

# 90 Debt Service Funds-At a Glance

## Mission

To accumulate funds to repay principal (money borrowed) and interest due on general obligation bonds and notes issued by the government to finance capital projects (land, buildings, equipment, etc.) with lives greater than one year. Three funds are used to account for this debt:

25104 Schools Debt Service Fund  
 20115 GSD Debt Service Fund  
 28315 USD Debt Service Fund

## Budget Summary

|   | <u>2011-12</u>        | <u>2012-13</u>        | <u>2013-14</u>        |
|---|-----------------------|-----------------------|-----------------------|
| <b>Expenditures and Transfers:</b>      |                       |                       |                       |
| Debt Service Funds                      | \$ 151,624,000        | \$ 165,087,000        | \$ 202,953,700        |
| <b>Total Expenditures and Transfers</b> | <b>\$ 151,624,000</b> | <b>\$ 165,087,000</b> | <b>\$ 202,953,700</b> |
| <b>Revenues and Transfers:</b>          |                       |                       |                       |
| Program Revenue                         |                       |                       |                       |
| Charges, Commissions, and Fees          | \$ 0                  | \$ 0                  | \$ 0                  |
| Other Governments and Agencies          | 2,802,600             | 2,725,900             | 2,292,200             |
| Other Program Revenue                   | 0                     | 0                     | 0                     |
| <b>Total Program Revenue</b>            | <b>\$ 2,802,600</b>   | <b>\$ 2,725,900</b>   | <b>\$ 2,292,200</b>   |
| Non-program Revenue                     | 124,626,100           | 142,388,500           | 162,481,200           |
| Transfers From Other Funds and Units    | 24,195,300            | 19,972,600            | 20,213,400            |
| <b>Total Revenues</b>                   | <b>\$ 151,624,000</b> | <b>\$ 165,087,000</b> | <b>\$ 184,986,800</b> |
| <b>Expenditures Per Capita</b>          | <b>\$ 238.51</b>      | <b>\$ 263.43</b>      | <b>\$ 319.37</b>      |

## Positions

Total Budgeted Positions

## Contacts

|  |   |
|--|---|
| Director of Finance: Richard Riebeling   | email: richard.riebeling@nashville.gov  |
|  | Phone: 862-6151 FAX 862-6156            |
| Financial Manager: Lannie Holland  | e-mail: lannie.holland@nashville.gov    |
|  | Phone: 862-6210 FAX: 880-2810           |
| Capital Improvements Budget:<br>Richard Bernhardt, Planning Commission<br>Executive Director | e-mail: richard.bernhardt@nashville.gov |
|  | Phone: 862-7173 FAX: 862-7209           |

These funds are administered by the Department of Finance, and have no separate organization chart.

## Debt Service Expenditures by District & Fund

| <u>Source Description</u>                       | <u>FY 2012<br/>Budget</u> | <u>FY 2012<br/>Actual</u> | <u>FY 2013<br/>Budget</u> | <u>FY 2014<br/>Budget</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| GSD - General Services District                 |                           |                           |                           |                           |
| 20115 GSD Debt Service                          | \$ 95,612,400             | \$ 100,895,600            | \$ 99,587,600             | \$ 108,633,000            |
| 25104 MNPS Debt Service                         | 41,132,600                | 35,871,100                | 50,073,400                | 69,624,400                |
| Total GSD                                       | \$ 136,745,000            | \$ 136,766,700            | \$ 149,661,000            | \$ 178,257,400            |
| USD - Urban Services District                   |                           |                           |                           |                           |
| 28315 USD Debt Service                          | \$ 14,879,000             | \$ 14,475,900             | \$ 15,426,000             | \$ 24,696,300             |
| Total USD                                       | \$ 14,879,000             | \$ 14,475,900             | \$ 15,426,000             | \$ 24,696,300             |
| Total General Obligation Debt Service - GSD+USD | <u>\$ 151,624,000</u>     | <u>\$ 151,242,600</u>     | <u>\$ 165,087,000</u>     | <u>\$ 202,953,700</u>     |

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## Budget Highlights FY 2014

The recommended budget services outstanding debt issues in addition to projects recommended in the FY 2013 capital plan based on the current tax rate. Currently, Metro has approximately \$421,523,000 in un-issued general obligation bonds authorized for capital plans in Fiscal Years 2000 through 2011 after the de-authorization of some projects in 2009. The current budget reflects the continued funding of these outstanding authorizations at historical spending levels.

## Overview

**Debt Financing:** Periodically, Metro borrows money to undertake selected capital improvements that are included in the Capital Plan by issuing (or selling) bonds and notes, which are written promises to repay the debt at certain times and with certain interest to bondholders/investors. The specific improvements to be financed are listed in the legislation that authorizes the debt. The proceeds from the sale of the debt are used to pay for those improvements.

Debt service is the process of repaying those bonds and notes, and their interest, over time to bondholders/investors. A small portion of the principal is repaid each year between issuance and maturity. This approximately matches the maturity dates of bonds to the lives of the projects they fund, and keeps Metro from having to make a big payment at one time to make a capital improvement.

Metro does not issue long-term notes and bonds to finance operating expenditures or deficits.

