City of Franklin

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

Meeting Agenda

Budget & Finance Committee

Thursday, June 9, 2016 | **3:00 PM** | **Board Room**

Approval of Minutes

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

2. 16-0504 Review of Commodity Stabilization Policy

Sponsors: Eric Stuckey and Russ Truell

Attachments: fuel hedging bill 2008 Public Chapter 1088
fuel hedging bill 2010 Public Chapter 897
Fuel_Stabilization_Authority TML listing
FY2017 Fuel Hedging information
Commodity Stabilization Policy 5.26.16

3. 16-0506 Review of Tax Increment Financing (TIF) District

Sponsors: Eric Stuckey and Russ Truell

Attachments: TIF District estimates and forecast 5.26.16
Audit notes regarding IDB loan
TIF District 2014_2016 with certified tax rate
Notes on TIF District 2015
TIF payout comparison

4. 16-0151 Consideration of Resolution No. 2016-33, A Resolution Adopting A Disbursements Policy For City Of Franklin (06/09/16 Finance - Referred to 6/28/16 BOMA, New Business)

Sponsors: Eric Stuckey, Russ Truell and Mike Lowe

Attachments: 2016-33 RES for Disbursement Policy_with attachment_Law Approved

5. 16-0433 Consideration of Resolution No. 2016-24, A Resolution Adopting A Revised Purchasing Policy For City Of Franklin Procurements Not Pertaining To New Construction. (06/09/16 Finance - Referred to 6/28/16 BOMA, New Business)

Sponsors: Brian Wilcox

Attachments: Exhibit A to Res. No. 2016-24 for Purchasing Policy DRAFT 2016.05.31.1156, r
Res. No. 2016-24 for Purchasing Policy DRAFT 2016.05.31.1221, with Exhibit A
Res. No. 2016-24 for Purchasing Policy with Exhibit A attached, Law Approved

6. 16-0510 Discussion of Fiscal Year 2016 - 3rd Quarter Report

Sponsors: Mike Lowe

Attachments: City of Franklin - 3rd Quarter Report 2016

7. 16-0518 Report on Bank Leasing Requests for Proposal

Sponsors: Eric Stuckey and Russ Truell

8. 16-0141 Review of Contract Number 2009-0013 with Public Financial Management (PFM) for Financial Advisory Services for the City.

Sponsors: Eric Stuckey and Russ Truell

Attachments: PFM contract 2009-13
MSRB G42
GFOA Best Practice for Selecting Advisors

9. 16-0403 Monthly Reports for June

Sponsors: Eric Stuckey and Russ Truell

Attachments: Local sales tax report - March 2016 sales
Local sales tax chart - March 2016 sales
Property Tax Monthly AR Report 2015 Master - Mar 2016
Construction Activities Report - April 2016
Conference Center Report - April 2016
Fuel Hedging Report - April 2016
Investment Report _April 2016
Transit Report - March 2016
Development Activity Summary - May 2016

Other Business

Adjournment

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

PUBLIC CHAPTER NO. 1088

HOUSE BILL NO. 3810

By Representative Fitzhugh and Mr. Speaker Naifeh and Representatives Montgomery, McCormick, Shaw, Bone, Roach, Harrison, McDaniel, Williams, Brown, Favors, Baird, Lynn, Maggart, Hood, Hackworth, Harmon, Hensley, Gresham, Ferguson, Phillip Johnson, Litz, Niceley, Curtis Johnson, Yokley, Todd

Substituted for: Senate Bill No. 3073

By Senator Kyle

AN ACT to amend Tennessee Code Annotated, Title 4; Title 7; Title 9 and Title 67.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 7, Chapter 51, Part 9, is amended by adding the following language as a new section:

> Section 7-51-911. Notwithstanding any other provision of the law to the contrary, a municipality may, with the approval of its governing body, enter into a negotiated contract, or contracts, including a joint contract, or contracts, with other municipalities, with a bank, investment bank or other similar financial institution for the purpose of stabilizing the net expense of such municipality incurred in the purchase of gasoline, diesel or both gasoline and diesel fuel actually purchased by such municipality. A contract entered into pursuant to this authorization shall only be effective in regard to actual fuel purchases during the fiscal year beginning July 1, 2008. The authority granted under this section is in addition to, and supplemental to, any existing authority granted a municipality under any other provision of law.

SECTION 2. This act shall take effect upon becoming law, the public welfare requiring it.

PASSED: May 15, 2008

BILL INFORMATION FOR HB2766

HB2766 has been assigned Public Chapter Number 897 by the Secretary of State.

*HB 2766 BY *TINDELL (SB 2688 BY *TRACY)

Show Co-Prime Sponsors

Gas, Petroleum Products, Volatile Oils - As introduced, limits term of municipal contracts entered into to stabilize the purchase price of fuel to maximum of 24 months; removes requirement that such contracts must terminate by June 30, 2011. - Amends TCA Title 7, Chapter 51, Part 9.

Bill Summary

Abstract summarizes the bill.

Fiscal Note

FiscalNote for HB2766 / SB2688 filed under HB2766

Votes

House Votes on HB2766
Senate Votes on SB2688

Bill History Amendments on Bill Video Clips

Bill History

Actions Taken on HB2766	Action Date	Actions Taken on SB2688	Action Date
Pub. Ch. 897	05/18/2010	Comp. became Pub. Ch. 897	05/18/2010
Effective date(s) 05/10/10	05/18/2010	Comp. HB subst.	04/29/2010
Signed by Governor.	05/10/2010	Placed on Sen. Consent Calendar (2) cal. for 04/29/2010	04/27/2010
Transmitted to Governor for his action.	05/05/2010	Rec. For Pass. ref. to: S. Cal. Comm.	04/20/2010
Signed by S. Speaker	05/05/2010	Placed on S. FW&M Comm. cal. for 04/20/2010	04/14/2010
Signed by H. Speaker	05/04/2010		

Enrolled; ready for sig. of H. Speaker.	04/30/2010
Passed S., Ayes 30, Nays 0	04/29/2010
S. Subst. HB for comp. SB.	04/29/2010
Rcvd. from H., P1C.	03/31/2010
Engrossed; ready for transmission to Sen.	03/29/2010
Passed H., Ayes 98, Nays 0	03/29/2010
Placed on Consent Calendar for 3/29/2010	03/25/2010
Placed on cal. Calendar & Rules Committee for 03/25/2010	03/23/2010
Rec. For Pass. ref. to: Calendar & Rules Committee	03/16/2010
Placed on cal. Finance, Ways & Means Committee for 03/16/2010	03/10/2010
Rec. For Pass. by s/c ref. to Finance, Ways & Means Committee	03/10/2010
Placed on s/c cal Budget of FW&M for 03/10/2010	03/03/2010
Assigned to s/c Budget of FW&M	01/27/2010
P2C, ref. to Finance, Ways & Means Committee	01/27/2010
Intro., P1C.	01/25/2010
Filed for intro.	01/21/2010

Rec. For Pass. ref. to: S. FW&M Comm.	03/17/2010
Placed on S. S&L Govt. Comm. cal. for 03/17/2010	03/11/2010
Action Def. in S. S&L Govt. Comm. to 3/17/2010	03/10/2010
Placed on S. S&L Govt. Comm. cal. for 03/10/2010	03/04/2010
P2C, ref. to S. S&L Govt. Comm.	01/27/2010
Intro., P1C.	01/25/2010
Filed for intro.	01/21/2010

Fuel Stabilization Authority

Background

In June of 2008, the General Assembly authorized municipalities and counties, upon the approval of the local governing body, to enter into contracts with other local governments and financial institutions for the purpose of stabilizing the net expense incurred in the purchase of gasoline and/or diesel fuel during the 2008-09 fiscal year only. In 2009, lawmakers voted to extend this contract authority until June 30, 2011.

As a general rule, these contracts cover a period of at least two years and provide a local government with certainty when budgeting for a portion of its anticipated fuel consumption, thereby helping to counteract the potential effects of what can be a volatile market. This measure of certainty allows a municipality or county to avoid incurring unanticipated costs associated with fluctuations in the price of fuel.

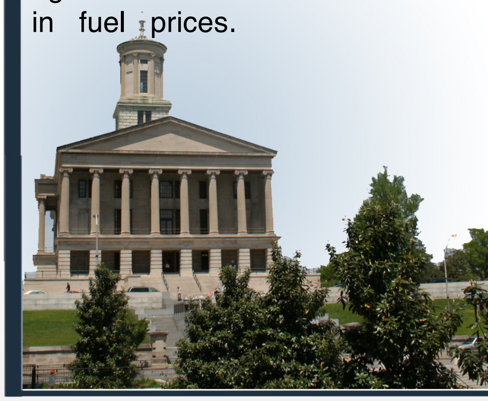
These contracts provide that if the price of fuel, as determined by an index, exceeds the price agreed upon and fixed in the contract, then the participating local governments are protected from the effects of this increase, as the financial institution would be obligated to pay the difference between the cost of the fuel and the contract price. Conversely, if the cost of fuel falls below the price fixed in the contract, then the participating local governments would pay the difference between the index price and the fixed price. At no time are the local governments that are parties to the contract liable for any costs above the price fixed in the contract.

Proposed Legislation

Amend existing law to remove the "sunset" date and provide local governments with clear and permanent authority to enter into and renew fuel stabilization contracts with a financial institution; provided the term of any single contract does not exceed two years.

Benefits

Ending the practice of sunsetting and extending fuel stabilization authority and, instead, providing local governments standing authority to enter into and renew fuel hedging contracts will afford budget certainty and protect against the effects of fluctuations in fuel prices.



Problem

As the market requires a minimum contract term of at least two years, the practice of sunsetting and extending this authority creates a finite period in which this authority may be exercised.

The extension adopted by the General Assembly in 2009 was enacted on May 12 and provided only for those contracts that were to terminate on or before June 30, 2011. Therefore, any municipality seeking to enter into a contract with other local governments and a financial institution for the purpose of stabilizing the net expense of fuel purchases would have had from May 12 to June 30, 2009, or just 20 business days, to exercise this authority.

Local governments seeking to enter into one of these contracts after June 30, 2009, would require a contract that covered less than the standard industry minimum of 24 months and, thus, would have been unable to find a willing partner in the financial industry. This would have precluded local governments from exercising this authority until after June 30, 2011.

It would be a mistake to attempt to remedy the problem by expanding the window, or the period of time that local governments are provided clear authority to enter into such contracts. The problem lies not in the length of time permitted but rather the very existence of a window. Neither the General Assembly nor the law can anticipate or dictate the price of fuel during the period of time that local governments are afforded to enter into these fuel purchasing contracts. Therefore, in creating a finite period of time in which local governments must exercise this authority, no matter how long that period might be, the practice of sunsetting and extending forces interested local governments to choose between the lesser of two evils: entering into these contracts under less than optimal market conditions or missing an opportunity to utilize this budgeting tool for at least two years.

Results of Fuel Hedging Program, FY2016-2017, through month of July

Gas Price	Gas Contract	Spread	Diesel Price	Diesel Contract	Spread	Month	Gas Contracts	Diesel Contracts	Total
							7.14%	*3.30%*	
							12,000 gallons	*9,700 gallons*	
$1.6268	$1.3024	$0.324	$1.5057	$1.2481	$0.258	July	$3,893.10	$2,498.74	$6,391.84
0.0000	0.0000	0.000	0.0000	0.0000	0.000	August	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	September	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	October	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	November	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	December	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	January	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	February	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	March	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	April	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	May	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	June	$0.00	$0.00	0.00
0.8134	1.3024	-0.489	0.7529	1.2481	-0.495	**Fiscal Yr Total**	**3,893.10**	**2,498.74**	**6,391.84**
	Average			Average					

Contract schedule:

Contract	Trade Date	Effective Date	Termination Date	Price	Gallons
Diesel	1/22/16	7/1/16	6/30/17	1.203	126,000
Diesel	2/9/16	7/1/16	6/30/17	1.195	84,000
Diesel	3/8/16	7/1/16	6/30/17	1.370	84,000
Gasoline	1/22/16	7/1/16	6/30/17	1.237	126,000
Gasoline	12/1/15	7/1/16	6/30/17	1.500	42,000

HISTORIC
FRANKLIN
TENNESSEE

COMMODITY STABILIZATION POLICY

The State of Tennessee, in Title 7 Chapter 51 of the Tennessee Code Annotated, has given municipalities the authority to enter financial contracts to stabilize fuel expenditures. The City of Franklin has approved the use of such contracts to accomplish this goal. In doing so, the Board of Mayor & Aldermen have agreed to give some latitude to the Chief Financial Officer to work with vendors or with other municipalities to establish the internal controls over such contracts.

Beginning in June, 2009, the policy of the City authorizes the Chief Financial Officer to advise and negotiate with our partner cities in establishing the specifics of any individual financial fuel hedging contract. In doing so, the CFO will endeavor to limit the City's exposure to a reasonable percentage of the fuel use that is estimated in future time periods. That percentage should be determined and reported to the City's Finance Committee prior to the execution of any future fuel contract.

While it may not be possible to determine in advance the exact price of any fuel hedge due to market fluctuations, the CFO should advise the City's Finance Committee as to the general level of prices prior to execution of any future contract. The CFO will represent the city at the meetings of municipalities engaged in joint fuel hedging contracts. In that capacity, the CFO will, to the extent possible, advocate conservative and cautious approaches to this issue. Those approaches include adapting levels of coverage to the level of price risk; layering contract purchases to average the price at which exposure is taken; supporting the advice given by professional advisors who are closely monitoring the markets and prices of fuel futures contracts; and adapting to volume of coverage changes among group members included in any related inter-local agreement.

The City Administrator, in consultation with the Mayor and in accordance with the budgeting provisions of the City Code, shall determine how the proceeds of any fuel hedging benefit or loss should be distributed through the City's budget. City departments should prepare their budgets as if there were no fuel hedging contracts in place.

Revenue History & Forecast for TIF District Tax Proceeds

Tax Year >>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Recurring Taxes	32,986	33,329	75,743	139,392	226,141	427,223	439,223	540,019	565,862	642,685	802,560
"Roll Back" Taxes	335	335	5,908	79,161	308	118	118	3,664	418	53,403	0
PILOT agreements	0	0	0	4,253	128,232	237,767	238,783	251,585	251,585	251,785	274,842
Total	35,325	35,669	83,657	224,813	356,689	667,117	680,134	797,279	819,877	949,886	1,077,402

Tax Year >>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Recurring Taxes	1,042,509	1,316,534	1,416,534	1,516,534	1,616,534	1,716,534	1,816,534	1,916,534	2,016,534	2,116,534	2,216,534
"Roll Back" Taxes	0	0	0	0	0	0	0	0	0	0	0
PILOT agreements	282,810	235,483	293,050	298,050	303,050	308,050	313,050	318,050	323,050	323,050	323,050
Total	1,325,319	1,552,017	1,709,584	1,814,584	1,919,584	2,024,584	2,129,584	2,234,584	2,339,584	2,439,584	2,539,584
Less average annual debt service *	1,298,000	1,298,000	1,298,000	1,298,000	1,298,000	1,298,000	1,298,000	1,298,000	1,298,000	1,298,000	1,298,000
Available for principal paydown	27,319	254,017	411,584	516,584	621,584	726,584	831,584	936,584	1,041,584	1,141,584	1,241,584
cumulative principal paydown		281,336	692,920	1,209,504	1,831,088	2,557,672	3,389,256	4,325,840	5,367,424	6,509,008	7,750,592

Amount subject to paydown outstanding as of 5.16.16 = 7,150,000

actual results
estimated results
per Assessor data

* Average annual debt service includes payments on fixed rate portion, plus estimate of payment on variable rate portion of the bonds

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

F. Long-term Debt (Cont.)

Contingent Liability

The City of Franklin entered a standby loan agreement with the City of Franklin Industrial Development Board in December 2005, subsequent to an Industrial Development Board bond issue for $15 million. The bond issue provided funds to purchase land for the site of the Nissan North America Headquarters project, a 500,000 square feet building on a 50 - acre campus in the McEwen Economic Development District of Franklin. The Development District is a tax-increment financing district, created under Tennessee Law, which is designed to provide funds which will retire the bond issue from property taxes on future development.

At the inception of the project, the Industrial Development Board had approximately two years of debt service escrowed. As of January 2008, this escrow was fully spent and the City of Franklin began, as agreed, to make available short-term loans while the proceeds from the Development District were insufficient to cover the debt service. These loans cannot exceed $5 million at any time during that period. As of June 30, 2015, expected development in the area is proceeding as projected in the debt repayment plan. Through June 30, 2015, the City has lent $2,318,709 to the Industrial Development Board under standby loan agreement. This amount will be repaid through future property taxes on the development. The City does not guarantee or have any obligation for the repayment of the bonds.

Swap Agreements

The City has two interest rate swap agreements which are considered to be derivative financial instruments under GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." Accordingly, the derivatives are reported in the statement of net position at fair value, and are tested for effectiveness to qualify for hedge accounting.

Both pay-fixed interest rate swap transactions are associated with variable debt. Combining a pay-fixed, receive-variable rate swap with variable debt results in "synthetic" fixed rate debt: The economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate debt. Each time the City created synthetic fixed rate debt, a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

For both swaps, there are two main strategies the City pursued with respect to each transaction. Each swap can achieve one or both of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB Statement No. 53, each swap transaction is evaluated to determine what type of accounting treatment to apply.

		2014			2015			2016		
Parcel	Name	Appraisal	Assessment	Tax Amount	Appraisal	Assessment	Tax Amount	Appraisal	Assessment	Tax Amount
062---01107	Office - Healthways - IDB		-	-		-	-	69,866,300	27,946,520	88,590
062---01116	Highwoods Parking Garage	28,919,900	11,567,960	47,024	28,919,900	11,567,960	47,024	33,403,500	13,361,400	42,356
062---01118	Office - Highwoods	27,844,100	11,137,640	45,275	27,844,100	11,137,640	45,275	35,962,000	14,384,800	45,600
062---01401	Vacant	1,200	480	2	1,200	480	2	2,500	1,000	3
062---01403	Office - Nissan		-	-	-	-	-	-	-	-
062---01405	Office - 8 Corporate Center	29,759,800	11,903,920	48,389	29,759,800	11,903,920	48,389	38,482,200	15,392,880	48,795
062---01406	Office - 9 Corporate Center	25,253,100	10,101,240	41,062	25,253,100	10,101,240	41,062	40,010,300	16,004,120	50,733
062---01407	Venue Apartments - Open Space		-	-	-	-	-	-	-	-
062---01408	Venue Apartments - Buildings	54,558,700	21,823,480	88,712	54,558,700	21,823,480	88,712	86,371,100	34,548,440	109,519
062---01410	Venue Apartments - Open Space		-	-	-	-	-	-	-	-
062---01411	Venue Apartments - Open Space		-	-	-	-	-	-	-	-
062---01412	Venue Apartments - Open Space	251,400	100,560	409	251,400	100,560	409	533,000	213,200	676
062---01413	Roundabout		-	-	-	-	-		-	-
062---01414	Office - Jackson Life - IDB		-	-	-	-	-	40,664,500	16,265,800	51,563
062---01415	Greenway Building #2	6,464,200	2,585,680	10,511	6,464,200	2,585,680	10,511	7,307,300	2,922,920	9,266
062---01416	Franklin Pk Office/Parking Garage	16,336,900	6,534,760	26,564	-	-	-	16,336,900	6,534,760	20,715
062---01416.1	Franklin Pk Greenbelt	16,336,900	6,534,760	26,564	-	-	-	-	8,275	26
062---01417	Vacant		-	-	-	-	-	-	-	-
062---01418	Circle at Resource Center Apts	7,265,800	2,906,320	11,814	7,265,800	2,906,320	11,814	9,817,900	3,927,160	12,449
062---01419	Circle at Resource Center Apts	2,709,000	1,083,600	4,405	-	-	-	2,709,000	1,083,600	3,435
062---01420	GGT Crescent	2,709,000	1,083,600	4,405	35,621,500	14,248,600	57,921	51,918,000	20,767,200	65,832
062---01421	GGT Crescent		-	-	-	-	-	-	-	-
062---01422	Franklin Park				34,914,200	13,965,680	56,770	51,164,000	20,465,600	64,876
062---01423	Franklin Park				-	-	-	-	-	-
062---01424	Franklin Park				-	-	-	-	-	-
062---01425	Franklin Park				-	-	-	-	-	-
062---01426	Franklin Park				-	-	92,365	75,874,300	30,349,720	96,209
062---01427	Franklin Park		-	-	11,508,300	4,603,320	18,713	11,508,300	4,603,320	14,593
062---01428	Franklin Park							-	-	-
062---01600	Homewood Suites Hotel	2,351,600	940,640	3,824	2,351,600	940,640	3,824	19,647,100	7,858,840	24,913
062---01701	Pinnacle Properties outlot							90,600	22,650	72
062---01702	Pinnacle Properties outlot		-	-	-	-	-	302,800	121,120	384
062---01801	SS McEwen 65 LLC	6,190,500	2,476,200	10,066	6,190,500	2,476,200	10,066	6,997,900	2,799,160	8,873
062---01802	Vanderbilt Health McEwen	6,000,000	2,400,000	9,756	6,843,400	2,737,360	11,127	7,736,000	3,094,400	9,809
062---01803	Vacant							228,200	57,050	181
062---01804	Vacant	10,240,500	2,560,125	10,407	10,240,500	2,560,125	10,407	10,240,500	2,560,125	8,116
062---01805	Vacant - Planned - Ovation	7,721,000	1,930,250	7,846	7,721,000	1,930,250	7,846	7,721,000	1,930,250	6,119
062---01806	Ovation Development				8,352,500	3,341,000	13,581	9,165,000	3,666,000	11,621
062---01807	Ovation Development				4,103,400	1,641,360	6,672	4,702,900	1,881,160	5,963
062---01808	Ovation Development				6,593,000	2,637,200	10,720	7,452,900	2,981,160	9,450
062---01809	Ovation Development				10,403,000	4,161,200	16,915	11,762,700	4,705,080	14,915
062---01810	Ovation Development				4,486,700	1,794,680	7,295	4,611,300	1,844,520	5,847
062---01811	Ovation Development				3,803,600	1,521,440	6,185	4,299,800	1,719,920	5,452
062---01812	Ovation Development				7,038,000	2,815,200	11,444	7,952,100	3,180,840	10,083
062---01813	Ovation - Open Space				-	-	-	-	-	-
062---01814	Ovation Development							-	-	-
062---01901	SS McEwen 65 LLC	2,884,400	1,153,760	4,690	2,884,400	1,153,760	4,690	3,260,600	1,304,240	4,134
062---01902	SS McEwen 65 LLC	992,300	396,920	1,613	992,300	396,920	1,027	1,860,500	744,200	2,359
062---01903	Ellen Comer	528,600	211,440	860	528,600	211,440	860	597,500	239,000	758
062---01904	Huffines Development	-	-	-	343,200	137,280	558	1,003,600	401,440	1,273
062---01905	Huffines Development	245,100	98,040	399	245,100	98,040	376	924,600	369,840	1,172
062---02000	Ezeal Carothers	20,000	8,000	33	20,000	8,000	20	260,000	6,500	21
062---02100	Duke Realty	8,135,400	3,254,160	13,228	8,135,400	3,254,160	13,228	9,297,600	3,719,040	11,789

 Tax Rate = $0.317 per $100

Parcel	Name	2014 Appraisal	2014 Assessment	2014 Tax Amount	2015 Appraisal	2015 Assessment	2015 Tax Amount	2016 Appraisal	2016 Assessment	2016 Tax Amount
062---02107	Drury Development	5,005,000	2,002,000	8,138	5,005,000	2,002,000	8,138	5,782,200	2,312,880	7,332
062---02113	Drury Inn & Suites, Granite City	29,539,600	11,815,840	48,031	29,539,600	11,815,840	48,031	44,435,500	17,774,200	56,344
062---02113-1	Drury Inn & Suites, Granite City	2,153,700	861,480	3,502	2,153,700	861,480	3,502	2,611,000	1,044,400	3,311
062---02114	Whole Foods	4,635,900	1,854,360	7,538	4,635,900	1,854,360	7,538	5,754,800	2,301,920	7,297
062---02114-1	Whole Foods	3,637,700	1,455,080	5,915	3,637,700	1,455,080	5,915	6,788,500	2,715,400	8,608
062---02115	Pesce Family LLC	3,049,300	1,219,720	4,958	3,049,300	1,219,720	4,958	4,684,300	1,873,720	5,940
062---02116	Toyota Dealer	15,103,000	6,041,200	24,557	15,103,000	6,041,200	24,557	17,716,000	7,086,400	22,464
062---02117	R C Alexander	2,814,000	1,125,600	4,576	2,814,000	1,125,600	4,576	3,216,000	1,286,400	4,078
062---02203	SLC McEwen Holdings	8,851,500	3,540,600	14,393	8,851,500	3,540,600	14,393	16,785,100	6,714,040	21,284
062---02204	Dwell Apts	13,483,000	5,393,200	21,923	13,483,000	5,393,200	21,923	20,852,800	8,341,120	26,441
062---02205	Dwell Apts	37,940,200	15,176,080	61,691	37,940,200	15,176,080	61,691	56,321,000	22,528,400	71,415
062---02206	First Farmers Bank	2,155,200	862,080	3,504	2,155,200	862,080	3,504	2,595,800	1,038,320	3,291
062---02207	McEwen Owners Ass'n	-	-	-	-	-	-	-	-	-
062---02208	Road	10,000	4,000	16	10,000	4,000	16	10,000	4,000	13
062---02209	Office - Southern Land, Nutro	32,943,800	13,177,520	53,567	32,943,800	13,177,520	53,567	46,947,600	18,779,040	59,530
062---02210	Parking Lot	749,300	299,720	1,218	749,300	299,720	1,218	888,000	355,200	1,126
062---02211	Entry/ Exit	10,000	4,000	16	10,000	4,000	16	10,000	4,000	13
062---02212	Bricktops Restaurant	2,186,000	874,400	3,554	2,186,000	874,400	3,554	2,920,600	1,168,240	3,703
062---02213	Retail/ Restaurant - Pei Wei, Blush, Uncl	1,807,200	722,880	2,939	1,807,200	722,880	2,939	3,411,700	1,364,680	4,326
062---02214	Road	10,000	4,000	16	10,000	4,000	16	10,000	4,000	13
062---02215	Open Space - Detention Basin	-	-	-	-	-	-	-	-	-
062---02216	Open Space - Detention Basin	-	-	-	-	-	-	-	-	-
062---02217	Retail - Posh, Lululemon, Babe Beauty B	8,468,200	3,387,280	13,769	8,468,200	3,387,280	13,769	16,662,600	6,665,040	21,128
062---02218	SLC McEwen Holdings	7,037,600	2,815,040	11,443	7,037,600	2,815,040	11,443	8,340,800	3,336,320	10,576
062---02400	Grant Park - Townhomes	16,491,500	4,122,875	16,759	16,491,500	4,122,875	16,728	16,491,500	6,596,600	20,911
079---04000	Duke Realty	7,241,900	2,896,760	11,775	7,241,900	2,896,760	11,775	8,984,300	3,593,720	11,392
079---04003	Porter Family	10,900	4,360	18	10,900	4,360	11	14,100	3,525	11
079---04007	Bancorp Liberty Pike Office Bldg	3,419,100	1,367,640	5,559	3,419,100	1,367,640	9,095	7,049,400	2,819,760	8,939
079---04008	Vacant -300 Watson Road LLC		-	-	1,936,700	774,680	3,149	2,506,400	1,002,560	3,178
079---04009	Columbia State Community College		-	-	-	-	-	-	-	-
079---04010	Morris E Ray	4,043,500	1,617,400	6,575	1,600,000	640,000	2,602	2,057,100	822,840	2,608
079---04012	SS Knoll Top LLC	3,926,500	1,570,600	6,384	3,926,500	1,570,600	6,384	6,809,300	2,723,720	8,634
079---04015	Venture Medical Office Bldg	2,554,100	1,021,640	4,153	2,554,100	1,021,640	4,153	2,957,400	1,182,960	3,750
079---04017	Edward Curd LLC	1,923,800	769,520	3,128	1,923,800	769,520	3,128	2,227,500	891,000	2,824
079---04102	James Cross IV Trust	3,003,200	1,201,280	4,883	3,003,200	1,201,280	4,883	3,477,400	1,390,960	4,409
079---04104	James Cross IV Trust	3,184,900	1,273,960	5,179	3,184,900	1,273,960	5,179	4,236,200	1,694,480	5,372
079---04105	Carothers Medical Office Bldg	8,837,300	3,534,920	14,369	9,838,000	3,935,200	15,997	9,838,000	3,935,200	12,475
079---04200	Downey Development Co	3,766,700	1,506,680	6,125	3,766,700	941,675	3,828	3,766,700	941,675	2,985
079---04202	J B Downey Jr	7,300	2,920	12	7,300	2,920	12	9,400	2,350	7
079---04802	Healthsouth Rehabilitation Hospital	2,779,000	1,111,600	4,519	2,779,000	1,111,600	4,512	17,560,100	7,024,040	22,266
	Subtotal - Property Taxes	506,499,300	197,431,770	802,560	596,912,200	233,031,925	1,042,509	1,046,775,400	415,310,360	1,316,534

Parcel	Name			2014 Tax Amount			2015 Tax Amount			2016 Tax Amount
062---01403	Office - Nissan North America			180,957			182,114			182,114
062---01118	Office - Healthways			47,327			47,327			-
062---01414	Office - Jackson National Life			46,558			46,558			46,558
062---01414	Office - Greenway 2			-			-			-
062---01403	Office - Nissan Personal Property			-			6,811			6,811
	Subtotal - In Lieu of Tax Payments			274,842			282,810			235,483
	Total			1,077,402			1,325,319			1,552,017

Tax Rate = $0.317 per $100

Notes of TIF District 2015

Ovation project

Parcels that make up the Ovation Project are:

62-1806, 62-1807, 62-1808, 62-1809, 62-1810, 62-1811, 62-1812, 62-1813, 62-1814

Highwoods is listed as owner on 62-1806 through 1811

SouthStar is listed as owner on 62-1812

Parcels 1813 & 1814 show up on the 2015 map, but not on the Assessor's tax roll

All parcels are listed as land only. Expenditure on infrastructure (streets, bridges, water, sewer, lighting, etc.) do not appear to be included in the 2015 values ($45 million.) Roughly $72,000 in recurring taxes have been added due to land valuation.

It is expected that some construction will begin in the fall of 2016. It is unlikely that anything other than partial completion (pro-rated value) be added to the tax rolls until 2017. If the full amount of projected investment ($700 million) is delivered, the potential taxes on the Ovation projects will total $1.13 million per year.

Ovation-adjacent

South Star has acquired the Mars Petcare property that adjoins the Ovation project on the south. Fronting on Liberty pike, this parcel (79-4012) lies between the Columbia State site and the Duke property on the corner of Liberty & Carothers. Acquisition of this parcel allows access to the Ovation site from Liberty Pike. An access road known as Knoll Top Lane will be constructed, running along the property line shared by Columbia State and South Star.

The Duke property (79-4000), adjacent to the above parcel, was under option to CHS for an office tower, but failed to develop when CHS moved instead to Antioch. South Star is rumored to have an interest in that property to complete ownership of the entire area bordered by West McEwen, Carothers and Liberty.

Homewood Suites

Diagonally across the McEwen/Carothers intersection is Parcel 62-01600, the new Homewood suites hotel which is now completed and open for business. 2015 tax rolls showed land only. A comparable new hotel (TownePlace suites) was constructed for $19.4 million and valued for tax purposes at $10.5 million.

Franklin Park

Immediately west of Homewood Suites is the second largest development in the TIF District. Franklin Park is comprised of a parking garage, and ten story office building, and over 500 apartment complex with over 500 unites. The parking garage and the first ten-story office building appear to be fully valued on the 2015 tax rolls. Parcel 62-1426 is listed at $56.8 million in value and $92,365 in city taxes.

Parcel 62-1422 comprise the Cameron apartment complex. Only partially complete, the project is listed as $34.9 million in valuation and $56,770 in taxes. Construction difficulties and a fire event have slowed the final delivery of the development.

Parcel 62-01427 is the formerly vacant land set aside to develop four additional ten story office buildings and parking structures for each of the buildings. The first of the four additional buildings in under construction, with steel raised up to the fourth story. For 2015, only the land was included in the valuation of $11.5 million. That resulted in recurring city taxes of $18,712 per year. It is estimated that each of the four office building upon completion will generate another $80,000 per year in city taxes.

The second ten story building is believed to be fully leased already. City staff understands that plans are to pull permits for third building this fall.

Crescent Apartments

Across Carothers from Franklin Park, on the northeast quadrant of Carothers & West McEwen, are the Venue and the Crescent Apartments. Venue is comprised of parcel 62-01408 (and several other small, open space parcels with zero assessments) and joined the tax rolls as completed construction in 2014. It is valued at $54.5 million.

The Crescent Apartments were not entirely on the tax rolls until 2015. They are comprised of parcels 62-01420 and valued at $35.6 million. We will not know until receiving the 2016 tax rolls whether that valuation is for the partial or completed project.

Jackson National Life

The Jackson National building on Innovation Drive was completed in 2010. It remains under a PILOT agreement and the taxes collected on that property are listed in the "in lieu of tax" section of the property listing.

A second building in the Innovation Park, just east of the existing building, is nearing completion. That building should be added to the 2016 tax rolls as partially completed, and fully completed in 2017. It shows on the TIF District map as parcel 62-01415.

Vanderbilt property

On the southwest corner of Carothers and West McEwen is parcel 62-01802. This is the site announced by Vanderbilt as their future headquarters for all Williamson county operations. That have been some delays due to reorganization and prioritization of capital projects as a result of the Affordable are Act. However, we have not seen any signs that the project will be canceled; only delayed.

Vanderbilt-adjacent

Immediately west of the Vanderbilt property lies several parcels that are proposed to be incorporated in a road system with Vanderbilt development. Parcels include 62-1801, 62-1901, 62-1902, 62-1903, and 62-2000

There is one project in the pipeline for this area, but delays in obtaining easements for street connections has thus far slowed the development

"Four Corners" of Liberty & Carothers

I am inaugurating a new name, the Four Corners, for the group of parcels the area between I-65 and Columbia State Community college along Liberty Pike. There appears to be accelerated development interest in this crossroads area.

On the Northeast corner of this intersection, the former Duke property (parcel 79-04000) is under contract to develop a large fitness center and additional retail space. [Note: I referenced this parcel under "Ovation-Adjacent" parcels on page 1.]

On the northwest corner, the Porter family property remains in the greenbelt (annual taxes = $11) but there have been "for sale or lease" signs up numerous times. No development on this site is known at this time.

On the southwest corner, parcel 79-4007 was split. John W Landers is listed as the owner of a two-story office building that joined the tax rolls in 2015. Parcel 79-4017 is the vacant portion of the original parcel and is being promoted for development.

On the southeast corner, parcel 79-4015 is a six-acre parcel owned by SSI. It, too, has signage offering lease or sale of the property for development.

Edward Curd Lane properties

Two parcels, 79-04200 and 79-04102, are on Curd Lane between Liberty Pike on the north and the hospital on the south. There is no knowledge available on the development of these parcels at this time.

Data Center

62-4104 A data center is almost completed on this site along Carothers, south of Liberty. Ownership is shown as C&Y Partners LLC. For 2015 the land value was listed as $3,184,900 for 8.93 acres; purchase price was $4.9 million in May, 2015. There was no improvement value. There is no indication at this time of how the massive building will be valued.

Rehab center (Parcel 79-04002)

Construction is now complete on the drug rehabilitation center on this parcel. The land value was $2.7 million on the 2015 tax rolls. None of the improvements were included in the 2015 assessment. The assumption is that the full value will be included for 2016.

Proton therapy center

There is a proton therapy cancer treatment center being proposed for the parcel adjacent to the data center on the east side of Liberty Pike. This is a $95 million project and will be difficult to fund, but our understanding is that progress is being made. The City's Industrial Development Board has met twice with the developers to discuss an IDB roll in issuing bonds for the project. Nothing is expected in the 2016 time frame.

Columbia State Community College

The college facility is set to open in June of this year. While this parcel is owned by the State of Tennessee and therefore tax-exempt, there are two properties along Liberty that will likely gain from the school activity.

Parcel 79-04018 is directly opposite Knoll Top Lane, which provides the main entrance to Columbia State. There has been some grading completed and leasing signs are up. A site plan originally submitted in 2007 is now being revived and modified. No contribution to the TIF district is expected until 2018.

Parcel 79-04008 lies in the curve of Liberty pike heading east toward McKay's Mill subdivision. Due to power lines crossing the property, very little is expected to develop.

McEwen Towne Place/Duke Property

The largest parcel east of I-65 is the former Brown Farm property on the north side of East McEwen, adjacent to Dwell Apartment Complex. Originally thought to be the keystone project of the TIF District, this property has changed hands twice in the last decade without any significant development. The most recent purchaser is working with local firms to start development, using a working site plan created by the former owner.

There is the possibility that this project could begin development starting in 2018. The potential for this area for retail, office and high rise residential is very strong and would be the third largest tax contributor to the TIF District, after Ovation and Franklin Park.

Adjacent to the two McEwen Towne Place properties is parcel 62-02100. That parcel, known as the Duke property, fronts Mallory Lane and could possibly be a connecting entrance to the Towne Place venture.

Levels of taxation

The latest wrinkle to complicate an understanding of the TIF District is the level of taxation. When originally created, twenty-year funding forecasts were made with a variety of assumptions. The pace of development of each original parcel was estimated and there have been numerous surprises along the way. It was thought that McEwen Towne Place would be first to develop and provide base funding for the debt service; that did not happen. The real estate collapse in 2008/2009 was not anticipated; that certainly did happen, delaying some of the cash flow that was expected. Also, a slowly increasing tax rate was assumed. The model called for an average tax increase of 1% per year was used; the increase was intended to come either from direct rate increases or, more likely, from slowly increasing property values. The Board of Mayor & Aldermen have not elected to make those gradual increases, raising the tax rate only once during the existence of the TIF District and then by only three cents.

The budget proposal for Fiscal Year 2017 (tax year 2016) calls for a sizable increase in the property tax rate, the first in almost thirty years. If approved, the current year tax collections in the TIF District of approximately $1.3 million will increase by roughly $400,000 by virtue of the tax rate alone. We have assumed an annual bump in the tax collections of $100,000 per year, based solely on completion of projects that are in the pipeline.

Based on these potential additions, it is possible that the 2016 tax collections could total $1.8 million. We will not know with certainty until September, when the Tax Assessor completes the tax rolls and we know how the partial completion of current construction will be valued. We will not know until the end of June whether the Board of Mayor & Aldermen will implement the proposed tax rate increase. It is the opinion of City staff that the proceeds from the TIF district will continue to move up on an accelerated rate over the next five years.

TIF Financing - Certified Tax Rate						
Tax Year*	Fixed Rate Balance	Variable Rate Balance	Estimated Revenue	Required Debt Service	Excess Available	Balance End of Year
2016	$ 5,200,000	$ 7,150,000	$ 1,552,017	$ 1,298,000	$ 254,017	$ 12,095,983
2017	$ 4,137,255	$ 6,895,983	$ 1,709,584	$ 1,345,275	$ 364,309	$ 10,668,929
2018	$ 3,048,990	$ 6,531,674	$ 1,814,584	$ 1,368,825	$ 445,759	$ 9,134,905
2019	$ 1,935,236	$ 6,085,915	$ 1,919,584	$ 1,385,882	$ 533,702	$ 7,487,449
2020	$ 795,397	$ 5,552,213	$ 2,024,584	$ 1,394,964	$ 629,620	$ 5,717,989
2021	$ -	$ 4,922,592	$ 2,129,584	$ 196,904	$ 1,932,680	$ 2,989,912
2022		$ 2,989,912	$ 2,234,584	$ 119,596	$ 2,114,988	$ 874,924
2023		$ 874,924	$ 2,339,584	$ 34,997	$ 2,304,587	$ (1,429,663)
2024		$ (1,429,663)	$ 2,439,584	$ 920,337	$ 1,860,019	City Loan Paid

* Tax Year 2016 = Fiscal Year 2017

TIF Financing - Proposed Tax Rate						
Tax Year	Fixed Rate Balance	Variable Rate Balance	Estimated Revenue	Required Debt Service	Excess Available	Balance End of Year
2016	$ 5,200,000	$ 7,150,000	$ 2,056,300	$ 1,298,000	$ 758,300	$ 11,591,700
2017	$ 4,137,255	$ 6,391,700	$ 2,156,300	$ 1,332,668	$ 823,633	$ 9,705,323
2018	$ 3,048,990	$ 5,568,068	$ 2,256,300	$ 1,339,917	$ 916,383	$ 7,700,675
2019	$ 1,935,236	$ 4,651,685	$ 2,356,300	$ 1,335,684	$ 1,020,616	$ 5,566,304
2020	$ 795,397	$ 3,631,068	$ 2,456,300	$ 1,318,118	$ 1,138,182	$ 3,288,283
2021	$ -	$ 2,492,886	$ 2,556,300	$ 99,715	$ 2,456,585	$ 36,302
2022		$ 36,302	$ 2,656,300	$ 1,452	$ 2,656,300	$ (2,619,998)
2023						City Loan Paid

RESOLUTION 2016-33

A RESOLUTION ADOPTING A DISBURSEMENTS POLICY FOR CITY OF FRANKLIN, TENNESSEE

WHEREAS, the Finance Department oversees non-payroll disbursements for the City of Franklin; and

WHEREAS, the Finance Department has drafted a Disbursements Policy to set forth specific responsibilities to be delegated to each City department; and

WHEREAS, the Disbursements Policy provides guidelines for efficient and cost-effective payment of non-payroll obligations while ensuring compliance with federal, state, and local requirements; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to adopt a Disbursements Policy for non-payroll disbursements.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, TENNESSEE, AS FOLLOWS:

SECTION 1. That the Disbursements Policy attached to this Resolution as Exhibit A is hereby adopted for the City of Franklin.

