

Hamblen County Government



Annual Debt Report

For the Year Ending June 30, 2014

Bill Brittain
County Mayor

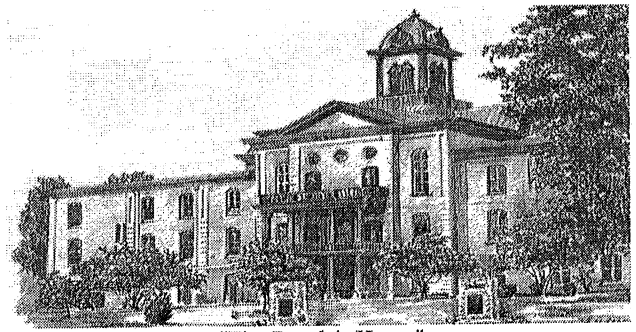
Joey Barnard, CGFM, CFE, MBA
Finance Director

Hamblen County, Tennessee
Annual Debt Report for the Fiscal Year Ending June 30, 2014
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HAMBLEN COUNTY GOVERNMENT

Bill Brittain
County Mayor



"The People's House"

April 4, 2014

TO: Hamblen County Citizens and All Interested Parties

FROM: Bill Brittain, County Mayor *BB*
Joey Barnard, Finance Director *JB*

RE: Annual Debt Report

We are pleased to present to you our Annual Debt Report (Report) in compliance with Section II.B of Hamblen County's Debt Management Policy for the fiscal year ending June 30, 2014. It is our goal to demonstrate strong financial management practices to the citizens of Hamblen County, investors, and credit agencies. This transparency strengthens the accountability for all of us. We must, and will, ensure that taxpayers' dollars are properly expended.

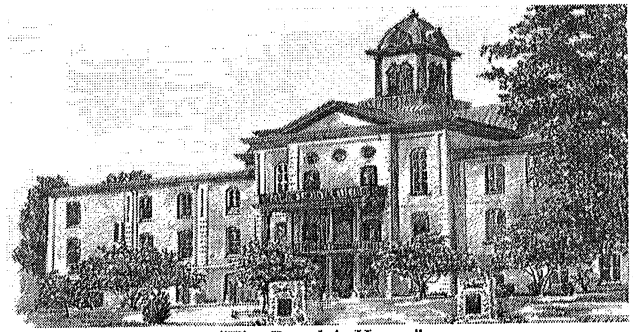
Hamblen County received a rating of Aa3 from Moody's Investors Service, and an A+ from Standard and Poor's during its most recent ratings. These ratings are a positive reflection of Hamblen County's solid financial position, strengthening of reserves, conservative budgetary practices, and manageable debt profile. These ratings allow Hamblen County to obtain financing at lower interest rates, which in return means a lesser burden on its citizens.

The most recent ratings are further supported by examining certain ratios to national benchmarks. Based on the principal that will be outstanding as of June 30, 2014, Hamblen County's net debt to assessed property value is 2.5 percent compared to the national benchmark of no more than 10 percent. Additionally, Hamblen County's net debt-per-capita ratio of \$575 is more than favorable compared to the benchmark of \$1,200. Finally, the fact that Hamblen County's net debt as a percentage of personal income is 1.79 percent compared to the benchmark of 15 percent or less reinforces the strong financial management practices that are being utilized.

As we begin the 2014-2015 budget discussions, we will work with County Commission and exercise strong financial management practices to ensure the continued financial success of Hamblen County.

HAMBLEN COUNTY GOVERNMENT

Bill Brittain
County Mayor



"The People's House"

April 4, 2014

TO: Louis "Doe" Jarvis
Finance Committee Chair

FROM: Bill Brittain, County Mayor *BB*
Joey Barnard, Finance Director *JB*

RE: Annual Debt Report

In compliance with Section II.B of Hamblen County's Debt Management Policy, Joey Barnard, Finance Director, and I present the Annual Debt Report (Report) for the fiscal year ending June 30, 2014, for your approval. Joey and I agree that the timing of this report is advantageous. This report provides invaluable information to the Finance Committee, Budget Committee, and County Commission that will allow us to adopt an adequately funded debt budget. The information contained herein will allow us to evaluate our current financial position, future funding requirements, and our ability to issue debt in the future based on capacity.

Hamblen County's ratings of Aa3 from Moody's Investors Service, and an A+ from Standard and Poor's are a positive reflection of Hamblen County's solid financial position, strengthening of reserves, conservative budgetary practices, and manageable debt profile. These ratings allow Hamblen County to obtain financing at lower interest rates, which in return means a lesser burden on its citizens.

Additionally, I feel that this report allows us to demonstrate strong financial management practices to the citizens of Hamblen County, investors, and credit agencies. This transparency strengthens the accountability for all of us. We must, and will, ensure that taxpayers' dollars are properly expended.

We look forward to working together, so that we can, and will, prepare a debt budget that meets the needs of the citizens. Again, we are pleased to present the Annual Report as we begin to consider the 2014-2015 General Debt Service Fund Budget.

Hamblen County, Tennessee
Annual Debt Report
Schedule of Changes in Long-term Other Loans and Bonds
For the Year Ending June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-14
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Local Government Public Improvement Bonds, Series E-4-A - Refunding	\$ 10,100,000	Variable (1)	8-13-08	6-1-25	\$ 10,100,000	\$ 0	\$ 0	\$ 10,100,000
Local Government Public Improvement Bonds, Series VII-C-2 - Refunding	20,200,000	Variable (1)	11-24-08	6-1-17	8,855,000	0	2,690,000	6,165,000
Qualified School Construction Bonds	11,280,000	1.515	12-17-09	7-1-26	9,285,746	0	703,854	8,581,892
Total Payable through General Debt Service Fund					\$ 28,240,746	\$ 0	\$ 3,393,854	\$ 24,846,892
Total Other Loans Payable					\$ 28,240,746	\$ 0	\$ 3,393,854	\$ 24,846,892
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation Refunding Bonds, Series 2009	10,860,000	3 to 5	9-23-09	6-1-19	\$ 10,455,000	\$ 0	\$ 110,000	\$ 10,345,000
General Obligation Bonds, Series 2010	2,375,000	2	8-11-10	6-1-16	805,000	0	265,000	540,000
General Obligation Bonds, Series 2014	5,200,000	1.15 to 2	3-28-14	6-1-23	0	5,200,000	0	5,200,000
Total Payable through General Debt Service Fund					\$ 11,260,000	\$ 5,200,000	\$ 375,000	\$ 16,085,000
Total Bonds Payable					\$ 11,260,000	\$ 5,200,000	\$ 375,000	\$ 16,085,000
TOTAL DEBT					\$ 39,500,746	\$ 5,200,000	\$ 3,768,854	\$ 40,931,892

(1) These issues were swapped to a synthetic fixed rate by execution of swap agreements in prior years.

Hamblen County, Tennessee
Annual Debt Report

Percentage of Debt - Hamblen County Government to Hamblen County School Department

Description of Indebtedness	Percentage of Outstanding		Percentage of Outstanding		Amount of Outstanding		Amount of Outstanding		Total
	Balance Related to Hamblen County General Government	%	Balance Related to Hamblen County School Department	%	Balance Related to Hamblen County General Government	\$	Balance Related to Hamblen County School Department	\$	
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Local Government Public Improvement Bonds, Series E-4-A - Refunding	24.76	%	75.24	%	\$	2,500,760	\$	7,599,240	\$ 10,100,000
Local Government Public Improvement Bonds, Series VII-C-2 - Refunding	13.60		86.40			838,440		5,326,560	6,165,000
Qualified School Construction Bonds	0.00		100.00			0		8,581,892	8,581,892
Total Payable through General Debt Service Fund					\$	3,339,200	\$	21,507,692	\$ 24,846,892
Total Other Loans Payable					\$	3,339,200	\$	21,507,692	\$ 24,846,892
<u>BONDS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
General Obligation Refunding Bonds, Series 2009	2.00		98.00		\$	206,900	\$	10,138,100	\$ 10,345,000
General Obligation Bonds, Series 2010	0.00		100.00			0		540,000	540,000
General Obligation Bonds, Series 2014	51.92		48.08			2,700,000		2,500,000	5,200,000
Total Payable through General Debt Service Fund					\$	2,906,900	\$	13,178,100	\$ 16,085,000
Total Bonds Payable					\$	2,906,900	\$	13,178,100	\$ 16,085,000
TOTAL DEBT	15.26		84.74		\$	6,246,100	\$	34,685,792	\$ 40,931,892

Hamblen County, Tennessee
Annual Debt Report
Schedule of Budgeted Debt Payments
Fiscal Year 2014

