipality), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the Municipality, either (A) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Municipal Advisor.

(b) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short Term Indebtedness, at the option of the Municipality, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Municipal Advisor to be the interest rate at which the Municipality could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph (b) shall not be applicable for purposes of determining the Municipality's Debt Service Requirement for purposes of Section 13(e) of this resolution (Rate Covenant) unless the Municipality has set aside sufficient funds for the retirement of, or the Municipality's Governing Body has adopted a resolution directing the refinancing of, at least 90% of the principal amount of such Balloon Indebtedness or Short Term Indebtedness coming due in the relevant Fiscal Year.

o. "Defeasance Obligations" shall mean any obligations which at the time of the purchase thereof are permitted investments under the Act or other applicable Tennessee law for the purpose of defeasing Bonds.

p. "Depository" means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC.

q. "DTC" means the Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns.

r. "Financial Guaranty Agreement" shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

s. "Fiscal Year" means the fiscal year adopted by the Municipality from time to time with respect to the System.

t. "Governing Body" means the Board of Mayor and Aldermen of the Municipality.

u. "Gross Earnings" means all revenues, rentals, earnings and income of the Municipality from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System and all amounts realized from the investment of funds of the System (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the Municipality); provided, however, at the election of the Governing Body, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings or other income received by the Municipality from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

v. "Loan Agreement" shall mean any agreement or contract entered into by the Municipality whereby a third party agrees to advance funds to the Municipality and the Municipality agrees to repay those funds with interest.

w. "Maturity Amount" shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

x. "Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year of the Municipality.

y. "Municipal Advisor" means an investment banking or Municipal Advisory firm, commercial bank, or any other person who or which is retained by the Municipality for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the Municipality, has a favorable reputation for skill and experience in providing municipal advisory services of the type with respect to which the Municipal Advisor has been retained. With respect to the issuance of the Series 2015 Bonds, the Municipal Advisor for the Municipality shall mean Public Financial Management, Inc.

z. "Municipality" shall have the meaning ascribed in Section 1.

aa. "Net Revenues" shall mean Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses.

bb. "Parity Bonds" means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Municipality on a parity with the Series 2015 Bonds herein authorized in accordance with the restrictive provisions hereof, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

cc. "Mayor" means the duly elected and acting Mayor of the Municipality, or any other member of the Governing Body acting in the capacity of the Mayor when the elected and acting Mayor is unavailable or incapable of acting.

dd. "Prior Lien Obligations" means the Municipality's outstanding Sewer and Water Revenue and Tax Refunding Bonds, Series 2005, dated March 30, 2005, maturing April 1, 2016 through April 1, 2025, inclusive; its outstanding Sewer and Water Revenue and Tax

Refunding Bonds, Series 2011, dated September 29, 2011, maturing May 25, 2026; two Revolving Fund Loan Agreements, each dated October 26, 2009, among the Municipality, the Tennessee Department of Conservation and the Tennessee Local Development Authority.

ee. "Projects" means extensions and improvements to the System.

ff. "Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

gg. "Rating Agencies" or "Rating Agency" means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency.

hh. "Registration Agent" means _____________, __________, Tennessee, as registration and paying agent for the Bonds, or any successor designated by the Governing Body.

ii. "Reserve Fund" shall mean the Debt Service Reserve Fund established herein.

jj. "Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

kk. "Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility rated, at the time at which such Reserve Fund Credit Facility is purchased, not less than the second-highest rating category (without regard to gradations within such category) by each Rating Agency that rates such Reserve Fund Credit Facility Issuer and which also rates any Bonds secured by such Reserve Fund Credit Facility.

ll. "Reserve Fund Requirement" means an amount determined from time to time by the Municipality as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant to the resolution authorizing such Bonds. With respect to the Series 2015 Bonds authorized herein, there shall be no Reserve Fund Requirement until such time as the Municipality shall have failed, for two consecutive Fiscal Years, to produce Net Revenues sufficient to satisfy the rate covenant test set forth in Section 13(e), but assuming solely for this purpose that the 125% coverage requirement of Section 13(e)(2)(a) is instead read as a 150% coverage requirement. At such time and from time to time thereafter, the Reserve Fund Requirement with respect to the Series 2015 Bonds shall be the least of (a) 10% of the original stated principal amount of the Series 2015 Bonds; (b) the remaining Maximum Annual Debt Service Requirement on the Series 2015 Bonds, on a Fiscal Year basis; or (c) 125% of the remaining average Debt Service Requirement on the Series 2015 Bonds, on a Fiscal Year basis; and shall be funded as set forth in Section 12(b)(4) hereof.

mm. "Revenue Fund" shall mean the Revenue Fund established herein.

nn. "Series 2015 Bonds" means not to exceed $XXXXXX in aggregate principal amount of revenue bonds, authorized to be issued by this Resolution.

oo. "Short Term Indebtedness" means bonds, notes, Loan Agreements or other debt obligations maturing five years or less from their date of issuance, issued by the Municipality as Parity Bonds pursuant to the terms hereof.

pp. "State" means the State of Tennessee.

qq. "Subordinate Lien Bonds" means bonds, notes, Loan Agreement or other debt obligations issued pursuant to this Resolution but with a lien subordinate to the Bonds.

rr. "System" shall have the meaning ascribed in Section 1, and shall include all facilities hereafter acquired, constructed or otherwise established, together with and including all properties of every nature hereafter owned by the Municipality, including all improvements and extensions made by the Municipality while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

ss. "Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

3. Authorization and Terms of the Series 2015 Bonds.

a. General Terms. The Governing Body hereby authorizes the issuance of a series of revenue bonds of the Municipality in an aggregate principal amount up to $XXXXXX.

1) The Bonds shall be issued to:

a) finance the Projects; and

b) pay bond issuance costs.

2) The bonds shall be known as "Water System Revenue Bonds, Series 2015" or such other name as may be selected by the Mayor.

3) The Series 2015 Bonds shall be dated the date of their delivery.

4) The Series 2015 Bonds shall bear interest payable semi-annually on each _________ 1 and _________ 1, commencing ________ 1, 2016, at a rate not to exceed the maximum interest rate permitted by applicable Tennessee law.

5) Principal on the Series 2015 Bonds shall be payable annually on the first day of ________, commencing __________ 1, 201_ and ending no later than _______ 1,

____. The Mayor shall determine the actual schedule of principal amortization and set it forth in the certificate awarding the sale of the Series 2015 Bonds.

b. Optional Redemption. The Series 2015 Bonds shall be subject to redemption on __________1, 202_, in whole or in part, at a redemption price of par plus accrued interest to the date of redemption. If less than all the Series 2015 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Governing Body in its discretion. If less than all of the Series 2015 Bonds within a single maturity shall be called for redemption, the Series 2015 Bonds within the maturity to be redeemed shall be selected as follows:

1) if the Series 2015 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2015 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

2) if the Series 2015 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2015 Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

c. Mandatory Redemption. The Mayor is authorized to sell the Series 2015 Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by the Mayor. In the event any or all of the Series 2015 Bonds are sold as term bonds, the Municipality shall redeem term bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the maturity amounts set forth herein for each redemption date, as such maturity amounts as shall be set forth in the Bond Purchase Agreement, at a price of par plus accrued interest thereon to the date of redemption. The term bonds to be so redeemed shall be selected in the manner described in subsection (b) above. At its option, to be exercised on or before the 45th day next preceding any such mandatory redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Series 2015 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2015 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2015 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2015 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Municipality shall on or before the 45th day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

d. <u>Redemption Notices</u>. Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Municipality not less than 30 nor more than 60 days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2015 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Series 2015 Bond registration records of the Registration Agent as of the date of the notice. Failure to mail such notice or any defect in any such notice so mailed shall not affect the sufficiency of the proceedings for redemption of any of the Series 2015 Bonds for which proper notice was given, and failure of any owner to receive such notice if properly given in the manner described above shall not affect the validity of the proceedings of the redemption of the Series 2015 Bonds held by such owner. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series 2015 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2015 Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein and in the Bond Purchase Agreement) given at least 45 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series 2015 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

e. <u>Registration of Bonds</u>. The Series 2015 Bonds shall be issued in fully registered, book-entry form, without coupons. The Municipality hereby authorizes and directs the Registration Agent so appointed to maintain Series 2015 Bond registration records with respect to the Series 2015 Bonds, to authenticate and deliver the Series 2015 Bonds as provided herein, either at original issuance or upon transfer, to effect transfers of the Series 2015 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series 2015 Bonds as provided herein, to cancel and destroy Series 2015 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish the Municipality at least annually a certificate of destruction with respect to Series 2015 Bonds canceled and destroyed, and to furnish the Municipality at least annually an audit confirmation of Series 2015 Bonds paid, Series 2015 Bonds outstanding and payments made with respect to interest on the Series 2015 Bonds. The Mayor is hereby authorized to execute and the City Administrator is hereby authorized to attest such written agreement between the Municipality and the Registration Agent as they shall deem necessary and proper with respect to the obligations, duties and rights of the Registration Agent. The payment of all reasonable fees and expenses of the Registration Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed.

f. <u>Payment of Bonds</u>. The Series 2015 Bonds shall be payable, both principal and interest, in lawful money of the United States of America at the main office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Series 2015 Bonds by check or draft on each interest payment date directly to the registered owners as shown on the Series 2015 Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by depositing said payment in the United States mail, postage prepaid, addressed to such owners at their addresses shown on said Series 2015 Bond registration records, without, except for final payment, the presentation or surrender of such registered Series 2015 Bonds, and all such payments shall discharge the obligations of the Municipality in respect of such Series 2015 Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Series 2015 Bonds shall be made upon presentation and surrender of such Series 2015 Bonds to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a 360-day year composed of twelve months of 30 days each. If requested by any registered owner of at least $1,000,000 in aggregate principal amount of the Series 2015 Bonds, payment of interest on such Series 2015 Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

g. <u>Defaulted Interest</u>. Any interest on any Series 2015 Bond that is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Municipality to the persons in whose names the Series 2015 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Municipality shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series 2015 Bond and the date of the proposed payment, and at the same time the Municipality shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than 15 nor less than ten days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Municipality of such Special Record Date and, in the name and at the expense of the Municipality, not less than ten days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the Series 2015 Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Series 2015 Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Municipality to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Series 2015 Bonds when due.

h. Transfer and Exchange of Bonds. The Series 2015 Bonds shall be issued initially in \$5,000 denominations or any integral multiple thereof as shall be requested by the Underwriter. The Series 2015 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his or her legal representative duly authorized in writing, of the registered Series 2015 Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series 2015 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series 2015 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series 2015 Bond or the Series 2015 Bond to the assignee(s) in \$5,000 denominations, or any integral multiple in excess thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series 2015 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2015 Bond, nor to transfer or exchange any Series 2015 Bond after the publication of notice calling such Series 2015 Bond for redemption has been made, nor to transfer or exchange any Series 2015 Bond during the period following the receipt of instructions from the Municipality to call such Series 2015 Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series 2015 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series 2015 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series 2015 Bonds shall be overdue. The Series 2015 Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of the Series 2015 Bonds of the same maturity in any authorized denomination or denominations.

i. Execution of Bonds. The Series 2015 Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf of the Municipality, by the Mayor and attested by the City Administrator.

j. Book-Entry Registration. Except as otherwise provided in this Resolution, the Series 2015 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. References in this Section to a Series 2015 Bond or the Series 2015 Bonds shall be construed to mean the Series 2015 Bond or the Series 2015 Bonds that are held under the Book-Entry System. One Series 2015 Bond for each maturity shall be issued to DTC and immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series 2015 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series 2015 Bonds. Beneficial ownership interests in the Series 2015 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series 2015 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series 2015 Bonds. Transfers of ownership interests in the Series 2015 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2015 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2015 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE REGISTRATION AGENT TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series 2015 Bonds, so long as DTC is the only owner of the Series 2015 Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co., as provided in the Letter of Representation relating to the Municipality (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. The Municipality and the Registration Agent shall not be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as securities depository for the Series 2015 Bonds or (2) the Municipality determines that the continuation of the Book-Entry System of evidence and transfer of ownership of the Series 2015 Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Series 2015 Bonds, the Municipality shall discontinue the Book-Entry System with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Series 2015 Bonds in the form of fully registered Series 2015 Bonds to each Beneficial Owner.

THE MUNICIPALITY AND THE REGISTRATION AGENT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES 2015 BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2015 BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OR ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS; (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2015 BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series 2015 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2015 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2015 Bonds and provision of notices with respect to Series 2015 Bonds registered by DTC (or any of its designees identified to the Registration Agent) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with DTC may adversely affect the interests of any of the owners of the Series 2015 Bonds; provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

k. Authentication and Delivery. The Registration Agent is hereby authorized to authenticate and deliver the Series 2015 Bonds to the Underwriter, upon receipt by the Municipality of the proceeds of the sale thereof and to authenticate and deliver Series 2015 Bonds in exchange for Series 2015 Bonds of the same principal amount delivered for transfer upon receipt of the Series 2015 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series 2015 Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an officer thereof on the certificate set forth herein on the Series 2015 Bond form.

l. Replacement Bonds. In case any Series 2015 Bond shall become mutilated, or be lost, stolen, or destroyed, the Municipality, in its discretion, shall issue, and the Registration Agent, upon written direction from the Municipality, shall authenticate and deliver, a new Series 2015 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series 2015 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series 2015 Bond, or if any such Series 2015 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series 2015 Bond, the Municipality may pay or authorize payment of such Series 2015 Bond without surrender thereof. In every case, the applicant shall furnish evidence satisfactory to the Municipality and the Registration Agent of the destruction, theft or loss of such Series 2015 Bond, and indemnity satisfactory to the Municipality and the Registration Agent; and the Municipality may charge the applicant for the issue of such new Series 2015 Bond an amount sufficient to reimburse the Municipality for the expense incurred by it in the issue thereof.

4. Form of Series 2015 Bonds. The Series 2015 Bonds shall be in substantially the form attached hereto as Exhibit A. The form of the Series 2015 Bond set forth in Exhibit A hereto shall be conformed to reflect any changes made pursuant to Section 6.

5. Source of and Security for Payment.

a. The Series 2015 Bonds shall be payable solely from and secured by a pledge of the Net Revenues subject to a prior lien of such Net Revenues in favor of Prior Lien Obligations. The punctual payment of principal of and premium, if any, and interest on the Series 2015 Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Series 2015 Bonds do not constitute a debt of the State of Tennessee, or any political subdivision thereof, or municipal corporation therein, other than the Municipality, and no holder of the Series 2015 Bonds shall have recourse to the taxing power of any such entities.

6. Sale of the Series 2015 Bonds; Changes Authorized.

a. The Series 2015 Bonds shall be offered by **[public competitive] [negotiated]** sale, in one or more series, by the Mayor, in consultation with the Chief Financial Advisor, City Administrator, and Municipal Advisor, [by physical delivery of bids or by electronic bidding by means of an Internet bidding service] [pursuant to a Bond Purchase Agreement] at a price of not less than ninety-nine percent (99%) of par, plus accrued interest.

b. [The Mayor is authorized to award the Series 2015 Bonds to the bidder whose bid results in the lowest true interest cost to the Municipality, provided the rate does not exceed the rate permitted by applicable Tennessee law. The award of the Series 2015 Bonds by the Mayor to the lowest bidder shall be binding on the Municipality, and no further action of the Governing Body with respect thereto shall be required.]

[The Mayor and the City Administrator are authorized to enter into a Bond Purchase Agreement with the purchaser in substantially the form attached hereto as Exhibit __ and no further action of the Governing Body with respect thereto shall be required.]

c. The Mayor and the City Administrator are authorized to cause the Series 2015 Bonds to be authenticated by the Registration Agent and delivered to the successful bidder, and to execute, publish, and deliver all certificates and documents as they shall deem necessary in connection with the sale and delivery of the Series 2015 Bonds, including certificates and agreements setting forth covenants of the Municipality as required by the issuer of any bond insurance policy.

d. The Mayor is authorized to cause all or a portion of the Series 2015 Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company if such insurance is requested and paid for by the winning bidder of the Series 2015 Bonds, or any series thereof.

e. In connection with the sale of the Series 2015 Bonds, the Mayor, in consultation with the Chief Financial Officer, City Administrator, and Municipal Advisor, is authorized to:

1) determine whether to reduce the principal amount of the Series 2015 Bonds below $XXXXXX;

2) change principal and/or interest payment dates;

3) establish the principal amortization schedule for the Series 2015 Bonds, provided that the final maturity date shall not be later than that set forth in Section 3(a);

4) remove or adjust the optional redemption terms for the Series 2015 Bonds; and

5) establish any mandatory redemption terms of the Series 2015 Bonds.

Any such changes shall be set forth in the form of bond attached hereto as Exhibit A.

f. The Mayor is authorized to enter into an engagement letter with the Municipal Advisor in connection with the issuance of the Series 2015 Bonds and with Bass, Berry & Sims PLC, as bond counsel to the Municipality in connection with the issuance of the Series 2015

Bonds, and all actions heretofore taken to engage the Municipal Advisor and bond counsel are hereby ratified and approved.

7. Application of Proceeds of Series 2015 Bonds.

   a. The proceeds from the sale of the Series 2015 Bonds shall be immediately applied in the following order:

      1) To pay the costs of issuing the Series 2015 Bonds, with any excess funds to be deposited to the Bond Fund.