SECTION 2. That changes or revisions to the policy hereby adopted shall be made only by resolution of the Board of Mayor and Aldermen of the City of Franklin.

SECTION 3. That the effective date of the policy hereby adopted shall be immediate upon passage and adoption of this resolution, the public welfare and the welfare of the City requiring it.

Adopted this ____ day of ____, 2016.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE**
BY: ___________________________________	**BY:** ___________________________________
Eric S. Stuckey **City Administrator / City Recorder**	**Dr. Ken Moore** **Mayor**

APPROVED AS TO FORM BY:

____

Kristen L. Corn
Assistant City Attorney

Law Dept. approved 06.14.16

CITY OF FRANKLIN

Disbursements Policy

Table of Contents

Disbursements Policy

1. General Policy

This policy applies to all non-payroll disbursements of The City of Franklin. (Payroll disbursements are addressed in the City's Human Resources Manual.)

Other than the purchasing card program that is overseen by the City's Purchasing Office, the Finance Department oversees disbursements for the City. Specific payment responsibilities, as described in this policy, are delegated to departments. All who have responsibility for any aspect of the City's payment functions are to adhere to the provisions of this policy. (Exceptions, if any, will be handled as described in Section 13).

2. Payment Responsibilities

To ensure best practices, the following disbursements responsibilities are in place:

- **Procurement**. Departments should strive to separate, as much as possible, the functions of purchasing, receiving, and approving payments.
- **Payment Approval.** The authorized departmental approver must not be the recipient of the funds disbursed.
- **Vendor Maintenance.** A person in Finance who does not perform payment processing should perform vendor maintenance.
- **Payment Processing and Review.** The person processing payments in Finance should have a 2nd person in Finance review prior to disbursement.
- **Payment Recording**. A person in Finance who does not process or review disbursements should record the transactions.
- **Post-payment review.** Both the department and Finance should review budget information to ensure that all financial transactions are appropriate.

3. Payment Methods

Although departments shall advise the Finance Department as to the method of payment that best meets the needs of the City, payment by electronic means is the default method of payment.

When use purchasing cards

Purchasing Cards, which streamline the payment for most goods and services, is the default method for payments to vendors who accept credit cards. (The advantages of using the City purchasing card in lieu of accounts payable is the reduced time required to process payments, the vendor is paid sooner, and a rebate is available on most purchases made using the purchasing card.)

Default payment method

Direct Deposit (ACH), which consists of bank account information being provided by the vendor to the City, is the default payment method for:

- non-construction-related procurements through the Purchasing Office,
- construction-related procurements typically overseen by Engineering,
- employee reimbursements (using primary payroll bank account), and
- vendors who do not accept credit cards.

When use automatic withdrawal

Automatic Withdrawal, which consists of bank account information being provided to the vendor to initiate scheduled withdrawals, is the default payment method for utility payments.

When use wire payments

Wire Transfer, which is a same day payment method that requires two persons to approve transfer, is the default payment method for debt service, lease payments, and investments.

Checks are issued to vendors who do not accept electronic payments and other payments where electronic payment is not cost effective.

Petty Cash may be needed by departments that require frequent cash purchases for minor items. Petty cash may not be used to pay for services or to compensate employees.

4. Payment Fees

Payment fees

Many vendors that accept the City's purchasing card do not add on a convenience fee and/or surcharge to the amount of the purchase. However, some vendors have an established fee for accepting electronic payments. In instances where payment of the fee is more cost effective than processing the payment through accounts payable, the payment fee may be paid.

5. Authorized Approvers

The department director is the default authorized approver. The department director must provide written authorization to designate additional individuals in their departments as authorized approvers. The Finance department maintains a list of authorized approvers.

Who can approve payments

Payment requests over $100,000 are to be approved by the department director or higher. Payment requests under this amount may be approved by the department director or departmental designee.

6. Invoice Approvals

Departments are responsible for reviewing, approving and allocating to the proper budget code all invoices submitted for payment. All payments are made by the Finance Department except for those made by purchasing card.

A full, legible signature of the individual authorizing payment is required. Initials are not accepted. The approval signature signifies that the request for payment complies with the following conditions:

- Is necessary.
- Is for a valid municipal purpose.
- Is received, or is an authorized prepayment.
- Is from the correct account.
- Is for the correct amount.
- Is not a duplicate payment.
- Is timely to ensure no penalties.
- Does not exceed available budgeted amounts.
- Has been procured in accordance with City purchasing policies.
- Complies with legal restrictions.

Budget compliance

- Complies with applicable contractual, grant, and/or debt restrictions.
- Includes accurate supporting documentation.

7. Disbursements Documentation

Payment Documentation

It shall be the responsibility of the department to provide sufficient and accurate documentation to the Finance Department for prompt payment. Such documentation shall include invoices, packing lists, and receiving forms or other evidence of receipt. Payments are not made from vendor statements.

Additional documentation is needed for the following types of payments:

For Non-Construction-Related Procurement Payments
Inclusion of the purchase order number (where applicable) and receiving document (or similar document.)

Contract compliance

For Construction-Related Procurement Payments
Inclusion of the project number (where applicable), contract number, and contractor's payment application (or similar document) with remaining contract balance.

For Employee Reimbursement Payments
Inclusion of employee identification number and/or name. (Where applicable, state and federal requirements, such as HIPAA privacy regulations, will be followed).

For Capital Asset Payments
Inclusion of asset's description and identifying number(s).

Grant compliance

For Grant and Reimbursement Payments
Inclusion of the grant or reimbursement number (where applicable).

Debt compliance

For Bond and Lease Payments
Inclusion of the bond or lease number (where applicable).

8. Payment Minimum

Due to historical experience of checks for small amounts remaining uncashed, payments under a threshold established by the Finance Department, will not be issued unless requested. These amounts will be submitted to the State's unclaimed property division when due.

9. Timeframe for Vendor Payments

Payment timeframe

Departments are to obtain invoices from vendors as soon as services or goods are provided. During most of the year, payments to vendors generally occur within 30 days of invoice date. Prompt payment discounts are to be taken.

Year-end payments

At fiscal year-end, payments need to occur by July 31 each year. (This abbreviated timeframe is necessary due to State's requirement that the City's annual financial records must be closed within 60 days.)

The City of Franklin does not make invoice payments prior to the due date and/or completed service or goods received unless it is specified in an agreement prior to the procurement.

10. Urgent Payment Requests

Urgent Payments

Prior to the beginning of a calendar year, the Finance Department distributes the accounts payable schedule to departments. However, urgent payment requests may arise from time to time.

When an urgent payment is needed, the department is to provide justification for the urgency. If the urgency is not verified by Finance, the payment will be made according to the regular accounts payable schedule.

11. Advance Payments to Vendors

Advance Payments

Generally, payment for goods or services cannot be made until after goods are received or services are provided. However, payment or partial payments can be made in the following circumstances:

a. registrations for conferences and seminars,
b. purchases of postage,
c. subscriptions to trade magazines and periodicals,
d. membership dues,
e. payments for monthly transit management services,

f. reservations and arrangements for City sponsored events,

g. deposits or advance payments to vendors agreed to during the procurement process,

h. purchases of items from specialty establishments requiring payment accompany the order, and

i. benefit contributions, such as pension or insurance contributions.

12. Procedures

The Finance Department will implement procedures that are in accordance with this policy.

13. Exceptions to Policy/Reporting of Exceptions

How handle exceptions

If a valid payment request arises that is not covered within this policy, the City Administrator may authorize the payment request. The payment exception will be reported at the next available Board meeting as an action on behalf of the Board by the City Administrator.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

A. General Provisions

This City of Franklin ("City") Purchasing Policy shall apply to the purchase of materials, supplies, vehicles and equipment, the purchase of services other than those pertaining to the design and/or construction of new infrastructure and facilities, and to secure leases and lease-purchases and to dispose of and transfer surplus personal property for the proper conduct of the City's business.

All contracts, leases and lease-purchase agreements are subject to the approval of the Board of Mayor and Aldermen, unless otherwise provided by resolution or ordinance. Any contracts, leases and lease-purchase agreements extending beyond the end of the current fiscal year shall be so noted prior to consideration by the Board of Mayor and Aldermen.

Whenever the City undertakes its own competitive procurement process for the procurement of goods and/or services not pertaining to the design and/or construction of new infrastructure and facilities, then the City is hereby authorized to utilize the one or more of the following procurement methodologies best suited for the intended procurement:

- request for quotations (not for purchases valued at $25,000 or more)
- solicitation for bids
- request for proposals
- request for qualifications

This Purchasing Policy is intended to promote the public interest and preserve and enhance the public trust by establishing a transparent procurement system by which the City conducts its non-construction related purchasing, and by providing vendors with a fair forum for competing for City business.

B. Responsibilities of Departments

The following are the responsibility of each Department:

1. Departments shall be responsible for purchases and projects valued less than $25,000. (In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered.)
2. Departments shall use pricing established pursuant to ~~citywide~~ City procurement awards or Tennessee statewide contracts if and as available. The use of pricing established by cooperative purchasing arrangements approved by the City Administrator for use by the City, as well as pricing established by other Tennessee local governments pursuant to a competitive process involving "public advertisement" (hereby defined to mean the same as that term is used in T.C.A. § 6-56-301 *et seq.*, the Tennessee Municipal Purchasing Law of 1983, as it may be amended from time to time) and sealed submittals, are also allowed and may be used in lieu of competitive pricing established by the City ~~of Franklin~~.
3. Departments shall advise the Purchasing Office and/or the Finance Department as to the method of payment that best meets the needs of the City~~, but payment by electronic means (either direct deposit – such as "ACH" or "Electronic Funds Transfer" – or purchasing card) shall be the default method of payment~~.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

4. Before placing an order for any non-emergency purchase valued at or greater than $10,000, departments shall prepare and submit a requisition, on the form prescribed by the Purchasing Office, and await approval thereof. For orders for emergency purchases valued at or greater than $10,000, the requisition may be completed within ten (10) calendar days after placing the order (and see “Emergency Purchases” below).
5. Purchases valued less than $25,000 but not less than $10,000 shall not be made unless and until, wherever possible, the Department shall have obtained and forwarded to the Purchasing Manager competitive pricing quotations from at least three (3) vendors, said quotations to be either supplied in writing by the vendor or reduced to writing by the Department, accompanied by a tabulation of the comparative aspects of the quotations obtained, a recommendation as to which quotation should be accepted and a requisition for the recommended quotation.
6. All foreseeable purchases, including those valued less than $10,000, should not be made unless and until the Department Head or his or her authorized representative is satisfied that the value of the purchase is fairly priced and not more than what would be expected in the current market place. At the discretion of the Department Head or his or her authorized representative, for foreseeable purchases valued less than $10,000, the Department should, whenever it is prudent to do so, obtain multiple competitive pricing quotations, said quotations to be either supplied in writing by the vendor or reduced to writing by the Department.
7. As soon as possible but within ten (10) calendar days of receipt of items ordered, Departments shall be responsible for verifying that the items conform to the order. The process for taking delivery of items is as follows:
   a. Inspect the goods to verify that they are in acceptable condition.
   b. Verify that all operating manuals and warranty cards are included in the delivery of the goods, if applicable.
   c. Verify that the number of items ordered have been delivered, making special note when all or part of a particular order has been back-ordered.
   d. Ensure that purchases of capital assets of the City have been properly reported, either directly or indirectly, to the Finance Department and the City’s Risk Manager and, if rolling stock, Fleet Maintenance, on forms prescribed by those respective offices, so that records of such purchases may be updated, insurance coverage may be obtained, and vehicle tags may be obtained, all in a timely manner.
8. ~~Departments~~ Regardless of method of payment, departments shall be responsible for reviewing, approving and allocating to the proper budget code all invoices ~~submitted~~ authorized for payment.
9. It shall be the responsibility of each Department to allow time for competitive solicitation, ordering and delivery pursuant to this Purchasing Policy.
10. No employee shall make any indication that he/she will recommend a particular product for purchase, knowingly bind the City to a specific vendor, or make any representation as to his or her authority to bind the City by contract when such is not the case.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

C. Responsibilities of Purchasing Manager

The following are the responsibility of the Purchasing Manager:

1. The Purchasing Manager shall assist all Departments in purchasing operating materials, supplies, vehicles, equipment and services to which this Purchasing Policy applies.
2. The Purchasing Manager shall be responsible for facilitating the competitive process by which all purchases to which this Purchasing Policy applies and valued at or greater than $25,000 are made.
3. For all purchases to which this Purchasing Policy applies and valued at or greater than $10,000, the Purchasing Manager shall advocate the purchase of required products and services only either from the lowest responsible and responsive bidder or from the responsible and responsive respondent whose proposal or other submittal is most advantageous to the City.
4. The Purchasing Manager shall advise the Departments about the source and availability of products and services needed by the various Departments.
5. The Purchasing Manager shall provide current vendor files available for use and review by Departments.
6. The Purchasing Manager shall, upon request, obtain prices on comparable items.
7. The Purchasing Manager shall provide vendor lists, prepare Purchase Orders as necessary, and maintain orderly files.
8. The Purchasing Manager shall be alert on an ongoing basis for new sources and for improved products and services.
9. In coordination with individual Departments, the Purchasing Manager shall assist in the preparation of specifications.
10. The Purchasing Manager shall prepare all legal notices for competitive solicitations and shall also place additional notice of bid in appropriate publications and place on the City Website as necessary to assure ample opportunity for vendors to bid.
11. The Purchasing Manager shall on an ongoing basis pursue consolidating the purchase of as many products and services as economically possible in order to reduce costs and/or improve services provided to the City.
12. The Purchasing Manager shall investigate complaints from Departments of poor performance by vendors, or complaints about inferior products, and shall, in consultation with the City's Law Department, choose which, if any, remedies are available to the City to pursue.
13. The Purchasing Manager shall be responsible for disposing of the City's surplus personal property of any value by means of a competitive process and in compliance with City ordinance, except in cases involving data security or other mitigating circumstances. The Purchasing Manager shall develop the appropriate documentation for the Finance Department in accordance with the City Code.
14. The Purchasing Manager shall be responsible for administering and overseeing the City's Purchasing Card program.
15. The Purchasing Manager shall be responsible for ~~following~~ otherwise administering and complying with this Purchasing Policy and ~~the Municipal Purchasing Law of 1983, as amended~~ applicable Tennessee state law, specifically T.C.A. § 6-56-301 *et seq.* (Tennessee Municipal Purchasing Law of 1983) and T.C.A. § 12-3-1201 *et seq.* (Public Purchases – Local Governments), as it may be amended from time to time, including keeping and filing required records and reports, as if they were set out herein and made a part hereof and within definitions of words and phrases from the law as herein defined.

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D. Circumstances under which sealed bids or proposals pursuant to public advertising are not required

1. Authorized sole-source purchases (see below).
2. Authorized emergency expenditures (see below).
3. Purchases from instrumentalities created by two (2) or more cooperating governments, such as, but not limited to those established pursuant to ~~as provided in~~ T.C.A. § 12-9-101, et seq.~~.~~
4. Purchases from non-profit corporations whose purpose or one of whose purposes is to provide products and services specifically to municipalities, as provided in T.C.A. § 6-56-302.
5. Purchases, leases or lease-purchases of real property, as provided ~~in T.C.A. §~~ by City ordinance and state law.
6. Purchases, leases, or lease-purchases of used or secondhand articles consisting of goods, equipment, materials, supplies, or commodities, ~~pursuant to~~ as provided in T.C.A. § 12-3-1202.
7. Purchases through other units of government, as provided in ~~the Municipal Purchasing Law of 1983, as may be amended from time to time~~ T.C.A. § 12-3-1203(a) and 12-3-1203(c).
8. Purchases ~~directed through or in conjunction with the~~ pursuant to ~~State~~ Tennessee Department of General Services statewide contracts authorized for use by Tennessee local governments.
9. Purchases from Tennessee Rehabilitative Initiative in Correction (TRICOR).
10. Professional service contracts, as provided in T.C.A. § 12-3-1209.
11. Other professional services, including actuarial, architectural design, financial and compliance audit, engineering design, financial advisory, legal counsel and medical.
12. Tort liability insurance, as provided in T.C.A. § 29-20-407.
13. Purchase of fuels, fuel products or perishable commodities.
14. Purchases based on contracts established by a cooperative purchasing arrangement recognized by the City pursuant to Resolution No. 2009-50, as provided in T.C.A. § 12-3-1205.
15. Purchases based on contracts established by the United States General Services Administration (GSA) and authorized by GSA for use by US local governments.
~~13.~~**16.** Other arrangements and methods pursuant to Tennessee and/or federal law.

E. Rejection of Bids, Proposals or Other Submittals

The Purchasing Manager shall recommend to the Board of Mayor and Aldermen to reject any and all bids, proposals or other submittals received pursuant to a formal procurement solicitation issued by the Purchasing Office, or parts thereof, for any product or service to which this ~~policy~~ Policy applies, whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager believes the public interest would be best served by such rejection. The Purchasing Manager shall recommend to the Board of Mayor and Aldermen that it reject any such submittal of a vendor or contractor who is in default on the payment of taxes, licenses, fees or other monies of whatever nature that may be due the City by the vendor or contractor whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager becomes aware of such default.

F. Conflict of Interest, Use of Position, Solicitation

There are several sources of law and regulations, as they may be amended from time to time, that apply to conflicts of interest, use of position and solicitation. They are incorporated by reference and adopted as if fully stated herein.

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a. City Charter

Article VIII ("Finance"), Section 16 ("Officers not to be Interested in City Contracts or Work") of the City of Franklin Charter reads as follows:

> No member of the Board of Mayor and Aldermen, or officer elected by said Board, shall be interested in any contract, or work of any kind whatever, under its control and direction, and any contract in which any such person shall have an interest shall be void and cannot be enforced.

b. City of Franklin Municipal Code

Title 1 ("General Administration"), Chapter 8 ("Ethics") of the City of Franklin Municipal Code sets forth the Code of Ethics for the City of Franklin, which applies to all full-time and part-time elective or appointed officials and employees of the City.

c. City of Franklin Regulations

Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads as follows:

> Except for the receipt of such compensation as may be lawfully provided for the performance of City duties, and except as noted below, no City officer or employee shall be privately interested in or profit, directly or indirectly, from business dealings with, of or by the City.
> Regular full-time, regular part-time and temporary employees of the City may, subject to the approval of the City Administrator, contract to perform services for the City by meeting the following criteria: (1) the service performed must not be any service which the employee might provide in the normal scope of their regular duties; (2) the employee would be required to bid or submit a proposal in the same manner as any other prospective provider of service; and (3) the service performed must not present a conflict of interest nor a conflict of time with the employee's regular duties.

Article XXII ("General Policies and Procedures"), Section I ("Use of Position"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads in part as follows:

> No City officer or employee shall make or attempt to make private purchases in the name of the City, nor otherwise use or attempt to use status as a City employee to secure unwarranted privileges or exemptions.

Article XXII ("General Policies and Procedures"), Section F ("Acceptance of Gratuities"), of the City's Human Resource Manual, as it may be amended from time to time, reads as follows:

> No City officer or employee shall accept or solicit any money or other consideration or favor from anyone other than the City for the performance of an act which the officer or employee would be required or expected to perform in the regular course of employment; nor shall any officer or employee accept, directly or indirectly, any gift, gratuity, or favor of any kind which might reasonably be an attempt to influence the individual's actions with respect to City business. For further explanation, see Title 1, Chapter 8 ("Ethics"), of the Municipal Code.

d. Statutes

Certain ~~state~~ Tennessee statutes may apply to purchases involving city officers, committee members, etc. Selected statutes may be found in Appendix A to this Purchasing Policy attached hereto for reference.

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G. City Officer and Employee Communication with Vendors

Between the time a procurement solicitation for sealed submittals is issued by the City and the time an award is made, members of the Board of Mayor and Aldermen as well as employees of the City shall refrain from any form of communication with one or more vendors that may be competing for the award about any aspect of the procurement other than either in the context of a public meeting or by way of the Purchasing Office. The foregoing is not meant to preclude a representative of the City from answering questions from vendors if the question is already addressed in the solicitation documents, if the City representative is certain of the correct answer and if the Purchasing Office is informed of the communication. Otherwise, any inquiries from one or more vendors that may be competing for such an award shall be directed to the Purchasing Office which shall determine if an addendum to the solicitation should be prepared and issued to all vendors known or thought to be interested in the procurement opportunity. Vendors that may be competing for a procurement award shall be instructed that, until that award has been made, they shall not communicate about either the content of or the procurement process pertaining to this procurement solicitation with any official, employee or other representative of the City except through the City's Purchasing Office. The City reserves the right to disqualify any vendor that initiates unauthorized communication with the City during the procurement phase.

H. City Officer and Employee Business Dealings with the City

See Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resources Manual.

See also Title 1 ("General Administration"), Chapter 8 ("Ethics"), of the City of Franklin Municipal Code.

I. Tie Bids and Tie Quotes

In the event of tie bids or tie quotes (that is, when two or more responsible and responsive vendors offer products that meet all specifications, terms and conditions at identical total pricing for the minimum or estimated quantity indicated), then the tie bids or tie quotes shall be broken by means of one of the following methods, in descending order:

1. The award shall be made to the vendor who bid or quoted the soonest delivery of the product or completion of the service of all the vendors submitting the tie bids or tie quotes.
2. The award shall be made to the vendor who offered the pricing for the longest period of time for potential future orders of all the vendors submitting the tie bids or tie quotes.
3. If one or more of the vendors submitting the tie bids or tie quotes competed for the City's business the last time the City solicited bids or quotes for the same product or service, then the award shall be made to the vendor who offered the lowest pricing at that time of all the vendors submitting the tie bids or tie quotes.
4. If one or more of the vendors submitting the tie bid or tie quote have done business with the City within the most recent 24 months, then the award shall be made to the vendor who has done the most business with the City (measured in dollars) in that time frame of all the vendors submitting the tie bids or tie quotes.
5. The award shall be made by means of random selection, such method to be administered by the Purchasing Manager and to give equal opportunity to all the vendors submitting the tie bids or tie quotes.

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for City of Franklin procurements not pertaining to new construction

J. Determining Responsible and Responsive Respondents

As noted above, products and services shall be purchased either from the lowest responsible and responsive bidder or from the responsive and responsible respondent whose proposal or other submittal is most advantageous to the City. In determining whether a competing vendor is responsible and responsive, the following shall be taken into consideration:

1. The ability of the competing vendor to perform the contract or provide the material or service required.
2. Whether the competing vendor can perform the contract or provide the service promptly, or within the time specified, without delay or interference.
3. The character, integrity, reputation, judgment, experience, and efficiency of the competing vendor.
4. The previous and existing compliance by the competing vendor or a predecessor in interest with laws and ordinances relating to the contract or service.
5. The quality of the competing vendor's performance of previous contracts or services, including the quality of such contracts or services in other municipalities, or performed for private sector customers.
6. The sufficiency of financial resources and the ability of the competing vendor to perform the contract or provide the service.
7. The ability of the competing vendor to provide future maintenance and service for the use of the materials, supplies, vehicles, equipment or contractual service contracted.
8. Compliance by the competing vendor with all specifications in the solicitation for bids or proposals.
9. The ability of the competing vendor to deliver and maintain any requisite bid bonds or performance bonds.

K. Emergency Purchases

When in the judgment of the City Administrator, the Department Head or the Purchasing Manager there exists an emergency impinging on public health, safety or welfare and a purchase valued at or greater than $10,000 is necessary, then the competitive purchasing provisions contained in this Purchasing Policy may be waived; provided, however, that if the emergency purchase is valued at or greater than $25,000 it shall be reported to the Board of Mayor and Aldermen at its next scheduled meeting.

L. Sole-Source Purchases

In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered. Sole-source purchases valued at less than $10,000 may be authorized by the end-user department. Sole-source purchases valued at less than $25,000 but not less than $10,000 may be authorized by the Purchasing Manager upon being satisfied that it is not possible to obtain competitive pricing quotations from at least three (3) vendors. Except as noted below, sole-source purchases valued at or greater than $25,000 may not be made unless and until individually authorized by the Board of Mayor and Aldermen. Authorized sole-source purchases do not require sealed bids or proposals pursuant to public advertising. The criteria for evaluating sole-source purchases valued at or greater than $10,000 are presented in Appendix B to this Purchasing Policy. Sole-source purchases valued at or greater than $25,000 that do not require individual authorization by (but which shall still be reported to) the Board of Mayor and Aldermen include:

a. Repairs to, maintenance of, licenses for and/or maintenance agreements for products already in use by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City ~~of Franklin~~, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: engine repairs made by the manufacturer or the manufacturer's representative for a vehicle; license and maintenance agreements for computer software.

b. Purchases of items necessary to maintain, expand or improve a manufacturer-specific system already in use by the City, and/or another governmental agency with which the City must cooperate in order to provide the public service relevant to the proposed purchase, and that requires interconnectivity of and/or communication between the component parts, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City ~~of Franklin~~, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: water meters and related parts; traffic signal equipment and related parts; athletic field lighting (and related parts) connected to a centralized master control; automated external defibrillators; cardiac monitors; telemetry/supervisory control and data acquisition equipment.

c. Purchases of items that have, for good and sufficient reason, previously been standardized by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City ~~of Franklin~~, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: low-pressure wastewater collection grinder pumps and related parts; self-contained breathing apparatus; vehicle exhaust evacuation systems at individual fire stations, including installation if only one authorized installer is assigned to serve the City; vehicle extrication equipment.

M. Purchasing Card Program

The Purchasing Card Program shall be administered by the Purchasing Manager pursuant to procedures established therefor. The Purchasing Manager shall coordinate with Department Heads in determining to which employees and officers of the City to issue Purchasing Cards. Employees who are authorized and expected to travel on behalf of the City and at the City's expense shall be issued purchasing cards and are expected to use same in lieu of being given travel advances.

Employees' participation in the ~~City of Franklin~~ City's Purchasing Card Program is a privilege and a convenience that includes certain responsibilities. Although the purchasing card is issued in the cardholder's name, it is City property and therefore must be used in accordance with City policy and rules, as well as with good judgment, especially as follows:

1. The Purchasing Card is provided to employees based on their need to purchase ~~business-related~~ authorized goods and services. A card may be revoked at any time based on change of assignment or location. The card is neither an entitlement nor a reflection of title or position.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

2. ~~The card is for business-related purchases only; personal charges (even if intended for future reimbursement) and charges for alcoholic beverages and entertainment are specifically prohibited.~~The card may be used only for authorized obligations of the City; use of the card for a purchase other than an authorized obligation of the City (such as personal purchases as well as alcoholic beverages and entertainment), even if intended for future reimbursement, are specifically prohibited.

~~2.~~3. Purchases made with the card are to comply with City purchasing policy and procedures. Such City procurement rules as the need for procurement requisitions, the basis for pricing, contracting, whether a certificate of insurance is necessary to require of the service provider, adequacy of budgeted funding, and timing of payment relative to delivery of the product or service, all apply regardless of method of payment (such as by purchasing card).

~~3.~~4. The cardholder is the only person entitled to use the card and is accountable for all charges attributable to the card.

5. ~~Improper use of the card, including any personal charges (even if intended for future reimbursement) and charges for alcoholic beverages and entertainment, shall be considered misappropriation of City funds, which may result in disciplinary action, up to and including termination.~~Cardholders are expected to exercise good judgment in making a decision about whether to make a purchase by considering (a) whether the potential purchase is prudent and necessary, and (b) whether the potential purchase would reflect well on the City and the cardholder, and be perceived by the general public as suitable and appropriate. Improper use of a City purchasing card, especially intentional and unreported but even unintentional and reported, including personal purchases as well as alcoholic beverages and entertainment, even if reimbursed, may be considered misappropriation of City funds, which may result in disciplinary action, up to and including termination.

~~4.~~6. Other than for out-of-state purchases and purchases from fast-food restaurants (at which customers place and pay for the order before sitting down at a table), the cardholder is responsible for ensuring that the transaction is completed without sales tax being charged. If a transaction has been completed on which sales tax was charged in error, then the cardholder is responsible for contacting the vendor and requesting that the amount of the sales tax be credited back to the same City purchasing card to which the sales tax was charged. Documentation of this effort, and of the vendor's response, shall be submitted in addition to the supporting documentation for the transaction.

7. Cardholders are expected to comply with internal control procedures in order to protect the City's assets. This includes (a) not permitting anyone other than the cardholder to use the card; (b) making sure that each transaction is electronically processed in full and on time; (~~b~~c) keeping and submitting on time detailed invoices or itemized payment receipts that substantiate each and every charge attributed to the purchasing card issued to the cardholder; (~~c~~d) assisting the City upon request with reconciling the City's billing cycle statements; and (~~d~~e) taking reasonable precautions to secure the purchasing card against loss and/or theft.

~~5.~~8. If electronic processing of a purchasing card transaction is not completed by the deadline and the Purchasing Office has not been previously notified of the need for a delay, then the monthly credit limit for the respective purchasing card may be reduced to $0 until the processing is complete. This consequence applies to any transaction that has not been coded, explained with a comment, and approved by the individual assigned to approve purchasing card transactions for that cardholder. Credit limits will be restored to the previous amounts once electronic processing is complete.

~~6.~~9. Failure to submit on time adequate and legible supporting documentation for each transaction or to otherwise comply with City rules will carry consequences, possibly including reduction or loss of card

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spend authority, reimbursement ~~for~~ of the City by the employee for unauthorized and/or unsubstantiated purchases, and/or disciplinary action, up to and including termination.

~~7.~~10. Cardholders are responsible for resolving any discrepancies ~~between charged and documented amounts~~ by contacting the vendor and/or the ~~City Purchasing Office~~ issuing bank.

~~8.~~11. A lost or stolen purchasing card shall, as soon as possible upon discovery of the loss or theft, be reported to the City Purchasing Office and/or to the issuing bank.

~~9.~~12. A cardholder must surrender his or her card upon termination of employment (i.e., retirement or voluntary or involuntary separation).

N. Payment for Purchases

~~All payments to vendors and service providers shall be made by the Finance Department except for those made by purchasing card. Payment by electronic means (either direct deposit – such as "ACH" or "Electronic Funds Transfer" – or purchasing card) shall be the default method of payment.~~All payments to vendors and service providers shall be made either by purchasing card (in accordance with this Policy) or by one of the City's other methods of payment (in accordance with the City's Disbursements Policy).

~~It shall be the responsibility of the Departments to provide sufficient and accurate documentation to the Finance Department for prompt payment. Such documentation shall include invoices (approved and allocated to the proper budget code) and packing lists, receiving forms or other evidence of receipt.~~

O. Consolidation of Purchases

The Purchasing Manager, working in cooperation with Departments, shall on an on-going basis investigate ways and methods to consolidate as many purchases as possible. The purpose of consolidation is to allow the City to realize economies of scale, savings through reducing inventories of parts and supplies as well as reducing the number of vendors and accompanying financial record keeping.

P. Use of Internet Auctions for Purchases of City Property

The use of internet auctions is generally prohibited as a method for making City purchases unless specifically authorized in advance by the City Administrator.

Q. Vendor Protests

Vendor protests shall be handled in accordance with the City's Vendor Protest Procedure for procurements not pertaining to new construction, as approved by resolution of the Board of Mayor and Aldermen.

R. Disciplinary Action

Any employee who fails or refuses to comply with the provisions of this Purchasing Policy shall be subject to disciplinary action pursuant to and as provided in the Human Resources Manual, as it may be amended from time to time.

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S. Requests for Proposals

Requests for competitive sealed proposals shall be used pursuant to T.C.A. § 12-3-1207 and may be used only when qualifications, experience, or competence are more important than price in making the purchase, and either (1) when there is more than one (1) solution to a purchasing issue and competitive sealed proposals would assist in choosing the best solution; or (2) when there is no readily identifiable solution to a purchasing issue and competitive sealed proposals would assist in identifying one (1) or more solutions. The request for competitive sealed proposals shall state the relative importance of price and other evaluation factors. The award shall be made to the responsible respondent whose proposal the governing body determines is the most advantageous to the City, taking into consideration price and the evaluation factors set out in the request for competitive sealed proposals. No other factor may be used in the evaluation.

T. Requests for Qualifications

Requests for qualifications may be used pursuant to T.C.A. § 12-3-1209 for legal services, fiscal agent, financial advisor or advisory services and similar services by professional persons or groups of high ethical standards, or pursuant to T.C.A. § 12-4-107 for architectural, engineering and construction services.

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APPENDIX A
SELECTED STATUTES APPLYING TO OFFICERS, COMMITTEE MEMBERS, ETC.

T.C.A. § 6-54-107. Interest of officer in municipal contracts prohibited.

a. No person holding office under any municipal corporation shall, during the time for which such person was elected or appointed, be capable of contracting with such corporation for the performance of any work that is to be paid for out of the treasury. Nor shall such person be capable of holding or having any other direct interest in such a contract. "Direct interest" means any contract with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation.

b. No officer in a municipality shall be indirectly interested in any contract to which the municipality is a party unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality.

c. 1. Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality may vote on matters in which such member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents."

2. In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, the member may abstain for cause by announcing such to the presiding officer. Any member of a local governing body of a county or municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

3. The vote of any person having a conflict of interest who does not inform the governing body of such conflict as provided in subdivision (c)(1) shall be void if challenged in a timely manner. As used in this subdivision (c)(3), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

4. Nothing in this subsection (c) shall be construed as altering, amending or otherwise affecting the provisions of § 12-4-101(a). In the event of any conflict between this subsection (c) and § 12-4-101(a), the provisions of § 12-4-101(a) shall prevail.

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T.C.A. § 6-54-108. Penalty for unlawful interest of officer.

Every officer of such corporation who shall unlawfully be concerned in making such contract, or who shall unlawfully pay money upon the same to or for any person declared incapable in § 6-54-107, shall forfeit the amount so paid; and such officer shall be jointly and severally liable to an action for the same, which action may be prosecuted by any citizen of the corporation in its name.

T.C.A. § 12-4-101. Personal interest of officers prohibited.

(a) (1) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract. "Directly interested" means any contract with the official personally or with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation. This subdivision (a)(1) shall not be construed to prohibit any officer, committee person, director, or any person, other than a member of a local governing body of a county or municipality, from voting on the budget, appropriation resolution, or tax rate resolution, or amendments thereto, unless the vote is on a specific amendment to the budget or a specific appropriation or resolution in which such person is directly interested.

….

(b) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be indirectly interested in any such contract unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality or county.

(c) (1) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment predates the member's initial election or appointment to the governing body of the county or municipality may vote on matters in which the member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents." The vote of any such member having a conflict of interest who does not so inform the governing body of such conflict shall be void if challenged in a timely manner. As used in this subdivision (c)(1), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

(2) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment began on or after the date on which the member was initially elected or

appointed to serve on the governing body of the county or municipality shall not vote on matters in which the member has a conflict of interest.

(3) (A) In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, such member may abstain for cause by announcing such to the presiding officer.

(B) (i) Any member of a local governing body of a municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

(ii) This subdivision (c)(3)(B) shall in no way be construed to apply to any county having a metropolitan form of government and having a population in excess of five hundred thousand (500,000), according to the 1990 federal census or any subsequent federal census.

….

T.C.A. § 12-4-102. Penalty for unlawful interest.

Should any person, acting as such officer, committee member, director, or other person referred to in § 12-4-101, be or become directly or unlawfully indirectly interested in any such contract, such person shall forfeit all pay and compensation therefor. Such officer shall be dismissed from such office the officer then occupies, and be ineligible for the same or a similar position for ten (10) years.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

APPENDIX B
SOLE-SOURCE PURCHASES VALUED AT OR GREATER THAN $10,000

Sole-source purchases valued at or greater than $10,000 shall be made only when an item is unique and possesses specific characteristics that can be filled by only one source and must have prior approval by the Purchasing Manager or, if the purchase is valued at or greater than $25,000, then the Board of Mayor and Aldermen. In determining whether to authorize sole-source purchases valued at or greater than $10,000, factors such as the following shall be considered:

1. whether the vendor possesses exclusive and/or predominant capabilities or the item contains a patented feature providing a superior utility not obtainable from similar products;
2. whether the product or service is unique and easily established as one-of-a-kind;
3. whether the program requirements can be modified so that competitive products or services may be used;
4. whether the product is available from only one source and not merchandised through wholesalers, jobbers or retailers; and
5. whether items must be interchangeable or compatible with in-place items.

After review of the written justification from the requisitioning department and ascertaining that the item to be purchased meets one or several of the above criteria, and so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City ~~of Franklin~~, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated, then, in lieu of competitive purchasing procedures, the Purchasing Manager shall either authorize the sole-source purchase or, if the purchase is valued at or greater than $25,000, then forward the request to the Board of Mayor and Aldermen for its consideration.

Based in part on Rule No. 0690-3-1-.03(3) of Rules of the Tennessee Department of General Services, Purchasing Division.

RESOLUTION 2016-24

A RESOLUTION ADOPTING A REVISED PURCHASING POLICY FOR CITY OF FRANKLIN, TENNESSEE PROCUREMENTS NOT PERTAINING TO THE DESIGN AND/OR CONSTRUCTION OF NEW INFRASTRUCTURE AND FACILITIES

WHEREAS, in 2004, the Board of Mayor and Aldermen of the City of Franklin established methods to comply with the Municipal Purchasing Law of 1983, as amended, and to provide for a more formal process for the procurement of equipment, services, and materials for the operation of municipal government but not pertaining to the design and/or construction of new infrastructure and facilities; and

WHEREAS, on July 26, 2011, the Board of Mayor and Aldermen adopted Resolution No. 2011-26, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on January 14, 2014, the Board of Mayor and Aldermen adopted Resolution No. 2014-06, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on January 27, 2015, the Board of Mayor and Aldermen adopted Resolution No. 2014-90, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy for the City to recognize and be made compatible with a new disbursements policy for the City; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to explicitly authorize the use of procurement contracts established by a cooperative purchasing arrangement recognized by the City, certain procurement contracts established by the federal General Services Administration, and other arrangements and methods pursuant to Tennessee and/or federal law as alternatives to soliciting sealed bids or proposals pursuant to public advertising; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to clarify that the category of sole-source purchases pertaining to maintaining, expanding, or improving a manufacturer-specific system already in use applies whether that system is the City's or that of another governmental agency with which the City must cooperate in order to provide the public service relevant to the proposed purchase; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to add reference to requests for qualifications as a recognized method of selecting a service provider in certain instances; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to clarify that purchases made by means of a purchasing card pursuant to the City's purchasing card program are to comply with City purchasing policy and procedures; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to explicitly state that purchasing card cardholders are expected to exercise good judgment in making a decision about whether to make a purchase by considering (a) whether the potential purchase is prudent and necessary, and (b) whether the potential purchase would reflect well on the City and the cardholder, and be perceived by the general public as suitable and appropriate; and

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WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to clarify that the cardholder is responsible for ensuring that purchases, with identified exceptions, made by means of a purchasing card pursuant to the City's purchasing card program are completed without sales tax being charged; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to establish a consequence that may be imposed in the event electronic processing of a purchasing card transaction is not completed in a timely manner; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to implement a revised Purchasing Policy for procurements not pertaining to the design and/or construction of new infrastructure and facilities in order to reflect these changes and to otherwise update the City's policy.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, TENNESSEE, AS FOLLOWS:

Section 1. The purchasing policy for City of Franklin procurements not pertaining to new construction adopted by Resolution No. 2014-90, and any and all subsequent changes or revisions, are hereby repealed in their entirety. In place thereof, the purchasing policy for City of Franklin procurements not pertaining to the design and/or construction of new infrastructure and facilities, attached as Exhibit A hereto, is adopted.

Section 2. The Purchasing Manager of the City shall be responsible for the administration and enforcement of the policy hereby adopted.

Section 3. Changes or revisions to the policy hereby adopted shall be made only by resolution of the Board of Mayor and Aldermen of the City of Franklin.

Section 4. The effective date of the policy hereby adopted shall be immediate upon passage and adoption of this resolution, the public welfare and the welfare of the City requiring it.

Adopted this _____ day of ________________, 2016.

ATTEST:

BY:_______________________________________
Eric S. Stuckey, City Administrator/Recorder

CITY OF FRANKLIN, TENNESSEE

BY:_______________________________________
Dr. Ken Moore, Mayor

APPROVED AS TO FORM:

BY:_______________________________________
Kristen L. Corn, Assistant City Attorney

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

A. General Provisions

This City of Franklin ("City") Purchasing Policy shall apply to the purchase of materials, supplies, vehicles and equipment, the purchase of services other than those pertaining to the design and/or construction of new infrastructure and facilities, and to secure leases and lease-purchases and to dispose of and transfer surplus personal property for the proper conduct of the City's business.