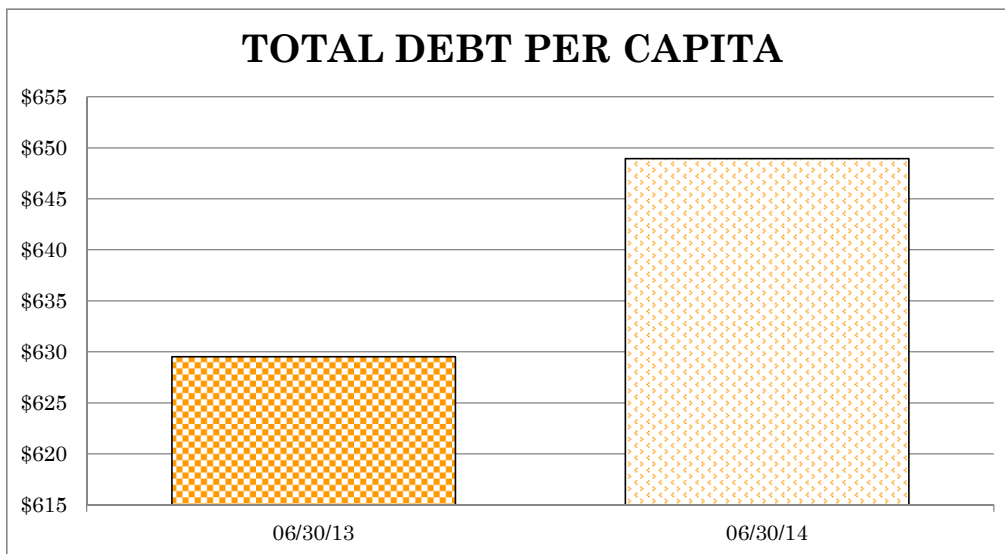
	PRINCIPAL	INTEREST
Other Loans:		
Local Government Public Improvement Bonds Refunding, Series E-4-A	\$ -	\$ 505,000
Local Government Public Improvement Bonds Refunding, Series VII-C-2	2,690,000	442,750
Qualified School Construction Bonds	<u>703,854</u>	<u>182,172</u>
Total Other Loans	<u><u>\$ 3,393,854</u></u>	<u><u>\$ 1,129,922</u></u>
Bonds:		
General Obligation Refunding Bonds, Series 2009	\$ 110,000	\$ 451,500
General Obligation Bonds, Series 2010	265,000	16,100
General Obligation Bonds, Series 2014	<u>-</u>	<u>15,984</u>
Total Bonds	<u><u>\$ 375,000</u></u>	<u><u>\$ 483,584</u></u>
TOTAL BUDGETED DEBT PAYMENTS	<u><u>\$ 3,768,854</u></u>	<u><u>\$ 1,613,506</u></u>

Hamblen County, Tennessee
Annual Debt Report
Debt Per Capita

Calculation Method:

$$\text{Debt Per Capita} = \frac{\text{Total Debt of the County}^1}{\text{County's Population}^2}$$

	06/30/13	06/30/14
Total Debt	\$ 39,500,746	\$ 40,931,892
Population	62,746	63,074
Debt Per Capita	\$ 630	\$ 649



Debt Per Capita - This ratio is used in evaluating the county's ability to pay off its debt by taking the total principal on outstanding debt divided by the total citizens in the county.

¹ Only the principal amount is utilized.

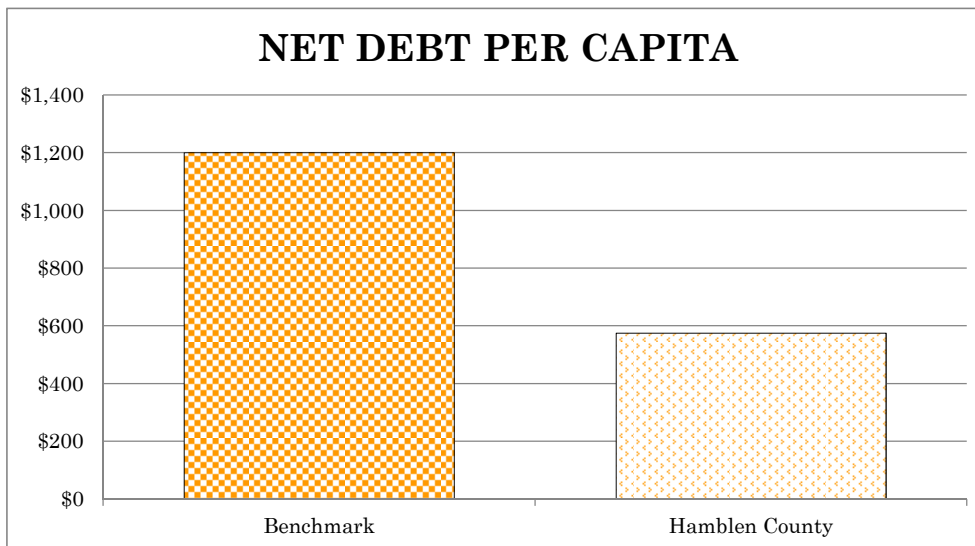
² U.S. Census, <http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>.

Hamblen County, Tennessee
Annual Debt Report
Net Debt and Net Debt Per Capita

Calculation Method:

$$\text{Net Debt Per Capita} = \frac{\text{Net Debt of the County}^1}{\text{County's Population}^2}$$

	Benchmark ³	Hamblen County
Total Debt		\$ 40,931,892
Less: Projected Year-end Fund Balances		(4,669,928)
Net Debt		<u>\$ 36,261,964</u>
Population		<u>63,074</u>
Net Debt Per Capita	\$ 1,200	\$ 575



Net Debt - Net debt is the outstanding principal less the funds that are currently available in fund balance. This allows Hamblen County to determine the amount that will be required to be collected in the future to retire the outstanding principal. This ratio is used in evaluating Hamblen County's ability to pay off its debt by taking the total principal on outstanding debt divided by the citizens in the county.

Net Debt Per Capita - This is calculated by taking the net debt divided by the total citizens of Hamblen County. This is the additional amount that Hamblen County would need to collect from every citizen in order to retire the outstanding principal balance. Simply stated, if every citizen remitted an additional \$575 at June 30, Hamblen County would be able to retire all of its debt excluding the interest component. The national benchmark is \$1,200 in principal indebtedness per citizen. However, this benchmark on the citizens of Hamblen County would not be a sustainable level, and would impact Hamblen County's ability to borrow additional debt in the future and higher interest rates.

¹ Only the principal amount less projected year-end fund balance is utilized.

² U.S. Census, <http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>.

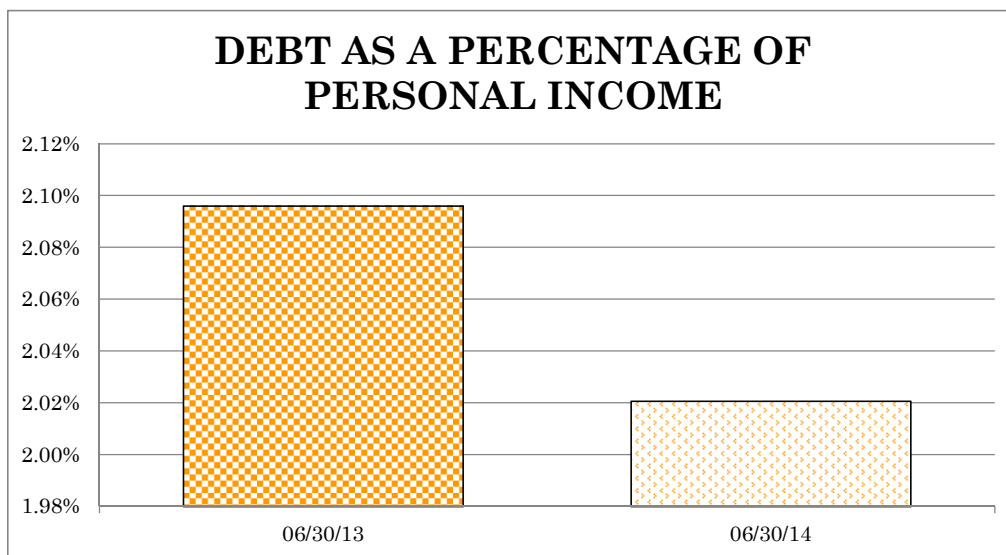
³ "Municipal Benchmarks: Assessing Local Performance and Establishing Community Service Standards", David N. Ammons. - 2001, p. 119.

Hamblen County, Tennessee
Annual Debt Report
Debt as a Percentage of Personal Income

Calculation Method:

$$\text{Debt as Percentage of Personal Income} = \frac{\text{Total Debt of the County}^1 / \text{County's Population}^2}{\text{Total Personal Income}^3}$$

	06/30/13	06/30/14
Total Debt	\$ 39,500,746	\$ 40,931,892
Population	62,746	63,074
Personal Income	30,034	32,117
Debt Per Capita	2.10%	2.02%



Debt as a Percentage of Personal Income - This ratio incorporates an ability to pay concept into the assessment of debt burden. It uses the total personal income (including wages, dividends, interest, rent, and government payments) divided by total population.

¹ Only the principal amount is utilized.

² U.S. Census, <http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>.