**Types of debt:** Debt generally falls into the following categories:

- General obligation (GO) debt is payable from taxes, and is backed by the full faith, credit, and taxing power of the government. There is no legal limit to Metro's use of general obligation debt, although issuance requires passage of a Council ordinance. Only general obligation debt is repaid from the three debt service funds (25104, 20115, and 28315).
- Revenue debt is often used to finance projects that will generate revenue. Part of the revenue generated by a project is used to service the debt on the project. It is accounted for through the enterprise or internal service fund that develops the capital project and receives its revenues.
- Limited obligation revenue debt is a newer hybrid form that normally operates as revenue debt, but is backed by certain non-property-tax revenues (defined in the bond covenants) in the event that there are not sufficient revenues to service the debts.

Interest earned by our bondholders/investors is generally held to be exempt from federal and Tennessee taxation as

**Structure:** Metro's outstanding debt takes three forms:

- Bonds - Long-term debt that usually matures over a period of 20-30 years.
- Notes - Shorter-term debt that is issued for three years, renewable for an additional two terms of three years each. The usual total maturity is 3 to 5 years.

- Commercial paper – Short-term GO obligations with flexible maturities ranging from 2 to 270 days, is issued as cash is needed in blocks of \$100,000 plus \$1,000 increments. Interest rates are usually lower than bond interest rates.

Notes and commercial paper often provide temporary financing and are retired by issuing longer-term bonds.

Many bonds have "call" provisions that allow Metro to redeem the debt before its scheduled maturity. This is most often done when the debt being called is refunded by issuing new debt for the same period of time but at lower interest rates. The lower interest costs save Metro money over the remaining life of the bond issue.

**Legal Limitations:** There is no legal debt margin limitation on GSD debt. Section 7.08 of the Charter limits the USD total net bonded indebtedness payable from USD ad valorem taxes, after deduction of sinking funds for the payment of principal, to 15% of the USD assessed valuation of taxable property. At June 30, 2009, the taxable property was valued at \$11.211 billion, so the 15% limit was \$1.682 billion. With only \$144.05 million of applicable debt (1.25% of valuation), the margin was \$1.541 billion.

**Bond Ratings:** Metro holds excellent investment-grade ratings from two independent rating agencies (Moody's Aa1 and Standard & Poor's AA). These ratings are based on both the city's financial health and available reserves for paying off debt. Each agency has its own rating system; ratings of the two agencies cannot necessarily be compared to each other. For explanations of the ratings, visit each agency's web site.

Some bonds' scheduled payment of principal and interest is privately insured by Ambac Assurance Corporation, the Financial Guaranty Insurance Company (FGIC), MBIA Insurance or Financial Security Assurance, Inc. (FSA).

**Debt Policies:** The following guidelines are used in managing debt service funds:

- USD general obligation debt is subject to the legal limitation noted above.
- Debt is not issued above the capacity provided by current revenue sources (including property taxes at the current rate) plus anticipated normal growth; debt is not issued in anticipation of a not-yet-approved property tax increase.
- When planning future debt capacity, normal revenue growth is projected conservatively.
- The financing of an improvement will not exceed its useful life. In a multi-purpose bond package, the package maturities will reflect the mix of project lives funded by the package; the average life of the bonds cannot exceed the average life of the projects.
- General obligation issues are sold by bid in public offering; the sale is awarded to the bidder with the lowest true interest cost or through negotiated offering.
- Bond issues may be considered for refunding when lower interest rates on the new bonds will result in a 3% or better net present value savings over the old bonds. The term of the refunding bonds will not exceed the terms of the bonds being refunded.

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**Revenue Sources:** Revenues for all three funds are detailed in the budget ordinance. The GSD and USD Debt Service Funds (funds 20115 & 28315) are funded primarily by a dedicated portion of the property tax levies. The GSD Debt Service Fund also receives \$3.2 million from the GSD General Fund (fund 10101) for stadium debt, and the Schools Debt Service Fund (fund 25104) receives substantial schools-related sales taxes.

**Capital Expenditures and the Budget:** The discussion of Capital Improvements in Section A of this book describes how these funds relate to the operating budget.

**Recent Bond Issues:** The Recent Bond Issues table summarizes recent bond issues. Note that only the general obligation issues are serviced through the GSD, USD, and Schools Debt Service funds; the revenue issues are serviced through non-tax sources. Future debt service requirements are listed on the next page.

**Comparative Debt Statistics:** The Comparable Debt Statistics table uses standard indicators to measure debt burden levels and trends.

| Fiscal Year | Net Debt to Assessed Valuation |          | Net Debt Per Capita | Debt Service to Total Expenditures |
|-------------|--------------------------------|----------|---------------------|------------------------------------|
|             | GSD+USD                        | USD only |                     |                                    |
| 2000        | 7.55%                          | 0.39%    | 1,551.82            | 9.2%                               |
| 2001        | 8.89%                          | 0.60%    | 1,758.64            | 9.4%                               |
| 2002        | 7.50%                          | 1.08%    | 1,721.58            | 10.0%                              |
| 2003        | 6.94%                          | 0.94%    | 1,634.61            | 9.8%                               |
| 2004        | 7.49%                          | 1.06%    | 1,730.99            | 9.4%                               |
| 2005        | 8.46%                          | 1.10%    | 1,992.91            | 9.8%                               |
| 2006        | 9.76%                          | 1.16%    | 2,629.23            | 10.0%                              |
| 2007        | 8.97%                          | 1.15%    | 2,475.02            | 10.0%                              |
| 2008        | 10.23%                         | 1.36%    | 2,681.96            | 10.0%                              |
| 2009        | 9.35%                          | 1.25%    | 2,450.19            | 9.5%                               |
| 2010        | 9.77%                          | 1.16%    | 2,954.43            | 8.8%                               |
| 2011        | 9.64%                          | 1.14%    | 2,954.26            | 4.4%                               |
| 2012        | 9.88%                          | 1.31%    | 2,971.28            | 5.2%                               |