All contracts, leases and lease-purchase agreements are subject to the approval of the Board of Mayor and Aldermen, unless otherwise provided by resolution or ordinance. Any contracts, leases and lease-purchase agreements extending beyond the end of the current fiscal year shall be so noted prior to consideration by the Board of Mayor and Aldermen.

Whenever the City undertakes its own competitive procurement process for the procurement of goods and/or services not pertaining to the design and/or construction of new infrastructure and facilities, then the City is hereby authorized to utilize the one or more of the following procurement methodologies best suited for the intended procurement:

- request for quotations (not for purchases valued at $25,000 or more)
- solicitation for bids
- request for proposals
- request for qualifications

This Purchasing Policy is intended to promote the public interest and preserve and enhance the public trust by establishing a transparent procurement system by which the City conducts its non-construction related purchasing, and by providing vendors with a fair forum for competing for City business.

B. Responsibilities of Departments

The following are the responsibility of each Department:

1. Departments shall be responsible for purchases and projects valued less than $25,000. (In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered.)
2. Departments shall use pricing established pursuant to City procurement awards or Tennessee statewide contracts if and as available. The use of pricing established by cooperative purchasing arrangements approved by the City Administrator for use by the City, as well as pricing established by other Tennessee local governments pursuant to a competitive process involving "public advertisement" (hereby defined to mean the same as that term is used in T.C.A. § 6-56-301 *et seq.*, the Tennessee Municipal Purchasing Law of 1983, as it may be amended from time to time) and sealed submittals, are also allowed and may be used in lieu of competitive pricing established by the City.
3. Departments shall advise the Purchasing Office and/or the Finance Department as to the method of payment that best meets the needs of the City.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

4. Before placing an order for any non-emergency purchase valued at or greater than $10,000, departments shall prepare and submit a requisition, on the form prescribed by the Purchasing Office, and await approval thereof. For orders for emergency purchases valued at or greater than $10,000, the requisition may be completed within ten (10) calendar days after placing the order (and see "Emergency Purchases" below).
5. Purchases valued less than $25,000 but not less than $10,000 shall not be made unless and until, wherever possible, the Department shall have obtained and forwarded to the Purchasing Manager competitive pricing quotations from at least three (3) vendors, said quotations to be either supplied in writing by the vendor or reduced to writing by the Department, accompanied by a tabulation of the comparative aspects of the quotations obtained, a recommendation as to which quotation should be accepted and a requisition for the recommended quotation.
6. All foreseeable purchases, including those valued less than $10,000, should not be made unless and until the Department Head or his or her authorized representative is satisfied that the value of the purchase is fairly priced and not more than what would be expected in the current market place. At the discretion of the Department Head or his or her authorized representative, for foreseeable purchases valued less than $10,000, the Department should, whenever it is prudent to do so, obtain multiple competitive pricing quotations, said quotations to be either supplied in writing by the vendor or reduced to writing by the Department.
7. As soon as possible but within ten (10) calendar days of receipt of items ordered, Departments shall be responsible for verifying that the items conform to the order. The process for taking delivery of items is as follows:
   - **a.** Inspect the goods to verify that they are in acceptable condition.
   - **b.** Verify that all operating manuals and warranty cards are included in the delivery of the goods, if applicable.
   - **c.** Verify that the number of items ordered have been delivered, making special note when all or part of a particular order has been back-ordered.
   - **d.** Ensure that purchases of capital assets of the City have been properly reported, either directly or indirectly, to the Finance Department and the City's Risk Manager and, if rolling stock, Fleet Maintenance, on forms prescribed by those respective offices, so that records of such purchases may be updated, insurance coverage may be obtained, and vehicle tags may be obtained, all in a timely manner.
8. Regardless of method of payment, departments shall be responsible for reviewing, approving and allocating to the proper budget code all invoices authorized for payment.
9. It shall be the responsibility of each Department to allow time for competitive solicitation, ordering and delivery pursuant to this Purchasing Policy.
10. No employee shall make any indication that he/she will recommend a particular product for purchase, knowingly bind the City to a specific vendor, or make any representation as to his or her authority to bind the City by contract when such is not the case.

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C. Responsibilities of Purchasing Manager

The following are the responsibility of the Purchasing Manager:

1. The Purchasing Manager shall assist all Departments in purchasing operating materials, supplies, vehicles, equipment and services to which this Purchasing Policy applies.
2. The Purchasing Manager shall be responsible for facilitating the competitive process by which all purchases to which this Purchasing Policy applies and valued at or greater than $25,000 are made.
3. For all purchases to which this Purchasing Policy applies and valued at or greater than $10,000, the Purchasing Manager shall advocate the purchase of required products and services only either from the lowest responsible and responsive bidder or from the responsible and responsive respondent whose proposal or other submittal is most advantageous to the City.
4. The Purchasing Manager shall advise the Departments about the source and availability of products and services needed by the various Departments.
5. The Purchasing Manager shall provide current vendor files available for use and review by Departments.
6. The Purchasing Manager shall, upon request, obtain prices on comparable items.
7. The Purchasing Manager shall provide vendor lists, prepare Purchase Orders as necessary, and maintain orderly files.
8. The Purchasing Manager shall be alert on an ongoing basis for new sources and for improved products and services.
9. In coordination with individual Departments, the Purchasing Manager shall assist in the preparation of specifications.
10. The Purchasing Manager shall prepare all legal notices for competitive solicitations and shall also place additional notice of bid in appropriate publications and place on the City Website as necessary to assure ample opportunity for vendors to bid.
11. The Purchasing Manager shall on an ongoing basis pursue consolidating the purchase of as many products and services as economically possible in order to reduce costs and/or improve services provided to the City.
12. The Purchasing Manager shall investigate complaints from Departments of poor performance by vendors, or complaints about inferior products, and shall, in consultation with the City's Law Department, choose which, if any, remedies are available to the City to pursue.
13. The Purchasing Manager shall be responsible for disposing of the City's surplus personal property of any value by means of a competitive process and in compliance with City ordinance, except in cases involving data security or other mitigating circumstances. The Purchasing Manager shall develop the appropriate documentation for the Finance Department in accordance with the City Code.
14. The Purchasing Manager shall be responsible for administering and overseeing the City's Purchasing Card program.
15. The Purchasing Manager shall be responsible for otherwise administering and complying with this Purchasing Policy and applicable Tennessee state law, specifically T.C.A. § 6-56-301 *et seq.* (Tennessee Municipal Purchasing Law of 1983) and T.C.A. § 12-3-1201 *et seq.* (Public Purchases – Local Governments), as it may be amended from time to time, including keeping and filing required records and reports, as if they were set out herein and made a part hereof and within definitions of words and phrases from the law as herein defined.

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D. Circumstances under which sealed bids or proposals pursuant to public advertising are not required

1. Authorized sole-source purchases (see below).
2. Authorized emergency expenditures (see below).
3. Purchases from instrumentalities created by two (2) or more cooperating governments, such as, but not limited to those established pursuant to T.C.A. § 12-9-101, et seq.
4. Purchases from non-profit corporations whose purpose or one of whose purposes is to provide products and services specifically to municipalities, as provided in T.C.A. § 6-56-302.
5. Purchases, leases or lease-purchases of real property, as provided by City ordinance and state law.
6. Purchases, leases, or lease-purchases of used or secondhand articles consisting of goods, equipment, materials, supplies, or commodities, as provided in T.C.A. § 12-3-1202.
7. Purchases through other units of government, as provided in T.C.A. § 12-3-1203(a) and 12-3-1203(c).
8. Purchases pursuant to Tennessee Department of General Services statewide contracts authorized for use by Tennessee local governments.
9. Purchases from Tennessee Rehabilitative Initiative in Correction (TRICOR).
10. Professional service contracts, as provided in T.C.A. § 12-3-1209.
11. Other professional services, including actuarial, architectural design, financial and compliance audit, engineering design, financial advisory, legal counsel and medical.
12. Tort liability insurance, as provided in T.C.A. § 29-20-407.
13. Purchase of fuels, fuel products or perishable commodities.
14. Purchases based on contracts established by a cooperative purchasing arrangement recognized by the City pursuant to Resolution No. 2009-50, as provided in T.C.A. § 12-3-1205.
15. Purchases based on contracts established by the United States General Services Administration (GSA) and authorized by GSA for use by US local governments.
16. Other arrangements and methods pursuant to Tennessee and/or federal law.

E. Rejection of Bids, Proposals or Other Submittals

The Purchasing Manager shall recommend to the Board of Mayor and Aldermen to reject any and all bids, proposals or other submittals received pursuant to a formal procurement solicitation issued by the Purchasing Office, or parts thereof, for any product or service to which this Policy applies, whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager believes the public interest would be best served by such rejection. The Purchasing Manager shall recommend to the Board of Mayor and Aldermen that it reject any such submittal of a vendor or contractor who is in default on the payment of taxes, licenses, fees or other monies of whatever nature that may be due the City by the vendor or contractor whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager becomes aware of such default.

F. Conflict of Interest, Use of Position, Solicitation

There are several sources of law and regulations, as they may be amended from time to time, that apply to conflicts of interest, use of position and solicitation. They are incorporated by reference and adopted as if fully stated herein.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

a. City Charter

Article VIII ("Finance"), Section 16 ("Officers not to be Interested in City Contracts or Work") of the City of Franklin Charter reads as follows:

> No member of the Board of Mayor and Aldermen, or officer elected by said Board, shall be interested in any contract, or work of any kind whatever, under its control and direction, and any contract in which any such person shall have an interest shall be void and cannot be enforced.

b. City of Franklin Municipal Code

Title 1 ("General Administration"), Chapter 8 ("Ethics") of the City of Franklin Municipal Code sets forth the Code of Ethics for the City of Franklin, which applies to all full-time and part-time elective or appointed officials and employees of the City.

c. City of Franklin Regulations

Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads as follows:

> Except for the receipt of such compensation as may be lawfully provided for the performance of City duties, and except as noted below, no City officer or employee shall be privately interested in or profit, directly or indirectly, from business dealings with, of or by the City.
> Regular full-time, regular part-time and temporary employees of the City may, subject to the approval of the City Administrator, contract to perform services for the City by meeting the following criteria: (1) the service performed must not be any service which the employee might provide in the normal scope of their regular duties; (2) the employee would be required to bid or submit a proposal in the same manner as any other prospective provider of service; and (3) the service performed must not present a conflict of interest nor a conflict of time with the employee's regular duties.

Article XXII ("General Policies and Procedures"), Section I ("Use of Position"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads in part as follows:

> No City officer or employee shall make or attempt to make private purchases in the name of the City, nor otherwise use or attempt to use status as a City employee to secure unwarranted privileges or exemptions.

Article XXII ("General Policies and Procedures"), Section F ("Acceptance of Gratuities"), of the City's Human Resource Manual, as it may be amended from time to time, reads as follows:

> No City officer or employee shall accept or solicit any money or other consideration or favor from anyone other than the City for the performance of an act which the officer or employee would be required or expected to perform in the regular course of employment; nor shall any officer or employee accept, directly or indirectly, any gift, gratuity, or favor of any kind which might reasonably be an attempt to influence the individual's actions with respect to City business. For further explanation, see Title 1, Chapter 8 ("Ethics"), of the Municipal Code.

d. Statutes

Certain Tennessee statutes may apply to purchases involving city officers, committee members, etc. Selected statutes may be found in Appendix A to this Purchasing Policy attached hereto for reference.

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G. City Officer and Employee Communication with Vendors

Between the time a procurement solicitation for sealed submittals is issued by the City and the time an award is made, members of the Board of Mayor and Aldermen as well as employees of the City shall refrain from any form of communication with one or more vendors that may be competing for the award about any aspect of the procurement other than either in the context of a public meeting or by way of the Purchasing Office. The foregoing is not meant to preclude a representative of the City from answering questions from vendors if the question is already addressed in the solicitation documents, if the City representative is certain of the correct answer and if the Purchasing Office is informed of the communication. Otherwise, any inquiries from one or more vendors that may be competing for such an award shall be directed to the Purchasing Office which shall determine if an addendum to the solicitation should be prepared and issued to all vendors known or thought to be interested in the procurement opportunity. Vendors that may be competing for a procurement award shall be instructed that, until that award has been made, they shall not communicate about either the content of or the procurement process pertaining to this procurement solicitation with any official, employee or other representative of the City except through the City's Purchasing Office. The City reserves the right to disqualify any vendor that initiates unauthorized communication with the City during the procurement phase.

H. City Officer and Employee Business Dealings with the City

See Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resources Manual.

See also Title 1 ("General Administration"), Chapter 8 ("Ethics"), of the City of Franklin Municipal Code.

I. Tie Bids and Tie Quotes

In the event of tie bids or tie quotes (that is, when two or more responsible and responsive vendors offer products that meet all specifications, terms and conditions at identical total pricing for the minimum or estimated quantity indicated), then the tie bids or tie quotes shall be broken by means of one of the following methods, in descending order:

1. The award shall be made to the vendor who bid or quoted the soonest delivery of the product or completion of the service of all the vendors submitting the tie bids or tie quotes.
2. The award shall be made to the vendor who offered the pricing for the longest period of time for potential future orders of all the vendors submitting the tie bids or tie quotes.
3. If one or more of the vendors submitting the tie bids or tie quotes competed for the City's business the last time the City solicited bids or quotes for the same product or service, then the award shall be made to the vendor who offered the lowest pricing at that time of all the vendors submitting the tie bids or tie quotes.
4. If one or more of the vendors submitting the tie bid or tie quote have done business with the City within the most recent 24 months, then the award shall be made to the vendor who has done the most business with the City (measured in dollars) in that time frame of all the vendors submitting the tie bids or tie quotes.
5. The award shall be made by means of random selection, such method to be administered by the Purchasing Manager and to give equal opportunity to all the vendors submitting the tie bids or tie quotes.

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J. Determining Responsible and Responsive Respondents

As noted above, products and services shall be purchased either from the lowest responsible and responsive bidder or from the responsive and responsible respondent whose proposal or other submittal is most advantageous to the City. In determining whether a competing vendor is responsible and responsive, the following shall be taken into consideration:

1. The ability of the competing vendor to perform the contract or provide the material or service required.
2. Whether the competing vendor can perform the contract or provide the service promptly, or within the time specified, without delay or interference.
3. The character, integrity, reputation, judgment, experience, and efficiency of the competing vendor.
4. The previous and existing compliance by the competing vendor or a predecessor in interest with laws and ordinances relating to the contract or service.
5. The quality of the competing vendor's performance of previous contracts or services, including the quality of such contracts or services in other municipalities, or performed for private sector customers.
6. The sufficiency of financial resources and the ability of the competing vendor to perform the contract or provide the service.
7. The ability of the competing vendor to provide future maintenance and service for the use of the materials, supplies, vehicles, equipment or contractual service contracted.
8. Compliance by the competing vendor with all specifications in the solicitation for bids or proposals.
9. The ability of the competing vendor to deliver and maintain any requisite bid bonds or performance bonds.

K. Emergency Purchases

When in the judgment of the City Administrator, the Department Head or the Purchasing Manager there exists an emergency impinging on public health, safety or welfare and a purchase valued at or greater than $10,000 is necessary, then the competitive purchasing provisions contained in this Purchasing Policy may be waived; provided, however, that if the emergency purchase is valued at or greater than $25,000 it shall be reported to the Board of Mayor and Aldermen at its next scheduled meeting.

L. Sole-Source Purchases

In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered. Sole-source purchases valued at less than $10,000 may be authorized by the end-user department. Sole-source purchases valued at less than $25,000 but not less than $10,000 may be authorized by the Purchasing Manager upon being satisfied that it is not possible to obtain competitive pricing quotations from at least three (3) vendors. Except as noted below, sole-source purchases valued at or greater than $25,000 may not be made unless and until individually authorized by the Board of Mayor and Aldermen. Authorized sole-source purchases do not require sealed bids or proposals pursuant to public advertising. The criteria for evaluating sole-source purchases valued at or greater than $10,000 are presented in Appendix B to this Purchasing Policy. Sole-source purchases valued at or greater than $25,000 that do not require individual authorization by (but which shall still be reported to) the Board of Mayor and Aldermen include:

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a. Repairs to, maintenance of, licenses for and/or maintenance agreements for products already in use by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: engine repairs made by the manufacturer or the manufacturer's representative for a vehicle; license and maintenance agreements for computer software.

b. Purchases of items necessary to maintain, expand or improve a manufacturer-specific system already in use by the City, and/or another governmental agency with which the City must cooperate in order to provide the public service relevant to the proposed purchase, and that requires interconnectivity of and/or communication between the component parts, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: water meters and related parts; traffic signal equipment and related parts; athletic field lighting (and related parts) connected to a centralized master control; automated external defibrillators; cardiac monitors; telemetry/supervisory control and data acquisition equipment.

c. Purchases of items that have, for good and sufficient reason, previously been standardized by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: low-pressure wastewater collection grinder pumps and related parts; self-contained breathing apparatus; vehicle exhaust evacuation systems at individual fire stations, including installation if only one authorized installer is assigned to serve the City; vehicle extrication equipment.

M. Purchasing Card Program

The Purchasing Card Program shall be administered by the Purchasing Manager pursuant to procedures established therefor. The Purchasing Manager shall coordinate with Department Heads in determining to which employees and officers of the City to issue Purchasing Cards. Employees who are authorized and expected to travel on behalf of the City and at the City's expense shall be issued purchasing cards and are expected to use same in lieu of being given travel advances.

Employees' participation in the City's Purchasing Card Program is a privilege and a convenience that includes certain responsibilities. Although the purchasing card is issued in the cardholder's name, it is City property and therefore must be used in accordance with City policy and rules, as well as with good judgment, especially as follows:

1. The Purchasing Card is provided to employees based on their need to purchase authorized goods and services. A card may be revoked at any time based on change of assignment or location. The card is neither an entitlement nor a reflection of title or position.

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2. The card may be used only for authorized obligations of the City; use of the card for a purchase other than an authorized obligation of the City (such as personal purchases as well as alcoholic beverages and entertainment), even if intended for future reimbursement, are specifically prohibited.
3. Purchases made with the card are to comply with City purchasing policy and procedures. Such City procurement rules as the need for procurement requisitions, the basis for pricing, contracting, whether a certificate of insurance is necessary to require of the service provider, adequacy of budgeted funding, and timing of payment relative to delivery of the product or service, all apply regardless of method of payment (such as by purchasing card).
4. The cardholder is the only person entitled to use the card and is accountable for all charges attributable to the card.
5. Cardholders are expected to exercise good judgment in making a decision about whether to make a purchase by considering (a) whether the potential purchase is prudent and necessary, and (b) whether the potential purchase would reflect well on the City and the cardholder, and be perceived by the general public as suitable and appropriate. Improper use of a City purchasing card, especially intentional and unreported but even unintentional and reported, including personal purchases as well as alcoholic beverages and entertainment, even if reimbursed, may be considered misappropriation of City funds, which may result in disciplinary action, up to and including termination.
6. Other than for out-of-state purchases and purchases from fast-food restaurants (at which customers place and pay for the order before sitting down at a table), the cardholder is responsible for ensuring that the transaction is completed without sales tax being charged. If a transaction has been completed on which sales tax was charged in error, then the cardholder is responsible for contacting the vendor and requesting that the amount of the sales tax be credited back to the same City purchasing card to which the sales tax was charged. Documentation of this effort, and of the vendor's response, shall be submitted in addition to the supporting documentation for the transaction.
7. Cardholders are expected to comply with internal control procedures in order to protect the City's assets. This includes (a) not permitting anyone other than the cardholder to use the card; (b) making sure that each transaction is electronically processed in full and on time; (c) keeping and submitting on time detailed invoices or itemized payment receipts that substantiate each and every charge attributed to the purchasing card issued to the cardholder; (d) assisting the City upon request with reconciling the City's billing cycle statements; and (e) taking reasonable precautions to secure the purchasing card against loss and/or theft.
8. If electronic processing of a purchasing card transaction is not completed by the deadline and the Purchasing Office has not been previously notified of the need for a delay, then the monthly credit limit for the respective purchasing card may be reduced to $0 until the processing is complete. This consequence applies to any transaction that has not been coded, explained with a comment, and approved by the individual assigned to approve purchasing card transactions for that cardholder. Credit limits will be restored to the previous amounts once electronic processing is complete.
9. Failure to submit on time adequate and legible supporting documentation for each transaction or to otherwise comply with City rules will carry consequences, possibly including reduction or loss of card spend authority, reimbursement of the City by the employee for unauthorized and/or unsubstantiated purchases, and/or disciplinary action, up to and including termination.
10. Cardholders are responsible for resolving any discrepancies by contacting the vendor and/or the issuing bank.
11. A lost or stolen purchasing card shall, as soon as possible upon discovery of the loss or theft, be reported to the City Purchasing Office and/or to the issuing bank.

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12. A cardholder must surrender his or her card upon termination of employment (i.e., retirement or voluntary or involuntary separation).

N. Payment for Purchases

All payments to vendors and service providers shall be made either by purchasing card (in accordance with this Policy) or by one of the City's other methods of payment (in accordance with the City's Disbursements Policy).

O. Consolidation of Purchases

The Purchasing Manager, working in cooperation with Departments, shall on an on-going basis investigate ways and methods to consolidate as many purchases as possible. The purpose of consolidation is to allow the City to realize economies of scale, savings through reducing inventories of parts and supplies as well as reducing the number of vendors and accompanying financial record keeping.

P. Use of Internet Auctions for Purchases of City Property

The use of internet auctions is generally prohibited as a method for making City purchases unless specifically authorized in advance by the City Administrator.

Q. Vendor Protests

Vendor protests shall be handled in accordance with the City's Vendor Protest Procedure for procurements not pertaining to new construction, as approved by resolution of the Board of Mayor and Aldermen.

R. Disciplinary Action

Any employee who fails or refuses to comply with the provisions of this Purchasing Policy shall be subject to disciplinary action pursuant to and as provided in the Human Resources Manual, as it may be amended from time to time.

S. Requests for Proposals

Requests for competitive sealed proposals shall be used pursuant to T.C.A. § 12-3-1207 and may be used only when qualifications, experience, or competence are more important than price in making the purchase, and either (1) when there is more than one (1) solution to a purchasing issue and competitive sealed proposals would assist in choosing the best solution; or (2) when there is no readily identifiable solution to a purchasing issue and competitive sealed proposals would assist in identifying one (1) or more solutions. The request for competitive sealed proposals shall state the relative importance of price and other evaluation factors. The award shall be made to the responsible respondent whose proposal the governing body determines is the most advantageous to the City, taking into consideration price and the evaluation factors set out in the request for competitive sealed proposals. No other factor may be used in the evaluation.

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T. Requests for Qualifications

Requests for qualifications may be used pursuant to T.C.A. § 12-3-1209 for legal services, fiscal agent, financial advisor or advisory services and similar services by professional persons or groups of high ethical standards, or pursuant to T.C.A. § 12-4-107 for architectural, engineering and construction services.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

APPENDIX A
SELECTED STATUTES APPLYING TO OFFICERS, COMMITTEE MEMBERS, ETC.

T.C.A. § 6-54-107. Interest of officer in municipal contracts prohibited.

a. No person holding office under any municipal corporation shall, during the time for which such person was elected or appointed, be capable of contracting with such corporation for the performance of any work that is to be paid for out of the treasury. Nor shall such person be capable of holding or having any other direct interest in such a contract. "Direct interest" means any contract with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation.

b. No officer in a municipality shall be indirectly interested in any contract to which the municipality is a party unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality.

c. 1. Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality may vote on matters in which such member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents."

2. In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, the member may abstain for cause by announcing such to the presiding officer. Any member of a local governing body of a county or municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

3. The vote of any person having a conflict of interest who does not inform the governing body of such conflict as provided in subdivision (c)(1) shall be void if challenged in a timely manner. As used in this subdivision (c)(3), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

4. Nothing in this subsection (c) shall be construed as altering, amending or otherwise affecting the provisions of § 12-4-101(a). In the event of any conflict between this subsection (c) and § 12-4-101(a), the provisions of § 12-4-101(a) shall prevail.

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T.C.A. § 6-54-108. Penalty for unlawful interest of officer.

Every officer of such corporation who shall unlawfully be concerned in making such contract, or who shall unlawfully pay money upon the same to or for any person declared incapable in § 6-54-107, shall forfeit the amount so paid; and such officer shall be jointly and severally liable to an action for the same, which action may be prosecuted by any citizen of the corporation in its name.

T.C.A. § 12-4-101. Personal interest of officers prohibited.

(a) (1) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract. "Directly interested" means any contract with the official personally or with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation. This subdivision (a)(1) shall not be construed to prohibit any officer, committee person, director, or any person, other than a member of a local governing body of a county or municipality, from voting on the budget, appropriation resolution, or tax rate resolution, or amendments thereto, unless the vote is on a specific amendment to the budget or a specific appropriation or resolution in which such person is directly interested.

….

(b) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be indirectly interested in any such contract unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality or county.

(c) (1) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment predates the member's initial election or appointment to the governing body of the county or municipality may vote on matters in which the member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents." The vote of any such member having a conflict of interest who does not so inform the governing body of such conflict shall be void if challenged in a timely manner. As used in this subdivision (c)(1), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

(2) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment began on or after the date on which the member was initially elected or

appointed to serve on the governing body of the county or municipality shall not vote on matters in which the member has a conflict of interest.

(3) (A) In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, such member may abstain for cause by announcing such to the presiding officer.

(B) (i) Any member of a local governing body of a municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

(ii) This subdivision (c)(3)(B) shall in no way be construed to apply to any county having a metropolitan form of government and having a population in excess of five hundred thousand (500,000), according to the 1990 federal census or any subsequent federal census.

….

T.C.A. § 12-4-102. Penalty for unlawful interest.

Should any person, acting as such officer, committee member, director, or other person referred to in § 12-4-101, be or become directly or unlawfully indirectly interested in any such contract, such person shall forfeit all pay and compensation therefor. Such officer shall be dismissed from such office the officer then occupies, and be ineligible for the same or a similar position for ten (10) years.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

APPENDIX B
SOLE-SOURCE PURCHASES VALUED AT OR GREATER THAN $10,000

Sole-source purchases valued at or greater than $10,000 shall be made only when an item is unique and possesses specific characteristics that can be filled by only one source and must have prior approval by the Purchasing Manager or, if the purchase is valued at or greater than $25,000, then the Board of Mayor and Aldermen. In determining whether to authorize sole-source purchases valued at or greater than $10,000, factors such as the following shall be considered:

1. whether the vendor possesses exclusive and/or predominant capabilities or the item contains a patented feature providing a superior utility not obtainable from similar products;
2. whether the product or service is unique and easily established as one-of-a-kind;
3. whether the program requirements can be modified so that competitive products or services may be used;
4. whether the product is available from only one source and not merchandised through wholesalers, jobbers or retailers; and
5. whether items must be interchangeable or compatible with in-place items.

After review of the written justification from the requisitioning department and ascertaining that the item to be purchased meets one or several of the above criteria, and so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated, then, in lieu of competitive purchasing procedures, the Purchasing Manager shall either authorize the sole-source purchase or, if the purchase is valued at or greater than $25,000, then forward the request to the Board of Mayor and Aldermen for its consideration.

Based in part on Rule No. 0690-3-1-.03(3) of Rules of the Tennessee Department of General Services, Purchasing Division.

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RESOLUTION 2016-24

A RESOLUTION ADOPTING A REVISED PURCHASING POLICY FOR CITY OF FRANKLIN, TENNESSEE PROCUREMENTS NOT PERTAINING TO THE DESIGN AND/OR CONSTRUCTION OF NEW INFRASTRUCTURE AND FACILITIES

WHEREAS, in 2004, the Board of Mayor and Aldermen of the City of Franklin established methods to comply with the Municipal Purchasing Law of 1983, as amended, and to provide for a more formal process for the procurement of equipment, services, and materials for the operation of municipal government but not pertaining to the design and/or construction of new infrastructure and facilities; and

WHEREAS, on July 26, 2011, the Board of Mayor and Aldermen adopted Resolution No. 2011-26, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on January 14, 2014, the Board of Mayor and Aldermen adopted Resolution No. 2014-06, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on January 27, 2015, the Board of Mayor and Aldermen adopted Resolution No. 2014-90, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy for the City to recognize and be made compatible with a new disbursements policy for the City; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to explicitly authorize the use of procurement contracts established by a cooperative purchasing arrangement recognized by the City, certain procurement contracts established by the federal General Services Administration, and other arrangements and methods pursuant to Tennessee and/or federal law as alternatives to soliciting sealed bids or proposals pursuant to public advertising; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to clarify that the category of sole-source purchases pertaining to maintaining, expanding, or improving a manufacturer-specific system already in use applies whether that system is the City's or that of another governmental agency with which the City must cooperate in order to provide the public service relevant to the proposed purchase; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to add reference to requests for qualifications as a recognized method of selecting a service provider in certain instances; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to clarify that purchases made by means of a purchasing card pursuant to the City's purchasing card program are to comply with City purchasing policy and procedures; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to explicitly state that purchasing card cardholders are expected to exercise good judgment in making a decision about whether to make a purchase by considering (a) whether the potential purchase is prudent and necessary, and (b) whether the potential purchase would reflect well on the City and the cardholder, and be perceived by the general public as suitable and appropriate; and

RESOLUTION 2016-24

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to clarify that the cardholder is responsible for ensuring that purchases, with identified exceptions, made by means of a purchasing card pursuant to the City's purchasing card program are completed without sales tax being charged; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to establish a consequence that may be imposed in the event electronic processing of a purchasing card transaction is not completed in a timely manner; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to implement a revised Purchasing Policy for procurements not pertaining to the design and/or construction of new infrastructure and facilities in order to reflect these changes and to otherwise update the City's policy.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, TENNESSEE, AS FOLLOWS:

Section 1. The purchasing policy for City of Franklin procurements not pertaining to new construction adopted by Resolution No. 2014-90, and any and all subsequent changes or revisions, are hereby repealed in their entirety. In place thereof, the purchasing policy for City of Franklin procurements not pertaining to the design and/or construction of new infrastructure and facilities, attached as Exhibit A hereto, is adopted.

Section 2. The Purchasing Manager of the City shall be responsible for the administration and enforcement of the policy hereby adopted.

Section 3. Changes or revisions to the policy hereby adopted shall be made only by resolution of the Board of Mayor and Aldermen of the City of Franklin.

Section 4. The effective date of the policy hereby adopted shall be immediate upon passage and adoption of this resolution, the public welfare and the welfare of the City requiring it.

Adopted this _____ day of ________________, 2016.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE**
BY:____	**BY:**____
Eric S. Stuckey, City Administrator/Recorder	**Dr. Ken Moore, Mayor**

APPROVED AS TO FORM BY:

____

Kristen L. Corn, Assistant City Attorney

Law Dept. approved 06.14.16

HISTORIC
FRANKLIN
TENNESSEE

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

A. General Provisions

This City of Franklin ("City") Purchasing Policy shall apply to the purchase of materials, supplies, vehicles and equipment, the purchase of services other than those pertaining to the design and/or construction of new infrastructure and facilities, and to secure leases and lease-purchases and to dispose of and transfer surplus personal property for the proper conduct of the City's business.

All contracts, leases and lease-purchase agreements are subject to the approval of the Board of Mayor and Aldermen, unless otherwise provided by resolution or ordinance. Any contracts, leases and lease-purchase agreements extending beyond the end of the current fiscal year shall be so noted prior to consideration by the Board of Mayor and Aldermen.

Whenever the City undertakes its own competitive procurement process for the procurement of goods and/or services not pertaining to the design and/or construction of new infrastructure and facilities, then the City is hereby authorized to utilize the one or more of the following procurement methodologies best suited for the intended procurement:

- request for quotations (not for purchases valued at $25,000 or more)
- solicitation for bids
- request for proposals
- request for qualifications

This Purchasing Policy is intended to promote the public interest and preserve and enhance the public trust by establishing a transparent procurement system by which the City conducts its non-construction related purchasing, and by providing vendors with a fair forum for competing for City business.

B. Responsibilities of Departments

The following are the responsibility of each Department:

1. Departments shall be responsible for purchases and projects valued less than $25,000. (In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered.)
2. Departments shall use pricing established pursuant to City procurement awards or Tennessee statewide contracts if and as available. The use of pricing established by cooperative purchasing arrangements approved by the City Administrator for use by the City, as well as pricing established by other Tennessee local governments pursuant to a competitive process involving "public advertisement" (hereby defined to mean the same as that term is used in T.C.A. § 6-56-301 *et seq.*, the Tennessee Municipal Purchasing Law of 1983, as it may be amended from time to time) and sealed submittals, are also allowed and may be used in lieu of competitive pricing established by the City.
3. Departments shall advise the Purchasing Office and/or the Finance Department as to the method of payment that best meets the needs of the City.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

4. Before placing an order for any non-emergency purchase valued at or greater than $10,000, departments shall prepare and submit a requisition, on the form prescribed by the Purchasing Office, and await approval thereof. For orders for emergency purchases valued at or greater than $10,000, the requisition may be completed within ten (10) calendar days after placing the order (and see "Emergency Purchases" below).

5. Purchases valued less than $25,000 but not less than $10,000 shall not be made unless and until, wherever possible, the Department shall have obtained and forwarded to the Purchasing Manager competitive pricing quotations from at least three (3) vendors, said quotations to be either supplied in writing by the vendor or reduced to writing by the Department, accompanied by a tabulation of the comparative aspects of the quotations obtained, a recommendation as to which quotation should be accepted and a requisition for the recommended quotation.

6. All foreseeable purchases, including those valued less than $10,000, should not be made unless and until the Department Head or his or her authorized representative is satisfied that the value of the purchase is fairly priced and not more than what would be expected in the current market place. At the discretion of the Department Head or his or her authorized representative, for foreseeable purchases valued less than $10,000, the Department should, whenever it is prudent to do so, obtain multiple competitive pricing quotations, said quotations to be either supplied in writing by the vendor or reduced to writing by the Department.

7. As soon as possible but within ten (10) calendar days of receipt of items ordered, Departments shall be responsible for verifying that the items conform to the order. The process for taking delivery of items is as follows:

- **a.** Inspect the goods to verify that they are in acceptable condition.
- **b.** Verify that all operating manuals and warranty cards are included in the delivery of the goods, if applicable.
- **c.** Verify that the number of items ordered have been delivered, making special note when all or part of a particular order has been back-ordered.
- **d.** Ensure that purchases of capital assets of the City have been properly reported, either directly or indirectly, to the Finance Department and the City's Risk Manager and, if rolling stock, Fleet Maintenance, on forms prescribed by those respective offices, so that records of such purchases may be updated, insurance coverage may be obtained, and vehicle tags may be obtained, all in a timely manner.

8. Regardless of method of payment, departments shall be responsible for reviewing, approving and allocating to the proper budget code all invoices authorized for payment.

9. It shall be the responsibility of each Department to allow time for competitive solicitation, ordering and delivery pursuant to this Purchasing Policy.

10. No employee shall make any indication that he/she will recommend a particular product for purchase, knowingly bind the City to a specific vendor, or make any representation as to his or her authority to bind the City by contract when such is not the case.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

C. Responsibilities of Purchasing Manager

The following are the responsibility of the Purchasing Manager:

1. The Purchasing Manager shall assist all Departments in purchasing operating materials, supplies, vehicles, equipment and services to which this Purchasing Policy applies.
2. The Purchasing Manager shall be responsible for facilitating the competitive process by which all purchases to which this Purchasing Policy applies and valued at or greater than $25,000 are made.
3. For all purchases to which this Purchasing Policy applies and valued at or greater than $10,000, the Purchasing Manager shall advocate the purchase of required products and services only either from the lowest responsible and responsive bidder or from the responsible and responsive respondent whose proposal or other submittal is most advantageous to the City.
4. The Purchasing Manager shall advise the Departments about the source and availability of products and services needed by the various Departments.
5. The Purchasing Manager shall provide current vendor files available for use and review by Departments.
6. The Purchasing Manager shall, upon request, obtain prices on comparable items.
7. The Purchasing Manager shall provide vendor lists, prepare Purchase Orders as necessary, and maintain orderly files.
8. The Purchasing Manager shall be alert on an ongoing basis for new sources and for improved products and services.
9. In coordination with individual Departments, the Purchasing Manager shall assist in the preparation of specifications.
10. The Purchasing Manager shall prepare all legal notices for competitive solicitations and shall also place additional notice of bid in appropriate publications and place on the City Website as necessary to assure ample opportunity for vendors to bid.
11. The Purchasing Manager shall on an ongoing basis pursue consolidating the purchase of as many products and services as economically possible in order to reduce costs and/or improve services provided to the City.
12. The Purchasing Manager shall investigate complaints from Departments of poor performance by vendors, or complaints about inferior products, and shall, in consultation with the City's Law Department, choose which, if any, remedies are available to the City to pursue.
13. The Purchasing Manager shall be responsible for disposing of the City's surplus personal property of any value by means of a competitive process and in compliance with City ordinance, except in cases involving data security or other mitigating circumstances. The Purchasing Manager shall develop the appropriate documentation for the Finance Department in accordance with the City Code.
14. The Purchasing Manager shall be responsible for administering and overseeing the City's Purchasing Card program.
15. The Purchasing Manager shall be responsible for otherwise administering and complying with this Purchasing Policy and applicable Tennessee state law, specifically T.C.A. § 6-56-301 *et seq.* (Tennessee Municipal Purchasing Law of 1983) and T.C.A. § 12-3-1201 *et seq.* (Public Purchases – Local Governments), as it may be amended from time to time, including keeping and filing required records and reports, as if they were set out herein and made a part hereof and within definitions of words and phrases from the law as herein defined.

D. Circumstances under which sealed bids or proposals pursuant to public advertising are not required

1. Authorized sole-source purchases (see below).
2. Authorized emergency expenditures (see below).
3. Purchases from instrumentalities created by two (2) or more cooperating governments, such as, but not limited to those established pursuant to T.C.A. § 12-9-101, et seq.
4. Purchases from non-profit corporations whose purpose or one of whose purposes is to provide products and services specifically to municipalities, as provided in T.C.A. § 6-56-302.
5. Purchases, leases or lease-purchases of real property, as provided by City ordinance and state law.
6. Purchases, leases, or lease-purchases of used or secondhand articles consisting of goods, equipment, materials, supplies, or commodities, as provided in T.C.A. § 12-3-1202.
7. Purchases through other units of government, as provided in T.C.A. § 12-3-1203(a) and 12-3-1203(c).
8. Purchases pursuant to Tennessee Department of General Services statewide contracts authorized for use by Tennessee local governments.
9. Purchases from Tennessee Rehabilitative Initiative in Correction (TRICOR).
10. Professional service contracts, as provided in T.C.A. § 12-3-1209.
11. Other professional services, including actuarial, architectural design, financial and compliance audit, engineering design, financial advisory, legal counsel and medical.
12. Tort liability insurance, as provided in T.C.A. § 29-20-407.
13. Purchase of fuels, fuel products or perishable commodities.
14. Purchases based on contracts established by a cooperative purchasing arrangement recognized by the City pursuant to Resolution No. 2009-50, as provided in T.C.A. § 12-3-1205.
15. Purchases based on contracts established by the United States General Services Administration (GSA) and authorized by GSA for use by US local governments.
16. Other arrangements and methods pursuant to Tennessee and/or federal law.

E. Rejection of Bids, Proposals or Other Submittals

The Purchasing Manager shall recommend to the Board of Mayor and Aldermen to reject any and all bids, proposals or other submittals received pursuant to a formal procurement solicitation issued by the Purchasing Office, or parts thereof, for any product or service to which this Policy applies, whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager believes the public interest would be best served by such rejection. The Purchasing Manager shall recommend to the Board of Mayor and Aldermen that it reject any such submittal of a vendor or contractor who is in default on the payment of taxes, licenses, fees or other monies of whatever nature that may be due the City by the vendor or contractor whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager becomes aware of such default.

F. Conflict of Interest, Use of Position, Solicitation

There are several sources of law and regulations, as they may be amended from time to time, that apply to conflicts of interest, use of position and solicitation. They are incorporated by reference and adopted as if fully stated herein.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

a. City Charter

Article VIII ("Finance"), Section 16 ("Officers not to be Interested in City Contracts or Work") of the City of Franklin Charter reads as follows:

> No member of the Board of Mayor and Aldermen, or officer elected by said Board, shall be interested in any contract, or work of any kind whatever, under its control and direction, and any contract in which any such person shall have an interest shall be void and cannot be enforced.

b. City of Franklin Municipal Code

Title 1 ("General Administration"), Chapter 8 ("Ethics") of the City of Franklin Municipal Code sets forth the Code of Ethics for the City of Franklin, which applies to all full-time and part-time elective or appointed officials and employees of the City.

c. City of Franklin Regulations

Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads as follows:

> Except for the receipt of such compensation as may be lawfully provided for the performance of City duties, and except as noted below, no City officer or employee shall be privately interested in or profit, directly or indirectly, from business dealings with, of or by the City.
> Regular full-time, regular part-time and temporary employees of the City may, subject to the approval of the City Administrator, contract to perform services for the City by meeting the following criteria: (1) the service performed must not be any service which the employee might provide in the normal scope of their regular duties; (2) the employee would be required to bid or submit a proposal in the same manner as any other prospective provider of service; and (3) the service performed must not present a conflict of interest nor a conflict of time with the employee's regular duties.