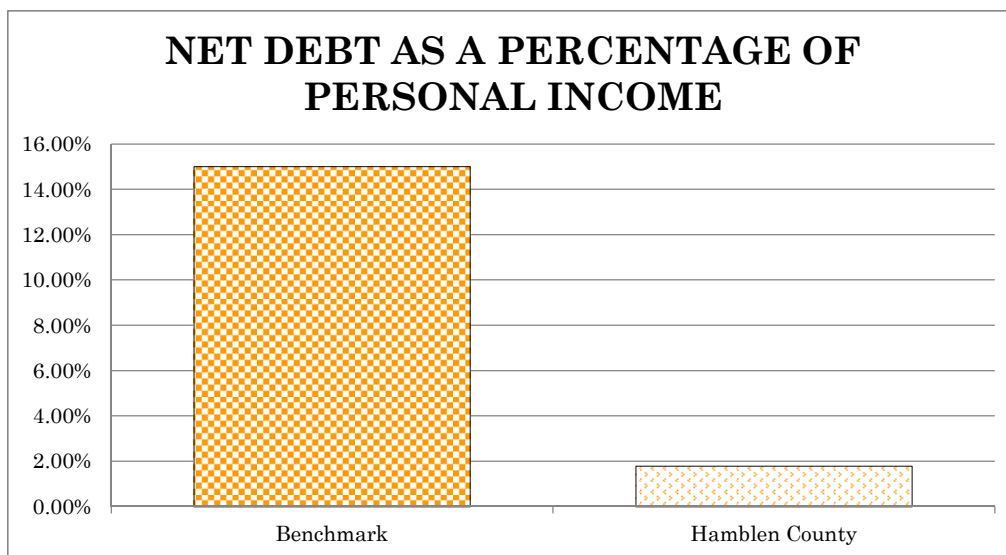
³ Bureau of Economic Analysis, www.bea.gov/iTable/print.cfm.

Hamblen County, Tennessee
Annual Debt Report
Net Debt as a Percentage of Personal Income

Calculation Method:

$$\text{Net Debt as Percentage of Personal Income} = \frac{\text{Net Debt of the County}^1 / \text{County's Population}^2}{\text{Total Personal Income}^3}$$

	Benchmark ⁴	Hamblen County
Total Debt		\$ 40,931,892
Less: Beginning of the Year Fund Balances		(4,669,928)
Net Debt		<u>\$ 36,261,964</u>
Personal Income		<u>\$ 32,117</u>
Population		<u>63,074</u>
Net Debt Per Capita	<u>15%</u>	<u>1.79%</u>



Net Debt as a Percentage of Personal Income - This ratio incorporates an ability to pay concept into the assessment of debt burden. It uses the total personal income (including wages, dividends, interest, rent, and government payments) divided by total population. The importance of this ratio is that it can be utilized to determine how Hamblen County's debt load can be spread to its citizens on their ability to pay compared to a benchmark. The current benchmark is that net debt as a percentage of personal income is 15% or less. Hamblen County's current net debt as a percentage of personal income is 1.79%.

¹ Only the principal amount less projected year-end fund balance is utilized.

² U.S. Census, <http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>.

³ Bureau of Economic Analysis, www.bea.gov/iTable/print.cfm.

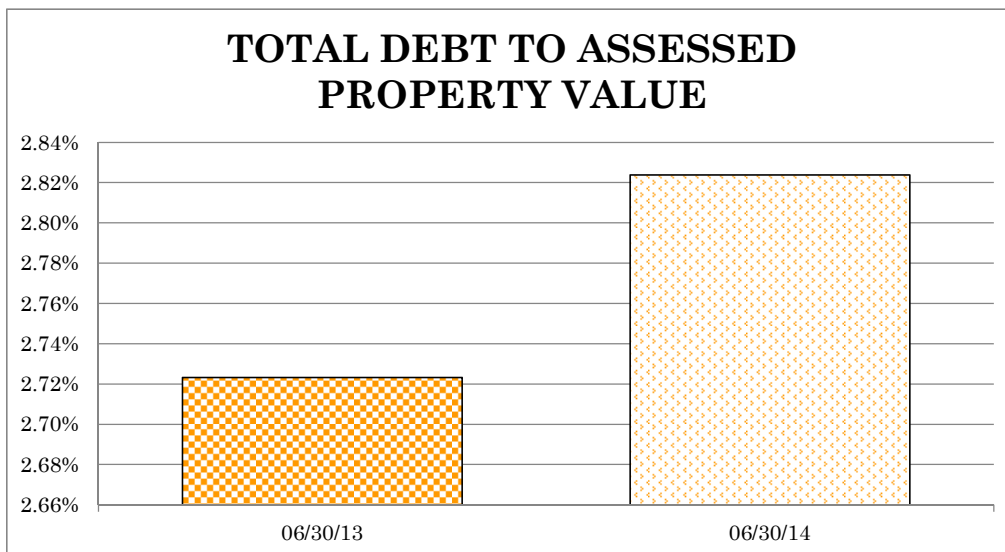
⁴ "Municipal Benchmarks: Assessing Local Performance and Establishing Community Service Standards", David N. Ammons. - 2001, p. 119.

Hamblen County, Tennessee
Annual Debt Report
Debt to Assessed Property Value

Calculation Method:

$$\frac{\text{Debt to Assessed Property Value}}{\text{Debt to Assessed Property Value}} = \frac{\text{Total Debt of the County}^1}{\text{Assessed Property Value}^2}$$

	06/30/13	06/30/14
Total Debt	\$ 39,500,746	\$ 40,931,892
Assessed Property Value	1,450,449,492	1,449,506,267
Debt to Assessed Property Value	2.72%	2.82%



Debt to Assessed Property Value - This ratio examines Hamblen County's current indebtedness to the assessed property value. It shows the wealth available to support present indebtedness so the County can include any planned debt to calculate anticipated ratio, thus helping determine whether the County has capacity to meet present and future obligations.

¹ Only the principal amount is utilized.

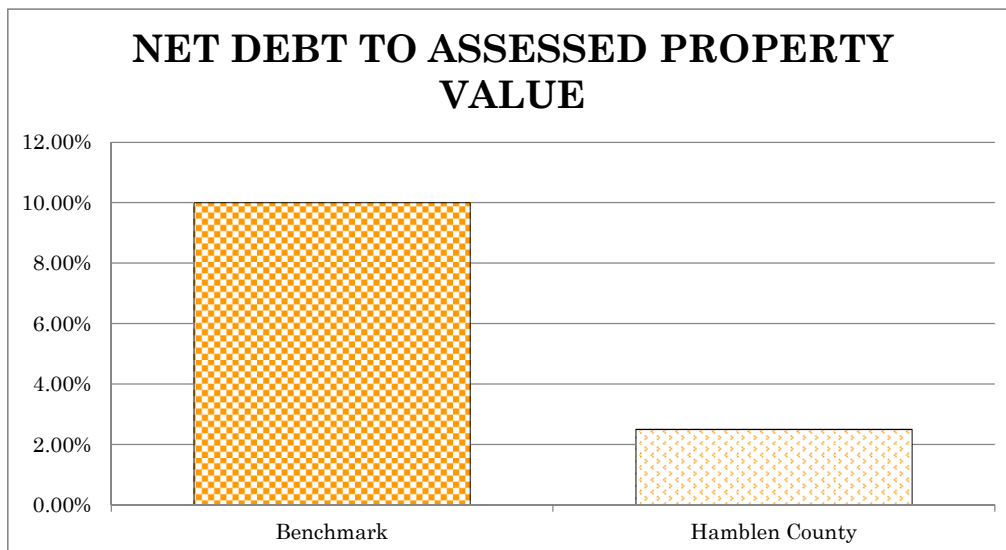
² This is based on final assessments as received from the State of Tennessee, and excludes any changes made during the year.

Hamblen County, Tennessee
Annual Debt Report
Net Debt to Assessed Property Value

Calculation Method:

$$\frac{\text{Net Debt to Assessed Property Value}}{\text{Property Value}} = \frac{\text{Net Debt of the County}^1}{\text{Assessed Property Value}^2}$$

	Benchmark ³	Hamblen County
Total Debt		\$ 40,931,892
Less: Beginning of the Year Fund Balance		(4,669,928)
Net Debt		<u>\$ 36,261,964</u>
Assessed Property Value		<u>\$ 1,449,506,267</u>
Net Debt to Assessed Property Value	<u>10%</u>	<u>2.50%</u>



Net Debt to Assessed Property Value - This ratio examines Hamblen County's net indebtedness to the assessed property value. It shows the wealth available to support present indebtedness so the County can include any planned debt to calculate anticipated ratio, thus helping determine whether the County has capacity to meet present and future obligations. The higher the percentage, the higher that the tax rate must be in order to meet Hamblen County's obligation. The current benchmark being utilized is 10%. Hamblen County's current net debt to assessed property value of 2.50% is well below the benchmark.

¹ Only the principal amount less projected year-end fund balance is utilized.

² This is based on final assessments as received from the State of Tennessee, and excludes any changes made during the year.

³ "Municipal Benchmarks: Assessing Local Performance and Establishing Community Service Standards",

David N. Ammons. - 2001, p. 119.