Source: Comprehensive Annual Financial Reports for each year

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| Recent Bond Issues   |             |   |                            |   |             |  |
|--|-------------|---|----------------------------|---|-------------|--|
| Issue  | Date Issued | Amount & interest rate  | Ma-turity                  | Ratings *   | Fund *      | Comments *   |
| Water & Sewer Revenue Refunding Bonds, Series 1998B  | 2/15/98     | \$55,000,000<br>3.600-5.250%                                  | 1999 to 2014               | (I)<br>M: Aaa<br>S: AAA   | --          | Water system extensions & improvements. Non-GO.  |
| Sports Authority Taxable Public Facility Revenue Bonds, Series 1998                                | 6/1/98      | \$20,700,000<br>5.910-6.600%                                  | 1999 to 2019               | M: Aaa  | --          | Non-GO. Interest is not federal income tax-exempt.   |
| GO Multi-Purpose Improvement Bonds, Series 2001A<br>GO Multi-Purpose Refunding Bonds, Series 2001B | 2/15/01     | \$262,155,000<br>5.000-5.500%<br>\$73,745,000<br>5.000-5.500% | 2001 to 2020               | M: Aa2<br>S: AA<br>F: AA+<br><u>2014-2018</u><br>(I)<br>M: Aaa<br>S, F: AAA | S<br>G<br>U | Various projects in the GSD, the USD, and for schools; and to refund various prior bond issues from Series 1994, 1995, 1996, 1996A, and 1997A.   |
| Special Limited Obligation Correctional Facilities Revenue Refunding Bonds, Series 2002            | 2/01/02     | \$16,265,000<br>3.750-5.000%                                  | 2002 to 2011               | M: Aa3<br>S: A+   | --          | Non-GO. Advance refund of outstanding balance of 1991 Correctional Facility bonds.   |
| GO Energy Production Facility Refunding Bonds, Series 2002A  | 4/01/02     | \$31,065,000<br>2.000-5.250%                                  | 2002 to 2014               | M: Aa2<br>S: AA<br>F: AA+   | U           | Advance refund of outstanding Energy Production Facility Revenue Bonds Series 1997A, 1997B, and 1994 related to the former Nashville Thermal Transfer Corporation. Interest on the 2002 Series B bonds is not federal income tax-exempt. |
| GO Energy Production Facility Refunding Bonds, Series 2002B  | 4/01/02     | \$27,000,000<br>3.000-6.000%                                  | 2002 to 2012               | M: Aa2<br>S: AA<br>F: AA+   | U           | Advance refund of outstanding Energy Production Facility Revenue Bonds Series 1997A, 1997B, and 1994 related to the former Nashville Thermal Transfer Corporation. Interest on the 2002 Series B bonds is not federal income tax-exempt. |
| District Energy System Revenue Bonds 2002 Series A   | 10/24/02    | \$66,700,000<br>3.000-5.250%                                  | 2005 to 2033               | M: Aaa<br>S: AAA<br>F: AAA  | --          | Non-GO. Construction of steam & chilled water generating facilities & improvements to an existing energy distribution system. Ambac-insured.   |
| GO Multi-Purpose Bonds, Series 2004  | 12/15/04    | \$65,755,000<br>4.000-5.250%                                  | 2007 to 2024               | M: Aa2<br>S: AA<br>F: AA+   | G<br>U<br>S | Finance the retirement of a portion of the GO TAN commercial paper.  |
| GO Public Improvement Refunding Bonds, Series 2004   | 09/01/04    | \$51,340,000<br>3.000-5.000%                                  | 2004 to 2017               | M: Aa2<br>S: AA<br>F: AA+   | G<br>S      | Advance refund portions of outstanding GO MP Improvement Bonds, Series 1996A   |
| General Obligation Multi-Purpose Bonds, Series 2005A   | 05/05/05    | \$150,275,000<br>4.250-5.000%                                 | 2005 to 2025               | M: Aa2<br>S: AA<br>F: AA+   | G<br>U<br>S | Finance the retirement of a portion of the General Obligation Bond Anticipation Notes (commercial paper). Bonds maturing in 2016-2025 are MBIA-Insured.  |
| General Obligation Multi-Purpose Refunding Bonds, Series 2005B                                     | 05/05/05    | \$190,460,000<br>4.000-5.000%                                 | 2005 to 2025               | M: Aa2<br>S: AA<br>F: AA+   | G<br>U<br>S | Advance refund portions of outstanding bonds: GO MP Series 1997A, GO MP Series 1999, Gen. Improvmt. and Refunding, Series 2001A B, and GO MP Series 2003.  |
| General Obligation Bonds, Series 2005C   | 11/01/05    | \$214,000,000<br>3.625-5.000%                                 | 2005 to 2026               | M: Aa2<br>S: AA<br>F: AA+   | G<br>U<br>S | Finance the retirement of a portion of the G O Anticipation Notes (Commercial Paper), and general government projects.   |
| General Obligation Refunding Bonds, Series 2006A   | 05/11/06    | \$60,805,000<br>3.60%   | 2006 to 2026               | M:<br>Aa2/VMIG1<br>S: AA/A-1<br>F: AA+/F1+                                  | G           | Current Refund of outstanding general obligation public improvmt bonds, Series 1996 held in interest rate hedging agreement.   |
| General Obligation Bonds, Series 2006B   | 06/23/06    | \$203,315,000<br>4.00-5.00%                                   | 2006 to 2026               | M: Aa<br>S: AA<br>F: AA+  | G<br>U<br>S | Finance the retirement of a portion of the G O Anticipation Notes (Commercial Paper), and general government projects.   |
| General Obligation Refunding Bonds, Series 2007A   | 04/24/07    | \$186,890,000<br>4.00%-5.00%                                  | 2008 to 2028               | M: Aa2<br>S: AA<br>F: AA  | G<br>U<br>S | Current and Advance refund portions of outstanding bonds: GO Bonds Series 2003, GO MP & Refunding Series 1999, Series 1997A and GO Refunding Series 1997   |
| GO Tax Anticipation Notes (TAN) commercial Paper, Series 2007A                                     | 07/11/07    | Up to \$400,000,000<br>Market rates                           | Up to 270 days after issue | M: P-1<br>S: A-1+   | G<br>U<br>S | Provide interim financing of various capital projects and refinance existing G O Bond Anticipation notes of 2002.  |