      2) The remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar or successor federal agency in a special fund hereby created and known as the 2015 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the Municipality and the System. The funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects, including necessary legal, accounting, engineering, architectural and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent fees, bond insurance premiums (if any) and other necessary miscellaneous expenses incurred in connection with the Projects and the issuance and sale of the Bonds. Moneys in the Construction Fund shall be invested as directed by the Chief Financial Officer in such investments as shall be permitted by applicable law and the earnings thereon shall be retained in the Construction Fund and used for the same purposes as all other funds in the Construction Fund or paid to the Bond Fund to be used to pay interest on the Bonds, as the Chief Financial Officer in his discretion shall determine. Any monies remaining after completion of the Projects shall be transferred to the Bond Fund.

8. Official Statement for the Series 2015 Bonds. If requested by the **[successful bidder] [purchaser]** for the Series 2015 Bonds and if required by Rule 15c2-12 of the Securities and Exchange Commission, the Mayor, Chief Financial Officer, City Administrator, or any of them, are hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Series 2015 Bonds and the System. The Mayor, Chief Financial Officer, City Administrator, or any of them, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The Mayor, Chief Financial Officer, City Administrator, or any of them, shall arrange for the delivery to the purchaser of a reasonable number of copies of the Official Statement within seven business days after the Series 2015 Bonds have been sold for delivery by the Underwriter to each potential investor requesting a copy of the Official Statement. The Mayor, Chief Financial Officer, City Administrator, or any of them, are authorized, on behalf of the Municipality, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by the Municipality except for the omission in the Preliminary Official Statement of such pricing and other information.

9. Continuing Disclosure for the Series 2015 Bonds. The Mayor is hereby authorized, if required by Rule 15c2-12 of the Securities and Exchange Commission, to enter into an agreement to provide annual financial information and notice of the occurrence or nonoccurrence of specified events to the holder of the Series 2015 Bonds. Failure of the Municipality to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Series 2015 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the Municipality to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specified performance.

10. Federal Tax Matters Related to the Series 2015 Bonds.

   a. The Series 2015 Bonds will be issued as federally tax-exempt bonds. The Municipality hereby covenants that it will not use, or permit the use of, any proceeds of the Series 2015 Bonds in a manner that would cause the Series 2015 Bonds to be subjected to treatment under Section 148 of the Code, and applicable regulations thereunder, as an "arbitrage bond". To that end, the Municipality shall comply with applicable regulations adopted under said Section 148. The Municipality further covenants with the registered owners from time to time of the Series 2015 Bonds that it will, throughout the term of the Series 2015 Bonds and through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Code, comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Series 2015 Bonds shall be and continue to be excluded from gross income for federal income tax purposes under Section 103 of the Code.

   b. The Mayor is authorized and directed, on behalf of the Municipality, to execute and deliver all such certificates and documents that may be required of the Municipality in order to comply with the provisions of this Section related to the issuance of the 2015 Bonds.

11. Prohibition of Prior Lien; Parity Bonds; Subordinate Lien Bonds. Except as described in the following sentence, the Municipality will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Series 2015 Bonds, including debt obligations issued on parity with the Prior Lien Obligations. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on parity with the Series 2015 Bonds under the following conditions but not otherwise:

   a. Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

      1) the Municipality shall have obtained a report from a Municipal Advisor demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, as applicable; and

      2) the requirements of subsections (b)(2) and (4) below are met with respect to such refunding.

b. Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

1) There shall have been procured and filed with the Municipality a report by a Municipal Advisor or a certificate by the Chief Financial Officer of the Municipality, or his or her designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 125% of Maximum Annual Debt Service Requirement on all Bonds and Prior Lien Obligations which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used.

2) The Municipality shall have received, at or before issuance of the Parity Bonds, a report from a Municipal Advisor or a certificate of the Chief Financial Officer of the Municipality, or his or her designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the extent required under the resolutions authorizing Bonds with a Reserve Fund Requirement, if any, and any Reserve Fund Replacement applicable to Parity Bonds will be funded to the extent required under the applicable resolution immediately following the issuance of the proposed Parity Bonds.

3) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of nationally recognized bond counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

4) The Chief Financial Officer shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the Municipality is in compliance with all requirements of this Resolution.

c. All the provisions and covenants of this Resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of this Resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of this Section in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

d. Notwithstanding anything herein to the contrary, each series of Parity Bonds may be issued with or without a Reserve Fund Requirement, may require cash funding of the Reserve Fund, if any, and may provide for the funding of the Reserve Fund, if any, over such period of time as is acceptable to the purchaser of such Parity Bonds, all as specified in the resolution authorizing such Parity Bonds. Any such Parity Bonds shall be secured only by the Reserve Fund specified in the resolution authorizing such series of Parity Bonds and shall have no right to receive any payment from the Reserve Fund established for the Series 2015 Bonds or any other series of bonds, whether such additional bonds are issued as Parity Bonds or Subordinate Lien Bonds. Any series of Parity Bonds may be issued in Book-Entry From and may be registered in the name of DTC or such other Depository as may be determined by the Municipality, all to be specified in the resolution authorizing such Parity Bonds.

e. In addition to Parity Bonds issued in accordance with the foregoing, the Municipality may issue Subordinate Lien Bonds, subject to the terms of this Resolution or otherwise, provided that the security for such Subordinate Lien Bonds shall be subject in all respects to the lien in favor of the Bonds.

f. The punctual payment of principal of, premium, if any, and interest on the Series 2015 Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues, without priority by reason of number or time of sale or execution or delivery. Parity Bonds shall benefit on an equal and parity basis from the statutory mortgage lien on the System established in favor of the Series 2015 Bonds.

12. Funds, Accounts and Subaccounts; Application of Revenues.

a. The following funds, accounts and subaccounts are hereby established, and the money deposited in such funds, accounts and subaccounts shall be held in trust for the purposes set forth in this Resolution:

1) Water Revenue Fund (the "Revenue Fund") to be held by the Municipality;

2) Principal and Interest Sinking Fund (the "Bond Fund") to be held by the Municipality, and within the Bond Fund:

a) Interest Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.

b) Principal Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.

3) Debt Service Reserve Fund (the "Reserve Fund"), with an account for each series of Bonds which has a Reserve Fund Requirement; provided an account therein may be utilized for more than one series of Bonds if all such series of Bonds are specified in the resolution authorizing such Bonds to share a pledge of such account and have a combined Reserve Fund Requirement. Nothing herein shall prohibit the Municipality from issuing one or more series of Bonds without a Reserve Fund Requirement and no deposit to the Reserve Fund and no Reserve Fund Credit Facility shall be required in connection therewith.

b. From and after the delivery of any of the Series 2015 Bonds hereunder, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the Municipality to the Revenue Fund hereby established (the "Revenue Fund"), administered and controlled by the Municipality; provided that the Gross Earnings shall first be first applied as required by the resolutions authorizing any Prior Lien Obligations. The funds so deposited in the Revenue Fund created under this Resolution shall be used only as follows:

1) The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

2) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into the Sinking Fund to be further deposited in the Interest Account and the Principal Account as set forth herein and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the defeasance provisions of this Resolution, beginning in the month next following delivery of the Series 2015 Bonds. Each monthly deposit as to interest for such Bonds shall be an amount equal to not less than one-sixth ($1/6^{th}$) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts; provided that proportionately greater monthly amounts shall be deposited to account for any initial period of less than six months following the issuance of Bonds. Each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth ($1/12^{th}$) of the principal amount and/or Maturity Amount coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts; provided that proportionately greater monthly amounts shall be deposited to account for any initial period of less than 12 months following the issuance of Bonds. No further deposit shall be required as to any Bonds when the Sinking Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date and the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds.

3) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

4) To the extent any series of the Bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the Municipality, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, satisfy the contractual obligations set forth in the Prior Bond Resolutions, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Municipality for legally permissible purposes.

At the option of the Municipality, the Municipality may satisfy the Reserve Fund Requirement applicable to a series of Bonds, or a portion thereof, by providing for the benefit of owners of such series of Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of Bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the Municipality for legally permissible purposes. At any time during the term hereof, the Municipality shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of Section 11 hereof with a Reserve Fund

Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the Municipality shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the Municipality, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the Municipality, from Revenues after payment of Current Expenses, satisfaction of the contractual obligations set forth in the Prior Bond Resolutions and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of Section 16 hereof, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Municipality shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

The Municipality may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds.

5) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor)

any Subordinate Lien Bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by the Municipality for any legally permissible purpose, as the Governing Body shall determine.

c. Money on deposit in the Funds described in this Section may be invested by the Municipality in such investments as shall be permitted by applicable law, as determined by an authorized representative of the Municipality, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two years from the date the money is so invested. The Municipality is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

d. The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the Municipality and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

13. Covenants Regarding the Operation of the System. The Municipality hereby covenants and agrees with the owners of the Bonds so long as any of the Bonds shall remain outstanding:

a. The Municipality shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto.

b. The Municipality shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the Municipality shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

c. The Municipality will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the Municipality as certified by such accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

1) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

2) A statement showing beginning and ending balances of each Fund described herein;

3) A balance sheet as of the end of the Fiscal Year;

4) The accountant's comments regarding the manner in which the Municipality has carried out the requirements of this Resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

5) A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;

6) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

7) The disposition of any Bond proceeds during the Fiscal Year;

8) A statement as to all breaches or defaults hereunder by the Municipality of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The Municipality further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one year after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Municipality relating thereto. If the Municipality fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the Municipality.

d. The Municipality will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System, and will apply the revenues of the System to the purposes and Funds specified in this Resolution.

e. The Municipality shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

1) for 100% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the Municipality; and

2) such that Net Revenues in each Fiscal Year:

a) will equal at least 125% of the Debt Service Requirement on all Bonds and Prior Lien Obligations, and 100% of the debt service requirement on any

Subordinate Lien Bonds or other obligations then outstanding for such Fiscal Year; provided that the Municipality may calculate the debt service requirement on Subordinate Lien Bonds in the manner prescribed for the Bonds in the definition of "Debt Service Requirement";

b) will enable the Municipality to make all required payments, if any, into the Reserve Fund and on any Credit Facility Agreement;

c) will enable the Municipality to accumulate an amount, which, in the judgment of the Municipality, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;

d) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this Resolution from prior Fiscal Years; and

e) will permit the Municipality to comply with the terms of any agreement that the Municipality has entered into to purchase water.

f. The Municipality will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:

1) The Municipality is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

2) Any sale proceeds will be applied either (A) to redemption of Bonds or Prior Lien Obligations in accordance with the provisions governing the repayment thereof in advance of maturity, or (B) to the purchase of Bonds or Prior Lien Obligations at the market price thereof so long as such price does not exceed the amount at which they could be redeemed on such date or the next optional redemption date as set forth herein or in their authorizing resolutions, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

3) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

4) The Municipality shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not

jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Municipality is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

g. Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Current Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in subsection (e) above, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. The Municipality covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the Municipality will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

h. The Municipality will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the Municipality by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Municipality is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

14. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Municipality and the registered owners of the Bonds, and after the issuance of the Series 2015 Bonds, no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as expressly provided herein, until such time as the Bonds shall have been paid in full or discharged pursuant to the defeasance sections hereof.

15. Remedies of Bond Owners. Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the Municipality by the provisions of this Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms hereof. If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Municipality with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Current Expenses, and to apply the income and revenues thereof in conformity with the provisions of this Resolution.

16. Discharge and Satisfaction of Bonds. If the Municipality shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

a. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

b. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

c. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Municipality to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations or moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Municipality, as received by the Registration Agent.

Notwithstanding the foregoing, the Municipality may restrict its right to discharge and satisfy prior to maturity any series of Parity Bonds as may be set forth in the resolution authorizing such series of Parity Bonds.

17. <u>Modification of Resolution</u>.

a. This Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of (1) curing any ambiguity or formal defect or omission herein or (2) making any other amendment which, in the opinion of nationally-recognized bond counsel, does not adversely affect the holders of any Bonds then outstanding.

b. In addition to the amendments to this Resolution without the consent of registered owners as referred to in subsection (a) above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in this Resolution; provided, however, that this Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

1) Make any change in the maturities or redemption dates of the Bonds;

2) Make any change in the rates of interest borne by the Bonds;

3) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;

4) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;

5) Affect the rights of the registered owners of less than all of the Bonds then outstanding;

6) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

c. Whenever the Municipality shall propose to amend or modify this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the Municipality for public inspection.

d. Whenever at any time within one year from the date of mailing of said notice there shall be filed with the City Administrator an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Municipality may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

e. If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Municipality from taking any action pursuant to the provisions thereof.

f. Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

g. The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him or her the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

h. The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

18. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed and this Resolution shall be in immediate effect from and after its adoption.

19. Separability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

Adopted and approved on ___________, 2015.

____
Mayor

ATTEST:

____
City Administrator/Recorder

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Eric S. Stuckey, hereby certify that I am the duly qualified and acting City Administrator/Recorder of the Board of Mayor and Aldermen of the City of Franklin, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a meeting of the Board of Mayor and Aldermen of the Municipality held on ___________, 2015; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to not to exceed $XXXXXX in aggregate principal amount of Waterworks Revenue Bonds, Series 2015 of said Municipality.

WITNESS my official signature and seal of said Municipality this _____ day of _________, 2015.

____
City Administrator/Recorder

(SEAL)

EXHIBIT A

(Form of Series 2015 Bond)

REGISTERED
Number ___

REGISTERED
$__________

UNITED STATES OF AMERICA
STATE OF TENNESSEE
CITY OF FRANKLIN, TENNESSEE
WATERWORKS REVENUE BONDS, SERIES 2015

Interest Rate:	Maturity Date:	Date of Bond:	CUSIP No.:
_______%	__________, _____	__________, _____	__________

Registered Owner: ______________________________

Principal Amount: ______________________________ DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the City of Franklin, Tennessee (the "Municipality"), a municipal corporation lawfully organized and existing in Williamson County, Tennessee, for value received hereby promises to pay to the registered owner hereof, hereinabove named, or registered assigns, in the manner hereinafter provided, the principal amount hereinabove set forth on the maturity date hereinabove set forth, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on said principal amount at the annual rate of interest hereinabove set forth from the date hereof until said maturity date, said interest being payable on ______________, and semi-annually thereafter on the first day of __________ and __________ in each year until this Bond matures or is redeemed. Both principal hereof and interest hereon are payable in lawful money of the United States of America at the principal corporate trust office of ______________, ______________, ______________, as registration agent and paying agent (the "Registration Agent"). The Registration Agent shall make all interest payments with respect to this Bond on each interest payment date to the registered owner hereof shown on the bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at such owner's address shown on said bond registration records, without, except for final payment, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the Municipality to the extent of the payments so made. Any such interest not so punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such defaulted interest shall be payable to the persons in whose name this Bond is registered at the close of business on the date (the "Special Record Date") for payment of such defaulted interest to be fixed by the Registration Agent, notice of which shall be given to the owners of the Bonds of the issue of which this Bond is one not less than ten days prior to such Special Record Date. Payment of principal of and premium, if any, on this Bond shall be made when due upon presentation and surrender of this Bond to the Registration Agent.

Except as otherwise provided herein or in the Resolution, as hereinafter defined, this Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody or a custodian of DEC. The Registration Agent is a custodian and agent for DTC and the Bonds will be immobilized in its custody. A book-entry system shall be employed, evidencing ownership of the Bonds in \$5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution (as hereafter defined), pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Municipality and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal and maturity amounts of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the Municipality nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) the Municipality determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the Municipality may discontinue the book- entry system with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the Municipality nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

This Bond is one of a total authorized issue aggregating \$__________ and issued by the Municipality for the purpose of providing funds to: (A) finance extensions and improvements to the water system (the "System") of the Municipality; and (B) pay the costs of issuing the Bonds, under and in full compliance with the Act, and pursuant to a resolution duly adopted by the Board of Mayor and Aldermen of the Municipality at a meeting held on __________, 20__ (the "Resolution").

This Bond is payable solely from and secured by a pledge of revenues of the System, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the Municipality's water system (the "System") and subject to prior lien of such revenues in favor of the Municipality's outstanding Sewer and Water Revenue and Tax Refunding Bonds, Series 2005, dated March 30, 2005, maturing April 1, 2016 through April 1, 2025, inclusive; its outstanding Sewer and Water Revenue and Tax Refunding Bonds, Series 2011, dated September 29, 2011, maturing May 25, 2026; two Revolving Fund Loan Agreements, each dated October 26, 2009, among the Municipality, the Tennessee Department of Conservation and the Tennessee Local Development Authority. As provided in the Resolution, the punctual payment of principal of and interest on the series of the Bonds of which this Bond is one, and any other bonds hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. Said revenues are required by law and by the proceedings pursuant to which this Bond is issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, and to pay principal of and interest on this Bond and the issue of which it is a part promptly as each becomes due and payable. The Municipality has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part as each becomes due. This Bond and the interest hereon are payable solely from the revenues so pledged to the payment hereof, and this Bond does not constitute a debt of the Municipality within the meaning of any statutory limitation. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

The Bonds of the issue of which this Bond is one shall be subject to redemption prior to maturity at the option of the Municipality on or after _________ 1, 20__, as a whole or in part at any time at the redemption price of par plus interest accrued to the redemption date. If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Mayor and Aldermen of the Municipality, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Subject to the credit hereinafter provided, the Municipality shall redeem Bonds maturing ____________________________________ on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Final Maturity	Redemption Date	Principal Amount of Bonds Redeemed

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any such defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Resolution, as hereafter defined. In the case of a Conditional Redemption, the failure of the Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

If this Bond is no longer registered in the name of Cede & Co. as nominee for DTC, this Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Municipality to call such Bond for redemption.