Hamblen County, Tennessee
Annual Debt Report
Schedule of Long-term Debt Requirements by Year - Total
General Debt Service Fund

Year Ending June 30	Principal	Interest	Other Fees	Total
2014	\$ 3,768,854	\$ 1,491,318	\$ 122,188	\$ 5,382,360
2015	4,498,854	1,432,230	113,522	6,044,606
2016	4,653,854	1,279,448	104,404	6,037,706
2017	4,548,854	1,119,682	94,820	5,763,356
2018	4,883,854	975,342	93,660	5,952,856
2019	4,973,854	599,912	93,660	5,667,426
2020	2,788,854	593,512	93,660	3,476,026
2021	2,883,854	532,002	81,670	3,497,526
2022	2,978,854	467,144	69,028	3,515,026
2023	2,743,854	398,939	55,733	3,198,526
2024	2,518,854	326,968	41,704	2,887,526
2025	2,618,854	251,022	26,900	2,896,776
2026	773,140	170,892	11,280	955,312
2027	66,358	14,241	2,820	83,419
Total	\$ 44,700,746	\$ 9,652,652	\$ 1,005,049	\$ 55,358,447

Hamblen County, Tennessee
Annual Debt Report
Schedule of Long-term Debt Requirements by Year - By Debt Type
General Debt Service Fund

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 3,393,854	\$ 1,007,734	\$ 122,188	\$ 4,523,776
2015	3,533,854	881,900	113,522	4,529,276
2016	3,678,854	749,518	104,404	4,532,776
2017	1,063,854	610,352	94,820	1,769,026
2018	703,854	593,512	93,660	1,391,026
2019	703,854	593,512	93,660	1,391,026
2020	2,173,854	593,512	93,660	2,861,026
2021	2,253,854	532,002	81,670	2,867,526
2022	2,333,854	467,144	69,028	2,870,026
2023	2,423,854	398,939	55,733	2,878,526
2024	2,518,854	326,968	41,704	2,887,526
2025	2,618,854	251,022	26,900	2,896,776
2026	773,140	170,892	11,280	955,312
2027	66,358	14,241	2,820	83,419
Total	\$ 28,240,746	\$ 7,191,248	\$ 1,005,049	\$ 36,437,043

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 375,000	\$ 483,584	\$ 858,584
2015	965,000	550,330	1,515,330
2016	975,000	529,930	1,504,930
2017	3,485,000	509,330	3,994,330
2018	4,180,000	381,830	4,561,830
2019	4,270,000	226,730	4,496,730
2020	615,000	36,715	651,715
2021	630,000	28,412	658,412
2022	645,000	18,333	663,333
2023	320,000	6,400	326,400
Total	\$ 16,460,000	\$ 2,771,594	\$ 19,231,594

Hamblen County, TennesseeAnnual Debt ReportSchedule of Long-term Debt Requirements by YearLocal Government Public Improvement Bonds - Series E-4-A, Refunding

Year Ending June 30	Principal	Interest	Other Fees	Total
2014	\$ 0	\$ 422,620	\$ 82,380	\$ 505,000
2015	0	422,620	82,380	505,000
2016	0	422,620	82,380	505,000
2017	0	422,620	82,380	505,000
2018	0	422,620	82,380	505,000
2019	0	422,620	82,380	505,000
2020	1,470,000	422,620	82,380	1,975,000
2021	1,550,000	361,110	70,390	1,981,500
2022	1,630,000	296,252	57,748	1,984,000
2023	1,720,000	228,047	44,453	1,992,500
2024	1,815,000	156,076	30,424	2,001,500
2025	1,915,000	80,130	15,620	2,010,750
Total	\$ 10,100,000	\$ 4,079,955	\$ 795,295	\$ 14,975,250

NOTE:

Local Government Public Improvement Bonds, Series E-4-A, Refunding were issued through the Blount County Public Building Authority on August 13, 2008, in the amount of \$10,100,000. This other loan was issued at a cost of \$100,000 to refund the \$10,000,000 outstanding for the Local Government Public Improvement Bonds, Series A-2-B. Series A-2-B was originally issued on June 1, 2001, for capital projects related to the school department and the courthouse annex. Series A-2-B has a synthetic fixed rate through the execution of swap agreement (a derivative). As of March 31, 2014, the swap agreement has a \$1,670,430 termination value should Hamblen County desire to terminate the swap. The termination value is constantly changing based on financial market conditions. Currently, interest and other fees are budgeted at a rate of 5%.

Hamblen County, Tennessee

Annual Debt Report

Schedule of Long-term Debt Requirements by Year

Local Government Public Improvement Bonds - Series VII-C-2, Refunding

Year Ending June 30	Principal	Interest	Other Fees	Total
2014	\$ 2,690,000	\$ 414,222	\$ 28,528	\$ 3,132,750
2015	2,830,000	288,388	19,862	3,138,250
2016	2,975,000	156,006	10,744	3,141,750
2017	360,000	16,840	1,160	378,000
Total	\$ 8,855,000	\$ 875,456	\$ 60,294	\$ 9,790,750

NOTE:

Local Government Public Improvement Bonds, Series VII-C-2, Refunding were issued through the Sevier County Public Building Authority on November 24, 2008, in the amount of \$20,200,000. This other loan was issued at a cost of \$200,000 to refund the \$10,000,000 outstanding for the Local Government Public Improvement Bonds, Series III-D-2, and the \$10,000,000 outstanding for the Local Government Public Improvement Bonds, Series IV-B-3. Series III-D-2 was originally issued on January 1, 1999, for capital projects related to the school department and the courthouse annex. Series III-D-2 has a synthetic fixed rate through the execution of swap agreement (a derivative). As of March 31, 2014, the swap agreement had a \$461,509 termination value should Hamblen County desire to terminate the swap. The termination value is constantly changing based on financial market conditions. Series IV-B-3 was originally issued on January 1, 2000, for capital projects related to the school department and the courthouse annex. Currently, interest and other fees are budgeted at a rate of 5%.

Hamblen County, Tennessee
Annual Debt Report
Schedule of Long-term Debt Requirements by Year
Qualified School Construction Bond

Year Ending June 30	Principal	Interest	Other Fees	Total
2014	\$ 703,854	\$ 170,892	\$ 11,280	\$ 886,026
2015	703,854	170,892	11,280	886,026
2016	703,854	170,892	11,280	886,026
2017	703,854	170,892	11,280	886,026
2018	703,854	170,892	11,280	886,026
2019	703,854	170,892	11,280	886,026
2020	703,854	170,892	11,280	886,026
2021	703,854	170,892	11,280	886,026
2022	703,854	170,892	11,280	886,026
2023	703,854	170,892	11,280	886,026
2024	703,854	170,892	11,280	886,026
2025	703,854	170,892	11,280	886,026
2026	773,140	170,892	11,280	955,312
2027	66,358	14,241	2,820	83,419
Total	\$ 9,285,746	\$ 2,235,837	\$ 149,460	\$ 11,671,043

NOTE:

The Qualified School Construction Bonds were issued through the Tennessee State School Bond Authority and loaned to Hamblen County on December 17, 2009, in the amount of \$11,280,000. This other loan was issued at a cost of \$124,936 for capital projects related to the school department. It is important to note that the Tennessee State School Bond Authority issued the bonds and loaned the proceeds to Hamblen County and various other governments across Tennessee. Hamblen County pays interest of 1.515 percent on its share of the bonds and also pays a monthly administrative fee to the State of Tennessee. Hamblen County and the other borrowers of the bond proceeds are required to comply with federal regulations established for the Qualified School Construction Bond program. Failure to comply with those requirements may result in the loss of the tax credit status of the bonds. This would result in further charges to the borrowers (Hamblen County) including the requirements to pay the tax-credit rate (5.86 percent) in addition to the 1.515 percent for a total rate of 7.375 percent. Currently, the budget is based on the 1.515 percent and the related monthly administrative fee.

Hamblen County, Tennessee
Annual Debt Report
Schedule of Long-term Debt Requirements by Year
General Obligation Refunding Bonds, Series 2009

Year Ending June 30	Principal	Interest	Total
2014	\$ 110,000	\$ 451,500	\$ 561,500
2015	110,000	448,200	558,200
2016	110,000	444,900	554,900
2017	2,890,000	441,600	3,331,600
2018	3,575,000	326,000	3,901,000
2019	3,660,000	183,000	3,843,000
Total	<u>\$ 10,455,000</u>	<u>\$ 2,295,200</u>	<u>\$ 12,750,200</u>

NOTE:

General Obligation Refunding Bonds, Series 2009 were issued on September 23, 2009 in the amount of \$10,860,000. These bonds were sold at premium totaling \$911,416 and issued at a cost of \$234,113. The bonds refunded the \$10,000,000 outstanding on the Local Government Public Improvement Bonds, Series III-A-3, and the associated swap agreement (a derivative) totaling \$1,497,000. The Series III-A-3 was originally issued on March 19, 1998, for capital projects related to the school department. The fixed interest rates on the Series 2009 bonds range from 3% percent to 5%.

Hamblen County, Tennessee
Annual Debt Report
Schedule of Long-term Debt Requirements by Year
General Obligation Bonds, Series 2010

Year Ending June 30	Principal	Interest	Total
2014	\$ 265,000	\$ 16,100	\$ 281,100
2015	270,000	10,800	280,800
2016	<u>270,000</u>	<u>5,400</u>	<u>275,400</u>
Total	<u>\$ 805,000</u>	<u>\$ 32,300</u>	<u>\$ 837,300</u>

NOTE:

General Obligation Bonds, Series 2010 were issued on August 11, 2010, in the amount of \$2,375,000. These bonds were sold at a premium totaling \$52,081 and issued at a cost of \$48,946. The bonds were issued for capital projects related to the school department. The interest rate on the Series 2010 bonds is fixed at 2%.