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|  |          |                                       |                                  |                             |             |  |
|--|----------|---------------------------------------|----------------------------------|-----------------------------|-------------|--|
| Water and Sewer Revenue Refunding Bonds, Series 2007   | 07/17/07 | \$36,240,000<br>4.25%-5.00%           | 2009<br>to<br>2016               | M: Aaa<br>S: AAA            | --          | Non-GO. Current refund of W&S Revenue Bonds, Series 1986 (\$13,390,000) maturing in 2016 and W&S Revenue Refunding Bonds, Series 1996 (\$23,925,000) maturing 2009-2014.       |
| Water and Sewer Revenue Refunding Bonds, Series 2008A  | 02/22/08 | \$122,530,000<br>3.25%-5.25%          | 2011<br>to<br>2022               | M: Aa3<br>S: AA-<br>F: AA-  | --          | Non-GO. Current refund of W&S Revenue Refunding Bonds, Series 1998A (\$127,775,000) maturing in 2011-2019, and W&S Revenue Bonds, Series 1998B (\$785,000) maturing 2011-2012. |
| Water and Sewer Revenue Refunding Bonds, Series 2008B (Taxable)                                  | 02/22/08 | \$27,950,000<br>3.45%-4.84%           | 2009<br>to<br>2016               | M: Aa3<br>S: AA-<br>F: AA-  | --          | Non-GO. Current refund of W&S Revenue Refunding Bonds, Series 1986A (\$27,525,000) maturing in 2016.   |
| General Obligation Bonds, Series 2008A   | 03/4/08  | \$308,000,000<br>4.00-5.00%           | 2011<br>to<br>2028               | M: Aa2<br>S: AA<br>F: AA    | G<br>U<br>S | Finance the retirement of a portion of the General Obligation Anticipation Notes (Commercial Paper), and general government projects.  |
| Water & Sewer Revenue Bond Anticipation Notes (BAN) Commercial Paper Series A & B                | 11/12/09 | Up to<br>\$200,000,000<br>Market Rate | Up to<br>6 yrs<br>after<br>issue | M: P-1<br>S: A-1+<br>F: F1+ | --          | Provide interim financing of various capital projects and refinance existing projects as relate to Water and Sewer prior to the issuing of bonds.                              |
| General Obligation Improvement and Refunding Bonds, Series 2010A                                 | 06/10/10 | \$296,750,000<br>2.75 - 5.00%         | 2010<br>to<br>2026               | M: Aa1<br>S: AA             | G<br>U<br>S | Finance the retirement of a portion of the GO Anticipation Notes (Comm Paper), & advance refund portions of outstanding bonds.   |
| General Obligation Improvement Bonds Federally Taxable (BAB's), Series 2010B                     | 06/10/10 | \$252,005,000<br>5.71%                | 2010<br>to<br>2034               | M: Aa1<br>S: AA             | G<br>U<br>S | Finance the retirement of a portion of the GO Anticipation Notes (Comm Paper), and general government projects.  |
| General Obligation Refunding Bonds Federally Taxable (BAB's), Series 2010C                       | 06/10/10 | \$51,485,000<br>2.21 - 3.23%          | 2010<br>to<br>2015               | M: Aa1<br>S: AA             | G<br>U<br>S | Advance refund portions of outstanding bonds.  |
| General Obligation Refunding Bonds, Series 2010D   | 09/21/10 | \$291,360,000<br>1.50 - 5.00%         | 2010<br>to<br>2024               | M: Aa1<br>S: AA             | G<br>U<br>S | Advance refund portions of outstanding bonds.  |
| Water and Sewer Revenue Refunding Bonds, Series 2010A  | 12/9/10  | \$104,050,000<br>3.00 - 5.00%         | 2010<br>to<br>2027               | M: Aa3<br>S: AA             | --          | Non-GO. Advance refund portions of outstanding W&S Revenue Refunding Bonds.  |
| Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (BAB-Direct Payment)               | 12/9/10  | \$135,000,000<br>6.39 - 6.57%         | 2010<br>to<br>2037               | M: Aa3<br>S: AA             | --          | Finance the retirement of currently outstanding W&S Commercial Paper Bond Anticipation Notes and finance additional capital projects.  |
| Water and Sewer Revenue Bonds Federally Taxable Series 2010C (Recovery Zone Economic Dev. Bonds) | 12/9/10  | \$75,000,000<br>6.69%                 | 2010<br>to<br>2041               | M: Aa3<br>S: AA             | --          | Finance Water system capital projects.   |
| Water and Sewer Revenue Refunding Bonds Federally Taxable Series 2010D                           | 12/9/10  | \$7,610,000                           | 2010<br>to<br>2018               | M: Aa3<br>S: AA             | --          | Non-GO. Advance refund portions of outstanding W&S Revenue Refunding Bonds.  |
| General Obligation Refunding Bonds, Series 2011  | 09/29/11 | \$89,480,000<br>2.00 - 5.00%          | 2011<br>to<br>2023               | M: Aa1<br>S: AA             | G<br>U<br>S | Advance refund portions of outstanding bonds.  |
| General Obligation Refunding Bonds, Series 2012  | 02/02/12 | \$227,110,000<br>2.00 - 5.00%         | 2012<br>to<br>2025               | M: Aa1<br>S: AA             | G<br>U<br>S | Advance refund portions of outstanding bonds.  |
| Water and Sewer Revenue Refunding Bonds, Series 2012   | 02/02/12 | \$129,625,000<br>1.00 - 5.00%         | 2012<br>to<br>2023               | M: A1<br>S: A+              | --          | Non-GO. Advance refund portions of outstanding W&S Revenue Refunding Bonds.  |