This Bond and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bond during the period the Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

This Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Municipality to call such Bond for redemption.

This Bond and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bond during the period the Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the Municipality has caused this Bond to be signed by its Mayor and attested by its City Administrator/Recorder, all as of the date hereinabove set forth.

By:______________________________________
Mayor of the Board of Mayor and Aldermen

(SEAL)

ATTESTED:

____
City Administrator/Recorder

Transferable and Payable at: ______________
______________, ____________

Date of Registration: ____________

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

____
Registration Agent

By:_________________________________
Authorized Officer

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto ______________________________, whose address is ______________________ (Please insert Federal Identification of Social Security Number of Assignee ___________) the within Bond of the City of Franklin, Tennessee and does hereby irrevocably constitute and appoint ______________________, attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated:______________

____
NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without enlargement or alteration, or any change whatsoever.

Signature guaranteed:

____
Notice: Signature(s) must be guaranteed by a member firm of a Medallion Program acceptable to the Registration Agent.

14540192.1

Tennessee Comptroller of the Treasury

Justin P. Wilson

Search

Search

HOME · OFFICE FUNCTIONS · BOARDS · INVESTOR INFO · PUBLICATIONS

PUBLIC NOTICES

CONTACT US

Click For Menu

You are here: Home » Tennessee Local Development Authority » Loan Programs

Useful Information

- Office of State and Local Finance Home
- Tennessee Local Development Authority Home
- Authority Members
- Loan Programs
- Upcoming Meetings
- Current Credit Ratings
- Report on Debt Obligation

Loan Programs

State Revolving Fund Loan Program

The TLDA works within two programs. The first, the State Revolving Fund Loan Program (SRF Loan Program), is operated in affiliation with the Tennessee Department of Environment and Conservation (TDEC). The SRF Loan Program administers Tennessee´s Clean Water State Revolving Fund (CWSRF) Loan Program. An amendment to the Federal Clean Water Act in 1987 created the CWSRF Program in order to provide low-interest loans to cities, counties, and utility districts for the planning, design, and construction of wastewater facilities. The U.S. Environmental Protection Agency awards annual capitalization grants to fund the program, and the State of

Contact Us

Quick Links

- Electronic Municipal Market Access (EMMA)

» Investor Updates

» Official Statement

Related Boards

» Tennessee State Funding Board

» Tennessee State School Bond Authority

Tennessee provides a twenty-percent funding match. The SRF Loan Program has awarded CWSRF loans totaling more than $1.25 billion since the creation of Tennessee´s CWSRF Program in 1987. Loan repayments are returned to the program and used to fund future CWSRF loans. The SRF Loan Program also administers Tennessee´s Drinking Water State Revolving Fund (DWSRF) Loan Program. An amendment to the Federal Safe Drinking Water Act in 1996 created the DWSRF Program in order to provide low-interest loans to cities, counties, and utility districts for the planning, design, and construction of drinking water facilities. The U.S. Environmental Protection Agency awards annual capitalization grants to fund the program, and the State of Tennessee provides a twenty-percent funding match. The SRF Loan Program has awarded DWSRF loans totaling close to $202 million since the creation of Tennessee´s DWSRF Program in 1996. Loan repayments are returned to the program and used to fund future DWSRF loans. Both programs combined award more than $80 million annually to Tennessee's local governments for water and wastewater infrastructure projects.

Click here for contact information for the SRF Loan Program.

State Infrastructure Fund Loan Program

In fiscal year 2010, The Tennessee Local Development Authority received funds in the amount of $2,190,000 for the State Infrastructure Fund Loan Program (SIF Loan Program). The funds were transferred from the Tennessee

Department of Transportation (TDOT) to the Authority after the creation of the Tennessee Transportation State Infrastructure Fund Act pursuant to Tennessee Code Annotated 4-31-1201. The State Infrastructure Program provides assistance to Local Government Units in the construction of transportation infrastructure projects that provide public benefits by enhancing mobility or safety, promoting economic development, or increasing the quality of life and general welfare of the public.

For more information of the SIF Loan Program please contact:

Paul D. Degges, P.E.
Deputy Commissioner and Chief Engineer
Tennessee Department of Transportation
Suite 700 James K. Polk Building
505 Deaderick Street
Nashville, Tennessee 37243-0349
615-741-0791 Phone
615-741-0865 Fax
Paul.Degges@tn.gov

Drinking Water State Revolving Fund Loan Program

Drinking Water State Revolving Fund (DWSRF) loans are available f[illegible]e Pla[illegible]onstruction Phases of drinking water facilities. The funds may be used for all th[illegible]phases or in [illegible]ation. Ap[illegible]cants f[illegible] DWSRF loan funding must submit a request for funding along with [illegible]roject descripti[illegible]co[illegible]timate an[illegible] justification. As required by SDWA, projects are prioritized by risk t[illegible]uman health and compliance [illegible]on a request for funding, projects are evaluated and assigned from 20 [illegible] 100 points depending on [illegible]e health [illegible] compliance problems addressed by the project. Projects demonstr[illegible]g the greatest [illegible]n health w[illegible] receive the highest priority followed by projects addressing compliance prob[illegible]s and then proje[illegible]ing other needs. Seven categories of projects have been established which should co[illegible]all types of dri[illegible]projects. These categories include water quality problems, source or capacity, water sto[illegible]e, leakage problem[illegible]pressure problems, replacement or rehabilitation projects, and water line extensions.

Projects that are not eligible for DWSRF loan funding include dams, reservoirs, purch[illegible]oratory fees for monitoring, operation and maintenance (O&M) expenses, and projects primarily intended for future growth, economic development, and fire protection. DWSRF loans cannot be used provide assistance to any system that is in significant noncompliance with any national drinking water regulation or variance unless the State conducts a review and determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance.

DWSRF loan applicants must pledge security for loan repayment, agree to adjust user rates as needed to cover debt service and fund depreciation, and maintain financial records that follow governmental accounting standards. DWSRF loan interest rates range from zero percent to market rate depending on the community´s per-capita income, taxable sales, and taxable property values. Most DWSRF loan recipients qualify for interest rates between 2 and 4 percent. Interest rates are fixed for the life/term of the loan. The maximum loan term is 20 years or the design life of the proposed drinking water facility, whichever is shorter.

The State Revolving Fund Loan Program (SRF Loan Program) maintains a Priority Ranking List for funding the planning, design, and construction of drinking water facilities. The Priority Ranking List forms the basis for funding eligibility and the subsequent allocation of DWSRF loans. DWSRF loans are awarded to those projects that have met the DWSRF technical, financial, and administrative requirements, possess the highest priority rank on the Priority Ranking List, and are ready to proceed.

Because DWSRF loans include federal funds, each project requires a fiscal review, the development of a Facilities Plan, an environmental review, opportunities for minority and women business participation, a capacity development review, and interim and final construction inspections to be conducted by the SRF Loan Program´s technical staff.

Bid Package Requirements

The technical staff of the State Revolving Fund Loan Program (SRF Loan Program) reviews the bid package to ensure that an engineer-stamped copy of the certified bid tabulation is provided, the successful contractor used the bid form from the state-approved Plans and Specifications, and the qualifications of the [illegible] resident inspector are acceptable. PRIOR TO AWARDING THE CONTRACT, the SRF Loan Recipient [illegible] prepare and submit a complete Bid Package to the SRF Loan Program for review and approval. Written approval of the Bid package must be obtained from the SRF Loan Program before the contract can be awarded and

A complete Bid Package consists of the following:

- A copy of the advertisements for bids appearing in the Dodge Report and a local or [illegible] newspaper and an original, notarized certification of publication (Publisher's Affidavit) signed by the editor of the newspaper;
- A certified bid tabulation stamped and signed by the consulting engineer reviewing the bids;
- Copies of the signed Bid Proposal of the apparent successful bidder;
- Bid Bond with Power of Attorney;
- Equal Employment Opportunity Commission Certification
- A completed Minority Business Enterprise and Women Business Enterprise (MBE/WBE) Certification and Participation Summary documenting MBE/WBE subcontractor participation and documentation of "good faith efforts" to solicit MBE/WBE participation, even if no MBE/WBE subcontractor participation was secured. Good faith efforts must be demonstrated by copies of the Certified Letters mailed to State-certified MBE/WBE firms to solicit their participation and copies of returned mail receipts documenting delivery of the Certified Letters.;
- A signed original Construction Contract Award Resolution made by the SRF loan recipient's governing body, or in the case of Utility Districts, a certified copy of the meeting minutes, on the U.D.'s letterhead, tentatively awarding the contract(s) to the lowest responsive, responsible bidder;
- Documentation of the justification for not awarding to the lowest bidder if the award is to be made to other than the low bidder. The justification must indicate why the low bidder is not responsive or responsible and include documentation of any negotiations leading to the determination;
- Resume of the resident inspector(s).
- Documentation of the extension of the bid proposal and bid bond expiration dates, if necessary.

If the lowest bid received exceeds the amount budgeted for construction in the SRF Loan Program-approved SRF Loan Budget, the loan recipient must choose only from the following options:

- Re-allocate SRF funds through a budget revision. A revised Budget/Rebudget Form must be submitted to the SRF Loan Program for review and approval if the rebudgeting option is chosen.
- Provide additional funds needed to pay the contract from local funds or funding source(s) other than the SRF loan.
- Apply for an SRF loan increase. Application for a loan increase will require reevaluation of the loan recipient's user rates to determine if the anticipated revenue will be sufficient to repay the requested loan increase and fund the additional depreciation.
- Reject all bids and re-bid the project.

Brief Summary of Financing Choices for Water Plant

State Revolving Fund:

Rate=1.62% for 20 years

Total Interest cost= $$2.01 million for 20 years; $1.51 million for 15 years

[Will have to pay additional $1.3 million in principal]

New Bond Issue, accept bids in open market:

Rate=3.25%

Total Interest Cost = $3.75 million for 20 years

Tennessee Municipal Bond Fund:

Rate = 3.11% fixed

Total Interest Cost = $2.66 million for 15 years

Direct Bank Loan:

Rate = 2.71% for 15 years; 2.58% for 10 year lock/15 year amortization

Total Interest Cost = $2.30 million, 15 years; $2.18 million, 10 year lock

Tennessee Municipal Bond Fund:

Rate = 1.55% variable rate (estimated average rate)

Total Interest Cost = $1.28 million for 15 years

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 Haugett

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

Table of Contents

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 P~~p~~rivate S~~s~~ystems. 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

<u>Purpose</u>

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.

<u>Utility Districts and Systems</u>

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 <u>Lien Position</u>.)

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 <u>Approval for the Issuance of Refunding Debt</u>.

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 unless such general obligation debt is also secured by a pledge of revenues derived from the water/wastewater system that is to be on parity with or senior to the SRF loan(s). In such case, see following section. ~~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 Borrowers do not need to seek approval from or provide notification to the TLDA ~~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).

Following the general rule of lien priority, a new SRF loan will be issued subordinate to existing debt. Likewise, any debt issued after the approval of a SRF loan would be subordinate to such SRF loan. However, a Borrower may request a modification of such standard lien position. For example, a Borrower may have outstanding debt in the capital market and wish to obtain a SRF loan(s). The TLDA would consider a request to issue a new SRF loan(s) on parity with such existing debt. In another instance, a Borrower may have already entered into a SRF loan agreement(s) and wish to issue additional debt in the capital market. If a Borrower requests a modification of the TLDA's lien position to new debt, the TLDA will only 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. ~~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

Purpose

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).

Terms and Conditions

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.

Exhibit A

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

Resolution 2015-85

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND PAYMENT OF UP TO $12,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER AND SEWER SYSTEM REVENUE BONDS OF THE CITY OF FRANKLIN, TENNESSEE AND MAKING PROVISION FOR THE OPERATION OF THE WATER AND SEWER SYSTEM OF THE MUNICIPALITY AND THE COLLECTION AND DISPOSITION OF ITS REVENUES.

BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, as follows:

1. Authority; Findings.

a. The City of Franklin, Tennessee (the "Municipality") is duly incorporated pursuant to Chapter 79 of the 1903 Private Acts of Tennessee, as amended.

b. The Municipality owns and operates a water and a sewer system (collectively, the "System").

c. Sections 7-34-101, *et seq.*,Tennessee Code Annotated, as amended (the "Act"), authorizes the Municipality to issue bonds and use the proceeds therefrom to finance extensions and improvements to the System and pay costs of issuance in connection with the issuance of such bonds.

d. The Board of Mayor and Aldermen of the Municipality hereby finds that it is advisable to issue bonds to finance extensions and improvements to the System and that such bonds be payable solely from the Net Revenues (as defined herein) of the System.

e. The Municipality has heretofore submitted a request (the "Parity Request") to the Tennessee Local Development Authority ("TLDA") to permit the not to exceed $12,000,000 water and sewer system revenue bonds authorized herein (the "Series 2016 Bonds") to be issued on a parity of lien with the Municipality's (i) two Revolving Fund Loan Agreements, each dated October 26, 2009, by and among the Municipality, Tennessee Department of Environment and Conservation ("TDEC") and TLDA, and (ii) two Revolving Fund Loan Agreements for the System's SCADA (supervisory control and data acquisition) system, each approved by the TLDA on June 16, 2016, to be by and among the Municipality, TDEC and TLDA (collectively, the "Prior SRF Loans"). If the TLDA does not grant the Parity Request, the Series 2016 Bonds will be issued on a lien subordinate to that of the Prior SRF Loans.

f. Attached hereto as Exhibit B are preliminary estimates of debt service and costs of issuance for the Series 2016 Bonds.

2. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by necessary implication requires otherwise:

a. "Acquired System" shall mean any water procurement, treatment, storage or distribution system and any sewage collection, transmission, treatment and disposal system acquired by the Municipality pursuant to the Act.

b. “Act” shall have the meaning ascribed in Section 1.

c. “Balloon Indebtedness” shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period. Any Balloon Indebtedness that is considered to be “balloon indebtedness” for purposes of Section 9-21-134 of the Tennessee Code Annotated must be approved by the Director of State and Local Finance of the Office of the Tennessee Comptroller of the Treasury prior to the adoption of a supplemental resolution authorizing such Balloon Indebtedness unless such Balloon Indebtedness qualifies for an exception pursuant to Section 9-21-134 of the Tennessee Code Annotated.

d. “Bond Fund” shall mean the Principal and Interest Sinking Fund established herein.

e. “Bonds” means the Series 2016 Bonds and any Parity Obligations.

f. “Book-Entry Form” or “Book-Entry System” means a form or system, as applicable, under which physical bond certificates in fully registered form are issued to a Depository, or to its nominee as registered owner, with the certificate of bonds being held by and “immobilized” in the custody of such Depository, and under which records maintained by persons, other than the Municipality or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial “book-entry” interests in those bonds.

g. “Capital Appreciation Bonds” shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

h. “Chief Financial Officer” means the Municipality’s Assistant City Administrator and Finance & Administration/CFO.

i. “City Administrator” means the Municipality’s City Administrator/Recorder.

j. “Code” means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

k. “Compound Accreted Value” shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

l. “Construction Fund” means the 2016 Construction Fund established herein.

m. “Credit Facility” means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

n. "Current Expenses" means expenses incurred by the Municipality in the operation, maintenance and repair of the System, determined in accordance with generally accepted accounting principles; provided however that in lieu of tax payments, depreciation, amortization and interest on any bonds, notes or other obligations of the Municipality shall be excluded from the definition of Current Expenses.

o. "Debt Service Requirement" means the total System principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Municipality or any paying agent for the Bonds or other obligations of the System), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the Municipality, either (A) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Municipal Advisor.