Article XXII ("General Policies and Procedures"), Section I ("Use of Position"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads in part as follows:

> No City officer or employee shall make or attempt to make private purchases in the name of the City, nor otherwise use or attempt to use status as a City employee to secure unwarranted privileges or exemptions.

Article XXII ("General Policies and Procedures"), Section F ("Acceptance of Gratuities"), of the City's Human Resource Manual, as it may be amended from time to time, reads as follows:

> No City officer or employee shall accept or solicit any money or other consideration or favor from anyone other than the City for the performance of an act which the officer or employee would be required or expected to perform in the regular course of employment; nor shall any officer or employee accept, directly or indirectly, any gift, gratuity, or favor of any kind which might reasonably be an attempt to influence the individual's actions with respect to City business. For further explanation, see Title 1, Chapter 8 ("Ethics"), of the Municipal Code.

d. Statutes

Certain Tennessee statutes may apply to purchases involving city officers, committee members, etc. Selected statutes may be found in Appendix A to this Purchasing Policy attached hereto for reference.

G. City Officer and Employee Communication with Vendors

Between the time a procurement solicitation for sealed submittals is issued by the City and the time an award is made, members of the Board of Mayor and Aldermen as well as employees of the City shall refrain from any form of communication with one or more vendors that may be competing for the award about any aspect of the procurement other than either in the context of a public meeting or by way of the Purchasing Office. The foregoing is not meant to preclude a representative of the City from answering questions from vendors if the question is already addressed in the solicitation documents, if the City representative is certain of the correct answer and if the Purchasing Office is informed of the communication. Otherwise, any inquiries from one or more vendors that may be competing for such an award shall be directed to the Purchasing Office which shall determine if an addendum to the solicitation should be prepared and issued to all vendors known or thought to be interested in the procurement opportunity. Vendors that may be competing for a procurement award shall be instructed that, until that award has been made, they shall not communicate about either the content of or the procurement process pertaining to this procurement solicitation with any official, employee or other representative of the City except through the City's Purchasing Office. The City reserves the right to disqualify any vendor that initiates unauthorized communication with the City during the procurement phase.

H. City Officer and Employee Business Dealings with the City

See Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resources Manual.

See also Title 1 ("General Administration"), Chapter 8 ("Ethics"), of the City of Franklin Municipal Code.

I. Tie Bids and Tie Quotes

In the event of tie bids or tie quotes (that is, when two or more responsible and responsive vendors offer products that meet all specifications, terms and conditions at identical total pricing for the minimum or estimated quantity indicated), then the tie bids or tie quotes shall be broken by means of one of the following methods, in descending order:

1. The award shall be made to the vendor who bid or quoted the soonest delivery of the product or completion of the service of all the vendors submitting the tie bids or tie quotes.
2. The award shall be made to the vendor who offered the pricing for the longest period of time for potential future orders of all the vendors submitting the tie bids or tie quotes.
3. If one or more of the vendors submitting the tie bids or tie quotes competed for the City's business the last time the City solicited bids or quotes for the same product or service, then the award shall be made to the vendor who offered the lowest pricing at that time of all the vendors submitting the tie bids or tie quotes.
4. If one or more of the vendors submitting the tie bid or tie quote have done business with the City within the most recent 24 months, then the award shall be made to the vendor who has done the most business with the City (measured in dollars) in that time frame of all the vendors submitting the tie bids or tie quotes.
5. The award shall be made by means of random selection, such method to be administered by the Purchasing Manager and to give equal opportunity to all the vendors submitting the tie bids or tie quotes.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

J. Determining Responsible and Responsive Respondents

As noted above, products and services shall be purchased either from the lowest responsible and responsive bidder or from the responsive and responsible respondent whose proposal or other submittal is most advantageous to the City. In determining whether a competing vendor is responsible and responsive, the following shall be taken into consideration:

1. The ability of the competing vendor to perform the contract or provide the material or service required.
2. Whether the competing vendor can perform the contract or provide the service promptly, or within the time specified, without delay or interference.
3. The character, integrity, reputation, judgment, experience, and efficiency of the competing vendor.
4. The previous and existing compliance by the competing vendor or a predecessor in interest with laws and ordinances relating to the contract or service.
5. The quality of the competing vendor's performance of previous contracts or services, including the quality of such contracts or services in other municipalities, or performed for private sector customers.
6. The sufficiency of financial resources and the ability of the competing vendor to perform the contract or provide the service.
7. The ability of the competing vendor to provide future maintenance and service for the use of the materials, supplies, vehicles, equipment or contractual service contracted.
8. Compliance by the competing vendor with all specifications in the solicitation for bids or proposals.
9. The ability of the competing vendor to deliver and maintain any requisite bid bonds or performance bonds.

K. Emergency Purchases

When in the judgment of the City Administrator, the Department Head or the Purchasing Manager there exists an emergency impinging on public health, safety or welfare and a purchase valued at or greater than $10,000 is necessary, then the competitive purchasing provisions contained in this Purchasing Policy may be waived; provided, however, that if the emergency purchase is valued at or greater than $25,000 it shall be reported to the Board of Mayor and Aldermen at its next scheduled meeting.

L. Sole-Source Purchases

In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered. Sole-source purchases valued at less than $10,000 may be authorized by the end-user department. Sole-source purchases valued at less than $25,000 but not less than $10,000 may be authorized by the Purchasing Manager upon being satisfied that it is not possible to obtain competitive pricing quotations from at least three (3) vendors. Except as noted below, sole-source purchases valued at or greater than $25,000 may not be made unless and until individually authorized by the Board of Mayor and Aldermen. Authorized sole-source purchases do not require sealed bids or proposals pursuant to public advertising. The criteria for evaluating sole-source purchases valued at or greater than $10,000 are presented in Appendix B to this Purchasing Policy. Sole-source purchases valued at or greater than $25,000 that do not require individual authorization by (but which shall still be reported to) the Board of Mayor and Aldermen include:

a. Repairs to, maintenance of, licenses for and/or maintenance agreements for products already in use by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: engine repairs made by the manufacturer or the manufacturer's representative for a vehicle; license and maintenance agreements for computer software.

b. Purchases of items necessary to maintain, expand or improve a manufacturer-specific system already in use by the City, and/or another governmental agency with which the City must cooperate in order to provide the public service relevant to the proposed purchase, and that requires interconnectivity of and/or communication between the component parts, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: water meters and related parts; traffic signal equipment and related parts; athletic field lighting (and related parts) connected to a centralized master control; automated external defibrillators; cardiac monitors; telemetry/supervisory control and data acquisition equipment.

c. Purchases of items that have, for good and sufficient reason, previously been standardized by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: low-pressure wastewater collection grinder pumps and related parts; self-contained breathing apparatus; vehicle exhaust evacuation systems at individual fire stations, including installation if only one authorized installer is assigned to serve the City; vehicle extrication equipment.

M. Purchasing Card Program

The Purchasing Card Program shall be administered by the Purchasing Manager pursuant to procedures established therefor. The Purchasing Manager shall coordinate with Department Heads in determining to which employees and officers of the City to issue Purchasing Cards. Employees who are authorized and expected to travel on behalf of the City and at the City's expense shall be issued purchasing cards and are expected to use same in lieu of being given travel advances.

Employees' participation in the City's Purchasing Card Program is a privilege and a convenience that includes certain responsibilities. Although the purchasing card is issued in the cardholder's name, it is City property and therefore must be used in accordance with City policy and rules, as well as with objectively reasonable judgment, especially as follows:

1. The Purchasing Card is provided to employees based on their need to purchase authorized goods and services. A card may be revoked at any time based on change of assignment or location. The card is neither an entitlement nor a reflection of title or position.

2. The card may be used only for authorized obligations of the City; use of the card for a purchase other than an authorized obligation of the City (such as personal purchases as well as alcoholic beverages and entertainment), even if intended for future reimbursement, are specifically prohibited.
3. Purchases made with the card are to comply with City purchasing policy and procedures. Such City procurement rules as the need for procurement requisitions, the basis for pricing, contracting, whether a certificate of insurance is necessary to require of the service provider, adequacy of budgeted funding, and timing of payment relative to delivery of the product or service, all apply regardless of method of payment (such as by purchasing card).
4. The cardholder is the only person entitled to use the card and is accountable for all charges attributable to the card.
5. Cardholders are expected to exercise objectively reasonable judgment in making a decision about whether to make a purchase by considering (a) whether the potential purchase is prudent and necessary, and (b) whether the potential purchase would reflect well on the City and the cardholder, and be perceived by the general public as suitable and appropriate. Improper use of a City purchasing card, especially intentional and unreported but even unintentional and reported, including personal purchases as well as alcoholic beverages and entertainment, even if reimbursed, may be considered misappropriation of City funds, which may result in disciplinary action, up to and including termination.
6. Other than for out-of-state purchases and purchases from fast-food restaurants (at which customers place and pay for the order before sitting down at a table), the cardholder is responsible for ensuring that the transaction is completed without sales tax being charged. If a transaction has been completed on which sales tax was charged in error, then the cardholder is responsible for contacting the vendor and requesting that the amount of the sales tax be credited back to the same City purchasing card to which the sales tax was charged. Documentation of this effort, and of the vendor's response, shall be submitted in addition to the supporting documentation for the transaction.
7. Cardholders are expected to comply with internal control procedures in order to protect the City's assets. This includes (a) not permitting anyone other than the cardholder to use the card; (b) making sure that each transaction is electronically processed in full and on time; (c) keeping and submitting on time detailed invoices or itemized payment receipts that substantiate each and every charge attributed to the purchasing card issued to the cardholder; (d) assisting the City upon request with reconciling the City's billing cycle statements; and (e) taking reasonable precautions to secure the purchasing card against loss and/or theft.
8. If electronic processing of a purchasing card transaction is not completed by the deadline and the Purchasing Office has not been previously notified of the need for a delay, then the monthly credit limit for the respective purchasing card may be reduced to $0 until the processing is complete. This consequence applies to any transaction that has not been coded, explained with a comment, and approved by the individual assigned to approve purchasing card transactions for that cardholder. Credit limits will be restored to the previous amounts once electronic processing is complete.
9. Failure to submit on time adequate and legible supporting documentation for each transaction or to otherwise comply with City rules will carry consequences, possibly including reduction or loss of card spend authority, reimbursement of the City by the employee for unauthorized and/or unsubstantiated purchases, and/or disciplinary action, up to and including termination.
10. Cardholders are responsible for resolving any discrepancies by contacting the vendor and/or the issuing bank.
11. A lost or stolen purchasing card shall, as soon as possible upon discovery of the loss or theft, be reported to the City Purchasing Office and/or to the issuing bank.

12. A cardholder must surrender his or her card upon termination of employment (i.e., retirement or voluntary or involuntary separation).

N. Payment for Purchases

All payments to vendors and service providers shall be made either by purchasing card (in accordance with this Policy) or by one of the City's other methods of payment (in accordance with the City's Disbursements Policy).

O. Consolidation of Purchases

The Purchasing Manager, working in cooperation with Departments, shall on an on-going basis investigate ways and methods to consolidate as many purchases as possible. The purpose of consolidation is to allow the City to realize economies of scale, savings through reducing inventories of parts and supplies as well as reducing the number of vendors and accompanying financial record keeping.

P. Use of Internet Auctions for Purchases of City Property

The use of internet auctions is generally prohibited as a method for making City purchases unless specifically authorized in advance by the City Administrator.

Q. Vendor Protests

Vendor protests shall be handled in accordance with the City's Vendor Protest Procedure for procurements not pertaining to new construction, as approved by resolution of the Board of Mayor and Aldermen.

R. Disciplinary Action

Any employee who fails or refuses to comply with the provisions of this Purchasing Policy shall be subject to disciplinary action pursuant to and as provided in the Human Resources Manual, as it may be amended from time to time.

S. Requests for Proposals

Requests for competitive sealed proposals shall be used pursuant to T.C.A. § 12-3-1207 and may be used only when qualifications, experience, or competence are more important than price in making the purchase, and either (1) when there is more than one (1) solution to a purchasing issue and competitive sealed proposals would assist in choosing the best solution; or (2) when there is no readily identifiable solution to a purchasing issue and competitive sealed proposals would assist in identifying one (1) or more solutions. The request for competitive sealed proposals shall state the relative importance of price and other evaluation factors. The award shall be made to the responsible respondent whose proposal the governing body determines is the most advantageous to the City, taking into consideration price and the evaluation factors set out in the request for competitive sealed proposals. No other factor may be used in the evaluation.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

T. Requests for Qualifications

Requests for qualifications may be used pursuant to T.C.A. § 12-3-1209 for legal services, fiscal agent, financial advisor or advisory services and similar services by professional persons or groups of high ethical standards, or pursuant to T.C.A. § 12-4-107 for architectural, engineering and construction services.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

APPENDIX A
SELECTED STATUTES APPLYING TO OFFICERS, COMMITTEE MEMBERS, ETC.

T.C.A. § 6-54-107. Interest of officer in municipal contracts prohibited.

a. No person holding office under any municipal corporation shall, during the time for which such person was elected or appointed, be capable of contracting with such corporation for the performance of any work that is to be paid for out of the treasury. Nor shall such person be capable of holding or having any other direct interest in such a contract. "Direct interest" means any contract with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation.

b. No officer in a municipality shall be indirectly interested in any contract to which the municipality is a party unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality.

c. 1. Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality may vote on matters in which such member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents."

2. In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, the member may abstain for cause by announcing such to the presiding officer. Any member of a local governing body of a county or municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

3. The vote of any person having a conflict of interest who does not inform the governing body of such conflict as provided in subdivision (c)(1) shall be void if challenged in a timely manner. As used in this subdivision (c)(3), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

4. Nothing in this subsection (c) shall be construed as altering, amending or otherwise affecting the provisions of § 12-4-101(a). In the event of any conflict between this subsection (c) and § 12-4-101(a), the provisions of § 12-4-101(a) shall prevail.

T.C.A. § 6-54-108. Penalty for unlawful interest of officer.

Every officer of such corporation who shall unlawfully be concerned in making such contract, or who shall unlawfully pay money upon the same to or for any person declared incapable in § 6-54-107, shall forfeit the amount so paid; and such officer shall be jointly and severally liable to an action for the same, which action may be prosecuted by any citizen of the corporation in its name.

T.C.A. § 12-4-101. Personal interest of officers prohibited.

(a) (1) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract. "Directly interested" means any contract with the official personally or with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation. This subdivision (a)(1) shall not be construed to prohibit any officer, committee person, director, or any person, other than a member of a local governing body of a county or municipality, from voting on the budget, appropriation resolution, or tax rate resolution, or amendments thereto, unless the vote is on a specific amendment to the budget or a specific appropriation or resolution in which such person is directly interested.

….

(b) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be indirectly interested in any such contract unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality or county.

(c) (1) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment predates the member's initial election or appointment to the governing body of the county or municipality may vote on matters in which the member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents." The vote of any such member having a conflict of interest who does not so inform the governing body of such conflict shall be void if challenged in a timely manner. As used in this subdivision (c)(1), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

(2) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment began on or after the date on which the member was initially elected or

appointed to serve on the governing body of the county or municipality shall not vote on matters in which the member has a conflict of interest.

(3) (A) In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, such member may abstain for cause by announcing such to the presiding officer.

(B) (i) Any member of a local governing body of a municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

(ii) This subdivision (c)(3)(B) shall in no way be construed to apply to any county having a metropolitan form of government and having a population in excess of five hundred thousand (500,000), according to the 1990 federal census or any subsequent federal census.

….

T.C.A. § 12-4-102. Penalty for unlawful interest.

Should any person, acting as such officer, committee member, director, or other person referred to in § 12-4-101, be or become directly or unlawfully indirectly interested in any such contract, such person shall forfeit all pay and compensation therefor. Such officer shall be dismissed from such office the officer then occupies, and be ineligible for the same or a similar position for ten (10) years.

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Purchasing Policy

for City of Franklin procurements not pertaining to new construction

APPENDIX B
SOLE-SOURCE PURCHASES VALUED AT OR GREATER THAN $10,000

Sole-source purchases valued at or greater than $10,000 shall be made only when an item is unique and possesses specific characteristics that can be filled by only one source and must have prior approval by the Purchasing Manager or, if the purchase is valued at or greater than $25,000, then the Board of Mayor and Aldermen. In determining whether to authorize sole-source purchases valued at or greater than $10,000, factors such as the following shall be considered:

1. whether the vendor possesses exclusive and/or predominant capabilities or the item contains a patented feature providing a superior utility not obtainable from similar products;
2. whether the product or service is unique and easily established as one-of-a-kind;
3. whether the program requirements can be modified so that competitive products or services may be used;
4. whether the product is available from only one source and not merchandised through wholesalers, jobbers or retailers; and
5. whether items must be interchangeable or compatible with in-place items.

After review of the written justification from the requisitioning department and ascertaining that the item to be purchased meets one or several of the above criteria, and so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated, then, in lieu of competitive purchasing procedures, the Purchasing Manager shall either authorize the sole-source purchase or, if the purchase is valued at or greater than $25,000, then forward the request to the Board of Mayor and Aldermen for its consideration.

Based in part on Rule No. 0690-3-1-.03(3) of Rules of the Tennessee Department of General Services, Purchasing Division.

CITY OF FRANKLIN

3RD QUARTER REPORT

FY 2016

Excellence *Innovation* *Teamwork* *Integrity* *Action*

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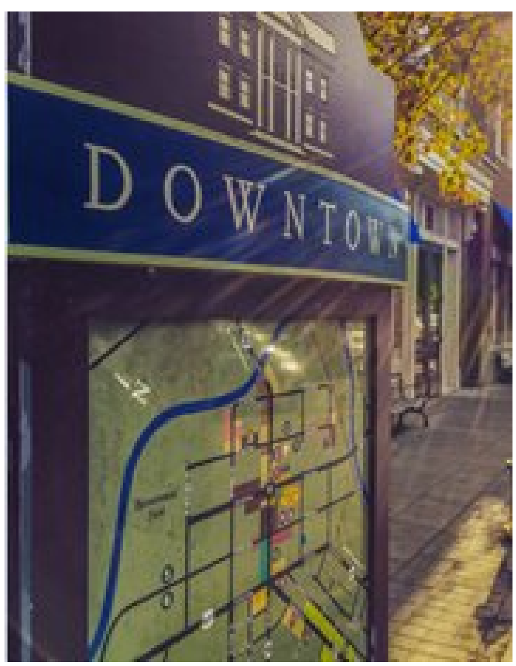
Quarter Ended March ÊÈ, 201

- he General Fund shows a current year surplus of over $4.4 Û ŰÜ Ç
- In the General Fund, local sales taxes are up ĘÅ over last year.
- With recent development activity,
    - building permit revenue is up over Ê Å ,
    - road impact fees are Ê ½ times collections this point last year,
    - facilities taxes are almost 2 ½ times collections this point last year, and
    - water/sewer development fees are approximately double collections last Ç
- In the Street Aid Fund, gasoline taxes are ĘÅ higher as the fee is set on gallons sold rather than price.
- n the Capital Projects Fund, the City expects reimbursements from other funds and future bond proceeds to offset the deficit. In the 4 quarter budget amendments, 5.5 million is to be transferred from the General Fund (2,500,000), Hotel Motel Tax Fund ($1,207,565), Water Taps ($972,342), and Sewer Taps ($822,509) to reduce the deficit.

All Funds Summary

Fund	Beg Fund Balance	Revenue	Expenditures	End Fund Balance	Change	Fund Summary on Page
General	$35,469,448	$46,163,760	$41,712,689	$39,920,519	$4,451,071	3
Street Aid	$287,224	$1,973,622	$1,713,890	$546,956	$259,732	4
Sanitation & Envir. Services.	$618,286	$6,428,062	$6,304,674	$741,674	$123,388	5
Road Impact	$397,976	$6,345,190	$1,769,323	$4,973,843	$4,575,867	6
Facilities Tax	$6,717,764	$3,643,845	$3,571,640	$6,789,969	$72,205	7
Stormwater	$4,783,235	$1,931,326	$1,766,024	$4,948,537	$165,302	8
Drug	$295,296	$284,635	$68,051	$511,880	$216,584	9
Hotel/Motel	$2,749,596	$2,501,218	$2,184,284	$3,066,530	$316,934	10
In Lieu of Parkland	$2,494,076	$1,879,531	$0	$4,373,607	$1,879,531	11
Transit	$189,607	$1,257,207	$1,257,207	$189,607	$0	12
CDBG	$20,212	$239,614	$204,248	$55,578	$35,366	13
Debt Service	$709	$11,036,938	$9,844,512	$1,193,135	$1,192,426	14
Capital Projects	($10,104,657)	$4,554,523	$5,921,828	($11,471,962)	($1,367,305)	15
Water & Wastewater Operations	*	$20,680,205	$17,222,867	*	$3,457,338	16
Water & Wastewater Dev. Fees	*	$4,666,851	$2,305,069	*	$2,361,782	17

* As an enterprise fund (which is similar to a private business), Water & Wastewater does not have a fund balance.



General Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Local Sales Tax	$23,309,616	$21,491,536	108.5%	$30,744,209	75.8%
State Shared Taxes	7,945,946	7,099,617	111.9%	10,845,415	73.3%
Property Taxes	5,086,661	5,531,295	92.0%	5,307,869	95.8%
Alcohol Taxes	2,841,830	2,657,735	106.9%	3,601,387	78.9%
Grants	1,675,325	276,797	605.3%	3,371,336	49.7%
Franchise Fees	2,020,673	2,222,778	90.9%	2,511,230	80.5%
Building Permits & Fees	1,949,624	1,492,219	130.7%	2,315,580	84.2%
Court Fines & Fees	354,710	439,160	80.8%	720,573	49.2%
In Lieu of Tax (Local)	333,249	279,560	119.2%	306,131	108.9%
Interest Income	133,938	68,568	195.3%	197,802	67.7%
Other Revenues	512,188	387,183	132.3%	1,367,609	37.5%
Total Revenues	***46,163,760***	***41,946,449***	***110.1%***	***61,289,141***	***75.3%***
Expenditures:					
Salaries & Wages	20,999,699	19,618,227	107.0%	30,665,899	68.5%
Employee Benefits	**8,838,431**	6,991,538	126.4%	11,481,640	77.0%
Utilities	1,641,712	1,663,380	98.7%	2,306,200	71.2%
Contractual Services	2,044,409	1,683,271	121.5%	2,983,115	68.5%
Repair & Maintenance Services	1,418,579	1,319,277	107.5%	1,881,712	75.4%
Debt Service & Lease Payments	1,803,366	1,724,810	104.6%	2,182,216	82.6%
Reimbursement from Other Funds	(1,947,937)	(1,931,608)	100.8%	(2,597,247)	75.0%
Transfers To Other Funds	351,413	2,690,849	13.1%	543,569	64.6%
Capital (>$25,000)	87,612	417,714	21.0%	2,392,200	3.7%
Other Expenditures	6,475,406	5,439,912	119.0%	9,449,837	68.5%
Total Expenditures	***41,712,689***	***39,617,371***	***105.3%***	***61,289,141***	***68.1%***
Total Unallocated Funds	***4,451,071***	***2,329,078***	***191.1%***	***0***	***0.0%***

FUND SUMMARY

- he General Fund shows a current year surplus of over $4.4 Û ŰÜ Ç
- Local sales taxes are up ĘÅ over last year.
- With recent development activity, ilding permit revenue is up over Ê Å Ç
- In the 4 quarter budget amendments, $5.5 million is to be transferred from the General Fund (2,500,000) to reduce the deficit in the Capital Projects Fund.

Street Aid Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$287,224	$295,259	97.3%	$287,224	100.0%
State Shared Taxes	1,447,408	1,385,017	104.5%	1,893,391	76.4%
Property Taxes	526,008	508,038	103.5%	528,418	99.5%
Interest Income	206	516	40.0%	400	51.6%
Total Revenues	***2,260,847***	***2,188,829***	***103.3%***	***2,709,433***	***83.4%***
Expenditures:					
Repair & Maintenance Services	1,712,943	966,581	177.2%	2,400,000	71.4%
Other Expenditures	948	272	348.4%	0	0.0%
Total Expenditures	***1,713,890***	***966,853***	***177.3%***	***2,400,000***	***71.4%***
Total Unallocated Funds	***546,956***	***1,221,976***	***44.8%***	***309,433***	***176.8%***

FUND SUMMARY

- ? asoline taxes are 4.5Å higher as the fee is set on gallons sold rather than price.
- ? Expenditures are primarily for paving activity.

Sanitation Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$618,294	$405,119	152.6%	$618,286	100.0%
Grants	0	66,265	0.0%	0	0.0%
Sanitation Collection Services	3,850,601	3,666,403	105.0%	5,163,376	74.6%
Tipping Fees	2,394,066	1,544,734	155.0%	2,142,317	111.8%
Other Revenues	183,387	153,598	119.4%	520,084	35.3%
Total Revenues	***7,046,348***	***5,836,119***	***120.7%***	***8,444,063***	***83.4%***
Expenditures:					
Salaries & Wages	1,341,065	1,407,061	95.3%	2,014,614	66.6%
Employee Benefits	643,689	652,562	98.6%	898,236	71.7%
Utilities	51,790	52,379	98.9%	71,234	72.7%
Contractual Services	0	1,278	0.0%	10,000	0.0%
Repair & Maintenance Services	446,081	346,714	128.7%	261,382	170.7%
Debt Service & Lease Payments	700,489	631,641	110.9%	757,419	92.5%
Transfers To Other Funds	8,320	11,785	70.6%	589,080	1.4%
Other Expenditures	3,113,239	2,492,765	124.9%	3,237,668	96.2%
Total Expenditures	***6,304,674***	***5,596,185***	***112.7%***	***7,839,633***	***80.4%***
Total Unallocated Funds	***741,674***	***239,934***	***309.1%***	***604,430***	***122.7%***

FUND SUMMARY

? Collection service revenue is 5Å higher than last year.

? Tipping fees are 55Å higher than last year.

? und balance has increased by $123,380 through the 3 Ç

Road Impact

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$397,976	$0	0.0%	$397,976	100.0%
Interest Income	5,708	48	11,858.8%	0	0.0%
Road Impact Fees	6,606,877	1,861,473	354.9%	5,770,361	114.5%
Road Impact Credits	(267,394)	(253,523)	105.5%	0	0.0%
Total Revenues	***6,743,167***	***1,607,998***	***419.4%***	***6,168,337***	***109.3%***
Expenditures:					
Transfers To Other Funds	1,769,323	2,883,210	61.4%	2,739,169	64.6%
Other Expenditures	0	0	0.0%	300,000	0.0%
Total Expenditures	***1,769,323***	***2,883,210***	***61.4%***	***3,039,169***	***58.2%***
Total Unallocated Funds	***4,973,843***	***(1,275,212)***	***(390.0%)***	***3,129,168***	***159.0%***

FUND SUMMARY

? With recent development activity, road impact fees are Ê ½ times collections this point last yearÇ

Facilities Tax Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$6,717,764	$6,253,611	107.4%	$6,717,764	100.0%
Interest Income	42,063	10,093	416.7%	10,000	420.6%
Facilities Taxes	3,601,783	1,543,765	233.3%	2,110,407	170.7%
Total Revenues	***10,361,610***	***7,807,469***	***132.7%***	***8,838,171***	***117.2%***
Expenditures:					
Utilities	1,279	395	323.8%	0	0.0%
Contractual Services	0	363	0.0%	0	0.0%
Repair & Maintenance Services	6,797	951	715.1%	0	0.0%
Capital (>$25,000)	3,521,991	1,424,316	247.3%	4,765,856	73.9%
Other Expenditures	41,573	171,407	24.3%	180,116	23.1%
Total Expenditures	***3,571,640***	***1,597,431***	***223.6%***	***4,945,972***	***72.2%***
Total Unallocated Funds	***6,789,969***	***6,210,039***	***109.3%***	***3,892,199***	***174.5%***

FUND SUMMARY

? With recent development activity, facilities tax are almost 2 ½ times collections this point last year.

? Work continues on construction of Station 8.

Stormwater Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$4,783,235	$5,511,065	86.8%	$4,783,235	100.0%
Building Permits & Fees	40,403	52,498	77.0%	27,500	146.9%
Interest Income	64,621	11,080	583.2%	10,000	646.2%
Stormwater Fees	1,789,501	1,740,158	102.8%	2,400,000	74.6%
Other Revenues	36,801	29,424	125.1%	45,000	81.8%
Total Revenues	***6,714,561***	***7,344,225***	***91.4%***	***7,265,735***	***92.4%***
Expenditures:					
Salaries & Wages	567,457	502,208	113.0%	820,803	69.1%
Employee Benefits	271,442	240,826	112.7%	357,228	76.0%
Utilities	43,146	34,673	124.4%	47,217	91.4%
Contractual Services	169,793	74,889	226.7%	130,286	130.3%
Repair & Maintenance Services	54,790	54,925	99.8%	55,370	99.0%
Debt Service & Lease Payments	85,182	0	0.0%	232,154	36.7%
Capital (>$25,000)	266,026	810,194	32.8%	2,846,000	9.3%
Other Expenditures	308,187	266,955	115.4%	615,250	50.1%
Total Expenditures	***1,766,024***	***1,984,670***	***89.0%***	***5,104,308***	***34.6%***
Total Unallocated Funds	***4,948,537***	***5,359,555***	***92.3%***	***2,161,427***	***228.9%***

FUND SUMMARY

? ÑÜrmwater fees are almost ÊÅ higher than last year.

Drug Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$295,296	$165,436	178.5%	$295,296	100.0%
Interest Income	1,256	674	186.3%	1,000	125.6%
Drug Fines Received	123,214	30,203	408.0%	93,070	132.4%
Other Revenues	160,163	113,899	140.6%	79,091	202.5%
Total Revenues	***579,930***	***310,212***	***186.9%***	***468,457***	***123.8%***
Expenditures:					
Other Expenditures	68,051	78,804	86.4%	127,000	53.6%
Total Expenditures	***68,051***	***78,804***	***86.4%***	***127,000***	***53.6%***
Total Unallocated Funds	***511,880***	***231,408***	***221.2%***	***341,457***	***149.9%***

FUND SUMMARY

? Drug fine collections are igher than last year s totalÇ

Hotel/Motel Tax Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$2,749,596	$1,971,048	139.5%	$2,749,596	100.0%
Interest Income	4,730	1,250	378.5%	2,000	236.5%
Hotel/Motel Taxes	2,496,488	2,344,135	106.5%	3,281,214	76.1%
Total Revenues	***5,250,814***	***4,316,432***	***121.6%***	***6,032,810***	***87.0%***
Expenditures:					
Contractual Services	137,841	128,844	107.0%	0	0.0%
Repair & Maintenance Services	0	25,053	0.0%	36,595	0.0%
Transfers To Other Funds	983,481	1,104,196	89.1%	1,126,678	87.3%
Capital (>$25,000)	232,507	280,794	82.8%	712,956	32.6%
Other Expenditures	830,455	763,696	108.7%	767,131	108.3%
Total Expenditures	***2,184,284***	***2,302,582***	***94.9%***	***2,643,360***	***82.6%***
Total Unallocated Funds	***3,066,530***	***2,013,851***	***152.3%***	***3,389,450***	***90.5%***

FUND SUMMARY

? Hotel/Motel tax collections are ËÅ higher than last year.

? In the 4 quarter budget amendments, $1.2 million is to be transferred from the Hotel/Motel Tax Fund to reduce the deficit in the Capital Projects Fund. This transfer is attributable to streetscape costs of the Hillsboro Phase 1 and 3 Avenue projects.

? 

In Lieu of Parkland Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$2,494,076	$0	0.0%	$2,494,076	100.0%
Interest Income	5,586	906	616.9%	0	0.0%
In Lieu of Parkland Fees	1,873,945	211,848	884.6%	1,530,323	122.5%
Transfer From General Fund	0	2,280,119	0.0%	0	0.0%
Total Revenues	***4,373,607***	***2,492,873***	***175.4%***	***4,024,399***	***108.7%***
Total Unallocated Funds	***4,373,607***	***2,492,873***	***175.4%***	***4,024,399***	***108.7%***

FUND SUMMARY

- Almost ÈÇ Û ŰŰÜ has been collected in 2016 through the Ê Ç
- There are no expenditures currently budgeted for this fund in 2016.

Transit

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$189,607	$400,695	47.3%	$189,608	100.0%
Grants	824,991	914,508	90.2%	1,140,841	72.3%
Interest Income	2,901	2,624	110.5%	2,900	100.0%
Transit Fares	70,423	74,734	94.2%	111,000	63.4%
Transfer From General Fund	351,593	410,730	85.6%	543,569	64.7%
Other Revenues	7,300	7,300	100.0%	10,000	73.0%
Total Revenues	***1,446,815***	***1,810,592***	***79.9%***	***1,997,918***	***72.4%***
Expenditures:					
Capital (>$25,000)	58,725	55,415	106.0%	225,000	26.1%
Other Expenditures	1,198,483	1,347,979	88.9%	1,583,310	75.7%
Total Expenditures	***1,257,208***	***1,403,394***	***89.6%***	***1,808,310***	***69.5%***
Total Unallocated Funds	***189,607***	***407,197***	***46.6%***	***189,608***	***100.0%***

FUND SUMMARY

? Through the 3 quarter, 85% of the budget operating subsidy from the General Fund has been used.

? Additional grant collections are anticipated for this fund.

Ï BG

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$20,211	$23,717	85.2%	$20,212	100.0%
Grants	239,377	217,183	110.2%	274,706	87.1%
Interest Income	237	129	183.7%	100	237.2%
Total Revenues	***259,826***	***241,030***	***107.8%***	***295,018***	***88.1%***
Expenditures:					
Contractual Services	84,248	84,519	99.7%	122,706	68.7%
Repair & Maintenance Services	120,000	94,878	126.5%	150,000	80.0%
Other Expenditures	0	37,786	0.0%	2,000	0.0%
Total Expenditures	***204,248***	***217,183***	***94.0%***	***274,706***	***74.4%***
Total Unallocated Funds	***55,578***	***23,847***	***233.1%***	***20,312***	***273.6%***

FUND SUMMARY

? Grant revenues exceeds expenditures as outstanding receivables from 2015 have been ÜŰŰ in 2016.

Debt Service

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$709	$195,118	0.4%	$709	99.9%
Property Taxes	7,232,613	6,350,472	113.9%	7,426,254	97.4%
Interest Income	2,885	1,450	198.9%	5,000	57.7%
Rebate on BAB/RZEDB Bonds	840,316	838,508	100.2%	825,401	101.8%
Transfer from Sanitation Fund	8,320	11,785	70.6%	606,544	1.4%
Transfer from Road Impact Fund	1,769,323	2,883,210	61.4%	2,739,169	64.6%
Transfer from Hotel/Motel Tax Fund	983,481	1,104,196	89.1%	1,126,678	87.3%
Transfer from Water & Sewer Fund	200,000	200,000	100.0%	200,000	100.0%
Total Revenues	***11,037,647***	***11,584,739***	***95.3%***	***12,929,755***	***85.4%***
Expenditures:					
Debt Service & Lease Payments	9,844,512	10,990,346	89.6%	12,924,146	76.2%
Total Expenditures	***9,844,512***	***10,990,346***	***89.6%***	***12,924,146***	***76.2%***
Total Unallocated Funds	***1,193,135***	***594,393***	***200.7%***	***5,609***	***21,271.8%***

FUND SUMMARY

- Consistent with the 3 quarter of prior years, the Debt Service Fund shows a current year surplus. The surplus is anticipated to cover debt service due in the 4 quarter.

Capital Projects

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	($10,104,657)	($18,878,175)	53.5%	$0	0.0%
Property Taxes	526,008	508,038	103.5%	0	0.0%
Grants	542,136	0	0.0%	0	0.0%
Interest Income	0	(14,090)	0.0%	0	0.0%
Facilities Taxes	912,853	691,817	132.0%	0	0.0%
Other Revenues	2,573,527	1,919,962	134.0%	0	0.0%
Total Revenues	***(5,550,133)***	***(15,772,449)***	***35.2%***	***0***	***0.0%***
Expenditures:					
Contractual Services	61,408	30,051	204.3%	0	0.0%
Repair & Maintenance Services	0	1,886	0.0%	0	0.0%
Debt Service & Lease Payments	0	18,750	0.0%	0	0.0%
Capital (>$25,000)	5,354,620	9,902,322	54.1%	479,401	1,116.9%
Other Expenditures	505,800	658,714	76.8%	0	0.0%
Total Expenditures	***5,921,828***	***10,611,723***	***55.8%***	***479,401***	***1,235.3%***
Total Unallocated Funds	***(11,471,962)***	***(26,384,171)***	***43.5%***	***(479,401)***	***2,393.0%***

FUND SUMMARY

- he City expects reimbursements from other funds and future bond proceeds to fund the deficit. In the 4 quarter budget amendments, $5.5 million is to be transferred from the General Fund (2,500,000), Hotel Motel Tax Fund ($1,207,565), Water Taps ($972,342), and Sewer Taps ($822,509) to reduce the deficit.

Water/Sewer Operations

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Interest Income	$65,615	$65,123	100.8%	$85,500	76.7%
Customer Service	19,662,521	18,296,719	107.5%	24,394,503	80.6%
Other Revenues	952,069	218,261	436.2%	228,800	416.1%
Total Revenues	***20,680,205***	***18,580,102***	***111.3%***	***24,708,803***	***83.7%***
Expenditures:					
Salaries & Wages	2,539,802	2,463,756	103.1%	3,891,979	65.3%
Employee Benefits	1,232,585	1,066,013	115.6%	1,593,639	77.3%
Utilities	1,210,546	1,163,570	104.0%	1,689,572	71.6%
Contractual Services	825,604	435,261	189.7%	529,500	155.9%
Repair & Maintenance Services	289,799	238,055	121.7%	346,732	83.6%
Debt Service & Lease Payments	1,399,479	1,434,247	97.6%	1,535,573	91.1%
Transfers To Other Funds	200,000	200,000	100.0%	200,000	100.0%
Capital (>$25,000)	3,159,854	4,046,342	78.1%	5,171,107	61.1%
Other Expenditures	6,365,199	6,593,832	96.5%	8,220,204	77.4%
Total Expenditures	***17,222,867***	***17,641,076***	***97.6%***	***23,178,306***	***74.3%***
Total Unallocated Funds	***3,457,338***	***939,026***	***368.2%***	***1,530,497***	***225.9%***

FUND SUMMARY

? tomer service revenue, which comes from commercial and residential water and sewer bills, is 7.5Å higher than last year.

Water/Sewer Development Fees

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Interest Income	$72,313	$57,749	125.2%	$0	0.0%
Customer Service	27,000	12,000	225.0%	0	0.0%
Access Fees	2,832,630	1,219,346	232.3%	0	0.0%
System Development Fees	1,726,756	985,517	175.2%	0	0.0%
Other Revenues	8,153	7,854	103.8%	0	0.0%
Total Revenues	***4,666,852***	***2,282,466***	***204.5%***	***0***	***0.0%***
Expenditures:					
Contractual Services	0	1,319	0.0%	0	0.0%
Debt Service & Lease Payments	2,081,033	2,149,587	96.8%	0	0.0%
Capital (>$25,000)	224,079	94,871	236.2%	0	0.0%
Other Expenditures	(43)	(100)	43.0%	0	0.0%
Total Expenditures	***2,305,069***	***2,245,679***	***102.6%***	***0***	***0.0%***
Total Unallocated Funds	***2,361,782***	***36,787***	***6,420.1%***	***0***	***0.0%***

FUND SUMMARY

? Access fees and system development fees are approximately double collections last year.

? In the 4 quarter budget amendments, $972,342 is to be transferred from Water Taps and $822,509 from Sewer Taps to reduce the deficit in the Capital Projects Fund. These transfers are attributable to water and sewer costs of the Hillsboro Phase 1 and Ê Avenue projects.

On the Horizon

È É È É 17 Proposed Budget ? É Reading/Public Hearing

É É È 2017 Proposed Budget ? Ê and Final Reading

È É È Beginning of Fiscal Year 2017

Finance Department Ü Û Ü

109 3 Avenue South
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Contract No. 2009-0013

CITY OF FRANKLIN, TENNESSEE
PROFESSIONAL SERVICES AGREEMENT

THIS PROFESSIONAL SERVICES AGREEMENT ("AGREEMENT") is by and between the City of Franklin, Tennessee, hereinafter referenced as CLIENT, and Public Financial Management, Inc. hereinafter referenced as CONSULTANTS or PFM, who mutually agree as follows:

DECLARATIONS. CLIENT desires to retain CONSULTANTS to develop and assist in implementing the City's strategies to meet its current and long-term operations and capital financing needs and render assistance in respect to planning and debt transactions for the City of Franklin, Tennessee hereinafter referenced as PROJECT. The PROJECT is described as follows:

Financial Advisory Services for the City of Franklin, TN

1. CONSULTANT shall provide financial planning services and related financial analysis services for the PROJECT in accordance with the SCOPE OF SERVICES. The SCOPE OF SERVICES as found in Attachment A shall be considered as an integral part hereof.
2. CONSULTANT has attached a FEE SCHEDULE for the PROJECT based on the detailed SCOPE OF SERVICES, which is incorporated into Attachment A. The FEE SCHEDULE shall be considered as an integral part hereof.
3. CONSULTANTS agree to be bound by the provisions set forth in Attachment A so long as the provisions are not in conflict with this AGREEMENT.
4. In event of a conflict between this AGREEMENT and the attached document(s), this AGREEMENT shall supersede conflicting terms and conditions.