\* **Ratings:** M = Moody's, S = Standard & Poor's, F = Fitch, I = Insured (see text). Maturity dates are underlined.  
**Fund:** This code shows the debt service fund(s) used to repay this issue. G = GSD, U = USD, S = Schools.  
**Comments:** Non-GO = Not a general obligation debt, but included in this table for completeness.

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**GENERAL OBLIGATION BONDS PAYABLE**  
General Services District (GSD)

**Bonds and Notes Payable at June 30, 2012**

|   | Interest Rate | Date of Issue  | Date of Final Maturity | Amount of Issue      | June 30, 2012        |                    |
|---|---------------|----------------|------------------------|----------------------|----------------------|--------------------|
|   |               |                |                        |                      | Principal            | Interest           |
| <b>For General Purposes:</b>  |               |                |                        |                      |                      |                    |
| GSD G.O. Multi-Purpose Bonds, Series 2004                                 | 5.00 - 5.25   | July 15, 2004  | Jun. 1, 2024           | 33,825,000           | 1,680,000            | 177,291            |
| GSD G.O. Pub Impr. Refunding Bonds, Series 2004                           | 3.250 - 5.00  | Sept. 1, 2004  | Nov. 14, 2016          | 48,367,055           | 25,238,671           | 3,852,760          |
| GSD G.O. Multi-Purpose Bonds, Series 2005A                                | 4.250 - 5.25  | May 1, 2005    | Jan. 1, 2025           | 49,817,419           | 25,396,608           | 9,045,068          |
| GSD G.O. MP Refunding Bonds, Series 2005B                                 | 4.125 - 5.00  | May 1, 2005    | Jan. 1, 2020           | 107,433,445          | 63,458,108           | 12,829,135         |
| GSD G.O. Multi-Purpose Bonds, Series 2005C                                | 3.625 - 5.00  | Nov. 1, 2005   | Feb. 1, 2026           | 150,292,131          | 31,592,951           | 10,074,357         |
| GSD G.O. Bonds, Series 2006B  | 4.00 - 5.00   | Jun.15, 2006   | Feb. 1, 2026           | 113,783,394          | 42,476,746           | 15,043,975         |
| GSD G.O. Refunding Bonds, Series 2007A                                    | 4.00 - 5.00   | April 15, 2007 | May 15, 2030           | 125,908,003          | 113,569,633          | 56,743,899         |
| GSD G.O. Bonds, Series 2008A  | 4.00 - 5.00   | Mar. 15, 2008  | Jan. 1, 2028           | 174,880,074          | 113,373,957          | 70,148,344         |
| GSD G.O. Improvement and Refunding Bonds, Series 2010A                    | 2.75 - 5.00   | Jun.10, 2010   | July 1, 2026           | 159,008,728          | 159,008,728          | 63,886,534         |
| GSD G.O. Improvement Bonds Federally Taxable (BAB's), Series 2010B        | 5.71          | Jun.10, 2010   | July 1, 2034           | 138,046,756          | 138,046,756          | 149,140,285        |
| GSD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C          | 2.21 - 3.23   | Jun.10, 2010   | July 1, 2015           | 25,653,536           | 25,653,536           | 1,927,867          |
| GSD G.O. Refunding Bonds, Series 2010D                                    | 1.50 - 5.00   | Sept. 21, 2010 | July 1, 2024           | 144,150,016          | 143,150,623          | 44,955,994         |
| G.O. Refunding Bonds, Series 2011   | 2.00 - 5.00   | Sept. 16, 2011 | July 1, 2023           | 49,712,377           | 49,712,377           | 18,156,158         |
| G.O. Refunding Bonds, Series 2012   | 2.00 - 5.00   | Jan. 20, 2012  | July 1, 2025           | 154,956,701          | 154,956,701          | 72,633,262         |
| <b>Total General Obligation Bonds Payable For General Purposes</b>        |               |                |                        | <b>1,475,834,635</b> | <b>1,087,315,396</b> | <b>528,614,928</b> |
| <b>For School Purposes:</b>   |               |                |                        |                      |                      |                    |
| GSD G.O. Multi-Purpose Bonds, Series 2004                                 | 5.00 - 5.25   | July 15, 2004  | Jun. 1, 2024           | 26,170,000           | 1,320,000            | 136,903            |
| GSD G.O. Pub Impr. Refunding Bonds, Series 2004                           | 3.250 - 5.00  | Sept. 1, 2004  | Nov. 14, 2016          | 2,972,945            | 1,551,329            | 236,815            |
| GSD G.O. Multi-Purpose Bonds, Series 2005A                                | 4.250 - 5.25  | May 1, 2005    | Jan. 1, 2025           | 79,503,345           | 40,530,307           | 14,434,964         |
| GSD G.O. MP Refunding Bonds, Series 2005B                                 | 4.125 - 5.00  | May 1, 2005    | Jan. 1, 2020           | 77,018,422           | 46,035,349           | 8,979,292          |
| GSD G.O. Multi-Purpose Bonds, Series 2005C                                | 3.625 - 5.00  | Nov. 1, 2005   | Feb. 1, 2026           | 43,740,078           | 9,194,614            | 2,931,978          |
| GSD G.O. Bonds, Series 2006B  | 4.00 - 5.00   | Jun.15, 2006   | Feb. 1, 2026           | 69,160,188           | 25,818,352           | 9,144,077          |
| GSD G.O. Refunding Bonds, Series 2007A                                    | 4.00 - 5.00   | April 15, 2007 | May 15, 2030           | 58,421,307           | 52,567,402           | 24,581,792         |
| GSD G.O. Bonds, Series 2008A  | 4.00 - 5.00   | Mar. 15, 2008  | Jan. 1, 2028           | 95,095,340           | 61,649,876           | 38,144,887         |
| GSD G.O. Improvement and Refunding Bonds, Series 2010A                    | 2.75 - 5.00   | Jun.10, 2010   | July 1, 2026           | 114,567,598          | 114,567,598          | 44,891,783         |
| GSD G.O. Improvement Bonds Federally Taxable (BAB's), Series 2010B        | 5.71          | Jun.10, 2010   | July 1, 2034           | 70,516,649           | 70,516,649           | 76,183,413         |
| GSD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C          | 2.21 - 3.23   | Jun.10, 2010   | July 1, 2015           | 20,052,863           | 20,052,864           | 1,506,976          |
| GSD G.O. Refunding Bonds, Series 2010D                                    | 1.50 - 5.00   | Sept. 21, 2010 | July 1, 2024           | 120,126,326          | 119,293,490          | 37,463,738         |
| G.O. Refunding Bonds, Series 2011   | 2.00 - 5.00   | Sept. 16, 2011 | July 1, 2023           | 32,574,740           | 32,574,740           | 11,573,255         |
| G.O. Refunding Bonds, Series 2012   | 2.00 - 5.00   | Jan. 20, 2012  | July 1, 2025           | 53,280,200           | 53,280,205           | 24,974,170         |
| <b>Total General Obligation Bonds Payable for School Purposes</b>         |               |                |                        | <b>863,200,001</b>   | <b>648,952,774</b>   | <b>295,184,044</b> |
| <b>Total General Obligation Bonds Payable - General Services District</b> |               |                |                        | <b>2,339,034,636</b> | <b>1,736,268,170</b> | <b>823,798,972</b> |