(b) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short Term Indebtedness, at the option of the Municipality, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Municipal Advisor to be the interest rate at which the Municipality could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph (b) shall not be applicable for purposes of determining the Municipality's Debt Service Requirement for purposes of Section 13(e) of this resolution (Rate Covenant) unless the Municipality has set aside sufficient funds for the retirement of, or the Municipality's Governing Body has adopted a resolution directing the refinancing of, at least 90% of the principal amount of such Balloon Indebtedness or Short Term Indebtedness coming due in the relevant Fiscal Year.

p. “Defeasance Obligations” shall mean any obligations which at the time of the purchase thereof are permitted investments under the Act or other applicable Tennessee law for the purpose of defeasing Bonds.

q. “Depository” means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC.

r. “DTC” means The Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns.

s. “Financial Guaranty Agreement” shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

t. “Fiscal Year” means the fiscal year adopted by the Municipality from time to time with respect to the System.

u. “Governing Body” means the Board of Mayor and Aldermen of the Municipality.

v. “Gross Earnings” means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System and all amounts realized from the investment of funds of the System (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the System); provided, however, at the election of the Governing Body, the term “Gross Earnings” as used herein shall not include any revenues, rentals, earnings or other income received by the Municipality from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Obligations.

w. “Loan Agreement” means any agreement or contract entered into by the Municipality concerning the System whereby a third party agrees to advance funds to the Municipality for the System and the Municipality agrees to repay those funds with interest, including, but not limited to, state revolving fund loan agreements.

x. “Maturity Amount” shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

y. “Maximum Annual Debt Service Requirement” means the maximum annual Debt Service Requirement for any Fiscal Year of the System.

z. “Mayor” means the duly elected and acting Mayor of the Municipality, or any other member of the Governing Body acting in the capacity of the Mayor when the elected and acting Mayor is unavailable or incapable of acting.

aa. “Municipal Advisor” means an investment banking or Municipal Advisory firm, commercial bank, or any other person who or which is retained by the Municipality for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the Municipality, has a favorable reputation for skill and experience in providing municipal advisory services of the type with respect to which the Municipal Advisor has been retained. With respect to the issuance of the Series 2016 Bonds, the Municipal Advisor for the Municipality shall mean PFM Financial Advisors LLC.

bb. "Municipality" shall have the meaning ascribed in Section 1.

cc. "Net Revenues" shall mean Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses.

dd. "Parity Obligations" means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Municipality for the System on a parity with the Series 2016 Bonds herein authorized in accordance with the restrictive provisions hereof, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

ee. "Prior Bond Resolutions" means the resolutions authorizing the Prior Lien Obligations.

ff. "Prior Lien Obligations" means the Municipality's outstanding Sewer and Water Revenue and Tax Refunding Bonds, Series 2005, dated March 30, 2005, maturing April 1, 2016 through April 1, 2025, inclusive; outstanding Sewer and Water Revenue and Tax Refunding Bonds, Series 2011, dated September 29, 2011, maturing May 25, 2026; two Revolving Fund Loan Agreements, each dated October 26, 2009, by and among the Municipality, TDEC and TLDA; and two Revolving Fund Loan Agreements for the System's SCADA system, each approved by the TLDA on June 16, 2016, to be by and among the Municipality, TDEC and TLDA. If the Parity Request is approved, the Prior SRF Loans will no longer be included within the definition of "Prior Lien Obligations" and will instead be included within the definition of "Parity Obligations."

gg. "Projects" means extensions and improvements to the System.

hh. "Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

ii. "Rating Agencies" or "Rating Agency" means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency.

jj. "Registration Agent" means the registration and paying agent determined by the Mayor to be registration and paying agent for the Bonds, or any successor designated by the Governing Body.

kk. "Reserve Fund" shall mean the Debt Service Reserve Fund established herein.

ll. “Reserve Fund Credit Facility” means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

mm. “Reserve Fund Credit Facility Issuer” means the issuer of a Reserve Fund Credit Facility rated, at the time at which such Reserve Fund Credit Facility is purchased, not less than the second-highest rating category (without regard to gradations within such category) by each Rating Agency that rates such Reserve Fund Credit Facility Issuer and which also rates any Bonds secured by such Reserve Fund Credit Facility.

nn. “Reserve Fund Requirement” means an amount determined from time to time by the Municipality as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant to the resolution authorizing such Bonds. With respect to the Series 2016 Bonds authorized herein, there shall be no Reserve Fund Requirement until such time as the Municipality shall have failed, for two consecutive Fiscal Years, to produce Net Revenues sufficient to satisfy the rate covenant test set forth in Section 13(e), but assuming solely for this purpose that the 125% coverage requirement of Section 13(e)(2)(a) is instead read as a 150% coverage requirement. At such time and from time to time thereafter, the Reserve Fund Requirement with respect to the Series 2016 Bonds shall be the least of (a) 10% of the original stated principal amount of the Series 2016 Bonds; (b) the remaining Maximum Annual Debt Service Requirement on the Series 2016 Bonds, on a Fiscal Year basis; or (c) 125% of the remaining average Debt Service Requirement on the Series 2016 Bonds, on a Fiscal Year basis; and shall be funded as set forth in Section 12(b)(4) hereof.

oo. “Revenue Fund” shall mean the Revenue Fund established herein.

pp. “Series 2016 Bonds” means not to exceed $12,000,000 in aggregate principal amount of water and sewer system revenue bonds, authorized to be issued by this Resolution.

qq. “Short Term Indebtedness” means bonds, notes, Loan Agreements or other debt obligations of the System maturing five years or less from their date of issuance, issued by the Municipality as Parity Obligations pursuant to the terms hereof.

rr. “State” means the State of Tennessee.

ss. “Subordinate Lien Bonds” means bonds, notes, Loan Agreement or other debt obligations issued pursuant to this Resolution but with a lien subordinate to the Bonds.

tt. “System” shall have the meaning ascribed in Section 1, and shall include all facilities hereafter acquired, constructed or otherwise established, together with and including all properties of every nature hereafter owned by the Municipality as part of its water and sewer system, including all improvements and extensions made by the Municipality to said system while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

uu. "Variable Rate Indebtedness" means any Parity Obligations, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by the resolution authorizing such Parity Obligations; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

3. Authorization and Terms of the Series 2016 Bonds.

a. General Terms. The Governing Body hereby authorizes the issuance of a series of water and sewer system revenue bonds of the Municipality in an aggregate principal amount up to $12,000,000.

1) The Bonds shall be issued to:

a) finance the costs of the Projects (including any reimbursement therefor); and

b) pay bond issuance costs.

2) The bonds shall be known as "Water and Sewer System Revenue Bonds, Series 2016" or such other name as may be selected by the Mayor.

3) The Series 2016 Bonds shall be dated the date of their delivery.

4) The Series 2016 Bonds shall bear interest payable semi-annually on each February 1 and August 1, commencing February 1, 2017, at a rate not to exceed the maximum interest rate permitted by applicable Tennessee law.

5) Principal on the Series 2016 Bonds shall be payable annually on the first day of February, commencing February 1, 2017 and ending no later than February 1, 2036. The Mayor shall determine the actual schedule of principal amortization and set it forth in the certificate awarding the sale of the Series 2016 Bonds.

b. Optional Redemption. The Series 2016 Bonds shall be subject to redemption on February 1, 2026, in whole or in part, at a redemption price of par plus accrued interest to the date of redemption. If less than all the Series 2016 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Governing Body in its discretion. If less than all of the Series 2016 Bonds within a single maturity shall be called for redemption, the Series 2016 Bonds within the maturity to be redeemed shall be selected as follows:

1) if the Series 2016 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2016 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

2) if the Series 2016 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2016 Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot

or such other random manner as the Registration Agent in its discretion shall determine.

c. Mandatory Redemption. The Mayor is authorized to sell the Series 2016 Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by the Mayor. In the event any or all of the Series 2016 Bonds are sold as term bonds, the Municipality shall redeem term bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the maturity amounts set forth herein for each redemption date, as such maturity amounts shall be set forth in the certificate awarding the Series 2016 Bonds, at a price of par plus accrued interest thereon to the date of redemption. The term bonds to be so redeemed shall be selected in the manner described in subsection (b) above. At its option, to be exercised on or before the 45th day next preceding any such mandatory redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Series 2016 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2016 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2016 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2016 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Municipality shall on or before the 45th day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

d. Redemption Notices. Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Municipality not less than 20 nor more than 60 days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2016 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Series 2016 Bond registration records of the Registration Agent as of the date of the notice. Failure to mail such notice or any defect in any such notice so mailed shall not affect the sufficiency of the proceedings for redemption of any of the Series 2016 Bonds for which proper notice was given, and failure of any owner to receive such notice if properly given in the manner described above shall not affect the validity of the proceedings of the redemption of the Series 2016 Bonds held by such owner. An optional redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series 2016 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2016 Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least 45 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series 2016 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

e. Registration of Bonds. The Series 2016 Bonds shall be issued in fully registered, book-entry form, without coupons. The Mayor is authorized to appoint the Registration Agent. The Municipality hereby authorizes and directs the Registration Agent so appointed to maintain Series 2016 Bond registration records with respect to the Series 2016 Bonds, to authenticate and deliver the Series 2016 Bonds as provided herein, either at original issuance or upon transfer, to effect transfers of the Series 2016 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series 2016 Bonds as provided herein, to cancel and destroy Series 2016 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish the Municipality at least annually a certificate of destruction with respect to Series 2016 Bonds canceled and destroyed, and to furnish the Municipality at least annually an audit confirmation of Series 2016 Bonds paid, Series 2016 Bonds outstanding and payments made with respect to interest on the Series 2016 Bonds. The Mayor is hereby authorized to execute and the City Administrator is hereby authorized to attest such written agreement between the Municipality and the Registration Agent as they shall deem necessary and proper with respect to the obligations, duties and rights of the Registration Agent. The payment of all reasonable fees and expenses of the Registration Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed.

f. Payment of Bonds. The Series 2016 Bonds shall be payable, both principal and interest, in lawful money of the United States of America at the main office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Series 2016 Bonds by check or draft on each interest payment date directly to the registered owners as shown on the Series 2016 Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by depositing said payment in the United States mail, postage prepaid, addressed to such owners at their addresses shown on said Series 2016 Bond registration records, without, except for final payment, the presentation or surrender of such registered Series 2016 Bonds, and all such payments shall discharge the obligations of the Municipality in respect of such Series 2016 Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Series 2016 Bonds shall be made upon presentation and surrender of such Series 2016 Bonds to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a 360-day year composed of twelve months of 30 days each. If requested by any registered owner of at least $1,000,000 in aggregate principal amount of the Series 2016 Bonds, payment of interest on such Series

2016 Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

g. Defaulted Interest. Any interest on any Series 2016 Bond that is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Municipality to the persons in whose names the Series 2016 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Municipality shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series 2016 Bond and the date of the proposed payment, and at the same time the Municipality shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than fifteen nor less than ten days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Municipality of such Special Record Date and, in the name and at the expense of the Municipality, not less than ten days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the Series 2016 Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Series 2016 Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Municipality to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Series 2016 Bonds when due.

h. Transfer and Exchange of Bonds. The Series 2016 Bonds shall be issued initially in $5,000 denominations or any integral multiple thereof as shall be requested by the Underwriter. The Series 2016 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his or her legal representative duly authorized in writing, of the registered Series 2016 Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series 2016 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series 2016 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series 2016 Bond or the Series 2016 Bond to the assignee(s) in $5,000 denominations, or any integral multiple in excess thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series 2016 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2016 Bond, nor to transfer or exchange any Series 2016 Bond after the publication of notice calling such Series 2016 Bond for redemption has been made, nor to transfer or exchange any Series 2016 Bond during the period following the receipt of instructions from the Municipality to call such Series 2016 Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series 2016 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series 2016 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series 2016 Bonds shall be overdue. The Series 2016 Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of the Series 2016 Bonds of the same maturity in any authorized denomination or denominations.

i. Execution of Bonds. The Series 2016 Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf of the Municipality, by the Mayor and attested by the City Administrator.

j. Book-Entry Registration. Except as otherwise provided in this Resolution, the Series 2016 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. References in this Section to a Series 2016 Bond or the Series 2016 Bonds shall be construed to mean the Series 2016 Bond or the Series 2016 Bonds that are held under the Book-Entry System. One Series 2016 Bond for each maturity shall be issued to DTC and immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series 2016 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series 2016 Bonds. Beneficial ownership interests in the Series 2016 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series 2016 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series 2016 Bonds. Transfers of ownership interests in the Series 2016 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2016 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE REGISTRATION AGENT TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series 2016 Bonds, so long as DTC is the only owner of the Series 2016 Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co., as provided in the Letter of Representation relating to the Municipality (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. The Municipality and the Registration

Agent shall not be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as securities depository for the Series 2016 Bonds or (2) the Municipality determines that the continuation of the Book-Entry System of evidence and transfer of ownership of the Series 2016 Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Series 2016 Bonds, the Municipality shall discontinue the Book-Entry System with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Series 2016 Bonds in the form of fully registered Series 2016 Bonds to each Beneficial Owner.

THE MUNICIPALITY AND THE REGISTRATION AGENT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE SERIES 2016 BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2016 BONDS; (IV) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OR ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS; (V) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2016 BONDS; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series 2016 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2016 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2016 Bonds and provision of notices with respect to Series 2016 Bonds registered by DTC (or any of its designees identified to the Registration Agent) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with DTC may adversely affect the interests of any of the owners of the Series 2016 Bonds; provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

k. <u>Authentication and Delivery</u>. The Registration Agent is hereby authorized to authenticate and deliver the Series 2016 Bonds to the Underwriter, upon receipt by the Municipality of the proceeds of the sale thereof and to authenticate and deliver Series 2016 Bonds in exchange for Series 2016 Bonds of the same principal amount delivered for transfer upon receipt of the Series 2016 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series 2016 Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an officer thereof on the certificate set forth herein on the Series 2016 Bond form.

l. Replacement Bonds. In case any Series 2016 Bond shall become mutilated, or be lost, stolen, or destroyed, the Municipality, in its discretion, shall issue, and the Registration Agent, upon written direction from the Municipality, shall authenticate and deliver, a new Series 2016 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series 2016 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series 2016 Bond, or if any such Series 2016 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series 2016 Bond, the Municipality may pay or authorize payment of such Series 2016 Bond without surrender thereof. In every case, the applicant shall furnish evidence satisfactory to the Municipality and the Registration Agent of the destruction, theft or loss of such Series 2016 Bond, and indemnity satisfactory to the Municipality and the Registration Agent; and the Municipality may charge the applicant for the issue of such new Series 2016 Bond an amount sufficient to reimburse the Municipality for the expense incurred by it in the issue thereof.

4. Form of Series 2016 Bonds. The Series 2016 Bonds shall be in substantially the form attached hereto as Exhibit A. The form of the Series 2016 Bond set forth in Exhibit A hereto shall be conformed to reflect any changes made pursuant to Section 6.

5. Source of and Security for Payment. The Series 2016 Bonds shall be payable solely from and secured by a pledge of the Net Revenues subject to a prior lien of such Net Revenues in favor of the Prior Lien Obligations. The punctual payment of principal of and premium, if any, and interest on the Series 2016 Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Series 2016 Bonds do not constitute a debt of the State of Tennessee, or any political subdivision thereof, or municipal corporation therein, other than the Municipality, and no holder of the Series 2016 Bonds shall have recourse to the taxing power of any such entities.

6. Sale of the Series 2016 Bonds; Changes Authorized.

a. The Series 2016 Bonds shall be offered by public competitive sale, in one or more series, by the Mayor, in consultation with the Chief Financial Officer, City Administrator, and Municipal Advisor, by physical delivery of bids or by electronic bidding by means of an Internet bidding service at a price of not less than ninety-nine percent (99%) of par, plus accrued interest.

b. The Mayor is authorized to award the Series 2016 Bonds to the bidder whose bid results in the lowest true interest cost to the Municipality, provided the rate does not exceed the rate permitted by applicable Tennessee law. The award of the Series 2016 Bonds by the Mayor to the lowest bidder shall be binding on the Municipality, and no further action of the Governing Body with respect thereto shall be required.

c. The Mayor and the City Administrator are authorized to cause the Series 2016 Bonds to be authenticated by the Registration Agent and delivered to the successful bidder, and to execute, publish, and deliver all certificates and documents as they shall deem necessary in connection with the sale and delivery of the Series 2016 Bonds, including certificates and agreements setting forth covenants of the Municipality as required by the issuer of any bond insurance policy.

d. The Mayor is authorized to cause all or a portion of the Series 2016 Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company if such insurance is requested and paid for by the winning bidder of the Series 2016 Bonds, or any series thereof.

e. In connection with the sale of the Series 2016 Bonds, the Mayor, in consultation with the Chief Financial Officer, City Administrator, and Municipal Advisor, is authorized to:

1) adjust the principal amount of the Series 2016 Bonds below $12,000,000;

2) change principal and/or interest payment dates;

3) establish the principal amortization schedule for the Series 2016 Bonds, provided that the final maturity date shall not be later than that set forth in Section 3(a);

4) remove or adjust the optional redemption terms for the Series 2016 Bonds; and

5) establish any mandatory redemption terms of the Series 2016 Bonds.

Any such changes shall be set forth in the form of bond attached hereto as Exhibit A.

f. The Mayor is authorized to enter into an engagement letter with the Municipal Advisor in connection with the issuance of the Series 2016 Bonds and with Bass, Berry & Sims PLC, as bond counsel and disclosure counsel to the Municipality in connection with the issuance of the Series 2016 Bonds, and all actions heretofore taken to engage the Municipal Advisor and Bass, Berry &Sims PLC are hereby ratified and approved. The engagement letters of PFM Financial Advisors LLC, as Municipal Advisor to the Series 2016 Bonds, and Bass, Berry & Sims PLC, as bond counsel and disclosure counsel to the Municipality for the Series 2016 Bonds, are attached hereto as Exhibit C and Exhibit D, respectively.

7. Application of Proceeds of Series 2016 Bonds. The proceeds from the sale of the Series 2016 Bonds shall be immediately deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar or successor federal agency in a special fund hereby created and known as the 2016 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the Municipality and the System. The funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and costs of issuance of the Bonds, including necessary legal, accounting, engineering, architectural and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent fees, bond insurance premiums (if any) and other necessary miscellaneous expenses incurred in connection with the Projects and the issuance and sale of the Bonds. Moneys in the Construction Fund shall be invested as directed by the Chief Financial Officer in such investments as shall be permitted by applicable law and the earnings thereon shall be retained in the Construction Fund and used for the same purposes as all other funds in the Construction Fund or paid to the Bond Fund to be used to pay interest on the Bonds, as the Chief Financial Officer in his discretion shall determine. Any monies remaining after completion of the Projects shall be transferred to the Bond Fund.