EXECUTED THIS 21st DAY OF May, 2009.

BY: Elise J Daniel
CONSULTANT'S SIGNATURE
TITLE: MANAGING DIRECTOR

BY: [signature]
CITY OFFICIAL
TITLE:

Approved as to form
by City Attorney's Office on
2 / 18 / 09
Initials: SRB

TERMS AND CONDITIONS FOR PROFESSIONAL SERVICES

ARTICLE 1. SERVICES. CONSULTANT will:

1.1 Act for CLIENT in a professional manner, using that degree of care and skill ordinarily exercised by and consistent with standards of competent consultants using the highest standards in the industry.

1.2 Consider all reports to be confidential and distribute copies of the same only to those persons specifically designated by the CLIENT.

1.3 Retain pertinent records relating to the services performed for a period of seven (7) years following the completion of the work; during this period the records shall be available for review by CLIENT at all reasonable times.

ARTICLE 2. CLIENT'S RESPONSIBILITIES. CLIENT, or his authorized representative, will:

2.1 Provide CONSULTANT with all information regarding the PROJECT, which is available to, or reasonably obtainable by, the CLIENT.

2.2 Designate, in writing, the sole PROJECT representative to coordinate with and direct the CONSULTANT, including all contact information.

2.3 Guarantee to CONSULTANT that it has the legal capacity to enter into this contract and that sufficient monies are available to fund CONSULTANT's compensation.

ARTICLE 3. GENERAL CONDITIONS.

3.1 CONSULTANT, by the performance of services covered hereunder, does not in any way assume, abridge or abrogate any of those duties, responsibilities or authorities customarily vested in other professionals or agencies participating in the PROJECT.

3.2 CONSULTANT shall not be responsible for the acts or omissions of any party involved in concurrent or subsequent phases of the PROJECT acting upon written instruction issued by the CONSULTANT.

3.3 Either party upon seven (7) days written notice in the event of substantial failure by the other party to perform in accordance with the terms hereof may terminate this AGREEMENT. In the event of termination, the CONSULTANT shall be paid for services performed to the termination notice date.

3.4 Neither CLIENT nor CONSULTANT may assign or transfer its duties or interest in this AGREEMENT without written consent of the other party. However, nothing in this ARTICLE shall prevent CONSULTANT from engaging independent consultants, associates, and subcontractors to assist in the performance of the SERVICES at CONSULTANT's cost.

3.5 ALLOCATION OF RISK AND LIABILITY; GENERAL. Considering the potential liabilities that may exist during the performance of the services of this AGREEMENT, the relative benefits and risks of the PROJECT, and the CONSULTANT's fee for the services rendered, and in consideration of the promises contained in this AGREEMENT, the CLIENT and the

CONSULTANT agree to allocate and limit such liabilities in accordance with this paragraph.

3.6 INDEMNIFICATION. CONSULTANT agrees to indemnify and hold CLIENT harmless from and against legal liability for all judgments, losses, damages, and expenses to the extent such judgments, losses, damages, or expenses are caused by Consultant's negligent act, error or omission in the performance of the services of this AGREEMENT. In the event judgments, losses, damages, or expenses are caused by the joint or concurrent negligence of CONSULTANT and CLIENT, they shall be borne by each party in proportion to its own negligence.

3.6.1 SURVIVAL. The terms and conditions of this paragraph shall survive completion of this services agreement.

ARTICLE 4. SCOPE OF SERVICES.

4.1 CONSULTANT shall provide the SERVICES as described in Attachment A.

4.2 By mutual agreement, this contract and scope can be amended by the parties. The scope and fee for any additional tasks or services under such amendment shall be mutually negotiated and agreed to in writing prior to beginning such additional tasks or services.

ARTICLE 5. SCHEDULE.

5.1 TIME OF THE ESSENCE. The parties agree that TIME IS OF THE ESSENCE with respect to the parties' performance of all provisions of the Agreement.

5.2 FORCE MAJEURE. Neither party will be liable to the other for any delay or failure to perform any of the services or obligations set forth in this Agreement due to causes beyond its reasonable control, and performance times will be considered extended for a period of time equivalent to the time lost because of such delay plus a reasonable period of time to allow the parties to recommence performance of their respective obligations hereunder. Should a circumstance of force majeure last more than ninety (90) days, either party may by written notice to the other terminate this Agreement. The term "force majeure" as used herein shall mean the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections, riots, landslides, earthquakes, fires, storms, tornadoes, droughts, floods, explosions, breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of either party.

5.3 Should CLIENT request changes in the scope, extent, or character of the PROJECT, the time of performance of CONSULTANT's services as indicated in Attachment A shall be adjusted equitably.

ARTICLE 6. USE OF DOCUMENTS, DATA.

6.1 All Documents, including, but not limited to, reports, drawings, specifications, and computer software prepared by CONSULTANT pursuant to this AGREEMENT are instruments of service in respect to the PROJECT. CONSULTANT shall retain an ownership and property interest therein (including the right of reuse at the discretion of the CONSULTANT) whether or not the PROJECT is completed.

6.1.1 USE OF DATA SYSTEMS: Ownership, property interests and proprietary rights in data systems used by CONSULTANT do not extend to the data created by or supplied to CONSULTANT by the CLIENT; all rights to that data (including derivative or hidden data such as metadata) shall vest solely in CLIENT at the moment of creation.

6.1.2 DISCLOSURE OF DOCUMENTS/DATA. CLIENT may be required to disclose documents or data under state or federal law. CLIENT shall notify CONSULTANT if a request for data or documents has been made and shall give CONSULTANT a reasonable opportunity under the circumstances to respond to the request by redacting proprietary or other confidential information. CONSULTANT waives any right to confidentiality of any document, e-mail or file it fails to clearly mark on each page as confidential or proprietary. In exchange, CONSULTANT agrees to indemnify, defend, and hold harmless CLIENT for any claims by third parties relating thereto or arising out of (i) the CLIENT's failure to disclose such documents or information required to be disclosed by law, or (ii) the CLIENT's release of documents as a result of CLIENT's reliance upon CONSULTANT representation that materials supplied by CONSULTANT (in full or redacted form) do not contain trade secrets or proprietary information, provided that the CLIENT impleads CONSULTANT and CONSULTANT assumes control over that claim.

6.2 CLIENT-furnished data that may be relied upon by CONSULTANT is limited to the printed copies that are delivered to the CONSULTANT pursuant to ARTICLE 2 of this AGREEMENT. Any copyrighted electronic files furnished by CLIENT shall be used by CONSULTANT only for the PROJECT as described herein. CLIENT's posting or publication of such documents created by CONSULTANT for CLIENT shall constitute fair use and shall not constitute an infringement of CONSULTANT's copyright, if any.

6.3 Documents that may be relied upon by CLIENT are limited to the printed copies (also known as hard copies) that are signed or sealed by the CONSULTANT. Files in electronic media format of text, data, graphics, or of other types that are furnished by CONSULTANT to CLIENT are only for convenience of CLIENT, unless the delivery of the PROJECT in electronic media format has been dictated in Attachment A, SCOPE OF SERVICES. Any conclusion or information obtained or derived from electronic files provided for convenience will be at the user's sole risk.

6.4 Because data stored in electronic media format can deteriorate or be modified inadvertently or otherwise without authorization of the data's creator, the party receiving electronic files agrees that it will perform acceptance tests or procedures within 60 days, after which the receiving party shall be deemed to have accepted the data thus transferred. Any errors detected within the 60-day acceptance period will be corrected by the party delivering the electronic files. Unless stated otherwise herein, CONSULTANT shall not be responsible to maintain documents stored in electronic media format after acceptance by CLIENT.

6.5 When transferring documents in electronic media format, CONSULTANT makes no representations as to long term compatibility, usability, or readability, of documents resulting from the use of software application packages, operating systems, or computer hardware differing from that as required of, and used by, CONSULTANT at the beginning of this PROJECT.

6.6 CLIENT may make and retain copies of Documents for information and reference in connection with use on the PROJECT by the CLIENT, or his authorized representative. Such Documents are not intended or represented to be suitable for reuse by CLIENT or others on extensions of the PROJECT or on any other project. Any such reuse or modifications without written verification or adaptation by CONSULTANT, as appropriate for the specific purpose intended, will be at CLIENT's sole risk and without liability or legal exposure to the CONSULTANT or to CONSULTANT's Consultants.

6.7 If there is a discrepancy between the electronic files and the hard copies, the hard copies govern.

6.8 Any verification or adaptation of the Documents for extensions of the PROJECT or for any other project will entitle CONSULTANT to further compensation at rates to be agreed upon by CLIENT and CONSULTANT.

ARTICLE 7. INSURANCE.

7.1 During the performance of the SERVICES under this AGREEMENT, CONSULTANT shall maintain the following minimum insurance:

a) General Liability Insurance with a combined single limit of $1,000,000 per occurrence and $2,000,000 annual aggregate.

b) Automobile Liability Insurance with a combined single limit of $1,000,000 for each person and $1,000,000 for each accident.

c) Workers' Compensation Insurance in accordance with statutory requirements and Employer's Liability Insurance with a limit of $500,000 for each occurrence.

d) Professional Liability Insurance with a limit of $1,000,000 annual aggregate.

7.2 CONSULTANT shall upon written request furnish CLIENT certificates of insurance, which shall include a provision that such insurance shall not be canceled without at least thirty (30) days' written notice to CLIENT.

7.3 No insurance, of whatever kind or type is to be considered as in any way limiting other parties' responsibility for damages resulting from their activities in the execution of the PROJECT. CLIENT agrees to include, or cause to be included, in the PROJECT's construction contract, such requirements for insurance coverage and performance bonds by the PROJECT's construction contractor as CLIENT deems adequate to indemnify CLIENT, CONSULTANT, and other concerned parties against claims for damages and to insure compliance of work performance and materials with PROJECT requirements.

ARTICLE 8. PAYMENT.

8.1 CLIENT will pay CONSULTANT for services and expenses in accordance with the FEE STRUCTURE proposed for the PROJECT as shown in Attachment A. CONSULTANT's invoices will be presented at the completion of the work or monthly and will be payable upon receipt. Payment is due upon presentation of invoice and is past due thirty (30) days from invoice date. CLIENT shall give prompt written notice of any disputed amount and shall pay the remaining amount.

8.2 CONSULTANT shall be paid in full for all services under this AGREEMENT, including CLIENT-authorized overruns of the PROJECT budget or unforeseen need for CONSULTANT's services exceeding the original SCOPE OF SERVICES.

8.3 NO TAXES, NO INTEREST PAYMENTS.
As a tax-exempt entity, the CLIENT shall not be responsible for sales or use taxes incurred for products or services. The CLIENT shall supply CONSULTANT with its Sales and Use Tax Exemption Certificate upon CONSULTANT's request. CONSULTANT shall bear the burden of providing its suppliers with a copy of the CLIENT's tax exemption certificate and shall assume all liability for such taxes, if any, that should be incurred. The CLIENT does not agree to pay any interest for late payments, having agreed to pay in a timely manner.

8.4 TRAVEL; EXPENSES
The CLIENT shall reimburse reasonable expenses, including travel and meals, when specified in the Scope of Work, but only in accordance with the CLIENT'S Travel and Expense Policy and Procedures Manual and in accordance with Attachment A. The maximum amount will be applied as of the date of travel and as listed in the per diem reimbursement rates on the "CONUS" website developed by the United States General Services Administration, located at www.gsa.gov [click on 'per diem rates' under the 'etools' category.

ARTICLE 9. EXTENT OF AGREEMENT:

9.1 APPLICABLE LAW/CHOICE OF FORUM AND VENUE. This Agreement is made under and will be construed in accordance with the laws of the State of Tennessee without giving effect to that state's choice of law rules. The parties' choice of forum and venue shall be exclusively in the courts of Williamson County, Tennessee. Any provision of this AGREEMENT held to violate a law or regulation shall be deemed void, and all remaining provisions shall continue in force.

9.2 ENTIRE AGREEMENT. This AGREEMENT, including these terms and conditions, represent the entire AGREEMENT between CLIENT and CONSULTANT for this PROJECT and supersedes all prior negotiations, representations or agreements, written or oral. This AGREEMENT may be amended only by written instrument signed by CLIENT and CONSULTANT.

9.3 PARTIES; NO THIRD PARTY RIGHTS CREATED. CLIENT and CONSULTANT each binds itself and its successors, executors, administrators, permitted assigns, legal representatives and, in the case of a partnership, its partners, to the other party to this AGREEMENT and to their successors, executors administrators, permitted assigns, legal representatives and partners of such other party in respect to all provisions of this AGREEMENT. The SERVICES provided for in this AGREEMENT are for the sole use and benefit of CLIENT and CONSULTANT. Nothing in this AGREEMENT shall be construed to give any rights or benefits to anyone other than the CLIENT and the CONSULTANT.

9.4 WARRANTIES/LIMITATION OF LIABILITY/WAIVER. The CLIENT reserves all rights afforded to local governments under law for all general and implied warranties. The CLIENT does not waive any rights it may have to all remedies provided by law and therefore any attempt by CONSULTANT to limit its liability shall be void and unenforceable.

ARTICLE 10. DISPUTE RESOLUTION, BREACH, SURVIVAL.

10.1 If a dispute should arise relating to the performance of or payment for the services under this AGREEMENT, the aggrieved party shall notify the other party of the dispute within a reasonable time after such dispute arises. During the pendency of any dispute, the parties shall continue diligently to fulfill their respective obligations hereunder. No arbitration or mediation shall be required as a condition precedent to filing any legal claim arising out of or relating to the AGREEMENT. No arbitration or mediation shall be binding.

10.2 BREACH. Upon deliberate breach of the AGREEMENT by either party, the non-breaching party shall be entitled to terminate the AGREEMENT with notice, with all of the remedies it would have in the event of termination, and may also have such other remedies as it may be entitled to in law or in equity.

ARTICLE 11. SURVIVAL.

The provisions contained in this PROFESSIONAL SERVICES AGREEMENT shall survive the completion of or any termination of the AGREEMENT, agreement or other document to which it may accompany or incorporate by reference or which subsequently may be modified, unless expressly excepted from this Article upon consent of both parties.

Attachment A

SCOPE OF SERVICES FOR
FINANCIAL ADVISORY SERVICES
FOR THE CITY OF FRANKLIN, TN

I. SCOPE OF SERVICES

PFM shall provide, upon request of the City, services related to financial planning and policy development and services related to debt issuance, examples of which, not intended to be exclusive, are set forth in Exhibit A to this Agreement.

II. WORK SCHEDULE

The services of the Financial Advisor are to commence as soon as practicable after the execution of this Agreement and a request by the City for such service.

Services which are not related to a particular transaction shall be completed as agreed between the City and the Financial Advisor.

III. FINANCIAL ADVISORY COMPENSATION

For the services described, PFM's professional fees and expenses shall be paid as follows:

1. For services related to financial planning, policy development and financial analysis, PFM shall receive hourly rates as listed below. Fees for support staff are included in the hourly rates for professionals. Services will be billed no more frequently than monthly.

Experience Level Hourly Rate

Managing Director	$300.00
Senior Managing Consultant	$250.00
Consultant	$200.00
Associate	$150.00

2. For services related to the issuance of Bonds, PFM will be paid a fee to be agreed upon between the City and PFM in connection with the circumstances of each transaction.

3. For fees as to Special Services described in Exhibit A, PFM shall negotiate in advance a not-to-exceed amount and other mutually agreeable terms.

Reimbursable Expenses

In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including travel, meals, lodging telephone, mail, and other ordinary cost and any actual extraordinary cost for graphics, printing, data processing and computer time which are incurred by PFM. Appropriate documentation will be provided.

IV. TERMS AND TERMINATION

This agreement shall remain in effect unless canceled in writing by either party upon thirty (30) days written notice to the other party.

V. NON-ASSIGNABILITY

PFM shall not assign any interest in this Agreement or subcontract any of the work performed under the Agreement without the prior written consent of the City.

VI. INFORMATION TO BE FURNISHED TO THE FINANCIAL ADVISOR

All information, data, reports, and records in the possession of the City necessary for carrying out the work to be performed under this Agreement shall be furnished to the Financial Advisor and the City shall cooperate with the Financial Advisor in all reasonable ways.

VI. NOTICES

All notices given under this Agreement shall be in writing, sent by registered United States mail, with return receipt requested, addressed to the party for whom it is intended, at the designated below. The parties designate the following as the respective places for giving notice, to-wit:

City of Franklin, TN
109 Third Avenue South
Franklin, TN 37064
Attention: Mr. Russ Truell

PUBLIC FINANCIAL MANAGEMENT, INC.
530 Oak Court Drive
Suite 160
Memphis, TN 38117
Attention: Ms. Lisa Daniel

VII. TITLE TRANSFER

All materials prepared by PFM pursuant exclusively to this Agreement shall be the property of the City. Upon termination of this Agreement, Financial Advisor shall deliver to the City copies of any and all material pertaining to this Agreement.

VIII. FINANCIAL ADVISOR'S REPRESENTATIVES

The City has the right for any reason to request PFM to replace any member of the advisory staff. Should the City make such a request, PFM shall promptly suggest a substitute for approval by the City.

IX. INDEPENDENT CONTRACTOR

The Financial Advisor, its employees, officers and representatives at all times shall be independent contractors and shall not be deemed to be employees, agents, partners, servants and/or joint venturers of the City by virtue of this Agreement or any actions or services rendered under this Agreement.

X. ADDITIONAL SERVICES

The City may require additional financial services such as arbitrage rebate services, investment of bond proceeds, purchase of investment contracts, and purchase of SWAPS contracts, among others. Such services will be provided by PFM's affiliate PFM Asset Management LLC pursuant to a separate memorandum agreement upon mutually satisfactory terms.

EXHIBIT A

1. Services related to the Financial Planning and Policy Development upon request of the City:

- Assist the City in the formulation of Financial and Debt Policies and Administrative Procedures.

- Review current debt structure, identifying strengths and weaknesses of structure so that future debt issues can be designed to maximize ability to finance future capital needs. This will include, but not be limited to, reviewing existing debt for the possibility of refunding that debt to provide the City with savings.

- Analyze future debt capacity to determine the City's ability to raise future debt capital.

- Assist the City in the development of the City's Capital Improvement program by identifying sources of capital funding for infrastructure needs.

- Assist the City with the development of the City's Financial Plan by assessing capital needs, identifying potential revenue sources, analyze financing alternatives such as pay-as-you-go, lease/purchasing, short-term vs. longterm financings, assessments, user fees, impact fees, developer contributions, public/private projects, and grants and provide analysis of each alternative as required as to the budgetary and financial impact.

- Review the reports of accountants, independent engineers and other project feasibility consultants to ensure that such studies adequately address technical, economic, and financial risk factors affecting the marketability of any proposed revenue debt issues; provide bond market assumptions necessary for financial projections included in these studies; attend all relevant working sessions regarding the preparations, review and completion of such independent studies; and provide written comments and recommendations regarding assumptions, analytic methods, and conclusions contained therein.

- Develop, manage and maintain computer models for longterm capital planning which provide for inputs regarding levels of ad valorem and non-ad valorem taxation, growth rates by operating revenue and expenditure item, timing, magnitude and cost of debt issuance, and project operating and capital balances, selected operating and debt ratios and other financial performance measures as may be determined by the City.

- Provide debt services schedules reflecting varying interest rates, issue sizes, and maturity structures as these are needed for feasibility consultants or for related City fiscal planning.

- Attend meetings with the City's staff, consultants and other professionals and the City.

- Review underwriter's proposals and submit a written analysis of same to the City.

- Undertake any and all other financial planning and policy development assignments made by the City regarding bond and other financings, and financial policy including budget, tax, cash management issues and related fiscal policy and programs.

- Assist the City in preparing financial presentations for public hearings and/ or referendums.
- Provide special financial services as requested by the City.

2. Services Related to Debt Transactions (Includes short term financings, notes, loans, letters of credit, line of credit and bonds). Upon the request of the City:

- Analyze financial and economic factors to determine if the issuance of bonds is appropriate.

- Develop a financing plan in concert with the City's staff which would include recommendations as to the timing and number of series of bonds to be issued.

- Assist the City by recommending the best method of sale, either as a negotiated sale, private placement or a public sale. In a public sale, make recommendation as to the determination of the best bid. In the event of a negotiated sale, assist in the solicitation, review and evaluation of any investment banking proposals, and provide advice and information necessary to aid in such selection.

- Advise as to the various financing alternatives available to the City.

- Develop alternatives related to debt transaction including evaluation of revenues available, maturity schedule and cash flow requirements.

- Evaluate benefits of bond insurance and/or security insurance for debt reserve fund.

- If appropriate, develop credit rating presentation and coordinate with the City the overall presentation to rating agencies.

- Assist the City in the procurement of other services relating to debt issuance such as printing, paying agent, registrar, etc.

- Identify key bond covenant features and advise as to the financial consequences of provisions to be included in bond resolutions regarding security, creation of reserve funds, flow of funds, redemption provisions, additional parity debt tests, etc.; review and comment on successive drafts of bond resolutions.

- Review the requirements and submit analysis to bond insurers, rating agencies and other professionals as they pertain to the City's obligation.

- Review the terms, conditions and structure of any proposed debt offering undertaken by the City and provide suggestions, modifications and enhancements where appropriate and necessary to reflect the constraints or current financial policy and fiscal capability.

- Coordinate with the City's staff and other advisors as respects the furnishing of data for offering documents, it being specifically understood that Financial Advisor is not responsible for the inclusion or omission of any material in published offering documents.

- Provide regular updates of tax-exempt bond market conditions and advise the City as to the most advantageous timing for issuing its debt.

- Advise the City on the condition of the bond market at the time of sale, including volume, timing considerations, competing offerings, and general economic considerations.

- Assist and advise the City in negotiations with investment banking groups regarding fees, pricing of the bonds and final terms of any security offering, and make in writing definitive recommendations regarding a proposed offering to obtain the most favorable financial terms based on existing market conditions.

- Arrange for the closing of the transaction including, but not limited, to bond printing, signing and final delivery of the bonds.

If the transaction is competitive, the services of the financial advisor will be modified to reflect that process.

3. Special Services. Upon request of the City:

PFM may provide other services which shall include, but not be limited to, the following:

1. Impact fee financial analysis
2. Rate analysis
3. Management analysis
4. Referendum assistance
5. Legislative initiatives
6. Project assessment analysis
7. Implementation of revenue enhancement programs
8. Financial analysis of projects being developed by engineer/ architect studies
9. Negotiate on behalf of the City for proposed projects
10. Services for acquisition of Private Utility

619383

MSRB
Municipal Securities Rulemaking Board

Regulatory Notice

2016-03

Publication Date
January 13, 2016

Stakeholders
Municipal Securities Dealers, Municipal Advisors, Issuers, General Public

Notice Type
Approval Notice

Effective Date
June 23, 2016

Category
Fair Practice

Affected Rules
Rule G-42, Rule G-8

Receive emails about MSRB regulatory notices.

SEC Approves New MSRB Rule G-42 on Duties of Non-Solicitor Municipal Advisors and Related Amendments to MSRB Rule G-8

Overview

The Municipal Securities Rulemaking Board (MSRB) received approval from the Securities and Exchange Commission (SEC) of new MSRB Rule G-42, on duties of non-solicitor municipal advisors, and related amendments to MSRB Rule G-8, on books and records to be made by brokers, dealers, municipal securities dealers, and municipal advisors, on December 23, 2015.[1]

New Rule G-42 establishes core standards of conduct for municipal advisors that engage in municipal advisory activities, other than municipal advisory solicitation activities (for purposes of this notice and Rule G-42, "municipal advisors"). The related amendments to Rule G-8 establish recordkeeping requirements that apply when a municipal advisor makes a suitability determination or reviews the recommendation of another party. The adoption of Rule G-42 and the related amendments to Rule G-8 represent another significant milestone in the MSRB's development of a comprehensive regulatory framework for municipal advisors in the exercise of the rulemaking authority granted to the MSRB by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"),[2] and furthers the MSRB's mandate to protect municipal entities, obligated persons, investors and the public interest.

Rule G-42 and the related amendments to Rule G-8 will become effective on June 23, 2016.

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[1] *See* Securities Exchange Act of 1934 ("Exchange Act") Release No. 76753 (December 23, 2015), 80 FR 81614 (December 30, 2015) (order approving SR-MSRB-2015-03). Refer to the rule text, included below, and the official rulemaking record for additional detail.

[2] Pub. Law No. 111-203, 124 Stat. 1376 (2010).

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Questions about this notice may be directed to Michael L. Post, General Counsel – Regulatory Affairs, Sharon Zackula, Associate General Counsel, or Benjamin Tecmire, Counsel, at 202-838-1500.

Background on the Development of Rule G-42

Important material related to the development of Rule G-42 and the amendments to Rule G-8 is listed below:

- SEC Approval Order (December 23, 2015)[3]
- MSRB's Second Response to Comments (December 16, 2015)[4]
- Notice of Amendment No. 2 (November 17, 2015)[5]
- Notice of Amendment No. 1 (August 25, 2015)[6]
- MSRB's First Response to Comments (August 12, 2015)[7]
- SEC Notice of Proposed Rule G-42 (May 8, 2015)[8]
- MSRB's Second Notice Requesting Comment on Draft Rule G-42 (July 23, 2014)[9]
- MSRB's First Notice Requesting Comment on Draft Rule G-42 (January 9, 2014)[10]

In developing Rule G-42, the MSRB sought to create a set of requirements that would be consistent with the mandates of the Dodd-Frank Act, and the fiduciary duty it imposes upon municipal advisors in their relationships with municipal entity clients. The MSRB requested public comment to achieve these objectives and to understand, address and balance the concerns and needs of the recipients of municipal advisory services; institutional and retail investors; the constituents of municipal entities and the public; and financial

[3] *Supra* n.1.

[4] Letter to Secretary, SEC, from Michael L. Post, General Counsel – Regulatory Affairs, Response to Comments on SR-MSRB-2015-03, dated December 16, 2015.

[5] Exchange Act Release No. 76420 (November 10, 2015), 80 FR 71858 (November 17, 2015).

[6] Exchange Act Release No. 75737 (August 19, 2015), 80 FR 51645 (August 25, 2015).

[7] Letter to Secretary, SEC, from Michael L. Post, General Counsel – Regulatory Affairs, Response to Comments on SR-MSRB-2015-03, dated August 12, 2015.

[8] Exchange Act Release No. 74860 (May 4, 2015), 80 FR 26752 (May 8, 2015).

[9] MSRB Notice 2014-12 (July 23, 2014) ("Second Request for Comment").

[10] MSRB Notice 2014-01 (January 9, 2014) ("First Request for Comment").

intermediaries that are providers of municipal advisory services, other financial services or products, or a combination thereof. As part of this process, prior to the filing of the rule change with the SEC, the MSRB twice requested comment on draft versions of Rule G-42 and evaluated the comments, and revised draft Rule G-42 to address issues and concerns raised by commenters. After filing proposed Rule G-42 (SR-MSRB-2015-03) with the SEC, and at each stage preceding the SEC's approval of Rule G-42, the MSRB carefully considered all comments submitted, as reflected in a number of revisions to the rule text that were responsive to or derivative of comments received. The MSRB believes that the development of Rule G-42 was greatly enhanced by the active participation of commenters and is appreciative of their engagement in its development.

Summary of Rule G-42

Rule G-42 establishes the core standards of conduct and duties of municipal advisors when engaging in municipal advisory activities. The rule draws on aspects of existing law and regulation from other relevant regulatory regimes. In summary, Rule G-42:

- Establishes certain standards of conduct consistent with the fiduciary duty owed by a municipal advisor to its municipal entity clients, which includes a duty of care and a duty of loyalty;
- Requires a municipal advisor to exercise due care when performing its municipal advisory activities for its obligated person clients;
- Provides for the full and fair disclosure, in writing, of all material conflicts of interest and all legal or disciplinary events that are material to a client's evaluation of a municipal advisor;
- Requires documentation of the municipal advisory relationship, specifying certain aspects of the relationship that must be included in the documentation;
- Requires, when making a recommendation, that a municipal advisor have a reasonable basis to believe that the recommendation is suitable and, if appropriate, requires a municipal advisor to determine the suitability of recommendations made by third parties;
- Specifically prohibits a municipal advisor from engaging in certain activities, including, in summary:
    - receiving excessive compensation;
    - delivering inaccurate invoices for fees or expenses;
    - making false or misleading representations about the municipal advisor's resources, capacity or knowledge;
    - participating in certain fee-splitting arrangements with underwriters;

    - participating in any undisclosed fee-splitting arrangements with providers of investments or services to a municipal entity or obligated person client of the municipal advisor;
    - making payments for the purpose of obtaining or retaining an engagement to perform municipal advisory activities, with limited exceptions;
    - engaging in certain principal transactions with its municipal entity clients, subject to a narrow exception for fixed income securities transactions; and
- Defines key terms.

In addition, the supplementary material to Rule G-42 provides additional guidance on core concepts in the rule, such as the duty of care and the duty of loyalty, and information on other important issues, including options available to a municipal advisor under which it would not be specifically prohibited from engaging in certain principal transactions with its municipal entity clients. Rule G-42 and its supplementary material are discussed in greater detail in the sections that follow.

Standards of Conduct — Rule G-42(a)
Section (a) of Rule G-42 establishes some of the core standards of conduct and duties applicable to municipal advisors.

Subsection (a)(i) of Rule G-42 provides that each municipal advisor in the conduct of its municipal advisory activities for an obligated person client is subject to a duty of care. Paragraph .01 of the supplementary material ("SM"), discussed below, provides guidance on the duty of care. Subsection (a)(ii) provides that each municipal advisor in the conduct of its municipal advisory activities for a municipal entity client is subject to a fiduciary duty, which includes a duty of loyalty and a duty of care. SM .02, discussed below, provides guidance on the duty of loyalty. Rule G-42(a) follows the Dodd-Frank Act in deeming a municipal advisor to owe a fiduciary duty, for purposes of Rule G-42, only to its municipal entity clients.[11]

The MSRB intended from the inception of the Rule G-42 rulemaking initiative not to comprehensively set forth every aspect of the duties and obligations that municipal advisors owe to their clients, and, in particular, every aspect of the fiduciary duty that may be owed under the broad fiduciary principle that Congress determined should apply with respect to municipal entity

[11] *See* Section 15B(c)(1) of the Exchange Act, 15 U.S.C. 78o-4(c)(1).

clients. Instead, Rule G-42 is designed primarily to set forth the core elements of the fiduciary duty and provide guidance on certain conduct that is likely to occur and issues that are likely to arise in the provision of municipal advisory services.

Municipal advisors should note that the standards in Rule G-42(a)(i) and (ii) do not supersede any more restrictive provisions of state or other laws applicable to the activities of municipal advisors, as specified in SM .08.

Supplementary Material Regarding Duty of Care, Duty of Loyalty and Related Issues. SM .01 and .02 provide guidance on the duty of care and the duty of loyalty. Generally, these provisions are designed to protect municipal entity and obligated person clients, provide regulatory guidance with respect to the duties of municipal advisors and empower the client, with the consent of the municipal advisor, to control the engagement and determine the scope of services to be provided.

Duty of Care. The duty of care includes, but is not limited to, the specific obligations set forth in SM .01. Under SM .01, a municipal advisor is required to:

- Possess the degree of knowledge and expertise needed to provide the municipal entity or obligated person client with informed advice;
- Make a reasonable inquiry as to the facts that are relevant to a client's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the client;
- Undertake a reasonable investigation to determine that the municipal advisor is not basing any recommendation on materially inaccurate or incomplete information; and
- Have a reasonable basis for:
    - any advice provided to or on behalf of a client;
    - any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the client, any other party involved in the municipal securities transaction or municipal financial product, or investors in the municipal entity client's securities or securities secured by payments from an obligated person client; and
    - any information provided to the client or other parties involved in the municipal securities transaction in connection with the preparation of an official statement for any issue of municipal securities as to which the advisor is advising.

The duty of care, which is applicable to all municipal advisory activities regardless of the type of client, also applies to the provision of comments following the review of any document and the provision of language for use in any document—including an official statement—to the extent that conduct constitutes municipal advisory activity.

Duty of Loyalty. The duty of loyalty includes, but is not limited to, the specific obligations set forth in SM .02. Under SM .02, the duty of loyalty:

- Requires a municipal advisor, when engaging in municipal advisory activities for a municipal entity client, to deal honestly and with the utmost good faith with the municipal entity and act in its best interests without regard to the financial or other interests of the municipal advisor; and
- Precludes a municipal advisor from engaging in municipal advisory activities with a municipal entity client if it cannot manage or mitigate its conflicts of interest in a manner that will permit it to act in the municipal entity's best interests.

Action Independent of or Contrary to Advice. SM. 03 provides that a municipal advisor is not required to disengage from a municipal advisory relationship if a municipal entity client or an obligated person client elects a course of action that is independent of, or contrary to, the municipal advisor's advice.

Limitations on the Scope of the Engagement. SM .04 specifies that a municipal advisor may limit the scope of the municipal advisory activities to be performed to certain specified activities or services if requested or expressly consented to by the municipal entity or obligated person client. However, the municipal advisor cannot alter the standards of conduct or impose limitations on any of the duties (*e.g.*, duty of care or duty of loyalty) prescribed by Rule G-42. In addition, if a municipal advisor engages in a course of conduct that is inconsistent with the agreed upon limitations on the scope of the engagement, such conduct may result in negating the effectiveness of any limitations on the scope of the engagement.

Disclosure of Conflicts of Interest and Other Information — Rule G-42(b)
Section (b) of Rule G-42 requires a municipal advisor to fully and fairly disclose to its municipal entity or obligated person client, in writing, all material conflicts of interest, including, but not limited to, those conflicts of interest specifically described in section (b), and any legal or disciplinary event that is material to the client's evaluation of the municipal advisor or the integrity of its management or advisory personnel. These disclosures must be provided by the municipal advisor prior to or upon engaging in

municipal advisory activities for or on behalf of the municipal entity or obligated person.

Rule G-42(b)(i), setting forth a non-exhaustive list of scenarios under which a material conflict of interest is always deemed to exist, requires the disclosure of:

- Any affiliate of the municipal advisor that provides any advice, service or product to or on behalf of the client that is directly related to the municipal advisory activities to be performed by the disclosing municipal advisor;
- Any payments made by the municipal advisor, directly or indirectly, to obtain or retain an engagement to perform municipal advisory activities for the client;
- Any payments received by the municipal advisor from a third party to enlist the municipal advisor's recommendation to the client of its services, any municipal securities transaction or any municipal financial product;
- Any fee-splitting arrangements involving the municipal advisor and any provider of investments or services to the client; and
- Any conflicts of interest arising from compensation for municipal advisory activities to be performed that is contingent on the size or closing of any transaction as to which the municipal advisor is providing advice.

Under Rule G-42(b)(i)(F), a municipal advisor must disclose any other actual or potential conflicts of interest, of which a municipal advisor is aware, after reasonable inquiry, that could reasonably be anticipated to impair the municipal advisor's ability to provide advice to or on behalf of the client in accordance with the applicable standards of conduct of Rule G-42(a) (*i.e.*, the duty of care and/or the duty of loyalty).

If a municipal advisor concludes, based on the exercise of reasonable diligence, that it has no known material conflicts of interest, the municipal advisor must provide a written statement to the client to that effect.

Rule G-42(b)(ii) requires disclosure of any legal or disciplinary event that is material to the client's evaluation of the municipal advisor or the integrity of its management or advisory personnel. To facilitate the use of existing records, a municipal advisor may comply with such disclosure obligation by identifying the specific type of event and specifically referring the client to the relevant portions of the municipal advisor's most recent SEC Forms MA or MA-I[12] filed with the SEC, if the municipal advisor provides detailed information specifying where the client may access such forms electronically. This approach using existing records is permissive, and a municipal advisor also may comply by creating the disclosures rather than referring to its filed SEC Forms MA or MA-I.

If a municipal advisor discloses such legal or disciplinary event by referring to the municipal advisor's most recent SEC Forms MA or MA-I, the mandated identification of the specific type of event and specific reference to the relevant portion of the municipal advisor's SEC Forms MA or MA-I may not be satisfied by a broad reference to the section of the forms containing such disclosures. Similarly, the requirement to provide "detailed information" specifying where the client may electronically access the SEC Forms MA and MA-I may not be satisfied by a general reference to the SEC's Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR"). There may be several different approaches a municipal advisor may use to comply with the requirement to provide detailed information regarding where the client may access such forms. For example, a municipal advisor may comply with this portion of the requirements under Rule G-42(b)(ii) by publishing its most recent forms on its own website and then providing the client with the direct web link or internet address to the relevant form. Alternatively, if solely registered with the SEC as a municipal advisor, a municipal advisor could provide its client with a functioning Uniform Resource Locator ("URL") (also referred to as a web address or link) to the specific location on the EDGAR system where all company filings of the municipal advisor are found, which includes the municipal advisor's most recently filed Form MA or MA-I. These examples are only illustrative and do not preclude other methods of compliance.

Conflicts of Interest. SM .05 provides that the required conflicts of interest disclosures must be sufficiently detailed to inform the client of the nature, implications and potential consequences of each conflict and must include an explanation of how the municipal advisor addresses, or intends to manage or mitigate, each conflict. Coupled with its duty to disclose material conflicts of interest, a municipal advisor's obligation to explain how it addresses or intends to manage or mitigate its material conflicts of interest is included in Rule G-42 to reflect the MSRB's general intention to reduce the occurrence of material conflicts of interest and to require that all material conflicts of interest that occur be fully and fairly disclosed to the client and managed

[12] *See* 17 CFR 249.1300 (SEC Form MA); 17 CFR 249.1310 (SEC Form MA-I).

appropriately. Although the MSRB does not intend to prohibit all material conflicts of interest under Rule G-42, if not properly managed or mitigated, material conflicts of interest that might result in a municipal advisor providing advice that is not disinterested or suggesting a course of action without making a reasonable inquiry could lead to a failure to protect a municipal advisor's client's interest, thereby causing a breach of the duty of care and/or duty of loyalty that is established by section (a).

Inadvertent Advice. SM .07 provides that a municipal advisor that inadvertently engages in municipal advisory activities for a municipal entity or obligated person but does not intend to continue the municipal advisory activities or enter into a municipal advisory relationship is not required to comply with section (b), on disclosures of conflicts of interest, and section (c), on documentation of the municipal advisory relationship, if the municipal advisor meets several specified requirements. Those requirements are set forth in SM .07, including the requirement that the municipal advisor provide, as promptly as possible after discovery of the provision of inadvertent advice, a document to the municipal entity or obligated person client that is dated and includes:

- A disclaimer that the municipal advisor did not intend to provide advice and that, effective immediately, the municipal advisor has ceased engaging in municipal advisory activities with respect to that municipal entity or obligated person client in regard to all transactions and municipal financial products as to which advice was inadvertently provided;
- A notification that the municipal entity or obligated person client should be aware that the municipal advisor has not provided the disclosure of material conflicts of interest and other information required by section (b);
- An identification of all of the advice that was inadvertently provided, based on a reasonable investigation; and
- A request that the municipal entity or obligated person acknowledge receipt of the document.

The municipal advisor also is required to conduct promptly a review of its written supervisory and compliance policies and procedures to ensure that they are reasonably designed to prevent inadvertently providing advice to municipal entities and obligated persons.

The final sentence of SM .07 emphasizes that the satisfaction of the requirements of SM .07 has no effect on the applicability of any provisions of Rule G-42 other than sections (b) and (c). If SM .07 were to relieve advisors from compliance with other provisions of Rule G-42, SM .07 might be misinterpreted or misused in a manner contrary to the purposes of the SEC's registration regime and the fiduciary duty owed to municipal entity clients. The final sentence also emphasizes that the satisfaction of the requirements of SM .07 has no effect on the applicability of any other legal requirements applicable to municipal advisory activities, which may include, but would not be limited to, other MSRB rules (including Rule G-23), Financial Industry Regulatory Authority ("FINRA") rules or federal or state laws.

Applicability of State or Other Laws and Rules. SM .08 states, as a general matter, that municipal advisors may be subject to fiduciary or other duties under state or other laws and nothing in Rule G-42 would supersede any more restrictive provision of state or other laws applicable to municipal advisory activities. SM .08 also provides an exception to the ban on principal transactions in subsection (e)(ii) in order to avoid a possible conflict with existing MSRB Rule G-23, on activities of financial advisors.

Documentation of Municipal Advisory Relationship — Rule G-42(c)
Section (c) of Rule G-42 requires each municipal advisor to evidence each of its municipal advisory relationships by a writing or writings created and delivered to the municipal entity or obligated person client prior to, upon or promptly after the establishment of the municipal advisory relationship.