Hamblen County, Tennessee
Annual Debt Report
Schedule of Long-term Debt Requirements by Year
General Obligation Bonds, Series 2014

Year Ending June 30	Principal	Interest	Total
2014	\$ 0	\$ 15,984	\$ 15,984
2015	585,000	91,330	676,330
2016	595,000	79,630	674,630
2017	595,000	67,730	662,730
2018	605,000	55,830	660,830
2019	610,000	43,730	653,730
2020	615,000	36,715	651,715
2021	630,000	28,412	658,412
2022	645,000	18,333	663,333
2023	320,000	6,400	326,400
Total	<u>\$ 5,200,000</u>	<u>\$ 444,094</u>	<u>\$ 5,644,094</u>

NOTE:

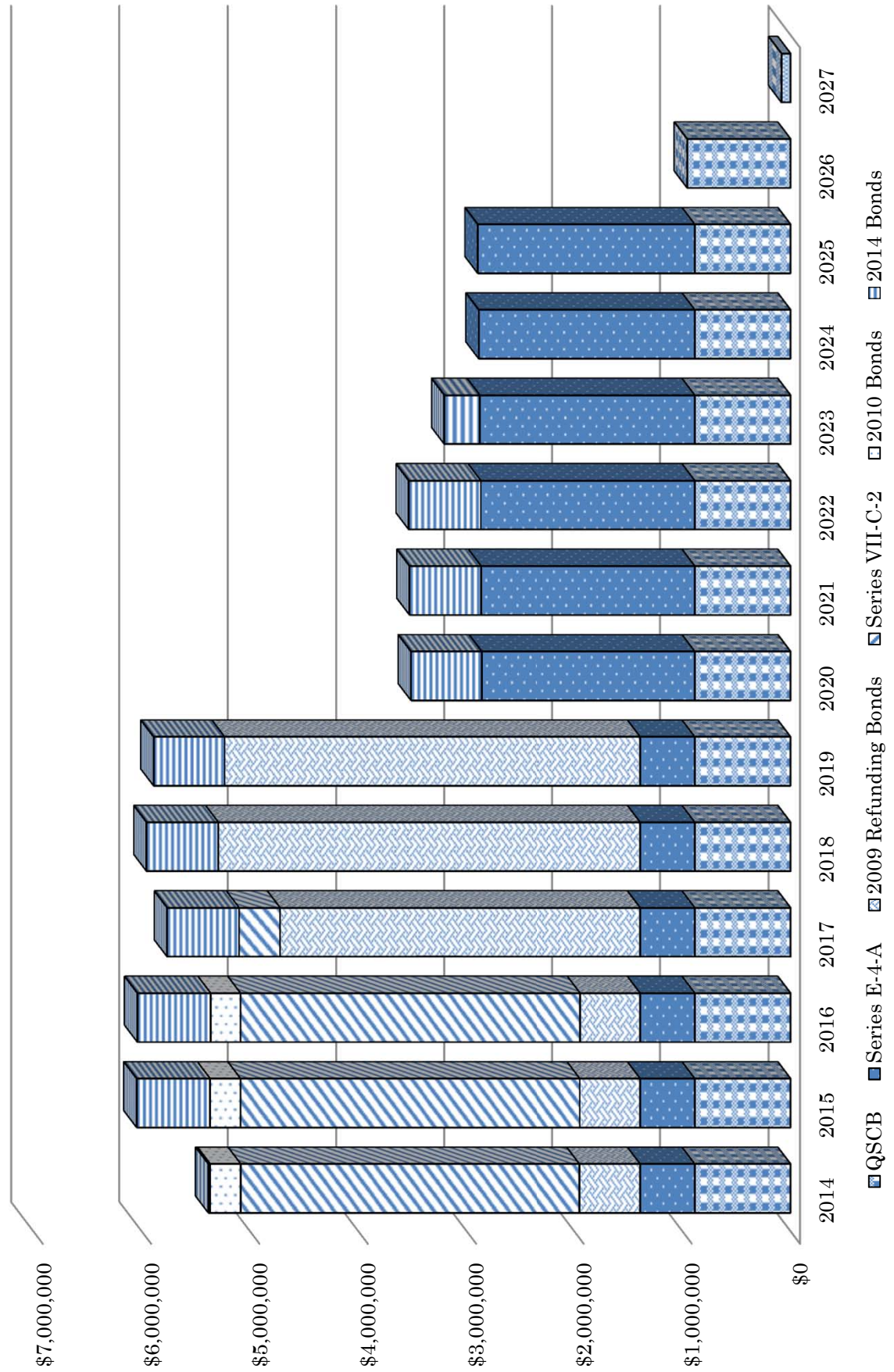
General Obligation Bonds, Series 2014 were issued on March 28, 2014, in the amount of \$5,200,000. These bonds were sold at a premium totaling \$77,475 and issued at a cost of \$73,224. Of the \$5,200,000 issued, \$2,700,000 was for paving project in the county and \$2,500,000 was for capital improvements projects at one of the county high schools. The fixed interest rates on the Series 2014 bonds range from 1.15% to 2%.