8. Official Statement for the Series 2016 Bonds. If requested by the successful bidder for the Series 2016 Bonds and if required by Rule 15c2-12 of the Securities and Exchange Commission, the Mayor, Chief Financial Officer, City Administrator, or any of them, are hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement

describing the Series 2016 Bonds and the System. The Mayor, Chief Financial Officer, City Administrator, or any of them, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The Mayor, Chief Financial Officer, City Administrator, or any of them, shall arrange for the delivery to the winning bidder of the Series 2016 Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series 2016 Bonds have been sold for delivery by the winning bidder to each potential investor requesting a copy of the Official Statement. The Mayor, Chief Financial Officer, City Administrator, or any of them, are authorized, on behalf of the Municipality, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by the Municipality except for the omission in the Preliminary Official Statement of such pricing and other information.

9. Continuing Disclosure for the Series 2016 Bonds. The Mayor is hereby authorized, if required by Rule 15c2-12 of the Securities and Exchange Commission, to enter into an agreement to provide annual financial information and notice of the occurrence or nonoccurrence of specified events to the holders of the Series 2016 Bonds. Failure of the Municipality to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Series 2016 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the Municipality to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specified performance.

10. Federal Tax Matters Related to the Series 2016 Bonds.

a. The Series 2016 Bonds will be issued as federally tax-exempt bonds. The Municipality hereby covenants that it will not use, or permit the use of, any proceeds of the Series 2016 Bonds in a manner that would cause the Series 2016 Bonds to be subjected to treatment under Section 148 of the Code, and applicable regulations thereunder, as an "arbitrage bond". To that end, the Municipality shall comply with applicable regulations adopted under said Section 148. The Municipality further covenants with the registered owners from time to time of the Series 2016 Bonds that it will, throughout the term of the Series 2016 Bonds and through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Code, comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Series 2016 Bonds shall be and continue to be excluded from gross income for federal income tax purposes under Section 103 of the Code.

b. It is reasonably expected that the Municipality will reimburse itself for certain expenditures made by it in connection with the Projects by issuing the Series 2016 Bonds. This resolution shall be placed in the minutes of the Governing Body and shall be made available for inspection by the general public at the office of the Governing Body. This resolution constitutes a declaration of official intent under Treas. Reg. § 1.150-2.

c. The Mayor, City Administrator and Chief Financial Officer are authorized and directed, on behalf of the Municipality, to execute and deliver all such certificates and documents that may be required of the Municipality in order to comply with the provisions of this Section related to the issuance of the Series 2016 Bonds.

11. Prohibition of Prior Lien; Parity Obligations; Subordinate Lien Bonds. The Municipality will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Prior Lien Obligations or the Series 2016 Bonds, including debt obligations issued on parity with the Prior Lien Obligations. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on parity with the Series 2016 Bonds under the following conditions but not otherwise:

a. Any refunding obligation issued to refund a series of Bonds if the refunding is expected to reduce the total debt service payments on the Bonds to be refunded.

b. Obligations (including refunding obligations which do not meet the requirements of (a)) if all of the following conditions are satisfied:

1) Receipt of a report from a Municipal Advisor or an engineer with expertise in systems such as the System, or provision of a certificate by the Chief Financial Officer stating that the historical net revenues of the System for either (i) a period of 12 consecutive months of the most recent 24 consecutive months prior to the issuance of the proposed Parity Obligations, or (ii) the most recent audited Fiscal Year, were equal to at least 130% of maximum annual debt service on the Series 2016 Bonds, all Parity Obligations, and Prior Lien Obligations which will be outstanding in the then current and each succeeding Fiscal Year. The report or certificate may contain pro forma adjustments to historical net revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Obligations and not fully reflected in the historical net revenues actually received during such historical period used.

2) All payments required to be made into funds established by resolutions authorizing Parity Obligations and Prior Lien Obligations are current.

3) The resolution authorizing the proposed Parity Obligations must require the proceeds of such proposed Parity Obligations to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Parity Obligations, to refund other obligations issued for such purposes (whether or not such refunding Parity Obligations satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of nationally recognized bond counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Obligations.

4) The Chief Financial Officer shall have certified, by written certificate dated as of the date of issuance of the Parity Obligations, that the Municipality is in compliance with all requirements of this Resolution.

All the provisions and covenants of this Resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of this Resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of this Section in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

Notwithstanding anything herein to the contrary, each series of Parity Obligations may be issued with or without a Reserve Fund Requirement, may require cash funding of the Reserve Fund, if any, and may provide for the funding of the Reserve Fund, if any, over such period of time as is acceptable to the purchaser of such Parity Obligations, all as specified in the resolution authorizing such Parity Obligations. Any such Parity Obligations shall be secured only by the Reserve Fund specified in the resolution authorizing such series of Parity Obligations and shall have no right to receive any payment from the Reserve Fund established for any other series of bonds, whether such additional bonds are issued as Parity Obligations or Subordinate Lien Bonds. Any series of Parity Obligations may be issued in Book-Entry From and may be registered in the name of DTC or such other Depository as may be determined by the Municipality, all to be specified in the resolution authorizing such Parity Obligations.

In addition to Parity Obligations issued in accordance with the foregoing, the Municipality may issue Subordinate Lien Bonds, subject to the terms of this Resolution or otherwise, provided that the security for such Subordinate Lien Bonds shall be subject in all respects to the lien in favor of the Bonds.

The punctual payment of principal of, premium, if any, and interest on the Series 2016 Bonds and any Parity Obligations shall be secured equally and ratably by the Net Revenues, without priority by reason of number or time of sale or execution or delivery.

12. Funds, Accounts and Subaccounts; Application of Revenues.

a. The following funds, accounts and subaccounts are hereby established, and the money deposited in such funds, accounts and subaccounts shall be held in trust for the purposes set forth in this Resolution:

1) Revenue Fund (the “Revenue Fund”) to be held by the Municipality;

2) Principal and Interest Sinking Fund (the “Bond Fund”) to be held by the Municipality, and within the Bond Fund:

a) Interest Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.

b) Principal Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.

3) Debt Service Reserve Fund (the “Reserve Fund”), with an account for each series of Bonds which has a Reserve Fund Requirement; provided an account therein may be utilized for more than one series of Bonds if all such series of Bonds are

specified in the resolution authorizing such Bonds to share a pledge of such account and have a combined Reserve Fund Requirement. Nothing herein shall prohibit the Municipality from issuing one or more series of Bonds without a Reserve Fund Requirement and no deposit to the Reserve Fund and no Reserve Fund Credit Facility shall be required in connection therewith.

b. From and after the delivery of any of the Series 2016 Bonds hereunder, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the Municipality to the Revenue Fund hereby established (the "Revenue Fund"), administered and controlled by the Municipality; provided that the Gross Earnings shall first be first applied as required by the Prior Bond Resolutions. The funds so deposited in the Revenue Fund created under this Resolution shall be used only as follows:

1) The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

2) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into the Sinking Fund to be further deposited in the Interest Account and the Principal Account as set forth herein and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the defeasance provisions of this Resolution, beginning in the month next following delivery of the Series 2016 Bonds. Each monthly deposit as to interest for such Bonds shall be an amount equal to not less than one-sixth ($1/6^{th}$) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts; provided that proportionately greater monthly amounts shall be deposited to account for any initial period of less than six months following the issuance of Bonds. Each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth ($1/12^{th}$) of the principal amount and/or Maturity Amount coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts; provided that proportionately greater monthly amounts shall be deposited to account for any initial period of less than 12 months following the issuance of Bonds. No further deposit shall be required as to any Bonds when the Sinking Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date and the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds.

3) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the

Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

4) To the extent any series of the Bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the Municipality, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, satisfy the contractual obligations set forth in the Prior Bond Resolutions, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Municipality for legally permissible System purposes.

At the option of the Municipality, the Municipality may satisfy the Reserve Fund Requirement applicable to a series of Bonds, or a portion thereof, by providing for the benefit of owners of such series of Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of Bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the Municipality for legally permissible purposes. At any time during the term hereof, the Municipality shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Obligations pursuant to the restrictive provisions of Section 11 hereof with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the Municipality shall satisfy the applicable Reserve Fund Requirement by depositing funds to the

Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the Municipality, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the Municipality, from Revenues after payment of Current Expenses, satisfaction of the contractual obligations set forth in the Prior Bond Resolutions and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of Section 16 hereof, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Municipality shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

The Municipality may issue Parity Obligations without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Obligations.

5) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any Subordinate Lien Bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by

the Municipality for any legally permissible System purpose, as the Governing Body shall determine.

c. Money on deposit in the Funds described in this Section may be invested by the Municipality in such investments as shall be permitted by applicable law, as determined by an authorized representative of the Municipality, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two years from the date the money is so invested. The Municipality is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

d. The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the Municipality and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

13. Covenants Regarding the Operation of the System. The Municipality hereby covenants and agrees with the owners of the Bonds so long as any of the Bonds shall remain outstanding:

a. The Municipality shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto.

b. The Municipality shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the Municipality shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

c. The Municipality will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the System as certified by such accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

1) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

2) A statement showing beginning and ending balances of each Fund described herein;

3) A balance sheet as of the end of the Fiscal Year;

4) The accountant's comments regarding the manner in which the Municipality has carried out the requirements of this Resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

5) A list of insurance policies related to the System in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;

6) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

7) The disposition of any Bond proceeds during the Fiscal Year;

8) A statement as to all breaches or defaults hereunder by the Municipality of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The Municipality further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one year after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Municipality relating thereto. If the Municipality fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the Municipality.

d. The Municipality will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System, and will apply the revenues of the System to the purposes and Funds specified in this Resolution.

e. The Municipality shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue-producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

1) for 100% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the Municipality; and

2) such that Net Revenues in each Fiscal Year:

a) will equal at least 125% of the Debt Service Requirement on all Bonds and Prior Lien Obligations, and 100% of the debt service requirement on any Subordinate Lien Bonds or other obligations then outstanding for such Fiscal Year; provided that the Municipality may calculate the debt service requirement on Subordinate Lien Bonds in the manner prescribed for the Bonds in the definition of "Debt Service Requirement";

b) will enable the Municipality to make all required payments, if any, into the Reserve Fund and on any Credit Facility Agreement;

c) will enable the Municipality to accumulate an amount, which, in the judgment of the Municipality, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;

d) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this Resolution from prior Fiscal Years; and

e) will permit the Municipality to comply with the terms of any agreement that the Municipality has entered into to purchase water.

f. The Municipality will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:

1) The Municipality is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

2) Any sale proceeds will be applied either (A) to redemption of Bonds or Prior Lien Obligations in accordance with the provisions governing the repayment thereof in advance of maturity, or (B) to the purchase of Bonds or Prior Lien Obligations at the market price thereof so long as such price does not exceed the amount at which they could be redeemed on such date or the next optional redemption date as set forth herein or in their authorizing resolutions, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

3) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

4) The Municipality shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds

then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease-purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Municipality is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

g. Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Current Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in subsection (e) above, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. The Municipality covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the Municipality will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

h. The Municipality will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the Municipality by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Municipality is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

14. <u>Resolution a Contract</u>. The provisions of this Resolution shall constitute a contract between the Municipality and the registered owners of the Bonds, and after the issuance of the Series 2016 Bonds, no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as expressly provided herein, until such time as the Bonds shall have been paid in full or discharged pursuant to the defeasance sections hereof.

15. <u>Remedies of Bond Owners</u>. Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the Municipality by the provisions of this Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms hereof. If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Municipality with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Current Expenses, and to apply the income and revenues thereof in conformity with the provisions of this Resolution.

16. <u>Discharge and Satisfaction of Bonds</u>. If the Municipality shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

a. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

b. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

c. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Municipality to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations or moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Municipality, as received by the Registration Agent.

Notwithstanding the foregoing, the Municipality may restrict its right to discharge and satisfy prior to maturity any series of Parity Obligations as may be set forth in the resolution authorizing such series of Parity Obligations.

17. <u>Modification of Resolution</u>.

a. This Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of (1) curing any ambiguity or formal defect or omission herein or (2) making any other amendment which, in the opinion of nationally-recognized bond counsel, does not adversely affect the holders of any Bonds then outstanding.

b. In addition to the amendments to this Resolution without the consent of registered owners as referred to in subsection (a) above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in this Resolution; provided, however, that this Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

1) Make any change in the maturities or redemption dates of the Bonds;

2) Make any change in the rates of interest borne by the Bonds;

3) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;

4) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;

5) Affect the rights of the registered owners of less than all of the Bonds then outstanding;

6) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

c. Whenever the Municipality shall propose to amend or modify this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the Municipality for public inspection.

d. Whenever at any time within one year from the date of mailing of said notice there shall be filed with the City Administrator an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Municipality may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

e. If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Municipality from taking any action pursuant to the provisions thereof.

f. Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

g. The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him or her the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

h. The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

18. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed and this Resolution shall be in immediate effect from and after its adoption.

19. Separability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

[signature page follows]

Adopted and approved on October 25, 2016.

____

Mayor

ATTEST:

____

City Administrator/Recorder

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Eric S. Stuckey, hereby certify that I am the duly qualified and acting City Administrator/Recorder of the Board of Mayor and Aldermen of the City of Franklin, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a meeting of the Board of Mayor and Aldermen of the Municipality held on October 25, 2016; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to not to exceed $12,000,000 in aggregate principal amount of Water and Sewer Revenue Bonds, Series 2016 of said Municipality.

WITNESS my official signature and seal of said Municipality this 25th day of October, 2016.

____
City Administrator/Recorder

(SEAL)

<u>EXHIBIT A</u>

(Form of Series 2016 Bond)

REGISTERED
Number ___

REGISTERED
$___________

UNITED STATES OF AMERICA
STATE OF TENNESSEE
CITY OF FRANKLIN
WATER AND SEWER REVENUE BONDS, SERIES 2016

Interest Rate:	Maturity Date:	Date of Bond:	CUSIP No.:
_______%	___________, ____	___________, ____	___________

Registered Owner: _________________________________

Principal Amount: _________________________________ DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the City of Franklin, Tennessee (the "Municipality"), a municipal corporation lawfully organized and existing in Williamson County, Tennessee, for value received hereby promises to pay to the registered owner hereof, hereinabove named, or registered assigns, in the manner hereinafter provided, the principal amount hereinabove set forth on the maturity date hereinabove set forth, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on said principal amount at the annual rate of interest hereinabove set forth from the date hereof until said maturity date, said interest being payable on _______________, and semi-annually thereafter on the first day of ___________ and ___________ in each year until this Bond matures or is redeemed. Both principal hereof and interest hereon are payable in lawful money of the United States of America at the principal corporate trust office of _________________, _________________, _______________, as registration agent and paying agent (the "Registration Agent"). The Registration Agent shall make all interest payments with respect to this Bond on each interest payment date to the registered owner hereof shown on the bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at such owner's address shown on said bond registration records, without, except for final payment, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the Municipality to the extent of the payments so made. Any such interest not so punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such defaulted interest shall be payable to the persons in whose name this Bond is registered at the close of business on the date (the "Special Record Date") for payment of such defaulted interest to be fixed by the Registration Agent, notice of which shall be given to the owners of the Bonds of the issue of which this Bond is one not less than ten days prior to such Special Record Date. Payment of principal of and premium, if any, on this Bond shall be made when due upon presentation and surrender of this Bond to the Registration Agent.

Except as otherwise provided herein or in the Resolution, as hereinafter defined, this Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Registration Agent is a custodian and agent for DTC and the Bonds will be immobilized in its custody. A book-entry system shall be employed, evidencing ownership of the Bonds in $5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution (as hereafter defined), pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Municipality and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal and maturity amounts of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the Municipality nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) the Municipality determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the Municipality may discontinue the book- entry system with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the Municipality nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

This Bond is one of a total authorized issue aggregating $___________ and issued by the Municipality for the purpose of providing funds to: (A) finance extensions and improvements to the water and sewer system (the “System”) of the Municipality; and (B) pay the costs of issuing the Bonds, under and in full compliance with the Act, and pursuant to a resolution duly adopted by the Board of Mayor and Aldermen of the Municipality at a meeting held on October 25, 2016 (the “Resolution”).

This Bond is payable solely from and secured by a pledge of revenues of the System, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and subject to prior lien of such revenues in favor of the Municipality’s outstanding Sewer and Water Revenue and Tax Refunding Bonds, Series 2005, dated March 30, 2005, maturing April 1, 2016 through April 1, 2025, inclusive; its outstanding Sewer and Water Revenue and Tax Refunding Bonds, Series 2011, dated September 29, 2011, maturing May 25, 2026; [two Revolving Fund Loan Agreements, each dated October 26, 2009, by and among the Municipality, the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority; and two Revolving Fund Loan Agreements for the System’s SCADA system, each approved by the Tennessee Local Development Authority on June 16, 2016, to be by and among the Municipality, Tennessee Department of Environment and Conservation and Tennessee Local Development Authority]. As provided in the Resolution, the punctual payment of principal of and interest on the series of the Bonds of which this Bond is one, and any other bonds hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. Said revenues are required by law and by the proceedings pursuant to which this Bond is issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, and to pay principal of and interest on this Bond and the issue of which it is a part promptly as each becomes due and payable. The Municipality has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part as each becomes due. This Bond and the interest hereon are payable solely from the revenues so pledged to the payment hereof, and this Bond does not constitute a debt of the Municipality within the meaning of any statutory limitation. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

The Bonds of the issue of which this Bond is one shall be subject to redemption prior to maturity at the option of the Municipality on or after [February 1, 2026], as a whole or in part at any time at the redemption price of par plus interest accrued to the redemption date. If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Mayor and Aldermen of the Municipality, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Subject to the credit hereinafter provided, the Municipality shall redeem Bonds maturing ______________________________________ on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Final Maturity	Redemption Date	Principal Amount of Bonds Redeemed

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any such defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Resolution, as hereafter defined. In the case of a Conditional Redemption, the failure of the Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

If this Bond is no longer registered in the name of Cede & Co. as nominee for DTC, this Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Municipality to call such Bond for redemption.

This Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Municipality to call such Bond for redemption.

This Bond and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bond during the period the Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the Municipality has caused this Bond to be signed by its Mayor and attested by its City Administrator/Recorder, all as of the date hereinabove set forth.

By:____
Mayor of the Board of Mayor and Aldermen

(SEAL)

ATTESTED:

____
City Administrator/Recorder

Transferable and Payable at: ______________
______________, _____________

Date of Registration: ______________

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

____
Registration Agent

By:______________________________________
Authorized Officer

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto __________________________________, whose address is ________________________ (Please insert Federal Identification of Social Security Number of Assignee _____________) the within Bond of the City of Franklin, Tennessee and does hereby irrevocably constitute and appoint _________________________, attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated:_______________

____
NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without enlargement or alteration, or any change whatsoever.

Signature guaranteed:

____
Notice: Signature(s) must be guaranteed by a member firm of a Medallion Program acceptable to the Registration Agent.

EXHIBIT B

Preliminary Estimates of Debt Service and Costs of Issuance

Period Ending	Principal	Coupon	Interest	Debt Service
02/01/2017	70,000	0.980%	27,312.88	97,312.88
02/01/2018	550,000	1.020%	213,067.00	763,067.00
02/01/2019	555,000	1.080%	207,457.00	762,457.00
02/01/2020	560,000	1.140%	201,463.00	761,463.00
02/01/2021	565,000	1.220%	195,079.00	760,079.00
02/01/2022	570,000	1.300%	188,186.00	758,186.00
02/01/2023	580,000	1.390%	180,776.00	760,776.00
02/01/2024	590,000	1.500%	172,714.00	762,714.00
02/01/2025	595,000	1.610%	163,864.00	758,864.00
02/01/2026	605,000	1.710%	154,284.50	759,284.50
02/01/2027	615,000	1.800%	143,939.00	758,939.00
02/01/2028	630,000	1.900%	132,869.00	762,869.00
02/01/2029	640,000	1.990%	120,899.00	760,899.00
02/01/2030	655,000	2.050%	108,163.00	763,163.00
02/01/2031	665,000	2.110%	94,735.50	759,735.50
02/01/2032	680,000	2.170%	80,704.00	760,704.00
02/01/2033	695,000	2.220%	65,948.00	760,948.00
02/01/2034	710,000	2.270%	50,519.00	760,519.00
02/01/2035	725,000	2.320%	34,402.00	759,402.00
02/01/2036	745,000	2.360%	17,582.00	762,582.00
	12,000,000		2,553,963.88	14,553,963.88

Cost of Issuance	$/1000	Amount
PFM	2.91667	35,000.00
Bond Counsel	2.91667	35,000.00
Disclosure Counsel	1.66667	20,000.00
Moody's	1.83333	22,000.00
S&P	1.70833	20,500.00
Paying Agent	0.20833	2,500.00
Printing/Shipping	0.08333	1,000.00
Ipreo	0.10417	1,250.00
Misc	0.41667	5,000.00
	11.85417	142,250.00

EXHIBIT C

Engagement Letter of PFM Financial Advisors LLC

(attached)

EXHIBIT D

Engagement Letter of Bass, Berry & Sims PLC

(attached)

[Letterhead of Bass, Berry & Sims PLC]

__________, 2016

City of Franklin, Tennessee
Franklin, Tennessee
Attention: Honorable Ken Moore

Re: Issuance of Not to Exceed $12,000,000 in Aggregate Principal Amount of Water and Sewer Revenue Bonds

Dear Mayor:

The purpose of this engagement letter is to set forth certain matters concerning the services we will perform as bond counsel and disclosure counsel to the City of Franklin, Tennessee (the "Issuer"), in connection with the issuance of the above-referenced bonds (the "Bonds"). We understand that the Bonds are being issued for the purposes of providing funds necessary to fund certain public improvement projects of the Issuer and to pay the costs incident to the sale and issuance of the Bonds. It is anticipated that the Bonds will be sold at competitive sale.

SCOPE OF ENGAGEMENT

In this engagement, we expect to perform the following duties as bond counsel:

(1) Subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Bond Opinion") regarding the validity and binding effect of the Bonds, the source of payment and security for the Bonds, and the excludability of interest on the Bonds from gross income for federal income tax purposes.

(2) Prepare and review documents necessary or appropriate for the authorization, issuance and delivery of the Bonds, coordinate the authorization and execution of such documents, and review enabling legislation.

(3) Assist the Issuer in seeking from other governmental authorities such approvals, permissions and exemptions as we determine are necessary or appropriate in connection with the authorization, issuance, and delivery of the Bonds, except that we will not be responsible for any required blue-sky filings.

(4) Review legal issues relating to the structure of the Bonds; and

(5) Prepare those sections of the official statement to be disseminated in connection with the sale of the Bonds involving the description of (i) federal law pertinent to the validity of the Bonds and the tax law treatment thereon, (ii) the terms of the Bonds and (iii) our Bond Opinion.

Our Bond Opinion will be addressed to the Issuer and the purchaser of the Bonds and will be delivered by us on the date the Bonds are exchanged for its purchase price (the "Closing").

In this engagement, we further expect to perform the following duties as disclosure counsel:

(1) Assist in the preparation and review of an official statement or other disclosure document with respect to the Bonds.

(2) Subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Disclosure Opinion" and, together with our Bond Opinion, the "Opinions") that no facts have come to our attention which have caused us to believe that the information in the official statement or other disclosure document (excluding any financial, statistical, demographic and numerical information, any forecasts, estimates, assumptions or expressions of opinion and any information regarding The Depository Trust Company or its book-entry only system of registration), as of its date and as of the date of the Disclosure Opinion, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Our Disclosure Opinion will be addressed to the Issuer and will be delivered by us on the date of Closing.

The Opinions will be based on facts and law existing as of their date. In rendering our Opinions, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume continuing compliance by the Issuer with applicable laws relating to the Bonds. During the course of this engagement, we will rely on you to provide us with complete and timely information on all developments pertaining to any aspect of the Bonds and their security. We understand that you will direct members of your staff and other employees of the Issuer to cooperate with us in this regard.

Our duties in this engagement are limited to those expressly set forth above. Among other things, our duties do not include:

a. Performing an independent investigation to determine the accuracy, completeness or sufficiency of the official statement or other disclosure document.

b. Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.

c. Preparing blue sky or investment surveys with respect to the Bonds.

d. Drafting state constitutional or legislative amendments.

e. Pursuing test cases or other litigation, (such as contested validation proceedings) except as set forth above.

f. Making an investigation or expressing any view as to the creditworthiness of the Issuer or the Bonds.

g. Except for defending our Bond Opinion, representing the Issuer in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.

h. After Closing, providing continuing advice to the Issuer or any other party concerning any actions necessary to assure that interest paid on the Bonds will continue to be excludable from gross income for federal income tax purposes (*e.g.*, our engagement does not include rebate calculations for the Bonds).

i. Opining on a continuing disclosure undertaking pertaining to the Bonds or, after Closing, providing advice concerning any actions necessary to assure compliance with any continuing disclosure undertaking.

j. Addressing any other matter not specifically set forth above that is not required to render our Opinions.

ATTORNEY-CLIENT RELATIONSHIP

Upon execution of this engagement letter, the Issuer will be our client and an attorney-client relationship will exist between us. We assume that all other parties will retain such counsel as they deem necessary and appropriate to represent their interests in this transaction. We further assume that all other parties understand that in this transaction we represent only the Issuer, we are not counsel to any other party, and we are not acting as an intermediary among the parties. Our services as bond counsel are limited to those contracted for in this letter; the Issuer's execution of this engagement letter will constitute an acknowledgment of those limitations. In our representation of the Issuer, we will not act as a “municipal advisor,” as such term is defined in the Securities Exchange Act of 1934, as amended.

Our representation of the Issuer and the attorney-client relationship created by this engagement letter will be concluded upon issuance of the Bonds. Nevertheless, subsequent to Closing, we will mail the appropriate Internal Revenue Service Form 8038-G, and prepare and distribute to the participants in the transaction a transcript of the proceedings pertaining to the Bonds.

As you are aware, our firm represents many political subdivisions, companies and individuals. It is possible that during the time that we are representing the Issuer, one or more of our present or future clients will have transactions with the Issuer. We currently represent a client who is adverse to the City and we have previously obtained a waiver from the City for such representation. It is also possible that we may be asked to represent, in an unrelated matter, one or more of the entities involved in the issuance of the Bonds. We do not believe such representation, if it occurs, will adversely affect our ability to represent you as provided in this letter, either because such matters will be sufficiently different from the issuance of the Bonds as to make such representations not adverse to our representation of you, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of the issuance of the Bonds.

FEES

Based upon: (i) our current understanding of the terms, structure, size and schedule of the financing represented by the Bonds; (ii) the duties we will undertake pursuant to this engagement letter; (iii) the time we anticipate devoting to the financing; and (iv) the responsibilities we will assume in connection therewith, our fee will be $55,000.00.

If, for any reason, the financing represented by the Bonds as described in the paragraph above is completed without the delivery of our Opinions or our services are otherwise terminated, we will expect to be compensated at our normal rates for the time actually spent on your behalf plus client charges as described above unless we have failed to meet our responsibilities under this engagement, but in no event will the amount we are paid exceed the amounts provided above.

RECORDS

At your request, papers and property furnished by you will be returned promptly upon receipt of payment for outstanding fees and client charges. All goods, documents, records, and other work product and property produced during the performance of this contract are deemed to be Issuer's property. Our own files, including lawyer work product, pertaining to the transaction will be retained by us for a period of three (3) years and be subject to inspection by Issuer upon reasonable notice.

OTHER MATTERS

We have not retained any persons to solicit or secure this engagement from the Issuer upon an agreement or understanding for a contingent commission, percentage, or brokerage fee. We have not offered any employee of the Issuer a gratuity or an offer of employment in connection with this engagement and no employee has requested or agreed to accept a gratuity or offer of employment in connection with this engagement.

Any modification or amendment to this engagement letter must be in writing, executed by us and contain the signature of the Issuer. The validity, construction and effect of this engagement letter and any and all extensions and/or modifications thereof shall be governed by the laws of the State of Tennessee.

CONCLUSION

If the foregoing terms are acceptable to you, please so indicate by returning the enclosed copy of this engagement letter dated and signed by an authorized officer, retaining the original for your files. We look forward to working with you.

CITY OF FRANKLIN, TENNESSEE:	BASS, BERRY & SIMS PLC:
By: ______________________________	By: __________________________
Ken Moore, Mayor	Karen S. Neal, Member

City of Franklin Tennessee
General Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Local Sales Tax	$26,391,758	$27,254,742	96.8%	$28,758,770	91.8%
State Shared Taxes	12,221,997	10,356,309	118.0%	10,342,088	118.2%
Property Taxes	5,575,656	6,295,722	88.6%	5,439,034	102.5%
Alcohol Taxes	3,502,090	3,373,144	103.8%	3,615,310	96.9%
Grants	371,368	520,921	71.3%	1,288,539	28.8%
Franchise Fees	2,462,903	2,449,724	100.5%	2,449,980	100.5%
Building Permits & Fees	2,208,558	2,088,775	105.7%	2,091,490	105.6%
Court Fines & Fees	588,194	657,229	89.5%	747,720	78.7%
In Lieu of Tax (Local)	326,887	325,018	100.6%	306,131	106.8%
Interest Income	153,319	189,014	81.1%	179,820	85.3%
In Lieu of Parkland Fees	0	2,280,119	0.0%	0	0.0%
Other Revenues	547,026	1,127,787	48.5%	915,821	59.7%
Total Revenues	**54,349,757**	**56,918,504**	**95.5%**	**56,134,703**	**96.8%**
Expenditures:					
Salaries & Wages	28,555,883	26,683,462	107.0%	29,386,991	97.2%
Employee Benefits	8,537,990	10,273,877	83.1%	10,681,649	79.9%
Utilities	2,192,512	2,136,829	102.6%	2,099,679	104.4%
Contractual Services	2,320,367	1,856,849	125.0%	2,813,525	82.5%
Repair & Maintenance Services	2,120,466	1,896,479	111.8%	1,683,869	125.9%
Debt Service & Lease Payments	1,724,810	1,097,079	157.2%	2,106,425	81.9%
Reimbursement from Other Funds	(2,575,478)	(2,355,000)	109.4%	(2,575,478)	100.0%
Transfers To Other Funds	3,463,229	2,852,228	121.4%	3,644,327	95.0%
Capital (>$25,000)	590,809	1,447,889	40.8%	1,917,500	30.8%
Other Expenditures	6,890,631	7,204,480	95.6%	7,351,335	93.7%
Total Expenditures	**53,821,220**	**53,094,171**	**101.4%**	**59,109,822**	**91.1%**
Total Unallocated Funds	**528,537**	**3,824,333**	**13.8%**	**(2,975,119)**	**(17.8%)**

Outstanding Items

June Local Sales Tax (received in Aug)	(In FY 2014, June was $2,364,520)
June State Shared Taxes (received in Aug)	(In FY 2014, June was $612,850)
June Medical Claims (deducted in Aug)	(In FY 2014, June was $508,529)
June Dental Claims (deducted in Aug)	(In FY 2014, June was $34,983)
Misc Items, such as outstanding invoices	(Estimate less than $1,000,000)

HISTORIC FRANKLIN TENNESSEE

MEMORANDUM

August 6, 2015

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, Business Process Improvement Manager

RE: Budget Amendment for Fiscal Year 2016

Purpose

The purpose of this item is to amend the Fiscal Year 2016 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, 2015.

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. If not in compliance with this requirement, approval of future bond issues by the State may be affected. In order to stay ahead of this responsibility, staff is proposing three budget amendments for capital items.

The amendments are as follows:

1. Authorization to add $13,856 to budgeted expenditures in the Sanitation and Environmental Service Fund – Collection Division for the added lease cost of an Automated Front-End Load Truck w/ Curotto Can. Originally, the SES Department had request the purchase of one new Automated Front-End Load Truck w/ Curotto Can through the Facilities Tax and the replacement of an existing side loader truck. Having now tested the Automated Front-End Load Truck w/ Curotto Can and seen what it can do, for $13,856 more in FY 2016 the department can purchase a second Automated Front-End Load Truck w/ Curotto Can and have essentially two trucks in one.
2. Authorization to add $197,271 to budgeted expenditures in the Facilities Tax Fund – Solid Waste Collection Division for the added purchase cost of an Automated Front-End Load Truck w/ Curotto Can. The budget was built with the assumption the item was to be leased, but instead it will be purchased outright with Facilities Tax Funds.
3. Authorization to add $142,191 to budgeted expenditures in the Facilities Tax Fund – Fire Department for the following items:
   a. $72,075 for the cost to purchase rather than lease SCBA Equipment for Stations 7&8
   b. $29,516 for the cost of 1 LifePak Defibulator for Station 8 (this purchase was already approved by the BOMA, and was budgeted in FY 2015, but could not be completed until FY 2016).

c. $30,960 for the cost of 1 LifePak Defibulator for Station 7. The quote is attached.
d. $9,640 for the cost of 1 Washer/Extractor for Station 8 (this purchase was budgeted in FY 2015, but could not be completed until FY 2016).

This will be the first of several budget amendments during the Fiscal Year to the budget. In September staff plans to bring to you a series of corrections and amendments which are more traditionally found in the 1st Quarter, including the distribution of wage adjustments from General Expenses to Departments, pension adjustments and miscellaneous expense adjustments.

Financial Impact

The amendments, as proposed, would result in:

1. Reduction of Sanitation and Environmental Service Fund balance by $13,856.

2. Reduction of Facilities Tax Fund balance by $339,462.

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. 2015 – 41

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, 2015 has been completed in accordance with state law and local ordinances,

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 2015-2016 shall be amended and does allocate and appropriate additional funding as follows:

SANITATION FUND

EXPENDITURES		
Collection Expenses	[Amendment 1]	$ 13,856

Net Increase (Decrease) to Total Sanitation Fund Balance		**($13,856)**

FACILTIES TAX FUND

EXPENDITURES		
Collection	[Amendment 2]	$ 197,271
Fire	[Amendment 3]	$ 142,191

Net Increase (Decrease) to Total Facilities Tax Fund Balance		**($339,462)**

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 or before June 30, 2016, from and after the passage on Second and Final Reading; the health, safety and welfare of the citizens of the City of Franklin requiring it.