The documentation must be dated and include, at a minimum:

- The form and basis of direct or indirect compensation, if any, for the municipal advisory activities to be performed;
- The information that must be disclosed in section (b), regarding the disclosures of conflicts of interest and other information;
- A description of the specific type of information regarding legal and disciplinary events requested by SEC Forms MA and MA-I, and detailed information specifying where the client may electronically access the municipal advisor's most recent Form MA and each most recent Form MA-I filed with the SEC;
- The date of the last material change or addition to the legal or disciplinary event disclosures on any SEC Forms MA or MA-I filed with the SEC by the municipal advisor and a brief explanation of the basis for the materiality of the change or addition;
- The scope of the municipal advisory activities to be performed and any limitations on the scope of the engagement;
- The date, triggering event, or means for the termination of the municipal advisory relationship, or, if none, a statement that there is none; and

- Any terms relating to withdrawal from the municipal advisory relationship.

Municipal advisors have the option of complying with the requirements of Rule G-42(c)(ii) (and Rule G-42(b)), to disclose any legal or disciplinary event that is material to the client's evaluation of the municipal advisor or the integrity of its management or advisory personnel by either: (1) identifying the specific type of event and specifically referring to the relevant portions of the municipal advisor's most recent Forms MA or MA-I (and, if doing so, providing detailed information specifying where the client may electronically access such forms), or (2) providing its client a writing that fully and fairly discloses the information required to be disclosed under Rule G-42(c)(ii) and (b). In addition, to provide additional flexibility and help avoid duplicative disclosures, under SM .06, a municipal advisor need not make the disclosure of conflicts of interest and other information required under subsection (c)(ii) if the municipal advisor previously fully complied with the requirements of section (b) to disclose conflicts of interest and other information and subsection (c)(ii) does not require the disclosure of any materially different information than that previously disclosed to the client.

Rule G-42(c)(iv), which requires the municipal advisor to provide its clients with a brief explanation of the basis for the materiality of the change or addition to its Forms MA and MA-I, allows a client to assess the effect that such change or addition may have on the municipal advisory relationship and evaluate whether it should seek or review additional information.

Section (c) does not require that the writing(s) evidencing the relationship be a bilateral agreement or contract. For example, if state law provides for the procurement of municipal advisory services in a manner that does not require a writing sufficient to establish a bilateral agreement, a municipal advisor may send its client a writing, such as a letter that references the procurement document and contains the terms and disclosures required by Rule G-42(b) and (c) to evidence its municipal advisory relationship with its municipal entity or obligated person client.

SM .06 requires municipal advisors to promptly amend or supplement the writing(s) during the term of the municipal advisory relationship as necessary to reflect any material changes or additions in the required information. For example, if the basis of compensation or scope of services materially changes during the term of the relationship, the municipal advisor is required to amend or supplement the writing(s) and promptly deliver the amended writing(s) or supplement to the client. The same is true in the case of material conflicts of interest discovered after the relationship documentation was last provided to the client. The amendment and supplementation requirement in section (c) applies to any material changes and additions that are discovered, or should have been discovered, based on the exercise of reasonable diligence by the municipal advisor. Any amendments or supplementations also are subject to the requirements of Rule G-42 as if such amendments or supplementations were the first relationship documentation provided to the client.

Recommendations and Review of Recommendations of Other Parties — Rule G-42(d)

Rule G-42(d) provides that "[i]f a municipal advisor makes a recommendation of a municipal securities transaction or municipal financial product to a municipal entity or obligated person client, it must have a reasonable basis to believe that the recommended municipal securities transaction or municipal financial product is suitable for the client, based on the information obtained through the reasonable diligence of the municipal advisor."[13] Section (d) also contemplates that a municipal advisor may be requested by the client to review and determine the suitability of a recommendation made by a third party to the client. Rule G-42(d) therefore provides that if the municipal advisor's "review of a recommendation of another party is requested by the municipal entity or obligated person client and within the scope of the engagement, the municipal advisor must determine, based on the information obtained through the reasonable diligence of such municipal advisor, whether the municipal securities transaction or municipal financial product is or is not suitable for the client."

As to both types of review, the municipal advisor is required under section (d) to inform its municipal entity or obligated person client of:

- Its evaluation of the material risks, potential benefits, structure and other characteristics of the recommended municipal securities transaction or municipal financial product;

[13] Some securities market participants are required to make only recommendations that are "consistent with" their customer's best interests. (*See* FINRA Notice 12-25, Suitability (May 2012)). As provided in section (a) and SM .02, a municipal advisor to a municipal entity client owes the client a fiduciary duty that includes a duty of loyalty in addition to the duty of care, which requires the municipal advisor to deal honestly and with the utmost good faith with the municipal entity client and act in the client's best interests without regard to the financial or other interests of the municipal advisor. A municipal advisor's recommendations of municipal securities transactions and municipal financial products to a municipal entity client, as is the case with all municipal advisory activities performed for a municipal entity client, must comport with the municipal advisor's fiduciary duty and particularly its duty of loyalty. The MSRB considers the duty of loyalty described in Rule G-42 to be even more rigorous than a standard requiring consistency with a client's best interests.

- The basis upon which the advisor reasonably believes the recommended transaction or product is, or, in the case of review of a recommendation of another party, is or is not, suitable for the client; and
- Whether the municipal advisor has investigated or considered other reasonably feasible alternatives to the recommended municipal securities transaction or municipal financial product that might also or alternatively serve the client's objectives.

Rule G-42 does not include requirements regarding how such information must be communicated by the municipal advisor to the client, and a municipal advisor is permitted to choose an appropriate method by which to communicate the information to its client so long as it comports with the duty of care and, if applicable, duty of loyalty owed.

The design of section (d), like other provisions of Rule G-42, is influenced by the basic principle that the client should control the scope of the engagement with its municipal advisor (with the agreement of the municipal advisor). A municipal advisor's engagement may be limited in scope because, for example, the municipal advisor's client already reached a decision regarding a particular municipal securities transaction or municipal financial product, or engaged another professional to undertake certain duties in connection with a municipal securities transaction or municipal financial product. However, as discussed above, a municipal advisor is not permitted to alter the standards of conduct or duties imposed by Rule G-42 with respect to the limited scope of the municipal advisory activities to be performed.

Rule G-42 also adopts, and applies to municipal advisors, the existing MSRB interpretive guidance regarding the general principles currently applicable to dealers for determining whether a particular communication constitutes a recommendation of a securities transaction.[14] Accordingly, a municipal advisor's communication to its client that could reasonably be viewed as a "call to action" to engage in a municipal securities transaction or enter into a municipal financial product is considered a recommendation and obligates the municipal advisor to conduct a suitability analysis of its recommendation. Communications by a municipal advisor to a client that concern minor or ancillary matters that relate to, but are not recommendations of, a municipal

[14] *See* MSRB Rule G-19. *See also* MSRB Notice 2002-30 (Sept. 25, 2002) Notice Regarding Application of Rule G-19, on Suitability of Recommendations and Transactions, to Online Communications, available at: http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2002/2002-30.aspx?n=1.

securities transaction or municipal financial product may constitute advice (and therefore trigger other provisions of the rule) but would not trigger the suitability obligation in section (d).

Non-Exhaustive List of Factors for Determining Suitability. SM .09 provides guidance related to a municipal advisor's suitability obligations. Under this provision, a municipal advisor's determination of whether a municipal securities transaction or municipal financial product is suitable for its client must be based on numerous factors, as applicable to the particular type of client, including, but not limited to, the client's:

- Financial situation and needs;
- Objectives;
- Tax status;
- Risk tolerance;
- Liquidity needs;
- Experience with municipal securities transactions or municipal financial products generally or of the type and complexity being recommended;
- Financial capacity to withstand changes in market conditions during the term of the municipal financial product or the period that municipal securities to be issued are reasonably expected to be outstanding; and
- Any other material information known by the municipal advisor about the client and the municipal securities transaction or municipal financial product, after a reasonable inquiry.

Know Your Client. In regard to the maintenance of the municipal advisory relationship, SM .10 requires a municipal advisor to know its client. To fulfill this obligation, the municipal advisor must use reasonable diligence to know and retain essential facts concerning the client and concerning the authority of each person acting on behalf of the client, and is similar to analogous requirements in other regulatory regimes. The facts "essential" to knowing one's client include those required to effectively service the municipal advisory relationship with the client; act in accordance with any special directions from the client; understand the authority of each person acting on behalf of the client; and comply with applicable laws, rules and regulations. Although distinct from a municipal advisor's suitability obligation under section (d), this know-your-client obligation and the suitability obligation are highly inter-related, as SM .09 requires a municipal advisor to take into account its knowledge of the client when conducting a suitability analysis.

Subsection (d)(iii) requires a municipal advisor to inform its client whether or not it investigated or considered other reasonably feasible alternatives to the recommendation it made to its client that might also or alternatively serve the client's objectives. This language does not require a municipal advisor to provide its client with an exhaustive list of "alternative financings" together with its recommendation (particularly if such alternative financings are not germane to the client), nor does it require the municipal advisor to conduct a suitability analysis on any "reasonably feasible alternative" considered or investigated by the municipal advisor. The municipal advisor is obligated under subsection (d)(iii) only to inform its client whether or not it considered or investigated reasonably feasible alternatives. The decision whether to have the municipal advisor discuss the alternatives it considered or investigated is left to the discretion of the municipal advisor and its client and their determination together of the scope of the municipal advisory engagement.

Section (d) requires a municipal advisor to have a reasonable basis to believe that its recommended municipal securities transaction or municipal financial product is suitable for its municipal entity or obligated person client. A municipal advisor also must have a reasonable basis for determining whether a recommendation, which was made by another party and the municipal advisor is reviewing, is or is not suitable for the municipal entity or obligated person client. In both instances, a municipal advisor must exercise reasonable diligence to obtain the information that enables the municipal advisor to have a reasonable basis for its suitability determination. SM .01 further requires a municipal advisor to undertake a reasonable investigation to determine that it is not basing any recommendation on materially inaccurate or incomplete information. As the MSRB previously stated, if the information necessary to determine whether a municipal advisor is basing its recommendation on materially inaccurate or incomplete information is non-public, entirely created or controlled by the client or is not otherwise accessible through a reasonable amount of effort by the municipal advisor, then, in such instances, the determination of what would constitute a reasonable investigation would be reflective of those and other relevant facts and circumstances.[15]

<u>Recordkeeping Requirements for Recommendations and Reviews of Recommendations — Amended Rule G-8(h)(iv)</u>. Amended Rule G-8(h)(iv) requires each municipal advisor to make and keep a copy of any document created by the municipal advisor that was material to its review of a

[15] *See*, *e.g.*, MSRB's First Response to Comments.

recommendation by another party or that memorializes the basis for any determination as to suitability. As discussed above, only certain communications between a municipal advisor and its client constitute recommendations of a municipal securities transaction or municipal financial product and others constitute advice. Only the former triggers a suitability determination under Rule G-42 and only those communications will trigger the requirement of Rule G-8(h)(iv) regarding memorialized bases for suitability determinations.

Specified Prohibitions — Rule G-42(e)(i)
Subsection (e)(i) of Rule G-42 prohibits discrete conduct or activities that conflict, or would be highly likely to conflict, with the core standards of conduct with which municipal advisors must comply under Rule G-42 and the Exchange Act.

Excessive Compensation. Paragraph (e)(i)(A) prohibits a municipal advisor from receiving compensation from its client that is excessive in relation to the municipal advisory activities actually performed for the client. SM .11 provides several factors that may be relevant in assessing whether the compensation of a municipal advisor is so disproportionate to the nature of the municipal advisory activities performed as to be excessive, including:

- The municipal advisor's expertise;
- The complexity of the municipal securities transaction or municipal financial product;
- Whether the fee is contingent upon the closing of the municipal securities transaction or municipal financial product;
- The length of time spent on the engagement, and;
- Whether the municipal advisor is paying any other relevant costs related to the municipal securities transaction or municipal financial product.

The factors included in SM .11 are non-exhaustive and other factors relevant under the particular facts and circumstances should also be considered.

Inaccurate Invoices. Paragraph (e)(i)(B) prohibits municipal advisors from delivering an invoice for fees or expenses for municipal advisory activities that is materially inaccurate in its reflection of the activities actually performed or the personnel that actually performed those activities. The provision does not prohibit a municipal advisor from including a discount for the services it actually performed, if accurately disclosed. The prohibition is intended to target material inaccuracies on the significant subjects of the services performed and the personnel who performed those services.

False or Materially Misleading Representations. Paragraph (e)(i)(C) prohibits a municipal advisor from making representations or submitting information that the municipal advisor knows, or should know, is materially false or misleading, with respect to the municipal advisor's capacity, resources or knowledge to a client or prospective client, for the purpose of obtaining or retaining an engagement to perform municipal advisory activities. In addition, the MSRB's existing fundamental fair practice rule, MSRB Rule G-17, on conduct of municipal securities and municipal advisory activities, prohibits municipal advisors, in the conduct of their municipal advisory activities, from engaging in any deceptive, dishonest or unfair practice with any person.

Fee-Splitting Arrangements. Paragraph (e)(i)(D) prohibits municipal advisors from making, or participating in, two types of fee-splitting arrangements: (1) any fee-splitting arrangement with an underwriter on any municipal securities transaction as to which the municipal advisor has provided or is providing advice and (2) any undisclosed fee-splitting arrangement with providers of investments or services to a municipal entity or obligated person client of the municipal advisor.

Payments for Obtaining/Retaining Municipal Advisory Business. Paragraph (e)(i)(E) generally prohibits a municipal advisor from making payments for the purpose of obtaining or retaining an engagement to perform municipal advisory activities, with three exceptions. The prohibition does not apply to payments to an affiliate of the municipal advisor for a direct or indirect communication with a municipal entity or obligated person on behalf of the municipal advisor where such communication is made for the purpose of obtaining or retaining an engagement to perform municipal advisory activities. This exception is aligned with Section 15B(e)(9) of the Exchange Act, which allows affiliates of a municipal advisor to solicit on behalf of the municipal advisor without triggering the municipal advisor registration requirement for the affiliates.[16] The prohibition also does not apply to: reasonable fees paid to another municipal advisor registered as such with the SEC and MSRB for making such communications for the purpose of obtaining or retaining an engagement to perform municipal advisory activities, because, as a registered municipal advisor, the entity is specifically regulated with respect to its engagement in such solicitation conduct. Finally, the prohibition does not apply to payments that are permissible "normal business dealings" as described in MSRB Rule G-20, on gifts, gratuities and non-cash compensation, because the MSRB believes that such payments,

[16] *See* Section 15B(e)(9) of the Exchange Act, 15 U.S.C. 78o-4(e)(9).

which are already regulated under MSRB Rule G-20, do not raise concerns regarding conflicts of interest that are sufficient to warrant a specific prohibition.

Ban on Principal Transactions — Rule G-42(e)(ii)

Ban on Certain Principal Transactions. Subsection (e)(ii) of Rule G-42 prohibits a municipal advisor, and any affiliate of such municipal advisor, from engaging with a municipal entity client in a principal transaction that is the same, or directly related to the, issue of municipal securities or municipal financial product as to which the municipal advisor is providing or has provided advice to the municipal entity client (the "ban on principal transactions" or "ban"). This specified prohibition applies only with respect to clients that are municipal entities, and does not apply to principal transactions between a municipal advisor (or an affiliate of the municipal advisor) and the municipal advisor's obligated person clients. Importantly, however, all municipal advisors, including those engaging in municipal advisory activities for obligated person clients, are subject to the MSRB's fundamental fair-practice rule, Rule G-17.

For purposes of the ban in Rule G-42(e)(ii), the term "principal transaction" is defined in Rule G-42(f)(ix) to mean "when acting as principal for one's own account, a sale to or a purchase from the municipal entity client of any security or entrance into any derivative, guaranteed investment contract, or other similar financial product with the municipal entity client." This definition is designed, in part, to exclude transactions such as the taking of a cash deposit or the making of a payment by a client solely for professional services. Further, SM .13 clarifies that the term "other similar financial product," for purposes of the defined term "principal transaction" in Rule G-42(f)(ix), includes a bank loan but only if it is in an aggregate principal amount of $1,000,000 or more and is economically equivalent to the purchase of one or more municipal securities. Bank loans are included under the specified circumstances because, as a matter of market practice, they serve as a financing alternative to the issuance of municipal securities and pose a comparable potential for self-dealing and other breaches of the fiduciary duty owed by a municipal advisor to its municipal entity client.

Applicability of Other MSRB Rules. In order to avoid a possible conflict with MSRB Rule G-23, on activities of financial advisors, SM .08 states that the ban in subsection (e)(ii) does not apply to an acquisition as principal, either alone or as a participant in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from an issuer all or any portion of an issuance of municipal securities on the basis that the municipal advisor provided advice as to the issuance, because such a transaction is the type of transaction that is addressed, and, in certain circumstances, prohibited by

Rule G-23. This provision is quite limited, providing an exception only to the specific prohibition in subsection G-42(e)(ii). It does not mean, for example, that a transaction not prohibited by Rule G-23 is deemed in all cases to be lawful under all other requirements of Rule G-42 (such as the duty of loyalty owed to a municipal entity client) and other laws (such as the statutory fiduciary duty) and regulations.

Exception to the Ban on Principal Transactions. A narrow exception to the principal transaction ban in Rule G-42(e)(ii) (the "Exception") is set forth in SM .14. The Exception provides a municipal advisor with two options under which it is not specifically prohibited from engaging in principal transactions in certain fixed-income securities with a municipal entity client. Under the first option a municipal advisor must comply with sections (a) through (c) and subsection (d)(1) of SM .14, under which a municipal advisor may act, on a transaction-by-transaction basis, in accordance with a short set of procedural requirements.[17] Under the alternative option, a municipal advisor must comply with sections (a) through (c) and subsection (d)(2) of SM .14, which imposes more and different requirements, other than on a transaction-by-transaction basis, under paragraphs (d)(2)(A) through (F).[18] For example, these requirements include obtaining from the municipal entity client a prospective blanket written consent.

The Exception operates only to take certain conduct out of the specified ban on principal transactions in Rule G-42(e)(ii). It does not provide a safe harbor from complying with any other applicable law or rules. A municipal advisor engaging in a principal transaction in compliance with the Exception must continue to be mindful of, and comply with, its broader and foundational obligations owed to the municipal entity client as a fiduciary under the Exchange Act and Rule G-42, as well as all other applicable provisions of the federal securities laws and state law. Moreover, the Exception does not extend to affiliates of a municipal advisor.[19]

Requirements Applicable to All Users of the Exception. All the requirements for the Exception take the form of various conditions and limitations. Under

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[17] Some of these procedural requirements are drawn from and similar to the requirements set forth in Section 206(3) of the Investment Advisers Act of 1940, 15 U.S.C. 80b-6(3).

[18] These procedural requirements are drawn from and similar to those set forth in Investment Advisers Act Rule 206(3)-3T, 17 CFR 275.206(3)-3T.

[19] Various provisions make clear that the Exception does not apply to affiliates of a municipal advisor. *See*, *e.g.*, SM .14(d)(2)(B) and SM .14(d)(2)(C).

SM .14(a), a principal transaction may be excepted from the specified ban on principal transactions only if the municipal advisor also is a broker-dealer registered under Section 15 of the Exchange Act,[20] and each account for which the municipal advisor is relying on the Exception is a brokerage account subject to the Exchange Act, the rules thereunder, and the rules of the self-regulatory organization(s) of which the broker-dealer is a member. In addition, the municipal advisor may not exercise investment discretion with respect to the account, unless granted by the municipal entity client on a temporary or limited basis.[21]

Under SM .14(b), neither the municipal advisor nor any affiliate of the municipal advisor may be providing, or have provided, advice to the municipal entity client as to an issue of municipal securities or a municipal financial product that is directly related to the principal transaction, except advice as to another principal transaction that also meets all the other requirements of SM .14. For example, a municipal advisor may not use the Exception to reinvest proceeds from an issue of municipal securities where the municipal advisor also was the municipal advisor as to such issue. A municipal advisor may use the Exception, however, for two principal transactions with the same municipal entity client where the transactions are directly related to one another, so long as all of the conditions and limitations of the Exception are met as to each transaction. In addition, SM .14(b) does not restrict the use of the Exception by a municipal advisor that also is providing or has provided advice to the municipal entity client as to an issue of municipal securities or a municipal financial product that is directly related to the principal transaction, where such advisory activity is within an exclusion or exemption under Exchange Act Rule 15Ba1-1.[22] For example, a

[20] 15 U.S.C. 78o.

[21] As used in SM. 14 of Rule G-42, "investment discretion" has the same meaning as in Exchange Act Section 3(a)(35), 15 U.S.C. 78c(a)(35), which provides:

> A person exercises "investment discretion" with respect to an account if, directly or indirectly, such person (A) is authorized to determine what securities or other property shall be purchased or sold by or for the account, (B) makes decisions as to what securities or other property shall be purchased or sold by or for the account even though some other person may have responsibility for such investment decisions, or (C) otherwise exercises such influence with respect to the purchase and sale of securities or other property by or for the account as the Commission, by rule, determines, in the public interest or for the protection of investors, should be subject to the operation of the provisions of this chapter and the rules and regulations thereunder.

[22] *See* Exchange Act Rule 15Ba1-1, 17 CFR 240.15Ba1-1.

broker-dealer that has provided advice to a municipal entity within the underwriter exclusion with respect to an issuance of municipal securities would not be specifically prohibited from advising on and selling investments of the bond proceeds, as principal, assuming all of the limitations and conditions of the Exception are met.

SM .14(c) limits a municipal advisor's principal transactions under the Exception to sales to or purchases from a municipal entity client of any "U.S. Treasury security," "agency debt security" or "corporate debt security." These terms and related terms, "agency," "government-sponsored enterprise," "money market instrument" and "securitized product," are defined in SM .15 for purposes of both SM.14 and SM .15. The class of securities that may be traded pursuant to the Exception may be broader than what may be permitted by relevant bond documents or a particular municipal entity's investment policies, but, in such cases, the restrictions in the bond documents or the municipal entity's investment policies would control.

SM .14(c) also makes clear that the Exception is not available for transactions involving municipal escrow investments. For purposes of Rule G-42, the term "municipal escrow investments" is defined in Exchange Act Rule 15Ba1-1(h) to mean "proceeds of municipal securities and any other funds of a municipal entity that are deposited in an escrow account to pay the principal of, premium, if any, and interest on one or more issues of municipal securities." Municipal escrow investments often involve large sums for long periods of time linked to call restrictions or maturities of refunded debt, and are an area of heightened risk where, historically, significant abuses have occurred.

Additional Conditions Applicable to Principal Transactions Executed Using Subsection (d)(1) of SM .14. As noted above, the Exception provides a municipal advisor with two options under which the municipal advisor is not specifically prohibited from engaging in certain principal transactions with a municipal entity client, provided the municipal advisor also complies with the first three requirements set forth in SM. 14(a) through (c). The first of the two options is set forth in SM .14(d)(1) and the second is set forth in SM .14(d)(2).

Under SM .14(d)(1), a municipal advisor is required, on a transaction-by-transaction basis, to disclose to the municipal entity client in writing before the completion of the principal transaction the capacity in which the municipal advisor is acting and obtain the written or oral consent of the client to such transaction. Informed consent is required, and in order to make informed consent, the municipal advisor, consistent with its fiduciary duty, is required to disclose specified information, including the price and other terms of the transaction, as well as the capacity in which the municipal advisor would be acting. "Before completion" means either prior to execution of the transaction, or after execution but prior to settlement.

Additional Conditions Applicable to Principal Transactions Executed Using Subsection (d)(2) of SM .14. Under SM .14(d)(2), a municipal advisor may comply with SM .14(d) by meeting six requirements, as set forth in SM .14(d)(2)(A) through (F), as follows:

- Under SM .14(d)(2)(A), neither the municipal advisor nor any of its affiliates may be the issuer, or the underwriter of a security that is the subject of the principal transaction;

- Under SM .14(d)(2)(B), the municipal advisor must obtain from the municipal entity client an executed written, revocable consent that prospectively authorizes the municipal advisor directly or indirectly to act as principal for its own account in selling a security to or purchasing a security from the municipal entity client, so long as such written consent is obtained after written disclosure is made to the municipal entity client explaining:
    - the circumstances under which the municipal advisor directly or indirectly may engage in principal transactions;
    - the nature and significance of conflicts with the municipal entity client's interests as a result of the transactions; and
    - how the municipal advisor addresses those conflicts;

- Under SM .14(d)(2)(C), the municipal advisor, prior to the execution of each principal transaction, must:
    - inform the municipal entity client, orally or in writing, of the capacity in which it may act with respect to such transaction and
    - obtain consent from the municipal entity client, orally or in writing, to act as principal for its own account with respect to such transaction;

- Under SM .14(d)(2)(D), the municipal advisor must send a written confirmation at or before completion of each principal transaction that includes the information required by Exchange Act Rule 10b-10 or MSRB Rule G-15, which both establish information requirements in the confirmation of transaction to customers, and a conspicuous, plain English statement informing the municipal entity client that the municipal advisor:

    - disclosed to the client prior to the execution of the transaction that the municipal advisor may be acting in a principal capacity in connection with the transaction and the client authorized the transaction and
    - sold the security to, or bought the security from, the client for its own account;

- Under SM .14(d)(2)(E), a municipal advisor must send its municipal entity client, no less frequently than annually, written disclosure containing a list of all transactions that were executed in the client's account in reliance upon this Exception, and the date and price of the transactions; and

- Under SM .14(d)(2)(F), each written disclosure must include a conspicuous, plain English statement regarding the ability of the municipal entity client to revoke the prospective written consent to principal transactions without penalty at any time by written notice.

A municipal advisor's use and compliance with the requirements of the Exception is not construed as relieving it in any way from acting in the best interests of its municipal entity client nor from any obligation that may be imposed by the Exchange Act, other provisions of Rule G-42 (other than subsection (e)(ii) of the rule), or other applicable provisions of the federal securities laws and state law. Additionally, the communications with customers described above that are required to be made in writing under the Exception may be made, as with similar requirements under in Section 206(3) of the Advisers Act and Rule 206(3)-T applicable to investment advisers, through email, provided the municipal advisor satisfies the same procedural conditions that the SEC applies to an investment adviser when communicating with customers through email.[23]

Definitions — Rule G-42(f)
The terms "advice," "affiliate of the municipal advisor," "municipal advisor," "municipal advisory activities," "municipal advisory relationship," "municipal entity," "obligated person," "official statement" and "principal transaction" are defined in Rule G-42(f). The terms, "advice," "municipal advisor," "municipal advisory activities, "municipal entity," and "obligated person,"

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[23] *See* Securities Act of 1933 Release No. 7288 (May 9, 1996), 61 FR 24644 (May 15, 1996), SEC Interpretation of Use of Electronic Media by Broker-Dealers, Transfer Agents, and Investment Advisers for Delivery of Information; available at: https://www.sec.gov/rules/interp/33-7288.txt.

were previously defined in the Exchange Act or in SEC rules, and the MSRB has incorporated by reference such definitions for purposes of Rule G-42. Further, as previously discussed, SM .13 provides guidance regarding instruments that may be “other similar financial products” for purposes of the definition of a “principal transaction.”

Applicability of Rule G-42 to 529 College Savings Plans and Other Municipal Fund Securities — SM .12

The regulation of municipal advisors, as the SEC has recognized, is relevant to municipal fund securities.[24] SM .12 makes clear that Rule G-42 applies to municipal advisors whose municipal advisory clients are sponsors or trustees of municipal fund securities, including the sponsors or trustees of 529 college savings plans.

Amendments to Rule G-8

Amended Rule G-8(h)(iv) requires each municipal advisor to make and keep a copy of any document created by the municipal advisor that was material to its review of a recommendation by another party or that memorialize its basis for any conclusions as to suitability. This amendment is discussed in greater detail above in the context of Rule G-42(d), which sets forth specific requirements regarding the making of recommendations.

January 13, 2016

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Text of Rule G-42 and Related Amendments to Rule G-8*

<u>**Rule G-42: Duties of Non-Solicitor Municipal Advisors**</u>

<u>(a) *Standards of Conduct*.</u>

<u>(i) A municipal advisor to an obligated person client shall, in the conduct of all municipal advisory activities for that client, be subject to a duty of care.</u>

[24] *See* Registration of Municipal Advisors, Exchange Act Release No. 70462 (September 20, 2013), 78 FR 67467, at 67473 (November 12, 2013) (“529 Savings Plans are also relevant in the context of municipal advisor regulation, because an issuance of interests in 529 Savings Plans is an issuance of municipal securities.”).

* Underlining indicates new language.

(ii) A municipal advisor to a municipal entity client shall, in the conduct of all municipal advisory activities for that client, be subject to a fiduciary duty that includes a duty of loyalty and a duty of care.

(b) *Disclosure of Conflicts of Interest and Other Information*. A municipal advisor must, prior to or upon engaging in municipal advisory activities, provide to the municipal entity or obligated person client full and fair disclosure in writing of:

(i) all material conflicts of interest, including:

(A) any affiliate of the municipal advisor that provides any advice, service, or product to or on behalf of the client that is directly related to the municipal advisory activities to be performed by the disclosing municipal advisor;

(B) any payments made by the municipal advisor, directly or indirectly, to obtain or retain an engagement to perform municipal advisory activities for the client;

(C) any payments received by the municipal advisor from a third party to enlist the municipal advisor's recommendation to the client of its services, any municipal securities transaction or any municipal financial product;

(D) any fee-splitting arrangements involving the municipal advisor and any provider of investments or services to the client;

(E) any conflicts of interest arising from compensation for municipal advisory activities to be performed that is contingent on the size or closing of any transaction as to which the municipal advisor is providing advice; and

(F) any other actual or potential conflicts of interest, of which the municipal advisor is aware after reasonable inquiry, that could reasonably be anticipated to impair the municipal advisor's ability to provide advice to or on behalf of the client in accordance with the standards of conduct of section (a) of this rule, as applicable.

If a municipal advisor concludes that it has no known material conflicts of interest based on the exercise of reasonable diligence by the municipal advisor, the municipal advisor must provide a written statement to the client to that effect.

(ii) any legal or disciplinary event that is material to the client's evaluation of the municipal advisor or the integrity of its management or advisory personnel.
Information regarding legal or disciplinary events may be disclosed for purposes of this subsection by identification of the specific type of event and specific reference to the relevant portions of the municipal advisor's most recent Forms MA or MA-I filed with the Commission if the municipal advisor provides detailed information specifying where the client may electronically access such forms.

(c) *Documentation of Municipal Advisory Relationship*. A municipal advisor must evidence each of its municipal advisory relationships by a writing or writings created and delivered to the municipal entity or obligated person client prior to, upon or promptly after the establishment of the municipal advisory relationship. The writing(s) must be dated and include, at a minimum,

(i) the form and basis of direct or indirect compensation, if any, for the municipal advisory activities to be performed;

(ii) the information required to be disclosed by section (b) of this rule;

(iii) a description of the specific type of information regarding legal and disciplinary events requested by the Commission on Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation, and detailed information specifying where the client may electronically access the municipal advisor's most recent Form MA and each most recent Form MA-I filed with the Commission;

(iv) the date of the last material change or addition to the legal or disciplinary event disclosures on any Form MA or Form MA-I filed with the Commission by the municipal advisor and a brief explanation of the basis for the materiality of the change or addition;

(v) the scope of the municipal advisory activities to be performed and any limitations on the scope of the engagement;

(vi) the date, triggering event, or means for the termination of the municipal advisory relationship, or, if none, a statement that there is none; and

(vii) any terms relating to withdrawal from the municipal advisory relationship.

(d) *Recommendations and Review of Recommendations of Other Parties*. If a municipal advisor makes a recommendation of a municipal securities transaction or municipal financial product to a municipal entity or obligated person client, it must have a reasonable basis to believe that the recommended municipal securities transaction or municipal financial product is suitable for the client, based on the information obtained through the reasonable diligence of the municipal advisor. If the review of a recommendation of another party is requested by the municipal entity or obligated person client and within the scope of the engagement, the municipal advisor must determine, based on the information obtained through the reasonable diligence of such municipal advisor, whether the municipal securities transaction or municipal financial product is or is not suitable for the client. In addition, the municipal advisor must inform the client of:

(i) the municipal advisor's evaluation of the material risks, potential benefits, structure, and other characteristics of the recommended municipal securities transaction or municipal financial product;

(ii) the basis upon which the municipal advisor reasonably believes that the recommended municipal securities transaction or municipal financial product is, or (as may be applicable in the case of a review of a recommendation) is not, suitable for the client; and

(iii) whether the municipal advisor has investigated or considered other reasonably feasible alternatives to the recommended municipal securities transaction or municipal financial product that might also or alternatively serve the client's objectives.

(e) *Specified Prohibitions*.

(i) A municipal advisor is prohibited from:

(A) receiving compensation that is excessive in relation to the municipal advisory activities actually performed;

(B) delivering an invoice for fees or expenses for municipal advisory activities that is materially inaccurate in its reflection of the activities actually performed or the personnel that actually performed those activities;

(C) making any representation or the submission of any information that the municipal advisor knows or should know is either materially false or materially misleading due to the omission of a material fact about the capacity, resources or knowledge of the municipal advisor, in response to requests for proposals or qualifications or in oral presentations to a client or prospective client, for the purpose of obtaining or retaining an engagement to perform municipal advisory activities;

(D) making, or participating in, any fee-splitting arrangement with underwriters on any municipal securities transaction as to which it has provided or is providing advice, and any undisclosed fee-splitting arrangements with providers of investments or services to a municipal entity or obligated person client of the municipal advisor; and

(E) making payments for the purpose of obtaining or retaining an engagement to perform municipal advisory activities other than: (1) payments to an affiliate of the municipal advisor for a direct or indirect communication with a municipal entity or obligated person on behalf of the municipal advisor where such communication is made for the purpose of obtaining or retaining an engagement to perform municipal advisory activities; (2) reasonable fees paid to another municipal advisor registered as such with the Commission and the Board for making such a communication as described in subparagraph (e)(i)(E)(1); and (3) payments that are permissible "normal business dealings" as described in Rule G-20.

(ii) Except as provided for in paragraph .14 of the Supplementary Material of this rule, a municipal advisor to a municipal entity client, and any affiliate of such municipal advisor, is prohibited from engaging with the municipal entity client in a principal transaction that is the same, or directly related to the, issue of municipal securities or municipal financial product as to which the municipal advisor is providing or has provided advice to the municipal entity client.

(f) *Definitions*.

(i) "Advice" shall, for purposes of this rule, have the same meaning as in Section 15B(e)(4)(A)(i) of the Act, 17 CFR 240.15Ba1-1(d)(1)(ii) and other rules and regulations thereunder.

(ii) "Affiliate of the municipal advisor" shall mean, for purposes of this rule, any person directly or indirectly controlling, controlled by, or under common control with such municipal advisor.

(iii) "Municipal advisor" shall, for purposes of this rule, have the same meaning as in Section 15B(e)(4) of the Act, 17 CFR 240.15Ba1-1(d)(1)-(4) and other rules and regulations thereunder; provided that it shall exclude a person that is otherwise a municipal advisor solely based on activities within the meaning of Section 15B(e)(4)(A)(ii) of the Act and rules and regulations thereunder or any solicitation of a municipal entity or obligated person within the meaning of Section 15B(e)(9) of the Act and rules and regulations thereunder.

(iv) "Municipal advisory activities" shall, for purposes of this rule, mean those activities that would cause a person to be a municipal advisor as defined in subsection (f)(iv) of this rule.

(v) A "municipal advisory relationship" shall, for purposes of this rule, be deemed to exist when a municipal advisor enters into an agreement to engage in municipal advisory activities for a municipal entity or obligated person. The municipal advisory relationship shall be deemed to have ended on the date which is the earlier of (i) the date on which the municipal advisory relationship has terminated pursuant to the terms of the documentation of the municipal advisory relationship required in section (c) of this rule or (ii) the date on which the municipal advisor withdraws from the municipal advisory relationship.

(vi) "Municipal entity" shall, for purposes of this rule, have the same meaning as in Section 15B(e)(8) of the Act, 17 CFR 240.15Ba1-1(g) and other rules and regulations thereunder.

(vii) "Obligated person" shall, for purposes of this rule, have the same meaning as in Section 15B(e)(10) of the Act, 17 CFR 240.15Ba1-1(k) and other rules and regulations thereunder.

(viii) "Official statement" shall, for purposes of this rule, have the same meaning as in Rule G-32(d)(vii).

(ix) "Principal transaction" shall mean, for purposes of this rule, when acting as principal for one's own account, a sale to or a purchase from the municipal entity client of any security or entrance into any derivative, guaranteed investment contract, or other similar financial product with the municipal entity client.

---Supplementary Material:

.01 Duty of Care. Municipal advisors must exercise due care in performing their municipal advisory activities. The duty of care includes, but is not limited to, the obligations discussed in this paragraph .01. A municipal advisor must possess the degree of knowledge and expertise needed to provide the municipal entity or obligated person client with informed advice. A municipal advisor also must make a reasonable inquiry as to the facts that are relevant to a client's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the client. A municipal advisor must undertake a reasonable investigation to determine that it is not basing any recommendation on materially inaccurate or incomplete information. Among other matters, a municipal advisor must have a reasonable basis for:

(a) any advice provided to or on behalf of a client;

(b) any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the client, any other party involved in the municipal securities transaction or municipal financial product, or investors in the municipal entity client's securities or securities secured by payments from an obligated person client; and

(c) any information provided to the client or other parties involved in the municipal securities transaction in connection with the preparation of an official statement for any issue of municipal securities as to which the municipal advisor is advising.

.02 Duty of Loyalty. Municipal advisors must fulfill a duty of loyalty in performing their municipal advisory activities for municipal entity clients. The duty of loyalty includes, but is not limited to, the obligations discussed in this paragraph .02. A municipal advisor must deal honestly and with the utmost good faith with a municipal entity client and act in the client's best interests without regard to the financial or other interests of the municipal advisor. A municipal advisor must not engage in municipal advisory activities for a municipal entity client if it cannot manage or mitigate its conflicts of interest in a manner that will permit it to act in the municipal entity's best interests.

.03 Action Independent of or Contrary to Advice. If a municipal entity or obligated person client of a municipal advisor elects a course of action that is independent of or contrary to advice provided by the municipal advisor, the municipal advisor is not required on that basis to disengage from the municipal advisory relationship.

.04 Limitations on the Scope of the Engagement. Nothing contained in this rule shall be construed to permit the municipal advisor to alter the standards of conduct or impose limitations on any of the duties prescribed herein. If requested or expressly consented to by the municipal entity or obligated person client, however, a municipal advisor may limit the scope of the municipal advisory activities to be performed to certain specified activities or services. If the municipal advisor engages in a course of conduct that is inconsistent with any such agreed upon limitations, it may result in negating the effectiveness of such limitations.

.05 Conflicts of Interest. Disclosures of conflicts of interest by a municipal advisor to its municipal entity or obligated person client must be sufficiently detailed to inform the client of the nature, implications and potential consequences of each conflict. Such disclosures also must include an explanation of how the municipal advisor addresses or intends to manage or mitigate each conflict.

.06 Relationship Documentation. During the term of the municipal advisory relationship, the writing(s) required by section (c) of this rule must be promptly amended or supplemented to reflect any material changes or additions, and the amended writing(s) or supplement must be promptly delivered to the client. This amendment and supplementation requirement applies to any changes and additions that are discovered, or should have been discovered, based on the exercise of reasonable diligence by the municipal advisor. The information described in subsection (c)(ii) of this rule is not required if the municipal advisor previously fully complied with the requirements of section (b) of this rule to disclose conflicts of interest and other information and subsection (c)(ii) would not require the disclosure of any materially different information than that previously disclosed to the client.

.07 Inadvertent Advice. A municipal advisor is not required to comply with sections (b) and (c) of this rule if the municipal advisor meets all of the following requirements. In the event that a municipal advisor inadvertently engages in municipal advisory activities for a municipal entity or obligated person and does not intend to continue the municipal advisory activities or enter into a municipal advisory relationship, the municipal advisor must, as promptly as possible after discovery of the provision of inadvertent advice, provide a document to such municipal entity or obligated person that is dated and includes:

(a) a disclaimer that the municipal advisor did not intend to provide advice and that, effective immediately, it has ceased engaging in municipal advisory activities with respect to that municipal entity or obligated person in regard to all transactions and municipal financial products as to which advice was inadvertently provided;

(b) a notification that such municipal entity or obligated person should be aware that the disclosure of material conflicts of interest and other information required by section (b) of this rule has not been provided;

(c) an identification of all of the advice that was inadvertently provided, based on a reasonable investigation; and

(d) a request that the municipal entity or obligated person acknowledge receipt of the document.

A municipal advisor utilizing this alternative must promptly conduct a review of its written supervisory and compliance policies and procedures to ensure they are reasonably designed to prevent the provision of inadvertent advice to municipal entities and obligated persons. The use of this alternative has no effect on the applicability of any provisions of this rule other than sections (b) and (c) or any other legal requirements applicable to municipal advisory activities.