Hamilton County, Tennessee
Annual Debt Report
Multi-Year Debt Budget

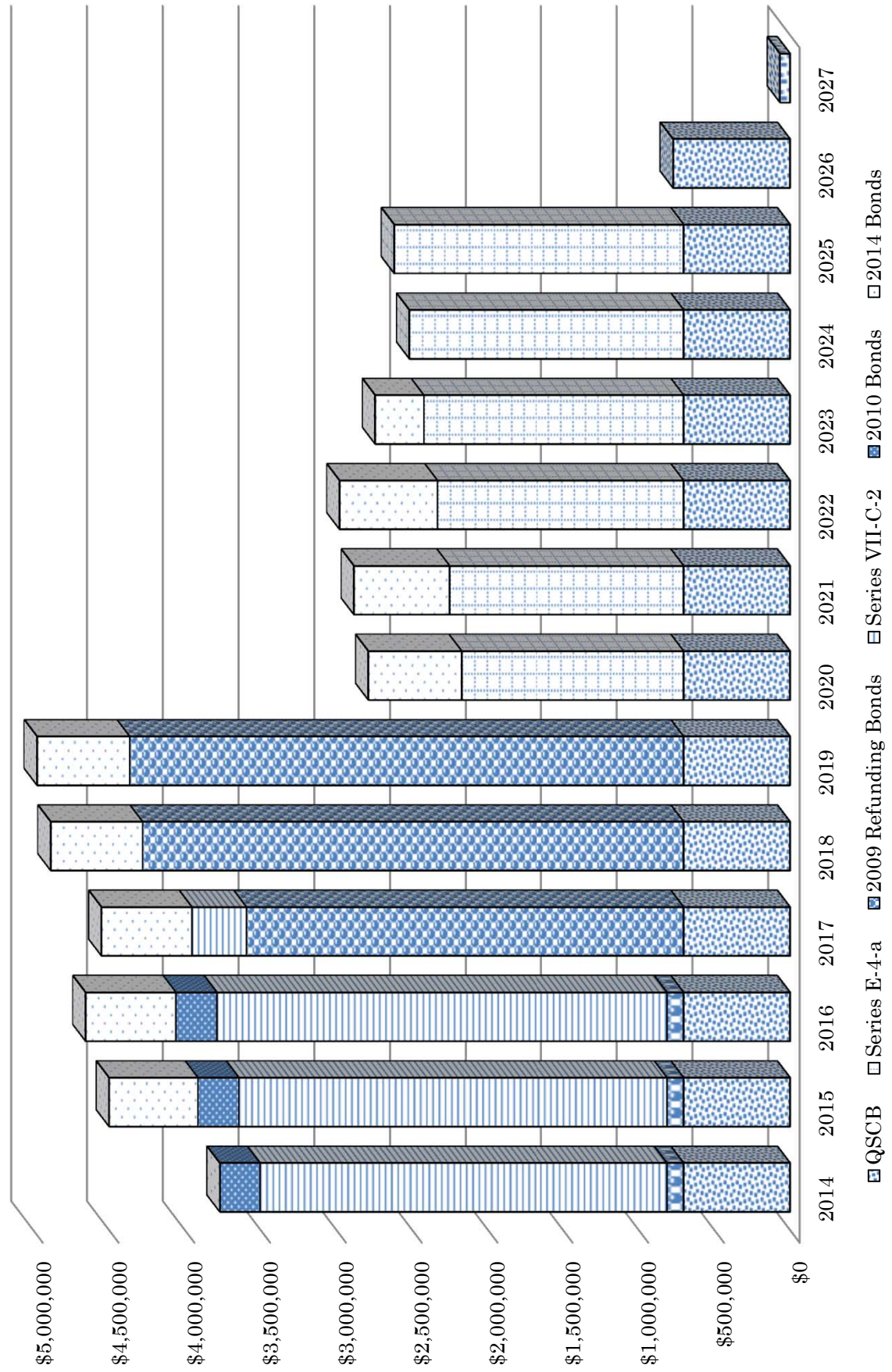
ACCOUNT	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
NUMBER DESCRIPTION														
ESTIMATED REVENUES														
4090 Local Taxes														
40100 Current Property Taxes	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000	\$ 3,993,000
40110 Trustee's Collections - Prior Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
40120 Circuit/Clerk and Master Collections - Prior Years	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250
40130 Interest and Penalty	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250	47,250
40161 Payments in Lieu of Taxes - T.V.A.	409	409	409	409	409	409	409	409	409	409	409	409	409	409
40162 Payments in Lieu of Taxes - Other	62,250	62,250	62,250	62,250	62,250	62,250	62,250	62,250	62,250	62,250	62,250	62,250	62,250	62,250
40163 County Local Option Taxes	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
40200 Local Option Sales Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40210 Litigation Taxes - Jail, Workhouse or Courthouse	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
40296 State and Local Sales Tax	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
40300 State and Local Use Tax	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
40320 Total Local Taxes	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219	\$ 4,631,219
Fines, Forfeitures, and Penalties														
42000 Circuit Court														
42100 Jail Fees	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
42150 General Suspense Court	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
42350 Total Fines, Forfeitures, and Penalties	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500
Other Local Revenues														
44000 Recurring Items														
44100 Investment Income	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000
44110 Other Local Revenues	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
44690 Total Other Local Revenues	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000
Total Estimated Revenues and Other Sources														
	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719	\$ 5,403,719
ESTIMATED EXPENDITURES														
82100 Principal on Debt														
82110 General Government														
601 Principal on Bonds	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 71,500	\$ 73,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
612 Principal on Other Loans	\$ 365,840	\$ 387,080	\$ 406,800	\$ 406,800	\$ 0	\$ 73,200	\$ 363,972	\$ 383,780	\$ 403,588	\$ 425,872	\$ 449,394	\$ 474,154	\$ 0	\$ 0
Total Principal - General Government	\$ 368,040	\$ 389,280	\$ 409,000	\$ 409,000	\$ 71,500	\$ 73,200	\$ 363,972	\$ 383,780	\$ 403,588	\$ 425,872	\$ 449,394	\$ 474,154	\$ 0	\$ 0
82120 Highways and Streets														
601 Principal on Bonds	\$ 0	\$ 285,000	\$ 280,000	\$ 290,000	\$ 295,000	\$ 300,000	\$ 300,000	\$ 305,000	\$ 315,000	\$ 320,000	\$ 0	\$ 0	\$ 0	\$ 0
Total Principal - Highways and Streets	\$ 0	\$ 285,000	\$ 280,000	\$ 290,000	\$ 295,000	\$ 300,000	\$ 300,000	\$ 305,000	\$ 315,000	\$ 320,000	\$ 0	\$ 0	\$ 0	\$ 0
82130 Education														
603 Principal on Bonds	\$ 979,800	\$ 977,900	\$ 989,800	\$ 989,800	\$ 3,813,500	\$ 3,898,900	\$ 315,000	\$ 935,000	\$ 939,000	\$ 1,997,982	\$ 2,069,460	\$ 2,144,700	\$ 773,140	\$ 0
612 Principal on Other Loans	\$ 3,028,014	\$ 3,148,974	\$ 3,274,254	\$ 3,101,804	\$ 701,854	\$ 703,554	\$ 1,890,882	\$ 1,870,074	\$ 1,893,266	\$ 1,870,074	\$ 2,089,460	\$ 2,144,700	\$ 773,140	\$ 68,358
Total Principal - Education	\$ 3,400,814	\$ 3,826,774	\$ 3,857,054	\$ 4,115,604	\$ 4,517,354	\$ 4,600,054	\$ 2,124,882	\$ 2,195,074	\$ 2,260,266	\$ 1,997,982	\$ 2,098,460	\$ 2,144,700	\$ 773,140	\$ 68,358
82200 Interest on Debt														
603 General Government	\$ 0,000	\$ 8,954	\$ 8,898	\$ 8,932	\$ 6,520	\$ 3,650	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
603 Interest on Bonds	\$ 185,252	\$ 166,960	\$ 147,215	\$ 127,362	\$ 125,038	\$ 125,038	\$ 125,038	\$ 106,839	\$ 87,650	\$ 67,471	\$ 46,177	\$ 23,708	\$ 0	\$ 0
613 Interest on Other Loans	\$ 194,282	\$ 175,924	\$ 156,614	\$ 136,318	\$ 131,568	\$ 128,098	\$ 125,038	\$ 106,839	\$ 87,650	\$ 67,471	\$ 46,177	\$ 23,708	\$ 0	\$ 0
Total Interest - General Government	\$ 379,534	\$ 345,884	\$ 304,812	\$ 264,280	\$ 256,606	\$ 253,756	\$ 250,076	\$ 213,678	\$ 175,250	\$ 134,942	\$ 92,674	\$ 47,416	\$ 0	\$ 0
82290 Highways and Streets														
603 Interest on Bonds	\$ 8,367	\$ 47,808	\$ 42,108	\$ 36,307	\$ 30,507	\$ 24,608	\$ 21,157	\$ 17,107	\$ 12,228	\$ 6,400	\$ 0	\$ 0	\$ 0	\$ 0
Total Interest - Highways and Streets	\$ 8,367	\$ 47,808	\$ 42,108	\$ 36,307	\$ 30,507	\$ 24,608	\$ 21,157	\$ 17,107	\$ 12,228	\$ 6,400	\$ 0	\$ 0	\$ 0	\$ 0
82290 Education														
603 Interest on Bonds	\$ 466,187	\$ 493,558	\$ 478,924	\$ 464,191	\$ 344,803	\$ 198,462	\$ 15,558	\$ 11,305	\$ 6,105	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
604 Interest on Notes	\$ 515	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
613 Interest on Other Loans	\$ 983,390	\$ 817,182	\$ 694,026	\$ 606,406	\$ 550,854	\$ 550,854	\$ 500,854	\$ 495,553	\$ 437,242	\$ 375,921	\$ 311,215	\$ 242,934	\$ 170,892	\$ 14,241
Total Interest - Education	\$ 1,450,092	\$ 1,310,740	\$ 1,173,850	\$ 1,070,607	\$ 895,657	\$ 749,316	\$ 566,412	\$ 506,858	\$ 443,347	\$ 375,921	\$ 311,215	\$ 242,934	\$ 170,892	\$ 14,241
82300 Other Debt Service														
82310 General Government														
510 Trustee's Commission	\$ 88,250	\$ 90,015	\$ 91,815	\$ 93,652	\$ 95,525	\$ 97,435	\$ 99,384	\$ 101,372	\$ 103,399	\$ 105,467	\$ 107,576	\$ 109,728	\$ 111,922	\$ 114,161
Total Other Debt Service - General Government	\$ 88,250	\$ 90,015	\$ 91,815	\$ 93,652	\$ 95,525	\$ 97,435	\$ 99,384	\$ 101,372	\$ 103,399	\$ 105,467	\$ 107,576	\$ 109,728	\$ 111,922	\$ 114,161
82390 Education														
689 Other Debt Service	\$ 14,980	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 2,820
Total Other Debt Service - Education	\$ 14,980	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 11,280	\$ 2,820
Total Estimated Expenditures and Other Uses	\$ 5,524,825	\$ 6,134,021	\$ 6,149,521	\$ 5,857,008	\$ 6,048,381	\$ 5,985,191	\$ 5,612,125	\$ 5,327,310	\$ 5,036,754	\$ 4,741,393	\$ 4,446,102	\$ 4,150,904	\$ 3,856,485	\$ 3,561,580
Excess of Estimated Revenue Over (Under) Estimated Expenditures	\$ (131,106)	\$ (730,302)	\$ (725,802)	\$ (453,289)	\$ (644,602)	\$ (581,479)	\$ (1,791,594)	\$ 1,776,409	\$ 1,763,961	\$ 2,893,326	\$ 2,408,617	\$ 2,297,215	\$ 3,836,485	\$ 4,409,139
Estimated Beginning Fund Balance & Reserves - July 1	\$ 4,791,034	\$ 4,693,928	\$ 3,939,026	\$ 3,213,224	\$ 2,759,935	\$ 2,115,273	\$ 1,533,801	\$ 3,325,395	\$ 5,101,805	\$ 6,808,766	\$ 8,962,092	\$ 11,370,709	\$ 13,767,924	\$ 17,694,409
Estimated Ending Fund Balance & Reserves - June 30	\$ 4,659,928	\$ 3,939,026	\$ 3,213,224	\$ 2,759,935	\$ 2,115,273	\$ 1,533,801	\$ 3,325,395	\$ 5,101,805	\$ 6,808,766	\$ 8,962,092	\$ 11,370,709	\$ 13,767,924	\$ 17,694,409	\$ 22,013,548

NOTE: Based on current economic conditions, the revenues are budgeted constant with no growth.