ATTEST: **CITY OF FRANKLIN, TENNESSEE**

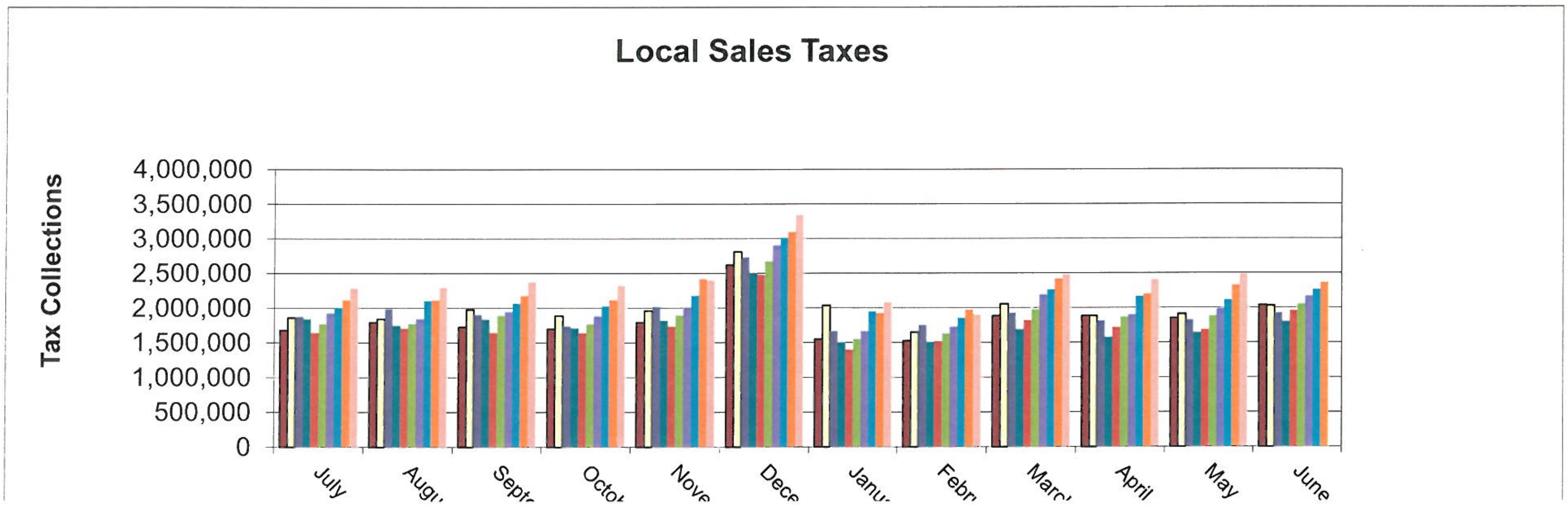
By: ______________________________
ERIC S. STUCKEY
City Administrator

By: ___________________________
DR. KEN MOORE
Mayor

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

Local Sales Tax Revenue Comparison

Month	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	% 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	8.3%	175,083
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	8.5%	180,245
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	9.0%	196,399
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	9.9%	209,047
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	-0.8%	-19,637
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	8.0%	248,246
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	7.9%	152,385
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	-3.7%	-72,913
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	2.4%	58,000
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	9.5%	208,932
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	7.1%	165,749
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	0		
Total	**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**	**26,391,758**	**24,890,222**	**1,501,536**
Budgeted												
	Up	Up	Down	*Down*	*Down*	*year to date*	*year to date*	*year to date*	*year to date*	*year to date*	*last yr YTD*	*YTD difference*
	11.2%	8.5%	-3.1%	-8.6%	-0.9%	8.4%	6.2%	7.7%	4.8%	6.0%	24,890,222	



HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

MEMORANDUM

July 15, 2015

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 $2,489,723 compared to $2,323,975 for the same month in 2014, an increase of $165,749, or 7.1%. [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 7.6% from the prior year.

Year-to-date, the City has received $26.39 million compared to $24.89 million in the previous year, a difference of $1,501,536 or 6.0%. The State of Tennessee sales tax collections, year-to-date, are $7.02 billion compared to $6.61 billion in the prior year, a difference of $403.9 million or 6.1%.

For budget comparisons, the City anticipated collections of $26.30 million through eleven months of the fiscal year. Through the month of May, the City is $90,339, or 0.3%, above budgeted collections. As a further comparison, the May collection of $1.90 million compares to $1.82 million in 2008, $1.64 million in 2009, $1.68 million in 2010, $1.84 million in 2011, $1.98 million in 2012 and $2.10 million in 2013.

The local sales tax collections have increased year-over-year in 61 of the last 64 months reported.

N0005001 7015027150707

TENNESSEE DEPARTMENT OF REVENUE

COUNTY EXECUTIVE/MAYOR
WILLIAMSON COUNTY
1320 W MAIN ST STE 125
FRANKLIN TN 37064-3700

July 10, 2015

Month of:	JUNE
Tot. Collections:	$8,652,416.36
Cost of Admin:	$97,339.69
Net Collections:	$8,555,076.67

The Department of Revenue has collected and allocated the above total during the month indicated from Local Option Sales Tax as follows:

COUNTY/CITY NAME	TOTAL COLLECTIONS	LESS ADMIN. COSTS	NET COLLECTIONS
WILLIAMSON COUNTY	$301,661.13	$3,393.69	$298,267.44
FRANKLIN	$5,086,973.23	$57,228.45	$5,029,744.78
FAIRVIEW	$212,313.27	$2,388.52	$209,924.75
BRENTWOOD	$2,495,718.74	$28,076.84	$2,467,641.90
SPRING HILL	$361,526.68	$4,067.18	$357,459.50
THOMPSON STATION	$123,194.54	$1,385.94	$121,808.60
NOLENSVILLE	$71,028.77	$799.07	$70,229.70

Note that we have deducted 1.125% state cost of administration leaving the net collections. The Department of Finance and Administration has been notified to issue a payment to the Trustee of your county in the amount of the net collections.

Please be aware that normal Local Option Sales Tax collections may fluctuate. This could be due to additional collections on assessments or reductions as a result of taxpayer refunds or returned checks. Should your collection amount increase significantly, it might be the result of an audit assessment.

For additional information regarding the allocation you may call the Division of Fiscal Services at (615) 532-8944 between 8:00 a.m. and 4:30 p.m., Monday through Friday, holidays excepted.

5029744.78 ÷ 2 = 2514872.39
1% (-) 25148.72

2,489,723.67

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285

LARRY B. MARTIN
COMMISSIONER

FOR IMMEDIATE RELEASE
FRIDAY, JULY 14, 2015

CONTACT: DAVID THURMAN
615-741-4806

JUNE REVENUES

NASHVILLE, Tenn. – Tennessee's total tax collections for June were above budgeted expectations. Finance and Administration Commissioner Larry Martin reported today that June ended with a net positive growth of 7.29%, compared to collections in the same month one year ago. Overall June revenues were $1.3 billion, which is $56.5 million more than the state budgeted.

"While the year-to-date growth rate for all taxes remains strong, we are cautious," Martin said. "Franchise and excise tax collections were impacted by two significant one-time corporate tax payments. F&E taxes are also based on estimated payments made throughout the year, before taxpayers finalize how much they owe on their tax returns several months later. Because of this, later this year, there could be refunds in some cases where estimated payments exceed the amount of tax actually owed.

"The state experienced similar growth in fiscal year 2012-13, but there was a significant drop in collections in the following year when corporate taxpayers reported their actual liability."

On an accrual basis, June is the eleventh month in the 2014-2015 fiscal year.

The general fund was over collected by $52.3 million, and the four other funds were over collected by $4.2 million.

Sales tax collections were $34.9 million more than the estimate for June. The June growth rate was positive 7.62%. For eleven months revenues are over collected by $185.4 million. The year-to-date growth rate for eleven months was positive 6.10%.

Franchise and excise taxes combined were $27.7 million above the budgeted estimate of $328.5 million. The growth rate for June was positive 8.23%.

Privilege tax collections were $8.0 million below the June estimate. For eleven months collections are $1.8 million above the budgeted estimate.

Business tax collections were $3.3 million more than the June estimate. Year-to-date collections for eleven months are $1.6 million below the budgeted estimate.

Inheritance and estate tax collections were $3.0 million below the June estimate. For eleven months collections are $10.6 million above the budgeted estimate.

Tobacco tax collections were $0.7 million below the budgeted estimate of $23.5 million. For eleven months revenues are under collected by $5.9 million.

Gasoline and motor fuel collections for June were over collected by $1.1 million. For eleven months revenues are over collected by $16.5 million.

All other taxes for June were over collected by a net of $1.2 million.

Year-to-date collections for eleven months were $551.3 million more than the budgeted estimate. The general fund was over collected by $502.4 million and the four other funds were over collected by $48.9 million.

The budgeted revenue estimates for 2014-2015 are based on the State Funding Board's consensus recommendation of December 17th, 2013, and adopted by the second session of the 108th General Assembly in April 2014. They are available on the state's website at
http://www.tn.gov/finance/article/fa-budget-rev.

The Funding Board met on December 11, 2014, to hear updated revenue projections from the state's various economists. The board met again on December 16 and adopted revised revenue ranges for 2014-2015. The revised ranges assume an over collection from the July 2014 budgeted estimate in the amount of $32.3 million to $73.4 million in total taxes. The revised ranges for the general fund recognize a negative growth in the amount of $6.6 million up to a positive growth of $27.5 million for the current fiscal year.

Table 1
Revenue Collections by Fund
June
2014-2015

Fund	2015 Actual	2015 Budgeted	2015 B/(W)	2015 Percent	2014 Actual	2015 B/(W)	2015 Percent
General Fund	$1,096,803,000	$1,044,536,000	$52,267,000	5.00%	$1,012,510,000	$84,293,000	8.33%
Highway Fund	62,369,000	61,524,000	845,000	1.37%	58,014,000	4,355,000	7.51%
Sinking Fund	31,564,000	31,309,000	255,000	0.81%	34,401,000	(2,837,000)	-8.25%
City & County Fund	72,716,000	69,573,000	3,143,000	4.52%	73,095,000	(379,000)	-0.52%
Earmarked Fund	3,584,000	3,584,000	0	0.00%	2,900,000	684,000	23.59%
Total	**$1,267,036,000**	**$1,210,526,000**	**$56,510,000**	**4.67%**	**$1,180,920,000**	**$86,116,000**	**7.29%**

Revenue Collections by Tax
June
2014-2015

Tax Source	2015 Actual	2015 Budgeted	2015 B/(W)	2015 Percent	2014 Actual	2015 B/(W)	2015 Percent
Franchise & Excise	$356,209,000	$328,500,000	$27,709,000	8.44%	$329,108,000	$27,101,000	8.23%
Income	2,463,000	2,226,000	237,000	10.65%	2,124,000	339,000	15.96%
Inheritance & Estate	3,203,000	6,237,000	(3,034,000)	-48.65%	6,783,000	(3,580,000)	-52.78%
Gasoline	56,932,000	55,630,000	1,302,000	2.34%	57,020,000	(88,000)	-0.15%
Petroleum Special	5,756,000	5,710,000	46,000	0.81%	5,789,000	(33,000)	-0.57%
Tobacco	22,842,000	23,538,000	(696,000)	-2.96%	19,168,000	3,674,000	19.17%
Beer	1,601,000	1,765,000	(164,000)	-9.29%	1,673,000	(72,000)	-4.30%
Motor Vehicle Registration	22,358,000	21,939,000	419,000	1.91%	16,897,000	5,461,000	32.32%
Motor Vehicle Title	1,116,000	1,090,000	26,000	2.39%	563,000	553,000	98.22%
Mixed Drink	8,214,000	6,908,000	1,306,000	18.91%	7,645,000	569,000	7.44%
Business	7,953,000	4,657,000	3,296,000	70.78%	3,669,000	4,284,000	116.76%
Privilege	55,124,000	63,159,000	(8,035,000)	-12.72%	54,175,000	949,000	1.75%
Gross Receipts	(1,910,000)	22,000	(1,932,000)	-8781.82%	18,000	(1,928,000)	-10711.11%
TVA - In Lieu of Tax Payments	28,623,000	27,200,000	1,423,000	5.23%	27,076,000	1,547,000	5.71%
Alcoholic Beverage	5,164,000	5,241,000	(77,000)	-1.47%	4,933,000	231,000	4.68%
Sales and Use	677,591,000	642,678,000	34,913,000	5.43%	629,643,000	47,948,000	7.62%
Motor Vehicle Fuel	13,526,000	13,816,000	(290,000)	-2.10%	14,338,000	(812,000)	-5.66%
Severance	142,000	210,000	(68,000)	-32.38%	184,000	(42,000)	-22.83%
Coin-operated Amusement	129,000	0	129,000	NA	113,000	16,000	14.16%
Unauthorized Substance	0	0	0	NA	1,000	(1,000)	NA
Total	**$1,267,036,000**	**$1,210,526,000**	**$56,510,000**	**4.67%**	**$1,180,920,000**	**$86,116,000**	**7.29%**

Table 2
Revenue Collections by Fund
Year-to-Date
August - June
2014-2015

	2014 - 2015				2013-2014	2014-2015	
Fund	**Actual**	**Budgeted**	**B/(W)**	**Percent**	**Actual**	**B/(W)**	**Percent**
General Fund	$9,829,283,000	$9,326,851,000	$502,432,000	5.39%	$8,986,949,000	$842,334,000	9.37%
Highway Fund	646,599,000	645,559,000	1,040,000	0.16%	623,935,000	22,664,000	3.63%
Sinking Fund	343,892,000	342,551,000	1,341,000	0.39%	377,135,000	(33,243,000)	-8.81%
City & County Fund	885,108,000	838,632,000	46,476,000	5.54%	832,166,000	52,942,000	6.36%
Earmarked Fund	39,416,000	39,417,000	(1,000)	0.00%	31,900,000	7,516,000	23.56%
Total	**$11,744,298,000**	**$11,193,010,000**	**$551,288,000**	**4.93%**	**$10,852,085,000**	**$892,213,000**	**8.22%**

Revenue Collections by Tax
Year-to-Date
August - June
2014-2015

	2014 - 2015				2013-2014	2014-2015	
Tax Source	**Actual**	**Budgeted**	**B/(W)**	**Percent**	**Actual**	**B/(W)**	**Percent**
Franchise & Excise	$2,123,054,000	$1,833,800,000	$289,254,000	15.77%	$1,786,920,000	$336,134,000	18.81%
Income	300,882,000	262,679,000	38,203,000	14.54%	237,822,000	63,060,000	26.52%
Inheritance & Estate	74,682,000	64,038,000	10,644,000	16.62%	97,324,000	(22,642,000)	-23.26%
Gasoline	572,381,000	559,939,000	12,442,000	2.22%	562,287,000	10,094,000	1.80%
Petroleum Special	58,876,000	58,121,000	755,000	1.30%	57,689,000	1,187,000	2.06%
Tobacco	238,633,000	244,561,000	(5,928,000)	-2.42%	235,116,000	3,517,000	1.50%
Beer	16,223,000	16,796,000	(573,000)	-3.41%	16,091,000	132,000	0.82%
Motor Vehicle Registration	240,054,000	241,884,000	(1,830,000)	-0.76%	232,557,000	7,497,000	3.22%
Motor Vehicle Title	10,979,000	11,145,000	(166,000)	-1.49%	10,433,000	546,000	5.23%
Mixed Drink	78,374,000	69,714,000	8,660,000	12.42%	69,723,000	8,651,000	12.41%
Business	144,836,000	146,387,000	(1,551,000)	-1.06%	125,754,000	19,082,000	15.17%
Privilege	326,568,000	324,744,000	1,824,000	0.56%	283,496,000	43,072,000	15.19%
Gross Receipts	11,592,000	14,659,000	(3,067,000)	-20.92%	12,254,000	(662,000)	-5.40%
TVA - In Lieu of Tax Payments	318,431,000	304,900,000	13,531,000	4.44%	305,029,000	13,402,000	4.39%
Alcoholic Beverage	52,668,000	52,042,000	626,000	1.20%	50,773,000	1,895,000	3.73%
Sales and Use	7,023,157,000	6,837,757,000	185,400,000	2.71%	6,619,192,000	403,965,000	6.10%
Motor Vehicle Fuel	150,666,000	147,362,000	3,304,000	2.24%	147,041,000	3,625,000	2.47%
Severance	2,010,000	2,482,000	(472,000)	-19.02%	2,295,000	(285,000)	-12.42%
Coin-operated Amusement	231,000	0	231,000	NA	268,000	(37,000)	-13.81%
Unauthorized Substance	1,000	0	1,000	NA	21,000	(20,000)	NA
Total	**$11,744,298,000**	**$11,193,010,000**	**$551,288,000**	**4.93%**	**$10,852,085,000**	**$892,213,000**	**8.22%**

Building Permits

Month	FY2015	FY2014	BUDGET	Variance from Last Year	Variance from Budget
July	82,353	95,116	94,863	(12,763)	(12,510)
August	69,863	133,605	133,250	(63,742)	(63,387)
September	127,700	79,606	79,394	48,094	48,306
October	123,191	133,091	132,737	(9,900)	(9,546)
November	94,573	113,777	113,475	(19,204)	(18,902)
December	74,673	102,609	102,336	(27,936)	(27,663)
January	117,569	91,634	91,390	25,935	26,179
February	81,060	37,955	37,854	43,105	43,206
March	138,911	82,251	82,032	56,660	56,879
April	171,524	113,765	113,463	57,759	58,061
May	153,798	148,190	147,796	5,608	6,002
June	190,972	212,413	211,849	(21,441)	(20,876)
Total (year-to-date)	1,426,187	1,344,012	1,340,440	82,176	85,747
		% of Prior Year / Budget >>>>>		106.1%	106.4%