.08 Applicability of State or Other Laws and Rules. Municipal advisors may be subject to fiduciary or other duties under state or other laws. Nothing contained in this rule shall be deemed to supersede any more restrictive provision of state or other laws applicable to municipal advisory activities. In addition, the specific prohibition in subsection (e)(ii) of this rule shall not apply to an acquisition as principal, either alone or as a participant in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from an issuer all or any portion of an issuance of municipal securities on the basis that the municipal advisor provided advice as to the issuance because that is a type of transaction that is addressed and prohibited in certain circumstances by Rule G-23.

.09 Suitability. A determination of whether a municipal securities transaction or municipal financial product is suitable must be based on numerous factors, as applicable to the particular type of client, including, but not limited to, the client's financial situation and needs, objectives, tax status, risk tolerance, liquidity needs, experience with municipal securities transactions or municipal financial products generally or of the type and complexity being recommended, financial capacity to withstand changes in market conditions during the term of the municipal financial product or the period that municipal securities to be issued in the municipal securities transaction are reasonably expected to be outstanding and any other material information known by the municipal advisor about the client and the municipal securities transaction or municipal financial product, after reasonable inquiry.

.10 Know Your Client. A municipal advisor must use reasonable diligence, in regard to the maintenance of the municipal advisory relationship, to know and retain the essential facts concerning the client and concerning the authority of each person acting on behalf of such client. The facts "essential" to "knowing a client" include those required to:

(a) effectively service the municipal advisory relationship with the client;

(b) act in accordance with any special directions from the client;

(c) understand the authority of each person acting on behalf of the client; and

(d) comply with applicable laws, regulations and rules.

.11 Excessive Compensation. Depending on the specific facts and circumstances of the engagement, a municipal advisor's compensation may be so disproportionate to the nature of the municipal advisory activities performed as to constitute an unfair practice in violation of Rule G-17. Among the factors relevant to whether a municipal advisor's compensation is disproportionate to the nature of the municipal advisory activities performed are the municipal advisor's expertise, the complexity of the municipal securities transaction or municipal financial product, whether the fee is contingent upon the closing of the municipal securities transaction or municipal financial product, the length of time spent on the engagement and whether the municipal advisor is paying any other relevant costs related to the municipal securities transaction or municipal financial product.

.12 529 College Savings Plans and Other Municipal Fund Securities. This rule applies equally to municipal advisors to sponsors or trustees of 529 college savings plans and other municipal fund securities. All references in this rule to an "official statement" include the plan disclosure document for a 529 college savings plan and the investment circular or information statement for a local government investment pool.

.13 Principal Transactions - Other Similar Financial Products. For purposes of subsection (f)(ix) of this rule, which defines the term "principal transaction," the phrase "other similar financial product" includes a bank loan, but only if it is in an aggregate principal amount of $1,000,000 or more and it is economically equivalent to the purchase of one or more municipal securities.

.14 Principal Transactions - Exception for Transactions in Specified Fixed Income Securities. Engaging in a principal transaction with a municipal entity client is not specifically prohibited under subsection (e)(ii) of this rule if:

(a) the municipal advisor is a broker-dealer registered under Section 15 of the Act, and each account as to which the municipal advisor relies on this paragraph .14 is a brokerage account subject to the Act, and the rules thereunder, and the rules of the self-regulatory organization(s) of which it is a member, and is an account as to which the municipal advisor exercises no investment discretion (as defined in Section 3(a)(35) of the Act), except investment discretion granted by a municipal entity client on a temporary or limited basis;

(b) neither the municipal advisor, nor any affiliate of the municipal advisor, is providing or has provided advice to the municipal entity client as to an issue of municipal securities or a municipal financial product that is directly related to the principal transaction (other than advice as to another principal transaction under circumstances meeting all the requirements of this paragraph .14);

(c) the principal transaction is a sale to or a purchase from the municipal entity client of any U.S. Treasury security, agency debt security, or corporate debt security (as defined in paragraph .15 of the Supplementary Material) and does not involve municipal escrow investments (as defined in 17 CFR 240.15Ba1-1(h)); and

(d) the municipal advisor either: (1) discloses to the municipal entity client in writing before the completion of the transaction the capacity in which the municipal advisor is acting and obtains the consent of the municipal entity client to such transaction or (2) executes the transaction under circumstances meeting all of the following requirements:

(A) neither the municipal advisor nor any of its affiliates are the issuer of, or, at the time of the sale, an underwriter (as defined in 17 CFR 240.15c2-12(f)(8)) of, the security;

(B) the municipal entity client has executed a written, revocable consent prospectively authorizing the municipal advisor directly or indirectly to act as principal for its own account in selling any security to or purchasing any security from the municipal entity client, so long as such written consent is obtained after written disclosure to the municipal entity client explaining: the circumstances under which the municipal advisor directly or indirectly may engage in principal transactions; the nature and significance of conflicts with its municipal entity client's interests as a result of the transactions; and how the municipal advisor addresses those conflicts;

(C) the municipal advisor, prior to the execution of each principal transaction, informs the municipal entity client, orally or in writing, of the capacity in which it may act with respect to such transaction and obtains consent from the municipal entity client, orally or in writing, to act as principal for its own account with respect to such transaction;

(D) the municipal advisor sends a written confirmation at or before completion of each such transaction that includes, in addition to the information required by 17 CFR 240.10b-10 or Rule G-15, a conspicuous, plain English statement informing the municipal entity client that the municipal advisor disclosed to the client prior to the execution of the transaction that the municipal advisor may be acting in a principal capacity in connection with the transaction, the municipal entity client authorized the transaction, and the municipal advisor sold the security to, or bought the security from, the municipal entity client for its own account;

(E) the municipal advisor sends to the municipal entity client, no less frequently than annually, written disclosure containing a list of all transactions that were executed in the client's account in reliance upon subsection (d)(2) of this paragraph .14, and the date and price of such transactions; and

(F) each written disclosure required by subsection (d)(2) of this paragraph .14 includes a conspicuous, plain English statement that the municipal entity client may revoke the written consent referred to in paragraph (d)(2)(B) of this paragraph .14 without penalty at any time by written notice to the municipal advisor.

This paragraph .14 shall not be construed as relieving in any way a municipal advisor from acting in the best interest of its municipal entity clients, nor shall it relieve the municipal advisor from any obligation that may be imposed by other applicable provisions of the federal securities laws and state law.

.15 Terms Relating to the Exception in Paragraph .14. For purposes of paragraph .14 and this paragraph .15 of the Supplementary Material:

(a) "agency" means a U.S. executive agency as defined in 5 U.S.C. 105 that is authorized to issue debt directly or through a related entity, such as a government corporation, or to guarantee the repayment of principal and/or interest of a debt security issued by another entity. The term excludes the U.S. Department of the Treasury in the exercise of its authority to issue U.S. Treasury securities;

(b) "agency debt security" means a debt security (i) issued or guaranteed by an agency, or (ii) issued or guaranteed by a government-sponsored enterprise, including a securitized product that is issued by an agency or a government-sponsored enterprise, or, for which, the principal or interest (or both) is guaranteed by an agency or a government-sponsored enterprise;

(c) "corporate debt security" means a debt security that is U.S. dollar-denominated and issued by a U.S. or foreign private issuer and, if a "restricted security" as defined in 17 CFR 230.144(a)(3), sold pursuant to 17 CFR 230.144A, but does not include a money market instrument;

(d) "government-sponsored enterprise" has the same meaning as defined in 2 U.S.C. 622(8);

(e) "money market instrument" means a debt security that at issuance has a maturity of one calendar year or less, or, if a discount note issued by an agency or a government-sponsored enterprise, a maturity of one calendar year and one day or less;

(f) "securitized product" means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable, and includes, but is not limited to, an asset-backed security, a synthetic asset-backed security, and any residual tranche or interest of any security specified above, which tranche or interest is considered a debt security; and

(g) "U.S. Treasury security" means a security issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities.

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Rule G-8: Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors

(a) - (g) No change.

(h) *Municipal Advisor Records*. Every municipal advisor that is registered or required to be registered under Section 15B of the Act and the rules and regulations thereunder shall make and keep current the following books and records:

(i) No change.

(ii) Reserved.

(iii) Reserved.

(iv) *Records Concerning Duties of Non-Solicitor Municipal Advisors pursuant to Rule G-42*.

(A) A copy of any document created by a municipal advisor that was material to its review of a recommendation by another party or that memorializes the basis for any determination as to suitability.

(v) No change.

RECOMMENDED PRACTICE

Selecting Financial Advisors (2008) (DEBT)*

Note: This Recommended Practice (RP) is one of a group of four relating to the sale of bonds. These four RPs should be read and considered in conjunction with each other because of the interaction of the processes to which they apply. The four RPs are:

Selecting and Managing the Method of Sale of State and Local Government Bonds
Selecting Financial Advisors
Selecting Underwriters for Negotiated Bond Sales
Pricing Bonds in a Negotiated Sale

Background. State and local governments employ financial advisors to assist in the structuring and issuance of bonds whether through a competitive or a negotiated sale process. Unless the issuer has sufficient in-house expertise and access to market information, it should hire an outside financial advisor prior to undertaking a debt financing. A financial advisor represents the issuer, and only the issuer, in the sale of bonds. Issuers should assure themselves that the selected financial advisor has the necessary expertise to assist the issuer in selecting other finance professionals, planning the bond sale, and successfully selling and closing the bonds. In considering the roles of the financial advisor and underwriter, it is the intent of this Recommended Practice to set a higher standard than is required under MSRB Rule G-23, because disclosure and consent are not sufficient to cure the inherent conflict of interest.

Recommendation. The Government Finance Officers Association (GFOA) recommends that issuers select financial advisors on the basis of merit using a competitive process and that issuers review those relationships periodically. A competitive process using a request for proposals or request for qualifications (RFP) process allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria outlined in the RFP.

Before starting the RFP process, issuers should decide whether the financial advisor will assist the issuer for a single bond sale, for a multi-year engagement or whether the issuer seeks to establish a qualified pool of financial advisors to choose from for future bond sales. The RFP then can be carefully written in order to result in the form of relationship desired by the issuer. Additionally, issuers should write the RFP to comply with applicable procurement requirements.

If an issuer is contemplating the possibility of selling bonds through a negotiated sale, the financial advisor should be retained prior to selecting the underwriter(s). This allows the issuer to have professional services available to advise on the appropriate method of sale, and if a negotiated sale is selected, to prepare the underwriter RFP and assist in the evaluation of the underwriter responses.

No firm should be given an unfair advantage in the RFP process. Procedures should be established for communicating with potential proposers, determining how and over what time period questions will be addressed, and determining when contacts with proposers will be restricted.

Due to potential conflicts of interest, the issuer also should enact a policy regarding whether, and under what circumstances, it would permit a firm to serve as an underwriter on one transaction and a financial advisor on another transaction. Additionally, it is recommended that when an issuer has a financial advisor contract with a firm that also is a broker-dealer, there should be a lockout period from the time that the financial advisor contract ends to the time when the broker-dealer can serve as a negotiated underwriter for the issuer.

Request for Proposal Content. The RFP should include at least the following components:

1. A statement from the issuer stating that due to inherent conflicts of interest, the firm selected as financial advisor will not be allowed to resign in order to serve as underwriter for the proposed transaction (See GFOA Recommended Practice, *Selecting and Managing the Method of Sale of State and Local Government Bonds*).

2. A clear and concise description of the scope of work, specifying the length of the contract and indicating whether joint proposals with other firms are acceptable.

3. Clarity on whether the issuer reserves the right to select more than one financial advisor or to form financial advisory teams.

4. A description of the objective evaluation and selection criteria and explanation of how proposals will be evaluated.

5. A requirement that all fee structures be presented in a standard format. Issuers also should ask all proposers to identify which fees are to be proposed on a "not-to-exceed" basis, describe any condition attached to their fee proposal, and explicitly state which costs are included in the fee proposal and which costs are to be reimbursed.

6. A requirement that the proposer provide at least three references from other public-sector clients, preferably from ones that the firm provided similar services to those proposed to be undertaken as the result of the RFP.

Requested Proposer Responses. RFPs should request relevant information related to the areas listed below in order to distinguish each firm's qualifications and experience, including:

1. Relevant experience of the individuals to be assigned to the issuer, identification of the individual in charge of day-to-day management, and the percentage of time committed for each individual on the account.

2. Relevant experience of the firm with financings of the issuer or comparable issuers and financings of similar size, types and structures, including financings in same state.

3. Discussion of the firm's financial advisory experience necessary to assist issuers with either competitive or negotiated sales.

4. Demonstration of the firm's understanding of the issuer's financial situation, including ideas on how the issuer should approach financing issues such as bond structures, credit rating strategies and investor marketing strategies.

5. Demonstration of the firm's knowledge of local political, economic, legal or other issues that may affect the proposed financing.

6. Discussion of the firm's familiarity with GFOA's Recommended Practices relating to the selling of bonds and the selection of finance professionals.

7. Disclosure of the firm's affiliation or relationship with any broker-dealer.

8. Analytic capability of the firm and assigned individuals and the availability of ongoing training and educational services that could be provided to the issuer.

9. Description of the firm's access to sources of current market information to assist in pricing of negotiated sales and information to assist in the issuer in planning and executing competitive sales.

10. Amounts and types of insurance carried, including the deductible amount, to cover errors and omissions, improper judgments, or negligence.

11. Disclosure of any finder's fees, fee splitting, payments to consultants, or other contractual arrangements of the firm that could present a real or perceived conflict of interest.

12. Disclosure of any pending investigation of the firm or enforcement or disciplinary actions taken within the past three years by the SEC or other regulatory bodies.

Additional Considerations. Issuers should also consider the following in conducting the financial advisor selection process:

1. Take steps to maximize the number of respondents by using mailing lists, media advertising, resources of the GFOA and applicable professional directories.

2. Allow adequate time for firms to develop their responses to the RFP. Two weeks should be appropriate for all but the most complicated RFPs.

3. Establish evaluation procedures and a systematic rating process, conduct interviews with proposers, and undertake reference checks. Where practical, one individual should check all references using a standard set of questions to promote consistency. To remove any appearance of a conflict of interest resulting from political contributions or other activities, elected officials should not be part of the selection team.

4. Document and retain the description of how the selection of the financial advisor was made and the rankings of each firm.

5. Consider whether to require disclosure of gifts, political contributions, or other financial arrangements in compliance with state and local government laws or other applicable policies.

Basis of Compensation. Fees paid to financial advisors should be on an hourly or retainer basis, reflecting the nature of the services to the issuer. Generally, financial advisory fees should not be paid on a contingent basis to remove the potential incentive for the financial advisor to provide advice that might unnecessarily lead to the issuance of bonds. GFOA recognizes, however, that this may be difficult given the financial constraints of many issuers. In the case of contingent compensation arrangements, issuers should undertake ongoing due diligence to ensure that the financing plan remains appropriate for the issuer's needs. Issuers should include a provision in the RFP prohibiting any firm from engaging in activities on behalf of the issuer that produce a direct or indirect financial gain for the financial advisor, other than the agreed-upon compensation, without the issuer's informed consent.

Form of Contract. As part of the RFP package, the issuer may also include a "Form of Contract" which incorporates elements and provisions conforming to prevailing law and procurement processes and requires RFP respondents to comment on the acceptability of the Form of Contract. The comments on the acceptability of the Form of Contract should be part of the evaluation process. The contract development process should allow for reasonable negotiation over the final terms of the contract. A final negotiated contract should make clear those services that will be included within the basic financial advisor fee and any services or reimbursable expenses that might be billed separately.

References.

- GFOA Recommended Practice: *Selecting Bond Counsel*, 2008.
- GFOA Recommended Practice: *Selecting Underwriters for Negotiated Bond Sales*, 2008.
- GFOA Recommended Practice: *Selecting and Managing the Method of Sale of State and Local Government Bonds*, 2007.
- *Preparing Requests for Proposals*, Issue Brief No. 3, California Debt Advisory Commission, October 1994.
- *Debt Issuance and Management: A Guide for Smaller Governments*, James C. Joseph, GFOA, 1994.
- *A Guide for Selecting Financial Advisors and Underwriters: Writing RFPs and Evaluating Proposals*, Patricia Tigue, GFOA, 1997.
- Municipal Securities Rulemaking Board Rule G-23, *Activities of Financial Advisors*; http://www.msrb.org/msrb1/rules/ruleg23.htm.

* This Recommended Practice, along with the Recommended Practice on Selecting Financial Advisors, replaces the 1997 RP, Preparing RFPs to Select Financial Advisors and Underwriters.

Approved by the GFOA's Executive Board, October 17, 2008.

HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

MEMORANDUM

May 11, 2016

TO: Eric Stuckey, City Administrator

FROM: Russ Truell, ACA/CFO

RE: Local Sales Tax Report

The local sales tax remittance from the State of Tennessee for May was $2,689,471 compared to $2,479,918 for the same month in 2015, an increase of $209,553 or 8.5%. [The May remittance is for sales tax collected during the month of March, representing the eighth month of the fiscal year on an accrual basis.] During the same period, the State of Tennessee sales tax collections were up 8.5% from the prior year.

Year-to-date, the City has received $23.3 million compared to $21.4 million in the previous year, a difference of $1,818,080 or 8.5%. The State of Tennessee sales tax collections, year-to-date, are $6.15 billion compared to $5.70 billion in the prior year, a difference of $453.7 million or 7.9%.

For budget comparisons, the City anticipated collections of $22.8 million through nine months of the fiscal year. Through the month of March, the City is $481,381, or 2.1%, above budgeted collections. As a further comparison, the March collection of $2.68 million compares to $1.82 million in 2010, $1.97 million in 2011, $2.19 million in 2012, $2.26 million in 2013 and $2.42 million in 2014.

The local sales tax collections have increased year-over-year in 69 of the last 72 months reported.

TENNESSEE DEPARTMENT OF REVENUE

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

May 9, 2016

Month of:	APRIL
Tot. Collections:	$9,320,630.55
Cost of Admin:	$104,857.10
Net Collections:	$9,215,773.45

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	$299,213.38	$3,366.15	$295,847.23
FRANKLIN	$5,495,094.67	$61,819.82	$5,433,274.85
FAIRVIEW	$228,840.05	$2,574.45	$226,265.60
BRENTWOOD	$2,655,043.67	$29,869.24	$2,625,174.43
SPRING HILL	$399,869.95	$4,498.54	$395,371.41
THOMPSON STATION	$164,168.67	$1,846.90	$162,321.77
NOLENSVILLE	$78,400.16	$882.00	$77,518.16

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.

TN Department of Finance & Administration

FOR IMMEDIATE RELEASE
Wednesday, May 11, 2016

CONTACT: Lola Potter
OFFICE: 615-532-8560

APRIL REVENUES

NASHVILLE, Tenn. – Tennessee tax revenues exceeded budgeted estimates in April. Department of Finance and Administration Commissioner Larry Martin today announced that overall April revenues were $1.8 billion, which is $185.0 million more than the state budgeted.

"Total reported revenues in April reflect significant improvement over this time last year in both sales and business taxes," Martin said. "While franchise and excise taxes and income tax revenues are typically large in the month of April, much of the state's revenue growth is a result of strong sales taxes, reflecting consumer confidence in Tennessee."

On an accrual basis, April is the ninth month in the 2015-2016 fiscal year.

General fund revenues were more than the budgeted estimates in the amount of $165.9 million while the four other funds that share in state tax revenues were $19.1 million more than the estimates.

Sales taxes were $37.7 million more than the estimate for April and were 8.46% more than April 2015. April collections reflect retail business activity that occurred in March. For nine months revenues are $311.5 million higher than estimated. The year-to-date growth rate for nine months was 7.96%.

Franchise and excise taxes combined were $82.5 million higher than the budgeted estimate in April and the growth rate over April 2015 was 2.09%. For nine months revenues are $293.6 million more than the estimate and the year-to-date growth rate is 4.62%. However, adjusting a large one-time payment received last year, the underlying growth rate is positive 14.75%.

- MORE -

Gasoline and motor fuel revenues for April increased by 18.25% compared to April 2015 and were $9.9 million more than the budgeted estimate of $70.6 million. For nine months revenues have exceeded estimates by $33.1 million.

Tobacco taxes were $1.2 million less than the April budgeted estimate of $21.8 million. For nine months they are $10.8 million more than the budgeted estimate.

Inheritance and estate taxes were $6.7 million more than the April estimate. On a year-to-date basis revenues for nine months are $15.1 million more than the budgeted estimate.

Hall income taxes for April were $35.7 million more than the budgeted estimate. For nine months collections are $44.6 million more than the budgeted estimate.

Privilege taxes were $6.5 million more than the April estimate and on a year-to-date basis, August through April, revenues are $23.3 million more than the estimate.

Business taxes were $4.2 million more than the April estimate. For nine months revenues are $10.8 million more than the budgeted estimate.

All other taxes exceeded estimates by a net of $3.0 million.

Year-to-date revenues for nine months were $757.1 million more than the budgeted estimate. The general fund recorded $698.4 million more than budgeted estimates and the four other funds were $58.7 million more than the budgeted estimate.

The budgeted revenue estimates for 2015-2016 are based on the State Funding Board's consensus recommendation of December 16, 2014 and adopted by the first session of the 109th General Assembly in April 2015. Also incorporated in the estimates are any changes in revenue enacted during the 2015 session of the General Assembly. These estimates are available on the state's website at http://www.tn.gov/finance/article/fa-budget-rev.

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Table 1
Revenue Collections by Fund
April
2015-2016

Fund	2016 Actual	2016 Budgeted	2016 B/(W)	2016 Percent	2015 Actual	2016 B/(W)	2016 Percent
General Fund	$1,531,304,000	$1,365,437,000	$165,867,000	12.15%	$1,451,320,000	$79,984,000	5.51%
Highway Fund	67,365,000	67,015,000	350,000	0.52%	62,077,000	5,288,000	8.52%
Sinking Fund	34,766,000	34,351,000	415,000	1.21%	31,565,000	3,201,000	10.14%
City & County Fund	165,197,000	146,787,000	18,410,000	12.54%	156,750,000	8,447,000	5.39%
Earmarked Fund	3,584,000	3,584,000	0	0.00%	3,582,000	2,000	0.06%
Total	**$1,802,216,000**	**$1,617,174,000**	**$185,042,000**	**11.44%**	**$1,705,294,000**	**$96,922,000**	**5.68%**

Revenue Collections by Tax
April
2015-2016

Tax Source	2016 Actual	2016 Budgeted	2016 B/(W)	2016 Percent	2015 Actual	2016 B/(W)	2016 Percent
Franchise & Excise	$526,224,000	$443,700,000	$82,524,000	18.60%	$515,466,000	$10,758,000	2.09%
Income	260,962,000	225,216,000	35,746,000	15.87%	255,916,000	5,046,000	1.97%
Inheritance & Estate	9,794,000	3,126,000	6,668,000	213.31%	4,967,000	4,827,000	97.18%
Gasoline	57,435,000	48,768,000	8,667,000	17.77%	46,796,000	10,639,000	22.73%
Petroleum Special	5,849,000	5,281,000	568,000	10.76%	5,022,000	827,000	16.47%
Tobacco	20,579,000	21,783,000	(1,204,000)	-5.53%	24,300,000	(3,721,000)	-15.31%
Beer	1,221,000	1,361,000	(140,000)	-10.29%	1,379,000	(158,000)	-11.46%
Motor Vehicle Registration	32,897,000	30,108,000	2,789,000	9.26%	31,513,000	1,384,000	4.39%
Motor Vehicle Title	2,366,000	1,740,000	626,000	35.98%	1,169,000	1,197,000	102.40%
Mixed Drink	8,185,000	8,004,000	181,000	2.26%	7,609,000	576,000	7.57%
Business	66,052,000	61,860,000	4,192,000	6.78%	62,553,000	3,499,000	5.59%
Privilege	31,357,000	24,887,000	6,470,000	26.00%	27,385,000	3,972,000	14.50%
Gross Receipts	8,000	44,000	(36,000)	-81.82%	29,000	(21,000)	-72.41%
TVA - In Lieu of Tax Payments	28,454,000	29,062,000	(608,000)	-2.09%	28,623,000	(169,000)	-0.59%
Alcoholic Beverage	5,586,000	5,162,000	424,000	8.21%	5,017,000	569,000	11.34%
Sales and Use	727,974,000	690,304,000	37,670,000	5.46%	671,196,000	56,778,000	8.46%
Motor Vehicle Fuel	17,190,000	16,551,000	639,000	3.86%	16,234,000	956,000	5.89%
Severance	83,000	211,000	(128,000)	-60.66%	115,000	(32,000)	-27.83%
Coin-operated Amusement	0	6,000	(6,000)	-100.00%	5,000	(5,000)	-100.00%
Unauthorized Substance	0	0	0	NA	0	0	NA
Total	**$1,802,216,000**	**$1,617,174,000**	**$185,042,000**	**11.44%**	**$1,705,294,000**	**$96,922,000**	**5.68%**

Table 2
Revenue Collections by Fund
Year-to-Date
August - April
2015-2016

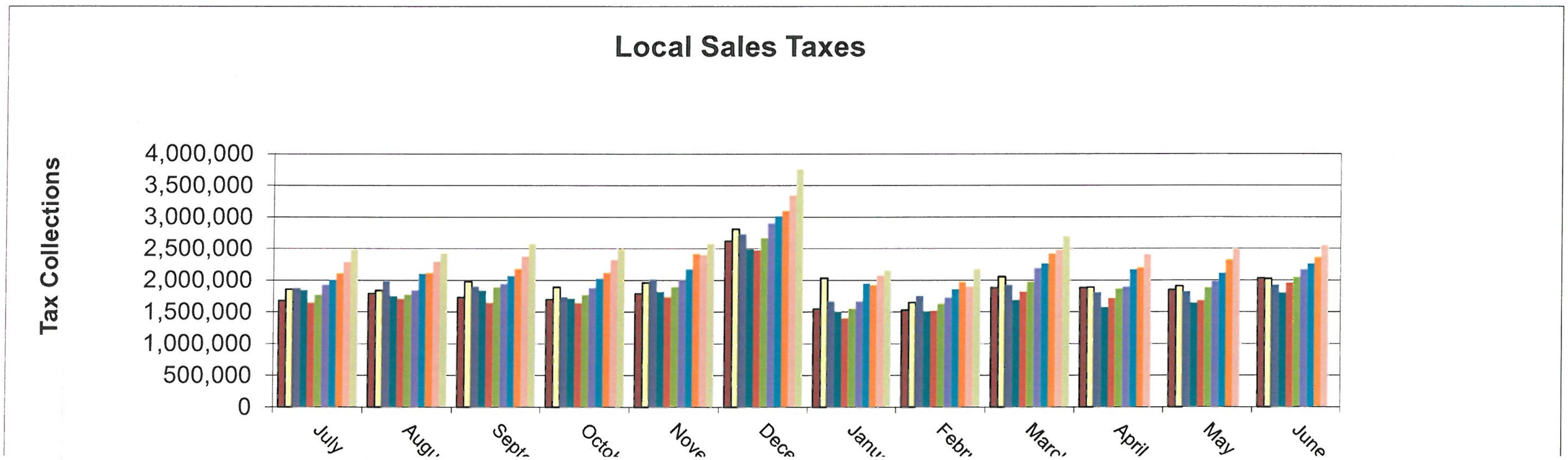
Fund	2015 - 2016 Actual	2015 - 2016 Budgeted	2015 - 2016 B/(W)	2015 - 2016 Percent	2014-2015 Actual	2015-2016 B/(W)	2015-2016 Percent
General Fund	$8,415,796,000	$7,717,414,000	$698,382,000	9.05%	$7,925,603,000	$490,193,000	6.18%
Highway Fund	535,126,000	526,104,000	9,022,000	1.71%	523,870,000	11,256,000	2.15%
Sinking Fund	309,030,000	306,161,000	2,869,000	0.94%	281,015,000	28,015,000	9.97%
City & County Fund	797,428,000	750,597,000	46,831,000	6.24%	740,409,000	57,019,000	7.70%
Earmarked Fund	32,251,000	32,251,000	0	0.00%	32,250,000	1,000	0.00%
Total	**$10,089,631,000**	**$9,332,527,000**	**$757,104,000**	**8.11%**	**$9,503,147,000**	**$586,484,000**	**6.17%**

Revenue Collections by Tax
Year-to-Date
August - April
2015-2016

Tax Source	2015 - 2016 Actual	2015 - 2016 Budgeted	2015 - 2016 B/(W)	2015 - 2016 Percent	2014-2015 Actual	2015-2016 B/(W)	2015-2016 Percent
Franchise & Excise	$1,779,092,000	$1,485,500,000	$293,592,000	19.76%	$1,700,458,000	$78,634,000	4.62%
Income	300,804,000	256,231,000	44,573,000	17.40%	289,500,000	11,304,000	3.90%
Inheritance & Estate	45,733,000	30,626,000	15,107,000	49.33%	66,861,000	(21,128,000)	-31.60%
Gasoline	485,443,000	459,498,000	25,945,000	5.65%	462,400,000	23,043,000	4.98%
Petroleum Special	49,769,000	48,262,000	1,507,000	3.12%	47,700,000	2,069,000	4.34%
Tobacco	191,950,000	181,160,000	10,790,000	5.96%	194,634,000	(2,684,000)	-1.38%
Beer	12,902,000	12,684,000	218,000	1.72%	12,745,000	157,000	1.23%
Motor Vehicle Registration	204,725,000	192,275,000	12,450,000	6.48%	196,884,000	7,841,000	3.98%
Motor Vehicle Title	16,574,000	13,214,000	3,360,000	25.43%	8,749,000	7,825,000	89.44%
Mixed Drink	69,736,000	64,561,000	5,175,000	8.02%	62,374,000	7,362,000	11.80%
Business	113,436,000	102,642,000	10,794,000	10.52%	109,992,000	3,444,000	3.13%
Privilege	214,809,000	191,525,000	23,284,000	12.16%	207,300,000	7,509,000	3.62%
Gross Receipts	8,787,000	13,534,000	(4,747,000)	-35.07%	13,417,000	(4,630,000)	-34.51%
TVA - In Lieu of Tax Payments	263,550,000	266,815,000	(3,265,000)	-1.22%	261,185,000	2,365,000	0.91%
Alcoholic Beverage	45,881,000	43,787,000	2,094,000	4.78%	42,413,000	3,468,000	8.18%
Sales and Use	6,155,556,000	5,844,019,000	311,537,000	5.33%	5,701,861,000	453,695,000	7.96%
Motor Vehicle Fuel	129,732,000	124,090,000	5,642,000	4.55%	122,884,000	6,848,000	5.57%
Severance	1,085,000	2,001,000	(916,000)	-45.78%	1,696,000	(611,000)	-36.03%
Coin-operated Amusement	67,000	103,000	(36,000)	-34.95%	94,000	(27,000)	-28.72%
Unauthorized Substance	0	0	0	NA	0	0	NA
Total	**$10,089,631,000**	**$9,332,527,000**	**$757,104,000**	**8.11%**	**$9,503,147,000**	**$586,484,000**	**6.17%**

Local Sales Tax Revenue Comparison

Month	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	% over prior yr	$ over prior yr
July	1,676,862	1,857,805	1,876,318	1,842,160	1,646,449	1,769,523	1,925,395	2,003,719	2,113,374	2,288,457	**2,477,647**	8.3%	189,190
August	1,788,477	1,837,563	1,985,123	1,747,507	1,711,487	1,774,021	1,843,928	2,101,518	2,115,836	2,296,081	**2,420,111**	5.4%	124,030
September	1,724,983	1,977,557	1,900,808	1,834,296	1,645,241	1,888,809	1,946,970	2,065,402	2,178,174	2,374,572	**2,571,550**	8.3%	196,978
October	1,695,501	1,887,613	1,734,361	1,707,123	1,639,767	1,767,404	1,881,099	2,026,865	2,117,978	2,327,025	**2,485,462**	6.8%	158,437
November	1,787,276	1,960,370	2,018,105	1,816,125	1,736,146	1,892,149	1,998,723	2,176,371	2,419,578	2,399,941	**2,579,786**	7.5%	179,845
December	2,617,849	2,806,905	2,730,286	2,491,017	2,479,640	2,670,491	2,902,675	3,012,759	3,097,595	3,345,841	**3,752,983**	12.2%	407,143
January	1,544,557	2,034,121	1,664,281	1,502,087	1,401,398	1,552,324	1,664,281	1,948,752	1,926,687	2,079,073	**2,151,378**	3.5%	72,306
February	1,526,301	1,649,397	1,752,131	1,507,868	1,521,898	1,628,745	1,729,002	1,856,748	1,973,541	1,900,629	**2,181,227**	14.8%	280,599
March	1,880,654	2,054,793	1,925,296	1,688,794	1,819,095	1,979,080	2,191,405	2,265,006	2,421,918	2,479,918	**2,689,471**	8.5%	209,553
April	1,883,777	1,885,024	1,812,244	1,572,824	1,719,674	1,866,180	1,897,741	2,168,372	2,201,566	2,410,499			0
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			0
June	2,033,237	2,025,044	1,926,353	1,800,044	1,961,270	2,047,664	2,168,095	2,260,297	2,364,520	2,552,236			0
Total	**22,005,703**	**23,885,264**	**23,149,433**	**21,152,117**	**20,968,821**	**22,720,667**	**24,138,792**	**25,995,732**	**27,254,742**	**28,943,994**	**23,309,616**	**21,491,536**	**1,818,080**
Budgeted													
	Up	Up	Down	*Down*	*Down*	*year to date*	*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%	6.2%	8.5%	21,491,536	



CITY of FRANKLIN
2015 PROPERTY TAX COLLECTIONS
As of March 31, 2015

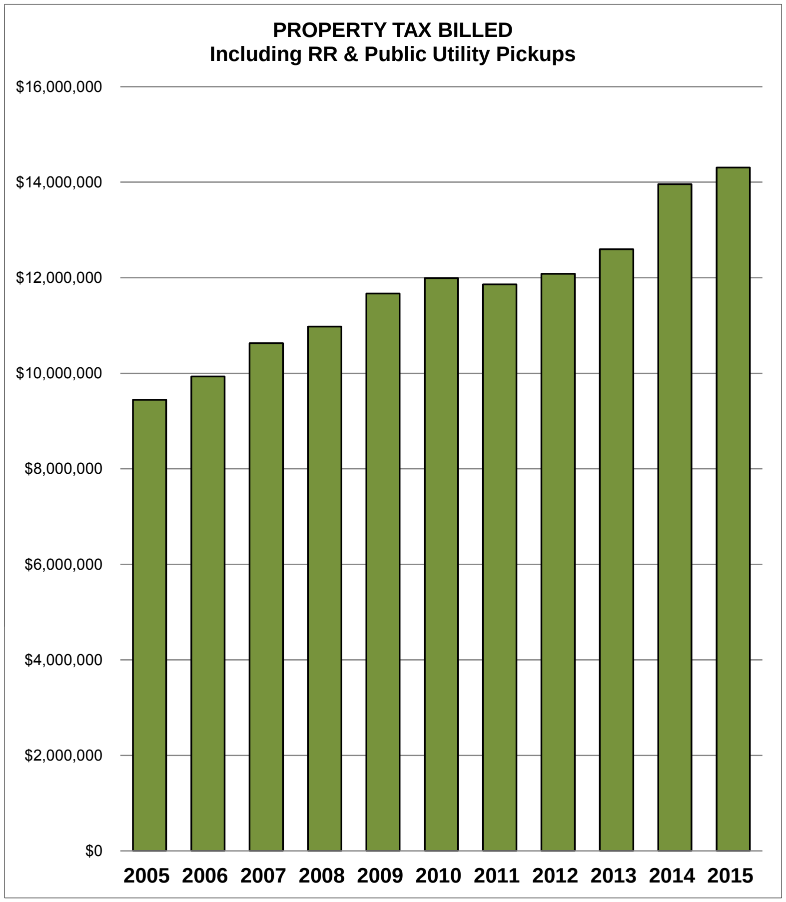
YEAR	Beginning Balance	150 Corrections	600 Refunds	400 Adjustments	100 Pickups	210 Cleanup	700 Returned Checks	200 Receipts	AR Balance
2015	$14,306,693	($30,639)	$0	($6,811)	$268,518	$311,408	($304,597)	($14,150,600)	$393,972
2014	$13,742,347	($441,342)	$0	$0	$657,823	$256,113	($256,113)	($13,932,604)	$26,224
Prior Years (2004 - 2013)	$74,656,547	($173,423)	$837,477	($17,310)	$1,724,372	($600)	$22,114	($76,994,213)	$54,965

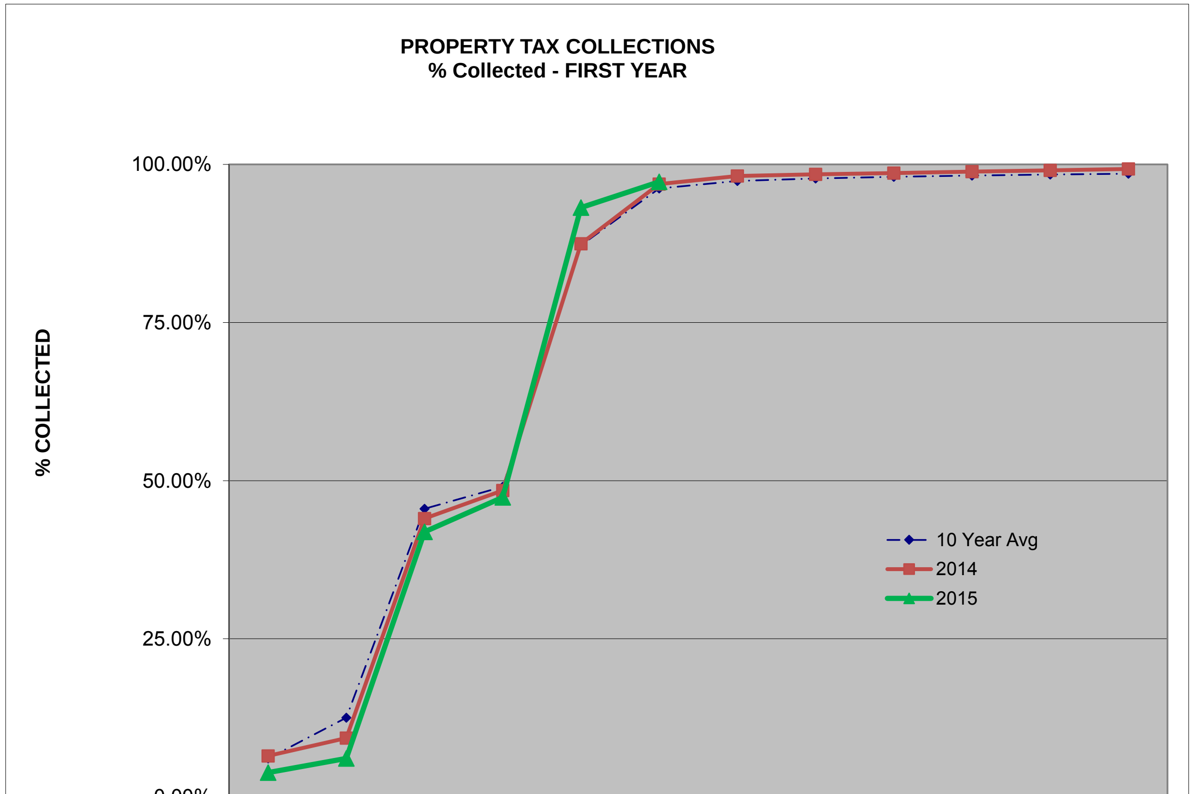
Beginning Balance does not include RR & Public Utilities added later, rollbacks & other adjustments

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

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

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





	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
10 Year Avg	6.08%	12.53%	45.55%	49.04%	87.19%	96.20%	97.38%	97.77%	98.03%	98.23%	98.40%	98.53%
2014	6.49%	9.32%	44.00%	48.45%	87.44%	96.88%	98.16%	98.43%	98.63%	98.85%	99.04%	99.28%
2015	3.85%	6.10%	41.91%	47.35%	93.18%	97.25%						

Building Permits

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	219,601	82,353	79,337	137,248	140,264
August	107,814	69,863	67,304	37,951	40,510
September	186,497	127,700	123,023	58,797	63,474
October	184,004	123,191	118,679	60,813	65,325
November	153,876	94,573	91,109	59,303	62,767
December	144,063	74,673	71,938	69,390	72,125
January	146,071	117,569	113,263	28,502	32,808
February	184,600	81,060	78,091	103,540	106,509
March	170,519	138,911	133,823	31,608	36,696
April	193,006	171,524	165,242	21,482	27,764
May	0	153,798	148,165	0	0
June	0	190,972	183,978	0	0
Total (year-to-date)	1,690,051	1,426,187	1,373,951	608,634	648,243
% of Prior Year YTD/ % of Budget YTD >>>>>				156.3%	162.2%

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

Road Impact fees

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	733,816	229,572	369,312	504,244	364,504
August	215,478	139,840	224,960	75,638	(9,482)
September	500,364	217,394	349,721	282,970	150,643
October	956,474	200,301	322,224	756,173	634,250
November	1,438,657	254,561	409,511	1,184,096	1,029,146
December	367,975	168,587	271,205	199,388	96,770
January	273,088	186,851	300,587	86,237	(27,499)
February	1,652,231	183,500	295,196	1,468,731	1,357,035
March	454,061	255,892	411,653	198,169	42,408
April	357,387	925,840	1,489,396	(568,453)	(1,132,009)
May	0	432,960	696,501	0	0
June	0	391,681	630,096	0	0
Total (year-to-date)	6,949,531	3,586,979	5,770,361	4,187,193	2,505,767
% of Prior Year YTD/ % of Budget YTD >>>>>				251.6%	156.4%

* seasonality based on last year's results

128-32800

Facilities Tax

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	460,763	174,169	149,610	286,594	311,153
August	138,739	128,599	110,466	10,140	28,273
September	392,050	155,707	133,752	236,343	258,298
October	693,869	211,229	181,445	482,640	512,424
November	561,169	160,556	137,917	400,613	423,252
December	235,832	168,587	144,815	67,245	91,017
January	227,208	186,851	160,504	40,357	66,704
February	575,877	130,798	112,355	445,079	463,522
March	302,406	227,269	195,223	75,137	107,183
April	336,678	383,594	329,506	(46,916)	7,172
May	0	256,477	220,313	0	0
June	0	284,637	244,502	0	0
Total (year-to-date)	3,924,591	2,468,473	2,120,407	1,997,232	2,268,998
% of Prior Year YTD/ % of Budget YTD >>>>>				203.6%	237.1%

* seasonality based on last year's results
130-31600

Williamson County Facilities Tax

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	143,941	83,121	83,121	60,820	60,820
August	101,030	77,682	29,478	23,348	71,552
September	89,284	66,808	66,808	22,476	22,476
October	100,660	75,521	75,521	25,139	25,139
November	101,862	80,039	80,039	21,823	21,823
December	137,145	77,729	77,729	59,416	59,416
January	78,117	67,795	67,795	10,322	10,322
February	79,539	83,183	83,183	(3,644)	(3,644)
March	81,274	79,939	79,939	1,335	1,335
April	129,225	96,468	96,468	32,757	32,757
May	0	100,933	100,933	0	0
June	0	93,387	93,387	0	0
Total (year-to-date)	1,042,076	982,605	982,605	253,791	301,995
% of Prior Year YTD/ % of Budget YTD >>>>>				132.2%	140.8%

* 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

May 13, 2016

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

Dear Mr. Truell:

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

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

COOL SPRINGS CONFERENCE CENTER
April, 2016

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	BUDGET	LAST YR	ACTUAL	BUDGET	LAST YR
GROSS REVENE	779,756	635,716	696,152	5,649,194	5,014,590	5,340,050
HOUSE PROFIT	191,084	91,352	115,404	658,971	231,818	395,861
Less: FIXED EXPENSES	35,434	19,196	16,410	189,328	191,960	197,893
NET INCOME	155,650	72,156	98,994	469,643	39,858	197,968
Less: FF&E RESERVE 5%	38,976	31,786	34,808	282,460	250,731	267,003
NET CASH FLOW	116,674	40,370	64,186	187,183	(210,873)	(69,035)

TOTAL CURRENT BALANCE DUE TO OWNERS	116,674.00
TOTAL DUE TO/(FROM) CITY OF FRANKLIN	58,337.00
TOTAL DUE TO/(FROM) WILLIAMSON COUNTY	58,337.00

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

Sincerely,

Randy Hansen
Controller

Michael Sanders
General Manager

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

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
$1.9111	$2.6883	($0.777)	$1.6184	$1.7275	($0.109)	July	($9,326.40)	($1,058.16)	($10,384.56)
1.6036	2.6883	-1.085	1.4614	1.7275	-0.266	August	($13,016.40)	($2,580.90)	(15,597.30)
1.3817	2.6883	-1.307	1.4423	1.7275	-0.285	September	($15,679.20)	($2,766.15)	(18,445.35)
1.3383	2.6883	-1.350	1.4186	1.7275	-0.309	October	($16,200.00)	($2,996.02)	(19,196.02)
1.3343	2.6883	-1.354	1.3584	1.7275	-0.369	November	($16,248.00)	($3,579.90)	(19,827.90)
1.2543	2.6883	-1.434	1.0915	1.7275	-0.636	December	($17,208.00)	($6,168.56)	(23,376.56)
1.0941	2.6883	-1.594	0.9561	1.7275	-0.771	January	($19,130.40)	($7,481.81)	(26,612.21)
0.9953	2.6883	-1.693	0.9959	1.7275	-0.732	February	($20,316.00)	($7,095.79)	(27,411.79)
1.4161	2.6883	-1.272	1.1291	1.7275	-0.598	March	($15,266.40)	($5,803.88)	(21,070.28)
1.4880	2.6883	-1.200	1.2006	1.7275	-0.527	April	($14,403.60)	($5,110.40)	(19,514.00)
0.0000	0.0000	0.000	0.0000	0.0000	0.000	May	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	June	$0.00	$0.00	0.00
1.7574	2.6883	-0.931	1.5399	1.7275	-0.188	**Fiscal Yr Total**	**-156,794.40**	**-44,641.59**	**-201,435.99**
	Average			Average					

Contract schedule:

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

GOVERNMENT PORTFOLIO ADVISORS

Monthly Report

Account **4/30/2016**

City of Franklin - Core Investment Fund

GOVERNMENT PORTFOLIO ADVISORS

Table of Contents

MONTH END COMMENTARY – APRIL 2016

Bond yields rose in April while most other major asset classes posted gains last month. The Dow Jones had a .50% return while the S&P Index returned .40%. Commodities, including oil, finished April with strong returns. Strong economic numbers added to market speculation that the Fed may still be on track to raise rates given the good news in the economy.