HAMBLEEN COUNTY, TENNESSEE **SCHEDULE OF TOTAL PAYMENTS**

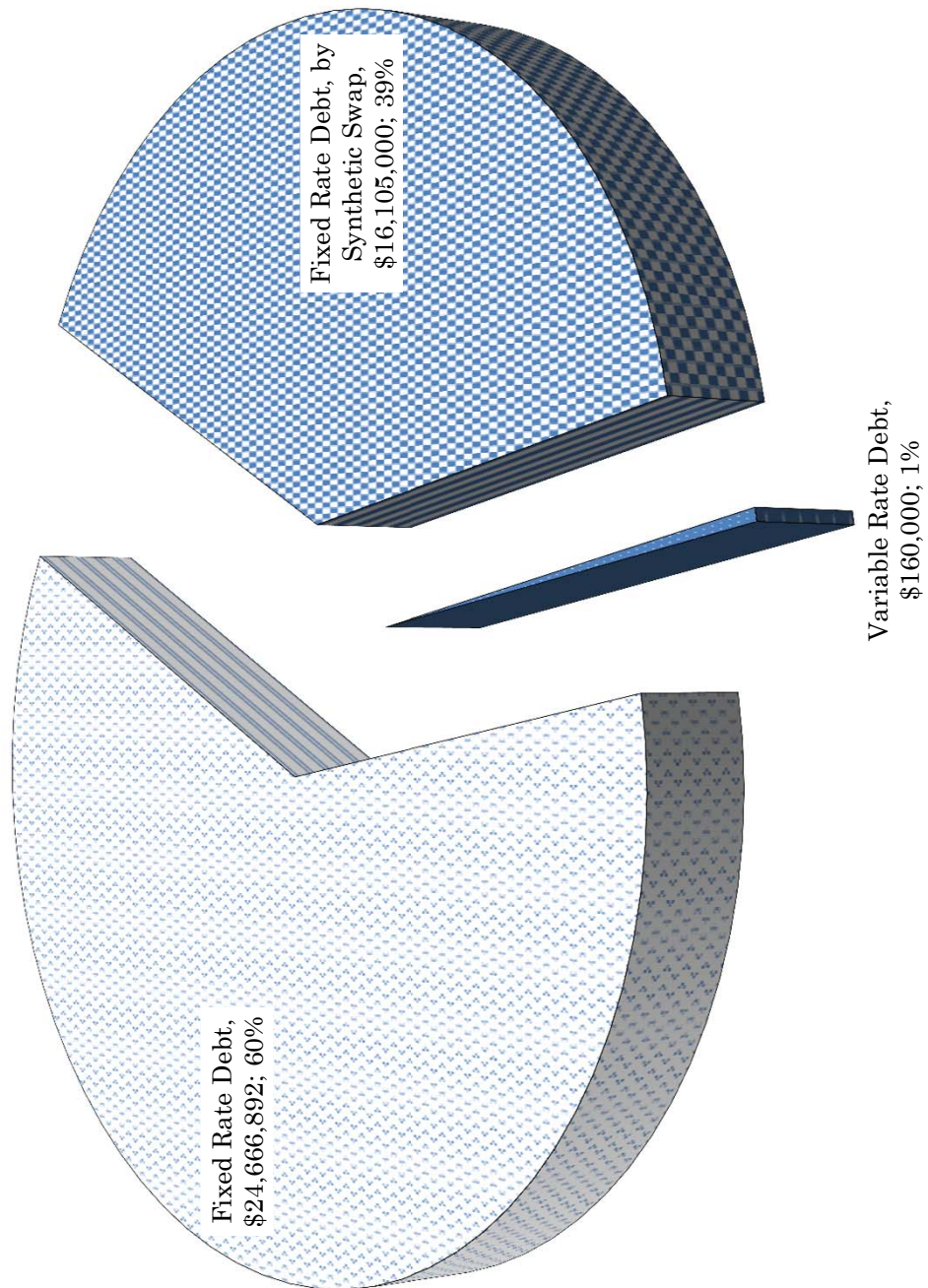


HAMBLEN COUNTY, TENNESSEE SCHEDULE OF PRINCIPAL PAYMENTS



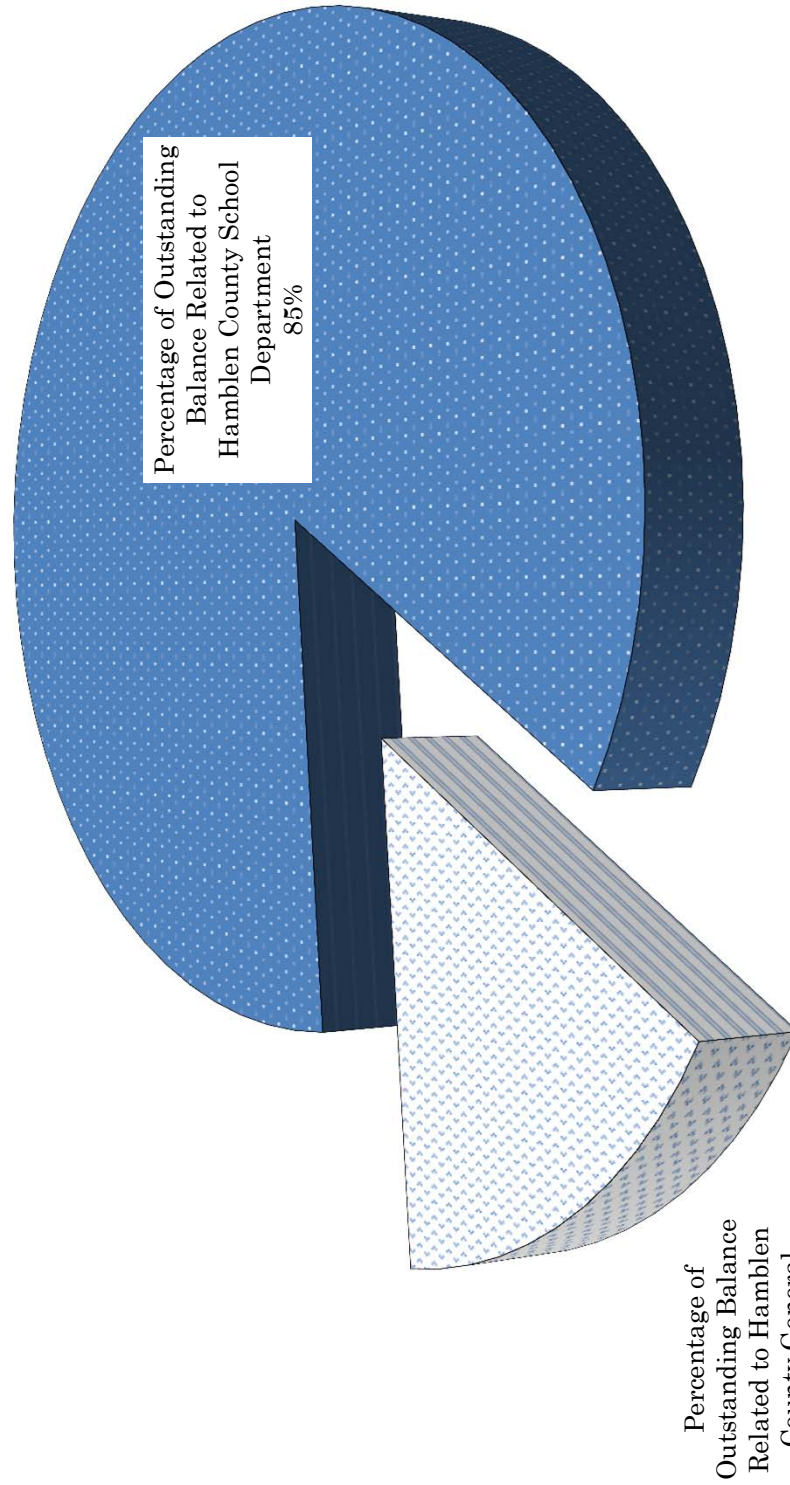
Hamblen County, Tennessee Debt Portfolio Ratios

Total Outstanding Debt - \$40,931,892



Hamblen County, Tennessee General Government to Schools Percentage

Total Outstanding Debt - \$40,931,892



HAMBLLEN COUNTY TENNESSEE

Debt Management Policy

Formally Adopted: December 15, 2011

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INTRODUCTION

Debt management policies provide written guidance about the amount and type of debt issued by a state or local government, the issuance process and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of County Commissioners (the “Governing Body”) of Hamblen County, Tennessee (the “County”), improves the quality of decisions, identifies and discloses parameters relating to the structure and issuance of debt, identifies policy goals, and provides a foundation for long-term financial planning, all of which are in the public interest of the County. Adherence to a debt management policy signals to ratings agencies, investors, and the capital markets that the County is well-managed and should always be prepared to meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

This Debt Management Policy (the “Policy”) is intended to comply with the debt management requirements promulgated by the Tennessee State Funding Board in December 2010 to be formally adopted on or before January 1, 2012. The County may, from time to time, review this Policy and make revisions and updates, if warranted.

I. GOALS AND OBJECTIVES

The Governing Body is establishing a debt management policy as a tool to ensure that financial resources are adequate to meet the County's long-term capital needs. In addition, the Policy helps to ensure that financings undertaken by the County satisfy certain clear, objective standards, designed to protect the County's financial resources in order to meet its long-term capital needs.

A. The goals of this Policy are:

1. To provide management with appropriate guidelines and direction to assist in making sound debt management decisions;
2. To further demonstrate strong financial management practices for our county citizens, outside investors, and credit agencies.

B. The objectives of this Policy are:

1. To enhance the decision process through transparency;
2. To identify and define the types of financing available for the County;
3. To evaluate those financing options by considering all risk;
4. To identify all expenditures related to the financing option including, but not limited to, principal, interest, and annual costs along with issue specific transaction costs;
5. To address the hiring of outside professionals and address any potential conflict of interest issues
6. To protect and enhance the County's credit rating

II. TRANSPARENCY ENHANCEMENT

To ensure transparency of the decision process, annual budgets, annual debt reports, and issuance specific debt reports (those required by Tennessee Code Annotated, "TCA") shall be prepared and available for public review. Additionally, in the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the Governing Body and the citizens in a timely manner.