* seasonality based on last year's results

110-32120

Road Impact fees

Month	FY2015	FY2014	BUDGET	Variance from Last Year	Variance from Budget
July	229,572	153,724	316,667	75,848	(87,095)
August	139,840	888,987	316,667	(749,147)	(176,827)
September	217,394	205,408	316,667	11,986	(99,273)
October	200,301	264,184	316,667	(63,883)	(116,366)
November	254,561	360,104	316,667	(105,543)	(62,106)
December	168,587	351,901	316,667	(183,314)	(148,080)
January	186,851	295,934	316,667	(109,083)	(129,816)
February	183,500	76,244	316,667	107,256	(133,167)
March	255,892	386,184	316,667	(130,292)	(60,775)
April	925,840	122,560	316,667	803,280	609,173
May	432,960	165,892	316,667	267,068	116,293
June	391,681	1,454,780	316,667	(1,063,099)	75,014
Total (year-to-date)	3,586,979	4,725,902	3,800,000	(1,138,923)	(213,021)
			% of Prior Year / Budget >>>>>	75.9%	94.4%

* seasonality not assigned; divided evenly by month

128-32800

Facilities Tax

Month	FY2015	FY2014	BUDGET	Variance from Last Year	Variance from Budget
July	174,169	188,335	308,099	(14,166)	(133,930)
August	128,599	282,956	308,099	(154,357)	(179,500)
September	155,707	172,873	308,099	(17,166)	(152,392)
October	211,229	1,182,887	308,099	(971,658)	(96,870)
November	160,556	234,251	308,099	(73,695)	(147,543)
December	168,587	188,891	308,099	(20,304)	(139,512)
January	186,851	189,243	308,099	(2,392)	(121,248)
February	130,798	70,242	308,099	60,556	(177,301)
March	227,269	216,615	308,099	10,654	(80,830)
April	383,594	160,708	308,099	222,886	75,495
May	256,477	309,052	308,099	(52,575)	(51,622)
June	284,637	652,730	308,099	(368,093)	(23,462)
Total (year-to-date)	2,468,473	3,848,783	3,697,190	(1,380,310)	(1,228,717)
			% of Prior Year / Budget >>>>>	64.1%	66.8%

* seasonality not assigned; divided evenly by month

130-31600

Williamson County Facilities Tax

Month	FY2015	FY2014	BUDGET	Variance from Last Year	Variance from Budget
July	83,121	71,175	69,308	11,946	13,813
August	77,682	0	30,000	77,682	47,682
September	66,808	79,159	77,083	(12,351)	(10,275)
October	75,521	179,384	145,000	(103,864)	(69,479)
November	80,039	134,240	130,719	(54,201)	(50,680)
December	77,729	55,574	54,116	22,155	23,613
January	67,795	64,112	62,430	3,683	5,365
February	83,183	68,997	67,187	14,186	15,996
March	79,939	91,280	88,886	(11,341)	(8,947)
April	96,468	102,399	99,713	(5,931)	(3,245)
May	100,933	103,705	100,985	(2,773)	(53)
June	93,387	76,909	74,892	16,479	18,496
Total (year-to-date)	982,605	1,026,933	1,000,000	(44,328)	(17,715)
			% of Prior Year / Budget >>>>>	95.7%	98.2%

* seasonality based on last year's results

budgeted in Capital Projects Fund beginning with FY11

310-31600

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 14, 2015

Mr. Russ Truell, CFO
City of Franklin, Tennessee
109 Third Aveneu 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 2015.

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

COOL SPRINGS CONFERENCE CENTER
June, 2015

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	BUDGET	LAST YR	ACTUAL	BUDGET	LAST YR
GROSS REVENE	547,400	469,603	405,727	6,420,770	6,590,037	6,358,939
HOUSE PROFIT	206,575	22,369	(13,413)	637,549	735,716	629,996
Less: FIXED EXPENSES	17,929	15,807	18,567	233,690	209,259	181,161
NET INCOME	188,646	6,562	(31,980)	403,859	526,457	448,835
Less: FF&E RESERVE 5% (PY 4%)	27,370	23,480	16,229	321,059	329,502	254,358
NET CASH FLOW	161,276	(16,918)	(48,209)	82,800	196,955	194,477

TOTAL CURRENT BALANCE DUE TO OWNERS	161,276.00
TOTAL DUE TO CITY OF FRANKLIN	80,638.00
TOTAL DUE TO WILLIAMSON COUNTY	80,638.00

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

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,

Michael Sanders
General Manager

Tory Peek
Property Controller

Results of Fuel Hedging contract, FY2014-2015, through month of June

Gas Price	Gas Contract	Spread	Diesel Price	Diesel Contract	Spread	Month	Gas Contracts 7.14% 12,000 gallons	Diesel Contracts 3.30% 9,700 gallons	Total
$2.9101	$2.6900	$0.220	$2.8445	$2.8675	($0.023)	July	$2,641.68	($223.08)	$2,418.60
2.7334	2.6900	0.043	2.8234	2.8675	-0.044	August	520.57	(427.73)	92.85
2.5904	2.6883	-0.098	2.7095	2.8792	-0.170	September	(1,174.71)	(1,646.06)	(2,820.77)
2.2525	2.6883	-0.436	2.5045	2.8792	-0.375	October	(5,229.00)	(3,634.35)	(8,863.35)
2.0582	2.6883	-0.630	2.3231	2.8792	-0.556	November	(7,561.20)	(5,393.75)	(12,954.95)
1.6182	2.6883	-1.070	1.7779	2.8792	-1.101	December	(12,840.60)	(10,681.65)	(23,522.25)
1.3410	2.6883	-1.347	1.5378	2.8792	-1.341	January	(16,167.00)	(13,010.38)	(29,177.38)
1.6046	2.6883	-1.084	1.8127	2.8792	-1.067	February	(13,003.80)	(10,344.12)	(23,347.92)
1.8256	2.6883	-0.863	1.7100	2.8792	-1.169	March	(10,351.80)	(11,340.21)	(21,692.01)
1.8985	2.6883	-0.790	1.7771	2.8792	-1.102	April	(9,477.00)	(10,689.41)	(20,166.41)
2.0284	2.6883	-0.660	1.9176	2.8792	-0.962	May	(7,918.20)	(9,326.70)	(17,244.90)
2.0688	2.6883	-0.619	1.8016	2.8792	-1.078	June	(7,433.40)	(10,451.78)	(17,885.18)
2.0775	2.6885	-0.611	2.1283	2.8773	-0.749	**Fiscal Yr Total**	**-87,994.46**	**-87,169.21**	**-175,163.67**

Contract schedule:

Contract	Trade Date	Effective Date	Termination Date	Price	Gallons
Diesel	6/5/14	7/1/14	6/30/15	2.868	126,000
Gasoline	6/5/14	7/1/14	6/30/16	2.690	84,000
Diesel	8/7/14	9/1/14	6/30/15	2.888	168,000
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: 6/1/15-6/30/15

HISTORIC FRANKLIN TENNESSEE

BUILDING PERMITS ISSUED Includes Permit Fees & Technology Fees	# of PERMITS ISSUED	FEES RECEIVED
Residential (inc Townhomes/ Duplexes)	**599**	**$165,864**
Building Permits	123	$149,771
Electrical Permits	175	$7,197
Mechanical Permits	181	$3,649
Plumbing Permits	106	$2,203
Swimming Pool Permits	7	$2,654
Demolition Permits	7	$390
Non-Residential (inc Multi-Family)	**168**	**$69,768**
Building Permits	42	$45,196
Electrical Permits	80	$15,061
Mechanical Permits	20	$4,201
Plumbing Permits	23	$5,200
Demolition Permits	3	$110
TOTAL PERMITS ISSUED	**767**	**$235,632**

ADDITIONAL FEES RECEIVED

Plan Review Fees	**$13,895**
Residential (inc Townhomes/ Duplexes)	$3,772
Non-Residential (inc Multi-Family)	$10,123
Reinspection Fees	**$50**
Residential (inc Townhomes/ Duplexes)	$50
Non-Residential (inc Multi-Family)	$0
Garbage Container Fees	**$6,450**
Residential (inc Townhomes/ Duplexes)	$6,450
Facilities Tax	**$290,323**
Residential (inc Townhomes/ Duplexes)	$282,489
Non-Residential (inc Multi-Family)	$7,834
Road Impact Fees	**$402,937**
Residential (inc Townhomes/ Duplexes)	$359,890
Non-Residential (inc Multi-Family)	$43,047
TOTAL ADDITIONAL FEES	**$713,655**

Building Permits Issued - Number of Units by Dwelling Types - New Construction

From: 6/1/15 - 6/30/15	Units
Single Family Dwellings	63
Townhomes/ Duplexes	25
Total	**88**

STORMWATER, GRADING, & UTILITY PERMITS ISSUED

From: 6/1/15-6/30/15

STORMWATER & GRADING PERMITS	# OF PERMITS ISSUED	FEES RECEIVED
Grading Permit Fees Received		$7,826
Grading Review Fees Received		$900
STORMWATER & GRADING PERMITS ISSUED:	**3**	**$8,726**

GRADING ONLY PERMITS		
		$0
GRADING ONLY PERMITS ISSUED:		**$0**

UTILITY CONSTRUCTION/ INFRASTRUCTURE PERMITS		
Utility Construction Permit Fees Received		$300
UTILITY CONSTRUCTION/ INFRASTRUCTURE PERMITS ISSUED:	**3**	**$300**

ESTIMATED VALUATION OF BUILDING PERMITS	# of PERMITS ISSUED	VALUATION
Residential		
Valuation of Construction		**$27,418,236**
New	88	$26,443,100
Accessory Building	2	$42,000
Addition	20	$636,292
Miscellaneous	9	$46,354
Renovation	4	$250,490
Non-Residential		
Valuation of Construction		**$26,110,919**
New	4	$8,425,712
Addition	1	$1,636,000
Interior Finish/Build-Out	13	$13,207,420
Miscellaneous	5	$205,210
Renovation	19	$2,636,577

TOTAL ESTIMATED VALUATION OF BUILDING PERMITS* **$53,529,155**

*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.

CITY of FRANKLIN
2014 PROPERTY TAX COLLECTIONS
As of June 30, 2015

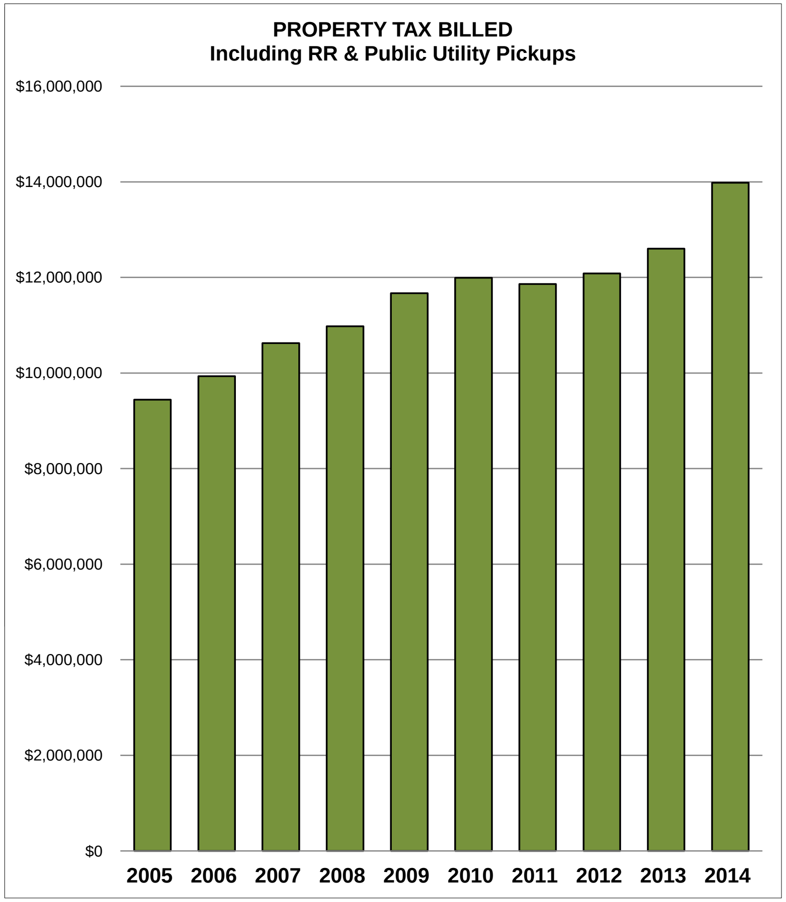
YEAR	Beginning Balance	150 Corrections	600 Refunds	400 Adjustments	100 Pickups	210 Cleanup	700 Returned Checks	200 Receipts	AR Balance
2014	$13,742,347	($413,737)	$0	$0	$654,724	$256,113	($256,113)	($13,792,635)	$190,699
2013	$12,342,702	$11,759	$0	$8	$245,827	$310,928	($310,928)	($12,569,437)	$30,859
2012	$11,902,186	($37,187)	$132,011	($167)	$219,733	$0	$154	($12,201,515)	$15,216
Prior Years (2005 - 2010)	$74,656,547	($173,423)	$837,477	($17,310)	$1,724,372	($600)	$22,114	($76,992,390)	$56,787

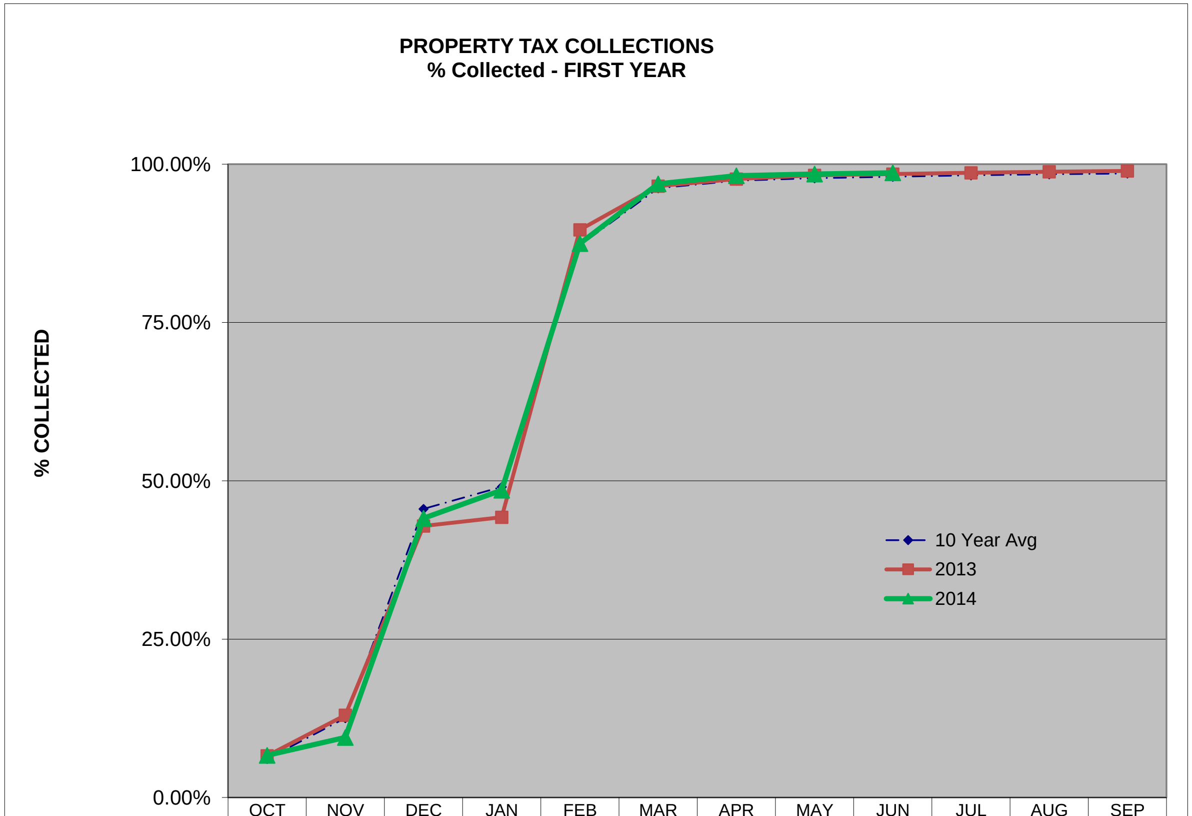
Beginning Balance does not include RR & Public Utilities added later, rollbacks & other adjustments

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	6.09%	12.54%	45.55%	49.04%	87.19%	96.20%	97.38%	97.77%	98.03%	98.23%	98.40%	98.53%
2013	6.58%	12.99%	42.86%	44.24%	89.63%	96.53%	97.65%	98.24%	98.44%	98.65%	98.82%	98.93%
2014	6.65%	9.48%	44.10%	48.54%	87.46%	96.89%	98.16%	98.43%	98.64%			