FOMC: As expected, the Fed retained the current Fed Funds target rate of .25 to .50 by a 9-1 vote. The Fed sighted the slowdown in economic activity as the primary reason for holding off a rate hike, although there has been an improvement in the labor market. Inflation remains low due to falling oil prices, however, oil prices have begun to increase. The meeting didn't provide strong clues about a rate hike at the June meeting but left the doors open if the economy improves. The next FOMC meeting is June 14-15. Highlights from the meeting:

- Conditions in the labor market continued to improve since the last FOMC meeting, but economic activity growth slowed.
- Household spending growth moderated even as households' real income rose at a solid rate.
- The housing sector improved further since the start of the year, but business fixed investment and net exports have been soft.
- Inflation continues to run below the committee's 2% goal. That partly reflects earlier declines in energy prices and falling prices of non-energy imports.

The Fed emphasized future moves will depend on data. There will be a significant amount of data before the meeting in June including two employment reports, two personal income reports and several inflation readings. The financial markets viewed the Fed's action as dovish, or at the very least, passive. Nothing in the Fed's statement suggested the FOMC is in a hurry for an interest rate hike.

Non-farm Payrolls/Unemployment: Total nonfarm payroll employment increased by 215,000 and the unemployment rate was little changed at 5%. Employment increased in retail trade, construction, and health care. Job losses continued in manufacturing and mining.

Crude Oil: Prices reached the highest level in about five months before retreating. Some economists are speculating a price recovery to $60.00 per barrel by the end of 2017. This is good news for stocks, but also carries risks for bond investors. Oil ended the month at $45.92 after rallying from a twelve year low in February.

Retail Sales: The .3% decline in retail sales was slightly weaker than consensus expectations and was mainly due to a 2.1% decline in auto sales.

GDP: GDP increased at an annual rate of .5% in the 1st quarter of 2016 according to the "advance" estimate. This was less than the 0.7% consensus and the slowest in two years. Consumption slowed to less than 2% for the first time since last year's first quarter. Business spending fell outright, exports fell and if not for government spending, GDP would have grown just .3%. In the 4th quarter, real GDP increased 1.4%.

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

3month bill	.15
1 year note	.52
2 year note	.73
3 year note	1.44
5 year note	2.67

*Source: Bloomberg

TREASURY BENCHMARK TOTAL RETURNS IN MONTH

Benchmark	Period Return	Duration
BAML 0-3 Year Treasury	.04%	1.35
BAML 0-5 Year Treasury	.00%	2.15
BAML 1-3 Year Treasury	.04%	1.80
BAML 1-5 Year Treasury	-.01%	2.59

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

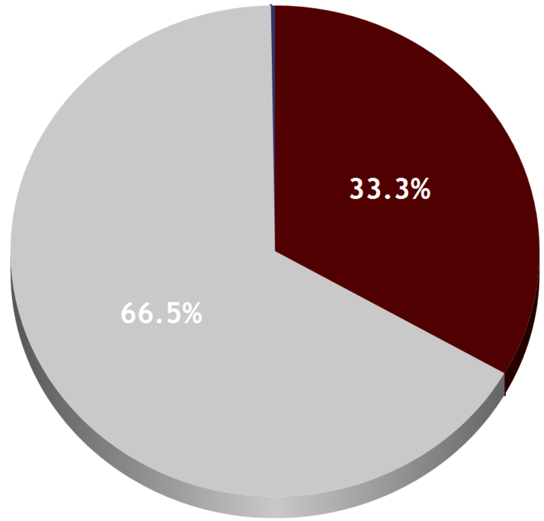
	04/30/15	03/31/16	04/30/16	Change in April	Change from Prior Year
3 month bill	.00	.20	.21	+.01	+.21
6 month bill	.04	.38	.38	unch	+.34
2 year note	.57	.72	.78	+.06	+.21
3 year note	.90	.85	.94	+.09	+.04
5 year note	1.43	1.21	1.30	+.09	-.13
10 year	2.03	1.77	1.83	+.06	-.20

*Source: Bloomberg

Weighted Averages

Book Yield	0.93
Maturity	1.70
Coupon	0.94
Moody	Aaa
S&P	AA+

Fixed Income Allocation



Fixed Income Totals

Par Value	30,075,325
Market Value	30,184,219.79
Amortized Book Value	30,074,685.80
Unrealized Gain/Loss	109,533.99
Estimated Annual Cash Flow	281,257.53

Security Type	Market Value	% Assets
US Agency (USD)	10,046,900.00	33.3
US Treasury (USD)	20,061,995.00	66.5
Bank Deposit (USD)	75,324.79	0.2
Fixed Income Total	**30,184,219.79**	**100.0**

Portfolio Summary

April 30, 2016

Portfolio Name	Par Amount	Total Original Cost	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Mod Dur	Eff Dur	Bench Dur	Benchmark
City of Franklin - Core Investment Fund	30,075,325	30,077,272.77	30,074,685.80	30,184,219.79	109,533.99	0.93	1.67	1.66	1.35	BofA Merrill 0-3 Treasury
TOTAL PORTFOLIO	**30,075,325**	**30,077,272.77**	**30,074,685.80**	**30,184,219.79**	**109,533.99**	**0.93**	**1.67**	**1.66**	**1.35**	

Cost Basis Summary

	Month End Ending 4/30/2016
Beginning Amortized Cost	30,038,460.61
Investment Purchases	0.00
Investment Maturities/Sells/Calls	0.00
Amortization	(29.16)
Change in Cash Equivalents	36,254.35
Realized Gains / Losses	0.00
Ending Amortized Costs	**30,074,685.80**

Accrual Earnings Summary

	Month End Ending 4/30/2016
Amortization/Accretion	(29.16)
Interest Earned	22,925.56
Realized Gain (Loss)	0.00
Total Income	22,896.40
Average Portfolio Balance	30,199,488.54
Earnings Yield	**0.92%**

MarketValue Summary

	As of 4/30/2016
Ending Market Value	30,184,219.79
Unrealized Gain/Loss	109,533.99

Interest Earnings Summary

	Month End Ending 4/30/2016
Beginning Accrued Interest	61,831.33
Coupons Paid	37,504.35
Purchased Accrued Interest	0.00
Sold Accrued Interest	0.00
Ending Accrued Interest	47,252.53
Interest Earned	**22,925.56**

Total Return Report

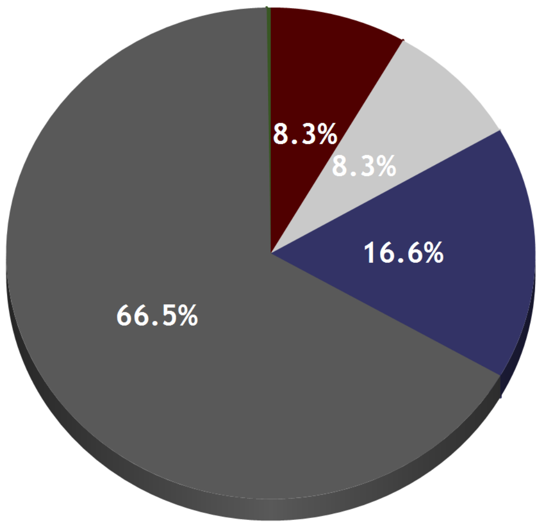
City of Franklin - Core Investment Fund

Net of Accrued Fees | US Dollar 3/31/2016 - 4/30/2016

Total Return For Period

	Since 3/31/2016
Beginning Principal Value	**30,160,140.44**
Beginning Accrued Interest	61,831.33
Net Contributions/Withdrawals	-1,250.00
Market Value Change	-12,175.00
Interest Earnings	22,925.56
Ending Principal Value	**30,184,219.79**
Accrued Interest	47,252.53
Total Return	**10,750.56**
Advisory Fees for Period	-2,083.33
Net Total Return	**8,667.23**

Portfolio Allocation as of 4/30/2016



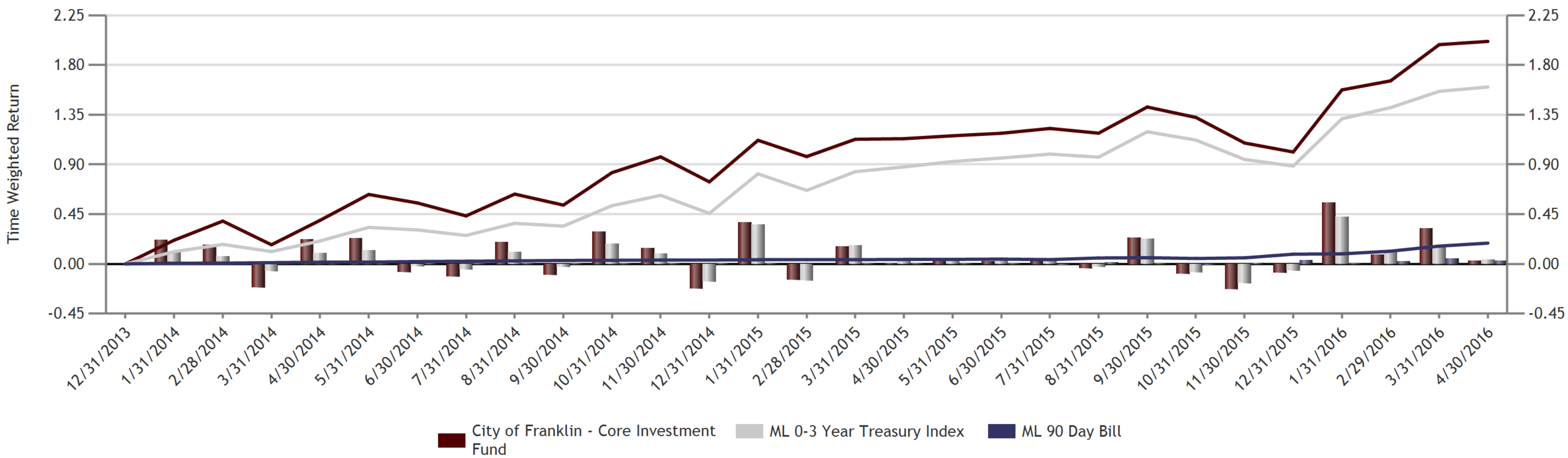
Issuer	Market Value	% Assets	Yield
FEDERAL NATL MTG ASSN	2,513,827.50	8.3	1.0
FEDERAL HOME LOAN BANKS	2,511,315.00	8.3	1.0
FEDERAL HOME LN MTG CORP	5,021,757.50	16.6	1.2
UNITED STATES TREAS NTS	20,061,995.00	66.5	0.9
FIFTH THIRD BK CINCINNATI STN	75,324.79	0.2	0.0
Total	**30,184,219.79**	**100.0**	**0.9**

Performance History

Portfolio	Month To Date	Quarter To Date	Fiscal Year To Date	Latest 1 Year	Inception To Date
Account	**0.03**	**0.03**	**0.99**	**0.87**	**2.01**

Index					
ML 0-3 Year Treasury Index	0.04	0.04	0.71	0.72	1.60
ML 90 Day Bill	0.03	0.03	0.10	0.15	0.19

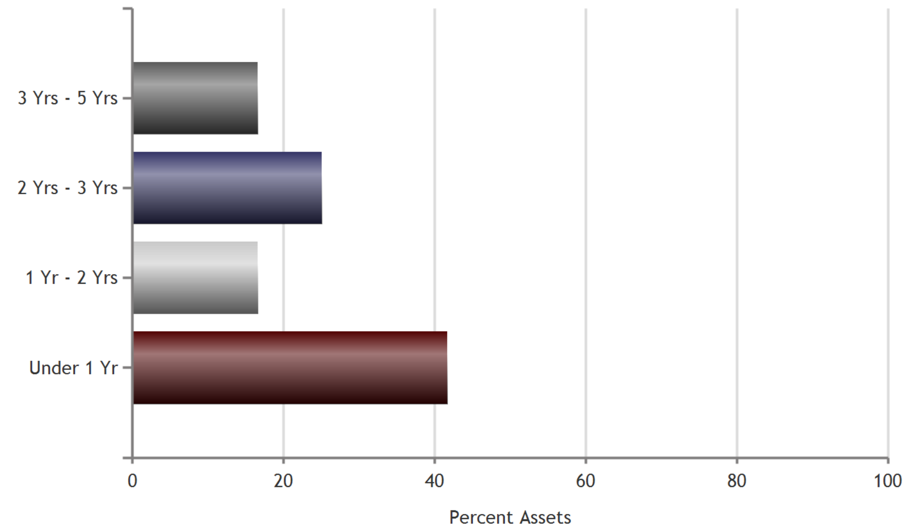
Time Weighted Return Inception (12/31/2013) to Date



Distribution by Maturity

Maturity	Number	Market Value	% FI Holdings	Average Curr. Yld	Average Coupon	Average Duration
Under 1 Yr	6	12,586,049.79	41.7	0.6	0.646%	0.6
1 Yr - 2 Yrs	2	5,020,622.50	16.6	1.1	1.063%	1.6
2 Yrs - 3 Yrs	3	7,573,397.50	25.1	1.2	1.251%	2.5
3 Yrs - 5 Yrs	2	5,004,150.00	16.6	1.1	1.063%	3.3

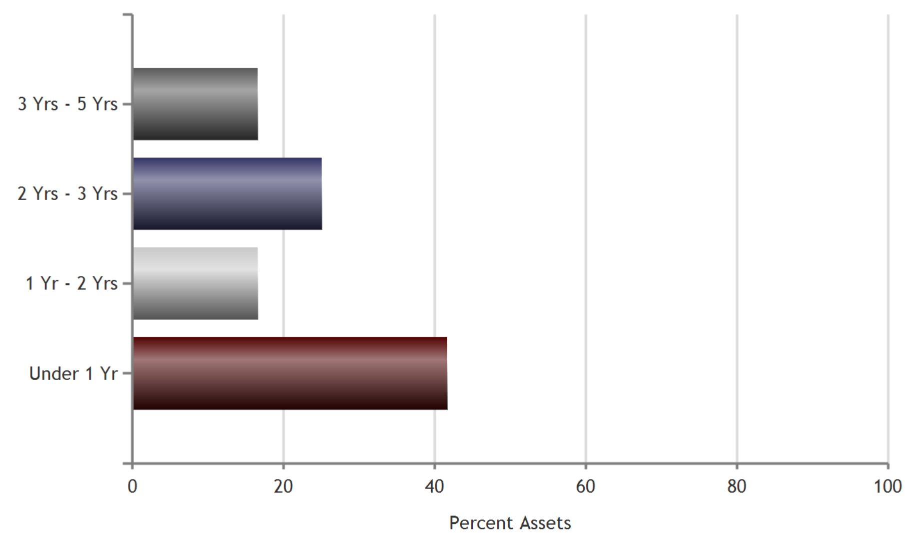
Distribution by Maturity



Distribution by Duration

Duration	Number	Market Value	% FI Holdings	Average Curr. Yld	Average Coupon	Average Duration
Under 1 Yr	6	12,586,049.79	41.7	0.6	0.646%	0.6
1 Yr - 2 Yrs	2	5,020,622.50	16.6	1.1	1.063%	1.6
2 Yrs - 3 Yrs	3	7,573,397.50	25.1	1.2	1.251%	2.5
3 Yrs - 5 Yrs	2	5,004,150.00	16.6	1.1	1.063%	3.3

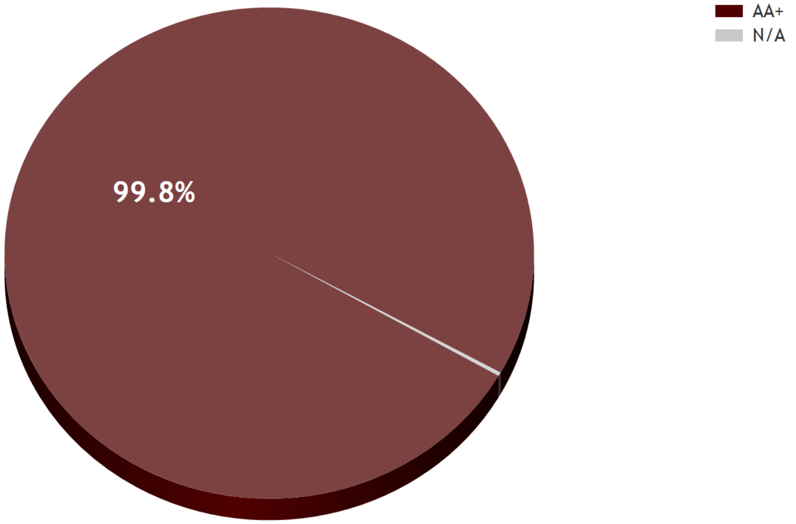
Distribution by Duration



Distribution by S&P Rating

S&P Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
AA+	12	30,108,895.00	99.8	0.9	0.939%	2.8
N/A	1	75,324.79	0.2	0.0	0.010%	0.2

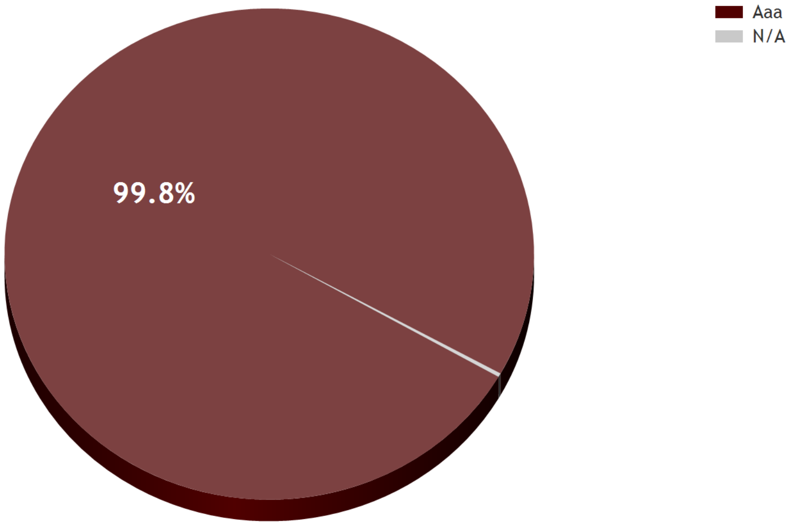
Distribution by S&P Rating



Distribution by Moody Rating

Moody Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
Aaa	12	30,108,895.00	99.8	0.9	0.939%	2.8
N/A	1	75,324.79	0.2	0.0	0.010%	0.2

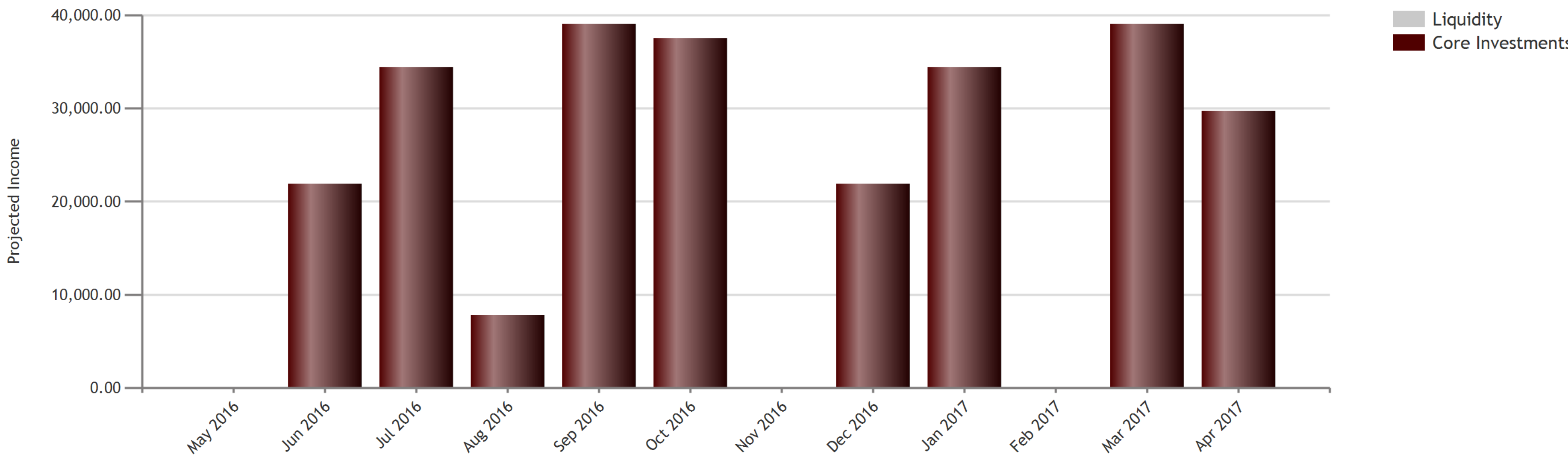
Distribution by Moody Rating



Coupon Cash Flow Projection

City of Franklin - Core Investment Fund

5/1/2016 - 4/30/2017



	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017
Core Investments	0.00	21,875.00	34,375.00	7,812.50	39,062.50	37,500.00	0.00	21,875.00	34,375.00	0.00	39,062.50	29,687.50
US Agency (USD)	0.00	0.00	12,500.00	0.00	14,062.50	29,687.50	0.00	0.00	12,500.00	0.00	14,062.50	29,687.50
US Treasury (USD)	0.00	21,875.00	21,875.00	7,812.50	25,000.00	7,812.50	0.00	21,875.00	21,875.00	0.00	25,000.00	0.00
Liquidity	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Deposit (USD)	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.63**	**21,875.00**	**34,375.00**	**7,812.50**	**39,062.50**	**37,500.00**	**0.00**	**21,875.00**	**34,375.00**	**0.00**	**39,062.50**	**29,687.50**

Grand Total **265,625.63**

Transaction Summary

Interest

Trade Date	Settle Date	Symbol	Security	Amount
4/1/2016	4/1/2016	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 05-29-16	4
4/2/2016	4/2/2016	3137EADM8	FEDERAL HOME LN MTG CORP 1.250% Due 10-02-19	15,625
4/15/2016	4/15/2016	912828WA4	UNITED STATES TREAS NTS 0.625% Due 10-15-16	7,813
4/19/2016	4/19/2016	3135G0E58	FEDERAL NATL MTG ASSN 1.125% Due 10-19-18	14,063
4/29/2016	4/29/2016	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 05-29-16	0
Total Interest				**37,504**

Expenses

Trade Date	Settle Date	Symbol	Security	Amount
4/20/2016	4/20/2016	fees	exusfees	1,250
4/30/2016	4/30/2016	manfee	Management Fee	2,083
Total Expenses				**3,333**

Contributions

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Price	Amount
4/29/2016	4/29/2016	36,254	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 05-29-16	100.00	36,254
Total Contributions						**36,254**

Portfolio Holdings

City of Franklin - Core Investment Fund

April 30, 2016

Cusip	Quantity	Security	Call Date	Trade Date	Amor Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Eff Dur
US Treasury															
912828VR8	2,500,000	UNITED STATES TREAS NTS 0.625% Due 08-15-16		03-27-14	100.00	0.62	100.0813	0.35	2,502,032.50	3,219.44	2,505,251.94	2,020.61	8.3	0.29	0.28
912828WA4	2,500,000	UNITED STATES TREAS NTS 0.625% Due 10-15-16		03-27-14	99.96	0.70	100.0977	0.41	2,502,442.50	640.37	2,503,082.87	3,318.46	8.3	0.46	0.45
912828A59	2,500,000	UNITED STATES TREAS NTS 0.625% Due 12-15-16		12-18-13	99.99	0.64	100.0625	0.52	2,501,562.50	5,848.70	2,507,411.20	1,745.87	8.3	0.62	0.62
912828SC5	2,500,000	UNITED STATES TREAS NTS 0.875% Due 01-31-17		03-27-14	100.02	0.84	100.2422	0.55	2,506,055.00	5,408.65	2,511,463.65	5,487.12	8.3	0.75	0.74
912828J92	2,500,000	UNITED STATES TREAS NTS 0.500% Due 03-31-17		07-24-15	99.91	0.60	99.9453	0.56	2,498,632.50	1,024.59	2,499,657.09	980.55	8.3	0.91	0.91
912828XF2	2,500,000	UNITED STATES TREAS NTS 1.125% Due 06-15-18		08-18-15	100.22	1.02	100.6758	0.80	2,516,895.00	10,527.66	2,527,422.66	11,380.40	8.3	2.09	2.08
912828SN1	2,500,000	UNITED STATES TREAS NTS 1.500% Due 03-31-19		11-16-15	100.58	1.30	101.7070	0.91	2,542,675.00	3,073.77	2,545,748.77	28,187.29	8.4	2.85	2.85
912828TH3	2,500,000	UNITED STATES TREAS NTS 0.875% Due 07-31-19		03-10-16	98.97	1.20	99.6680	0.98	2,491,700.00	5,408.65	2,497,108.65	17,510.30	8.3	3.19	3.19
	20,000,000					0.87		0.64	20,061,995.00	35,151.84	20,097,146.84	70,630.60	66.5	1.40	1.39
US Agency Bullet															
3137EADJ5	2,500,000	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17		12-18-13	100.02	0.99	100.3723	0.70	2,509,307.50	6,388.89	2,515,696.39	8,926.09	8.3	1.23	1.22
3130A5PE3	2,500,000	FEDERAL HOME LOAN BANKS 1.125% Due 03-29-18		07-24-15	100.20	1.02	100.4526	0.89	2,511,315.00	2,421.87	2,513,736.87	6,303.27	8.3	1.89	1.88
3135G0E58	2,500,000	FEDERAL NATL MTG ASSN 1.125% Due 10-19-18		10-06-15	100.37	0.97	100.5531	0.90	2,513,827.50	859.37	2,514,686.87	4,464.00	8.3	2.43	2.43
3137EADM8	2,500,000	FEDERAL HOME LN MTG CORP 1.250% Due 10-02-19		03-10-16	99.73	1.33	100.4980	1.10	2,512,450.00	2,430.56	2,514,880.56	19,210.03	8.3	3.34	3.34
	10,000,000					1.08		0.90	10,046,900.00	12,100.69	10,059,000.69	38,903.39	33.3	2.22	2.22

Cusip	Quantity	Security	Call Date	Trade Date	Amor Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Eff Dur
Money Market Fund															
0000FIFTH	75,325	FIFTH THIRD BANK MMF 0.010% Due 05-29-16		03-31-16	100.00	0.01	100.0000	0.01	75,324.79	0.00	75,324.79	0.00	0.2	0.08	0.01
TOTAL	**30,075,325**					**0.93**		**0.72**	**30,184,219.79**	**47,252.53**	**30,231,472.32**	**109,533.99**	**100.0**	**1.67**	**1.66**

Disclaimer & Terms

4/30/2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Revenues					
Revenue - Contracts	$ 300.00	$ 833.33	$ 11,335.00	$ 7,499.97	10,000.00
COF Transit Operating	132,984.16	132,984.16	1,196,857.44	1,196,857.44	1,595,809.92
Reimbursed to COF Transit Oper	(64,499.96)	(89,926.33)	(512,882.57)	(809,336.97)	(1,079,115.92)
Revenue - Fares Fixed Route	12,328.00	2,125.00	28,780.23	19,125.00	25,500.00
Revenue - Fares TODD	0.00	4,958.33	29,419.00	44,624.97	59,500.00
Revenue - Transit Fares; HT	0.00	0.00	12,621.00	16,000.00	16,000.00
Revenue - Building & EquipRent	800.00	800.00	7,200.00	7,200.00	9,700.00
Revenue - Transit-Interest	492.81	266.67	2,900.89	2,400.03	3,200.00
Revenue - Sale of Surpls Asset	20,151.32	0.00	20,151.32	0.00	0.00
Revenue - Operating Assistance	0.00	0.00	0.00	0.00	250,000.00
State New Freedoms	0.00	0.00	0.00	0.00	13,500.00
State 5307 IT	0.00	0.00	0.00	0.00	2,800.00
State 5307 Cap. Cost. Contract	0.00	4,190.67	38,997.14	37,716.03	50,288.00
State 5309 Rent Assistance	0.00	0.00	0.00	0.00	4,050.00
Federal New Freedoms	0.00	0.00	0.00	0.00	27,000.00
Federal 5307 IT	0.00	0.00	0.00	0.00	22,400.00
Feder 5307 Preventative Mainte	30,744.00	31,000.00	52,194.00	73,504.00	85,008.00
Federal 5307 Routematch	0.00	0.00	2,086.00	0.00	0.00
Feder 5307 Cap. Cost. Contract	0.00	34,293.33	311,977.00	308,639.97	411,520.00
Federal 5309 Rent Assistance	0.00	0.00	0.00	0.00	32,400.00
Total Revenues	**133,300.33**	**121,525.16**	**1,201,636.45**	**904,230.44**	**1,539,560.00**
Direct Cost of Program					
Salaries	45,325.80	42,499.99	429,705.72	393,999.91	521,500.00
Employer Taxes and Benefits	16,552.09	16,796.67	147,138.05	152,470.03	202,860.00
Professional Services	5,040.13	2,366.67	36,115.68	21,400.03	28,500.00
Transit Bldg/Oper. Maintenance	55.00	833.33	4,239.49	7,499.97	10,000.00
Transit Maintenance	3,326.43	6,750.00	63,169.73	60,750.00	81,000.00
Transit Center Cleaning	347.00	416.67	3,723.00	3,750.03	5,000.00
Transit Security	0.00	0.00	225.00	0.00	0.00
Education/Community Outreach	0.00	83.33	147.62	749.97	1,000.00
Promotional Products	0.00	333.33	0.00	2,999.97	4,000.00
Recruitment	404.07	0.00	607.39	0.00	0.00
Print Advertising	499.50	666.67	7,694.76	6,000.03	8,000.00
Radio Advertising/Web	233.34	500.00	4,283.34	4,500.00	6,000.00
Printed Brochures & Pieces	0.00	500.00	8,436.00	4,500.00	6,000.00
Legal Fees	0.00	208.33	100.00	1,874.97	2,500.00
Transit-DAM Compliance	100.00	166.67	3,437.35	1,500.03	2,000.00
Transit Fuel	4,910.08	10,833.34	49,719.01	98,000.06	130,500.00
Supplies	529.92	0.00	4,822.04	0.00	0.00
Transit Maint. Fac - Utilities	1,887.21	1,875.00	16,149.19	16,875.00	22,500.00
Radio Communications	441.65	0.00	3,701.52	0.00	0.00
Trolley Insurance	6,608.33	5,583.33	58,598.93	50,249.97	67,000.00
Transit General Liability	1,808.81	500.00	11,994.20	4,500.00	6,000.00
Errors & Omissions Liability	606.68	541.67	5,322.86	4,875.03	6,500.00
Vehicle Licensing & Registrati	0.00	0.00	17.50	0.00	0.00
Dues, Subs, Tuition	585.67	583.33	6,189.40	5,249.97	7,000.00
Meetings	120.00	41.67	812.93	375.03	500.00
Travel and Training	1,128.26	833.33	5,278.71	7,499.97	10,000.00
Trolley Cleaning Supplies	320.00	708.33	4,941.95	6,374.97	8,500.00
Equipment - Other	0.00	0.00	694.00	0.00	0.00
Bank Credit Card Charges	16.17	33.33	456.05	399.97	500.00
Transit Maint. Facility-Rent	3,354.67	3,375.00	30,192.03	30,375.00	40,500.00
Depreciation - Transit Off Equ	165.50	8.33	1,365.20	74.97	100.00

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

	Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Total Direct Cost of Program	**94,366.31**	**97,038.32**	**909,278.65**	**886,844.88**	**1,177,960.00**
Indirect Expenditures	27,312.73	29,300.00	302,477.72	263,700.00	351,600.00
Net Difference - Operations	**$ 11,621.29**	**($ 4,813.16)**	**($ 10,119.92)**	**($ 246,314.44)**	**10,000.00**

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

		Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Planning						
Federal 5307 Planning	$	0.00 $	0.00 $	5,538.00 $	7,691.67	35,000.00
State 5307 Planning		0.00	0.00	692.26	964.58	4,375.00
COF Planning Cost Share		0.00	0.00	692.34	964.58	4,375.00
Total Planning Revenues		**0.00**	**0.00**	**6,922.60**	**9,620.83**	**43,750.00**
Planning Costs						
Planning/Transit		0.00	0.00	6,922.60	9,620.83	43,750.00
Net Difference - Planning	**$**	**0.00 $**	**0.00 $**	**0.00 $**	**0.00**	**0.00**
Equipment						
Federal 5307 Capital Expenditu	$	0.00 $	0.00 $	46,980.00 $	47,640.00	180,000.00
State 5307 Capital Expenditure		0.00	0.00	5,872.50	5,955.00	22,500.00
COF Capital Cost Share		0.00	0.00	5,872.50	5,955.00	22,500.00
Total Equipment Revenues		**0.00**	**0.00**	**58,725.00**	**59,550.00**	**225,000.00**
Equipment Costs						
Equipment - Transit		0.00	0.00	58,725.00	59,550.00	225,000.00
Net Difference - Equipment	**$**	**0.00 $**	**0.00 $**	**0.00 $**	**0.00**	**0.00**

DEVELOPMENT ACTIVITY SUMMARY
PERMITS ISSUED & FEES RECEIVED
Including Construction Valuation

From: 5/1/16-5/31/16

HISTORIC FRANKLIN TENNESSEE

PERMIT FEES RECEIVED - Includes Permit Fees, & Technology Fees	# of PERMITS ISSUED* *Permits without associated fees are not included.	FEES RECEIVED
Residential (inc Townhomes/ Duplexes)	604	$186,044
Building Permits	149	$176,465
Electrical Permits	209	$6,859
Mechanical Permits	132	$1,400
Plumbing Permits	109	$1,130
Swimming Pool Permits	4	$130
Demolition Permits	1	$60
Non-Residential (inc Multi-Family)	587	$53,644
Building Permits	26	$44,303
Electrical Permits	492	$8,509
Mechanical Permits	51	$562
Plumbing Permits	17	$210
Demolition Permits	1	$60
TOTAL PERMITS ISSUED	**1,191**	**$239,688**

ADDITIONAL FEES RECEIVED	
Residential (inc Townhomes/ Duplexes)	$772,652
Road Impact Fees	$443,012
Facilities Tax	$317,600
Plan Review Fees	$4,040
Reinspection Fees	$200
Garbage Container Fees	$7,800
Non-Residential (inc Multi-Family)	$53,359
Road Impact Fees	$39,804
Facilities Tax	$7,171
Plan Review Fees	$6,384
TOTAL ADDITIONAL FEES	**$826,011**

NEW DWELLING UNITS - Building Permits Issued - Number of Units by Type	# of UNITS
Single Family (Detached) Dwellings	73
Townhomes	38
TOTAL DWELLING UNITS	**111**

WATER & SEWER FEES RECEIVED		FEES RECEIVED
Residential (inc Townhomes/ Duplexes)		$228,024
Water Tap Fees		$40,918
Sewer Tap Fees		$187,106
Non-Residential (inc Multi-Family)		$57,030
Water Tap Fees		$5,622
Sewer Tap Fees		$51,408
TOTAL WATER & SEWER		**$285,054**

STORMWATER, GRADING, & UTILITY PERMITS ISSUED	# of PERMITS ISSUED	FEES RECEIVED
TOTAL STORMWATER & GRADING PERMITS ISSUED:	2	$200
TOTAL GRADING ONLY PERMITS ISSUED:		
TOTAL UTILITY CONSTRUCTION/ INFRASTRUCTURE PERMITS ISSUED:	2	$600

ESTIMATED VALUATION OF BUILDING PERMITS*	# of BUILDING PERMITS ISSUED	VALUATION
Residential Valuation of Construction	149	$30,745,325
New	111	$29,052,881
Accessory Building	4	$86,000
Addition	18	$1,166,788
Miscellaneous	6	$62,168
Renovation	10	$377,488
Non-Residential Valuation of Construction	26	$26,669,262
New	3	$16,024,000
Addition	1	$11,825
Interior Finish/Build-Out	4	$893,633
Miscellaneous	5	$347,238
Renovation	13	$9,392,566
TOTAL ESTIMATED VALUATION OF BUILDING PERMITS*		**$57,414,587**

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

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