The Governing Body may assign an ad hoc Debt Management Committee to review reports and study debt standards and the ability of the County to repay debt. In the absence of a Debt Management Committee, these duties will rest with the Finance Committee.

The County Mayor and Finance Director are responsible for the analysis and reporting.

A. Annual Debt Budgets:

The Annual Debt Budgets shall be adopted by the Governing Body and comply with the legal notice and filing requirements as promulgated by TCA.

B. Annual Debt Report:

An Annual Debt Report shall be submitted to the Finance Committee by June of each year. Generally, the report will be presented in conjunction with the Annual Debt Budgets.

The Annual Debt Report shall consist of, but not be limited to the following:

1. Schedule of Outstanding Debt and Schedule of Budgeted Debt Payments, and any additional schedules, as required by Tennessee Comptroller of the Treasury;
2. Net Debt Calculation (total principal outstanding less most recent year respective debt fund balance);
3. Debt Per Capita Ratio (total debt/population) and Net Debt Per Capita Ratio (net debt/population) – County compared to benchmark;
4. Debt to Assessed Property Value (total debt/assessed property value) and Net Debt to Assessed Property Value (net debt/assessed property value) – County compared to benchmark;
5. Debt as a Percentage of Personal Income (total personal income/debt per capita) and Net Debt as a Percentage of Personal Income (total personal income/net debt per capita) – County compared to benchmark;
6. Documentation of the most recent debt rating(s) as available;
7. Percentage of fixed versus variable rate debt;
8. Multi-year budgets that include the current debt costs of principal, interest, and annual cost

C. Issuance Specific Debt Reports:

All new debt issues shall include all required forms as promulgated by TCA. The documents will be available for review by the Governing Body and public inspection.

III. DEBT TYPES

All financing shall be approved by the Governing Body and the Tennessee Comptroller of the Treasury within the legal guidelines of TCA, Internal Revenue Code (the “Code”), and the regulations promulgated by the Comptroller’s Office. Additionally, all financing will be reviewed by the County Attorney, or legal bond counsel may be hired to ensure compliance with TCA.

A. Long-Term Loans and Bonds

The County may issue long-term loans and bonds to finance capital improvements and refinancing outstanding debt, and all costs associated with capital improvements and refinancing. As indicated within this policy, the costs associated with the issuance of this debt will be disclosed to ensure compliance

with this policy and to address potential conflicts of interest. The term of the debt will not exceed the expected economic life of the project(s). Additionally, long term debt will not be issued to finance current operations. The following summarizes but does not limit the types of long-term debt that may be issued:

1. Fixed Rate Bonds – Bonds that have an interest rate that remains constant throughout the life of the bond;
2. Variable Rate Bonds – Bonds that bear a variable interest rate throughout the life of the bond.

B. Short-Term Debt

Short-term borrowing may be utilized for the following: Financing capital assets with debt not exceeding the economic life of the assets; interim financing for the temporary funding of operational cash flow deficits or anticipated revenues subject to the following policies:

1. Bond Anticipation Notes (“BANs”) – BANs may be issued instead of capitalizing interest to reduce the debt service during the construction period of a project or facility. BANs issued will be repaid by proceeds of a subsequent long-term bond issue.
2. Capital Outlay Notes (“CONs”) – CONs are short term notes (less than twelve (12) year maturities) secured by the pledge of the County’s full faith and credit.
3. Revenue Anticipation Notes (“RANs”) and Tax Anticipation Notes (“TANs”) – RANs and TANs are to be utilized for cash flow purposes until annual revenues are received for a particular fund. All RANS and TANS will be paid in the same fiscal year in which they are issued.
4. Grant Anticipation Notes (“GANs”) – GANs may be issued when the County wishes to finance projects in anticipation of a grant from a state or federal agency. The principal amount of the GANs shall not exceed the amount of the anticipated grant.

The County may undertake interfund borrowings, in which amounts on deposit in one County fund are lent to another fund. All such interfund borrowings shall be approved by the Governing Body; and shall be preceded by receipt of the approval of the Comptroller’s Office; and shall only be issued in compliance with state regulations and limitations.

Short-term debt may be used when it provides an interest rate advantage or as interim financing until market conditions are more favorable to issue longer-term debt in a fixed or variable rate mode. The County will determine and utilize the most advantageous method for short-term borrowing. The County may issue short-term Debt when there is a defined repayment source or amortization of principal.

C. Capital Leases

The County may use capital leases to finance projects assuming the Mayor and Finance Director determine that such an instrument is more economically feasible than purchasing the asset. Capital leases may be considered for long-term or short-term borrowing, but the term of the lease shall not exceed the economic life of the asset.

IV. RISK ASSESSMENT

The County will evaluate each transaction to assess the types and amounts of risk associated with each transaction, considering all available means to mitigate those risks. The County will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy, TCA, and other regulations. The following risks should be assessed before issuing debt:

- A. Change in Public/Private Use – The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.
- B. Default Risk – The risk that debt service payments cannot be made by the due date.
- C. Liquidity Risk – The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.
- D. Interest Rate Risk – The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issue had been fixed.
- E. Rollover Risk – The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.
- F. Credit Risk – The risk that an issuer of debt securities or a borrower may default on his obligations by failing to repay principal and interest in a timely manner.
- G. Fee Risk – The risk that on-going fees may increase beyond what is initially expected.

V. DEBT COSTS

In order to assist the County in making better debt management decisions and to reflect the cost of debt, the following shall be completed:

- A. As previously identified in this Policy, the Annual Debt Report will be provided to the Governing Body;

- B. Prior to the issuance of debt, the County Mayor and/or Finance Director will prepare a multi-year budget to reflect the current debt cost of principal, interest, and estimated annual costs over the life of the existing debt. This will allow the Governing Body to determine if extra capacity exists or if additional funding will be needed;
- C. Update ratios with the issuance of new debt as noted in the Annual Debt Report.

VI. PROFESSIONAL SERVICES AND POTENTIAL CONFLICTS OF INTEREST

As needed, the County may select financial professionals to assist in its debt issuance and administration processes. All professionals engaged to assist the County shall be required to clearly disclose all compensation and consideration received related to services provided. This includes “soft” costs or compensations in lieu of direct payments. In selecting financial professionals, consideration should be given with respect to:

- A. Relevant experience with municipal government issuers and the public sector;
- B. Indication that the firm has a broadly based background and is therefore capable of balancing the County's overall needs for continuity and innovation in capital planning and debt financing;
- C. Experience and demonstrated success as indicated by its experience;
- D. Professional reputation; and
- E. Professional qualifications and experience of principal employees.

The following summarizes, but does not limit, the financial professionals that may be utilized by the County:

- A. Counsel – The County will enter into an engagement letter agreement with each lawyer or law firm representing the County in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the County regarding general County matters.
- B. Bond Counsel – Bond counsel for each debt transaction is contracted by the County Mayor and serves to assist the County in debt issues.
- C. Financial Advisor – If the county elects to engage a financial advisor for a debt transaction, the County shall enter into a written contract with the financial advisor on the terms and conditions approved by the County Mayor. The financial advisor shall not be permitted to bid on or underwrite an issue for which they are or have been providing advisory services.
- D. If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the County in writing (e.g., in a response to a request for proposals or in

promotional materials provided to the County) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the County with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the County. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the County Mayor in advance of the pricing of the debt.

Financial professionals, involved in a debt transaction hired or compensated by the County, shall be required to disclose to the County existing client and business relationships between and among the professionals to a transaction (including, but not limited to, financial advisors, swap advisors, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the County to appreciate the significance of the relationships.

Financial professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

VII. CREDIT QUALITY AND CREDIT ENHANCEMENT

The County's debt management activities will be conducted in order to maintain or receive the highest possible credit ratings. The Mayor and Finance Director, in conjunction with any Financial Professionals that the County may choose to engage, will be responsible for maintaining relationships and communicating with one or more rating agencies.

The County will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when clearly demonstrable savings can be shown shall an enhancement be considered. The County will consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Insurance

The County may purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds.

B. Letters of Credit

The County may enter into a letter-of-credit (“LOC”) agreement when such an agreement is deemed prudent and advantageous. The County or its Financial Professionals, if any, will prepare and distribute a request for qualifications to qualified banks or other qualified financial institutions pursuant to terms and conditions that are acceptable to the County.

VIII. MISCELLANEOUS

The debt management policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. A violation of the Governing Body’s debt policy shall in no way be interpreted as a violation of law and shall have no bearing on the validity of debt issued by the Governing Body. The Governing Body maintains the right to modify this Policy (except to the extent these guidelines are mandated by applicable state law or regulation) and may make exceptions to any of its guidelines at any time to the extent that the execution of such debt achieves the goals of the Governing Body. Any exceptions to these policies shall be expressly acknowledged in the resolution authorizing the pertinent debt issue. In the event of a conflict between the terms of a debt resolution and this Policy, the terms of the debt resolution shall control.

This Policy will be periodically reviewed by the County Mayor and the Finance Director. The County Mayor and Finance Director may at any time present recommendations for any amendments, deletions, additions, improvements or clarifications. Any changes require the approval of the aforementioned ad hoc Debt Management Committee, if present, or the Finance Committee before approval by the Governing Body.

IX. ADOPTION OF THE POLICY

The Governing Body adopted this Policy on December 15, 2011.