# 90 Debt Service Funds-At a Glance

**GENERAL OBLIGATION BONDS PAYABLE**  
Urban Services District (USD)

**Bonds and Notes Payable at June 30, 2012**

| For General Purposes:  | Interest Rate | Date of Issue  | Date of Final Maturity | Amount of Issue      | June 30, 2012      |                    |
|--|---------------|----------------|------------------------|----------------------|--------------------|--------------------|
|  |               |                |                        |                      | Principal          | Interest           |
| USD G.O. (Tax Exempt) Thermal Refunding Bonds, 2002A                     | 4.250 - 5.25  | Apr. 1, 2002   | July 1, 2014           | 31,065,000           | 7,770,000          | 602,306            |
| USD G.O. (Taxable) Thermal Refunding Bonds, 2002B                        | 5.90 - 6.00   | Apr. 1, 2002   | July 1, 2012           | 27,000,000           | 435,000            | 13,050             |
| USD G.O. Multi-Purpose Bonds, Series 2004                                | 5.00 - 5.25   | July 15, 2004  | Jun. 1, 2024           | 5,760,000            | 280,000            | 30,206             |
| USD G.O. Multi-Purpose Bonds, Series 2005A                               | 4.250 - 5.25  | May 1, 2005    | Jan. 1, 2025           | 13,979,236           | 7,126,527          | 2,538,130          |
| USD G.O. MP Refunding Bonds, Series 2005B                                | 4.125 - 5.00  | May 1, 2005    | Jan. 1, 2020           | 6,008,527            | 3,566,759          | 710,148            |
| USD G.O. Multi-Purpose Bonds, Series 2005C                               | 3.625 - 5.00  | Nov. 1, 2005   | Feb. 1, 2026           | 19,967,790           | 4,197,435          | 1,338,478          |
| USD G.O. Bonds, Series 2006B   | 4.00 - 5.00   | Jun.15, 2006   | Feb. 1, 2026           | 20,371,418           | 7,604,900          | 2,693,426          |
| USD G.O. Refunding Bonds, Series 2007A                                   | 4.00 - 5.00   | April 15, 2007 | May 15, 2030           | 2,560,691            | 2,307,963          | 1,129,771          |
| USD G.O. Bonds, Series 2008A   | 4.00 - 5.00   | Mar. 15, 2008  | Jan. 1, 2028           | 38,024,587           | 24,651,167         | 15,252,520         |
| USD G.O. Improvement and Refunding Bonds, Series 2010A                   | 2.75 - 5.00   | Jun.10, 2010   | July 1, 2026           | 22,899,473           | 22,899,473         | 7,898,468          |
| USD G.O. Improvement Bonds Federally Taxable (BAB's), Series 2010B       | 5.71          | Jun.10, 2010   | July 1, 2034           | 43,441,595           | 43,441,595         | 46,932,590         |
| USD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C         | 2.21 - 3.23   | Jun.10, 2010   | July 1, 2015           | 5,488,045            | 5,488,044          | 412,427            |
| USD G.O. Refunding Bonds, Series 2010D                                   | 1.50 - 5.00   | Sept. 21, 2010 | July 1, 2024           | 25,925,413           | 25,745,672         | 8,085,346          |
| USD G.O. Refunding Bonds, Series 2011                                    | 2.00 - 5.00   | Sept. 16, 2011 | July 1, 2023           | 6,688,796            | 6,688,796          | 2,931,843          |
| USD G.O. Refunding Bonds, Series 2012                                    | 2.00 - 5.00   | Jan. 20, 2012  | July 1, 2025           | 18,873,099           | 18,873,099         | 8,846,437          |
| <b>Total General Obligation Bonds Payable (governmental activities)</b>  |               |                |                        | <b>288,053,670</b>   | <b>181,076,430</b> | <b>99,415,146</b>  |
| USD G.O. Multi-purpose Bonds, Series 2005A (District Energy System) (1)  | 4.250 - 5.25  | May 1, 2005    | Jan. 1, 2025           | 7,695,000            | 4,116,558          | 1,465,351          |
| USD G.O. Improvement & Refunding Bonds, Series 2010A (1)                 | 2.21 - 5.71   | Jun.10, 2010   | July 1, 2034           | 274,201              | 274,201            | 77,002             |
| USD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C (1)     | 2.21 - 3.23   | Jun.10, 2010   | July 1, 2015           | 290,556              | 290,556            | 25,125             |
| USD G.O. Refunding Bonds, Series 2010D (DES)                             | 1.50 - 5.00   | Sept. 21, 2010 | July 1, 2024           | 1,158,245            | 1,150,212          | 361,221            |
| USD G.O. Refunding Bonds, Series 2011 (DES)                              | 2.00 - 5.00   | Sept. 16, 2011 | July 1, 2023           | 504,087              | 504,087            | 268,671            |
| <b>Total General Obligation Bonds Payable (business-type activities)</b> |               |                |                        | <b>9,922,089</b>     | <b>6,335,614</b>   | <b>2,197,370</b>   |
| <b>Total General Obligation Bonds Payable - Urban Services District</b>  |               |                |                        | <b>297,975,759</b>   | <b>187,412,045</b> | <b>101,612,517</b> |
| <b>REVENUE BONDS PAYABLE</b>   |               |                |                        |                      |                    |                    |
| Dept of Water and Sew erage Revenue Bonds of 1993                        | 5.20 - 6.50   | Aug. 1, 1993   | Jan. 1, 2013           | 157,475,000          | 15,385,000         | 800,020            |
| Dept of Water and Sew erage Revenue Bonds of 1998B                       | 4.55 - 5.25   | Feb. 15, 1998  | Jan. 1, 2014           | 55,000,000           | 17,685,000         | 1,404,374          |
| Dept of Water and Sew erage Rev. Refunding Bonds of 2007                 | 4.25 - 5.00   | Jul. 15, 2007  | Jan. 1, 2016           | 36,240,000           | 35,340,000         | 3,678,700          |
| Dept of Water and Sew erage Rev. Refunding Bonds of 2008A                | 3.250 - 5.250 | Feb. 15, 2008  | Jan. 1, 2022           | 122,530,000          | 112,120,000        | 36,248,375         |
| Dept of Water and Sew erage Rev. Refunding Bonds of 2008B                | 3.450 - 4.840 | Feb. 15, 2008  | Jan. 1, 2016           | 27,950,000           | 27,545,000         | 4,179,574          |
| Dept of Water and Sew erage Rev. Refunding Bonds, Series 2010A           | 3.00 - 5.00   | Dec. 9, 2010   | Jul. 1, 2027           | 104,050,000          | 104,050,000        | 44,145,975         |
| Dept of Water and Sew erage Rev. Bonds Federally Taxable, Series 2010B(  | 6.393 - 6.568 | Dec. 9, 2010   | Jul. 1, 2037           | 135,000,000          | 135,000,000        | 119,213,472        |
| Dept of Water and Sew erage Rev. Bonds Federally Taxable, Seies 2010C    | 6.693         | Dec. 9, 2010   | Jul. 1, 2041           | 75,000,000           | 75,000,000         | 76,929,961         |
| Dept of Water and Sew erage Rev. Refunding Bonds, Federally Taxable Ser  | 4.255 - 4.791 | Dec. 9, 2010   | Jul. 1, 2018           | 7,610,000            | 7,610,000          | 1,857,546          |
| Dept of Water and Sew eage Rev. Refunding Bonds, Series 2012             | 2.00 - 5.00   | Jan. 20, 2012  | July 1, 2025           | 129,625,000          | 129,625,000        | 45,940,367         |
| <b>Total Revenue Bonds Payable - Department of Water and Sewerage</b>    |               |                |                        | <b>850,480,000</b>   | <b>659,360,000</b> | <b>334,398,364</b> |
| District Energy System Revenue Bonds, Series 2002A                       | 3.250 - 5.250 | Oct. 1, 2002   | Oct. 1, 2033           | 66,700,000           | 57,810,000         | 37,226,640         |
| <b>Total Revenue Bonds Payable - Urban Services District</b>             |               |                |                        | <b>917,180,000</b>   | <b>717,170,000</b> | <b>371,625,004</b> |
| <b>Total Bonds Payable - Urban Services District</b>                     |               |                |                        | <b>1,215,155,759</b> | <b>904,582,045</b> | <b>473,237,520</b> |

# 90 Debt Service Funds-At a Glance

Future Annual Debt Service Requirements for Debt Outstanding at 06/30/2012

## General Obligation Debt (Debt Service Funds)

| Fiscal<br>Year | GSD Debt Service     |                    |                      | GSD School Debt Service |                    |                    | USD Debt Service   |                    |                    |
|----------------|----------------------|--------------------|----------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                | Principal            | Interest           | Total                | Principal               | Interest           | Total              | Principal          | Interest           | Total              |
| 2013           | 20,998,340           | 52,212,430         | 73,210,771           | 14,545,780              | 30,451,907         | 44,997,687         | 5,510,880          | 9,028,096          | 14,538,976         |
| 2014           | 50,456,466           | 51,695,818         | 102,152,284          | 31,401,273              | 29,954,010         | 61,355,283         | 8,802,299          | 8,853,898          | 17,656,196         |
| 2015           | 59,804,609           | 49,261,347         | 109,065,956          | 37,728,723              | 28,466,376         | 66,195,100         | 10,791,706         | 8,420,209          | 19,211,915         |
| 2016           | 63,650,368           | 46,693,809         | 110,344,178          | 39,676,027              | 26,909,193         | 66,585,219         | 7,848,668          | 8,035,560          | 15,884,227         |
| 2017           | 65,188,351           | 43,222,152         | 108,410,503          | 44,647,452              | 24,683,179         | 69,330,631         | 9,479,224          | 7,596,155          | 17,075,379         |
| 2018           | 66,268,672           | 40,403,341         | 106,672,013          | 46,691,836              | 22,666,870         | 69,358,706         | 11,774,518         | 7,161,546          | 18,936,064         |
| 2019           | 69,090,934           | 37,073,524         | 106,164,458          | 49,383,494              | 20,684,670         | 70,068,165         | 11,975,595         | 6,609,168          | 18,584,763         |
| 2020           | 67,492,723           | 33,293,082         | 100,785,805          | 39,924,953              | 18,449,051         | 58,374,004         | 9,182,325          | 6,043,299          | 15,225,624         |
| 2021           | 64,518,672           | 30,148,639         | 94,667,312           | 39,350,565              | 16,577,975         | 55,928,540         | 8,780,763          | 5,623,624          | 14,404,387         |
| 2022           | 68,293,916           | 26,906,746         | 95,200,662           | 41,715,265              | 14,601,333         | 56,316,598         | 9,315,821          | 5,181,815          | 14,497,636         |
| 2023           | 75,671,832           | 23,360,553         | 99,032,385           | 40,052,162              | 12,584,701         | 52,636,863         | 9,841,007          | 4,708,921          | 14,549,928         |
| 2024           | 74,871,325           | 20,107,816         | 94,979,142           | 43,880,830              | 10,778,176         | 54,659,005         | 11,137,845         | 4,284,358          | 15,422,204         |
| 2025           | 71,465,295           | 16,680,522         | 88,145,817           | 40,316,105              | 8,853,365          | 49,169,470         | 10,173,602         | 3,791,453          | 13,965,055         |
| 2026           | 60,207,279           | 13,555,996         | 73,763,275           | 31,058,313              | 7,024,165          | 38,082,479         | 8,649,408          | 3,341,739          | 11,991,147         |
| 2027           | 46,512,394           | 10,745,436         | 57,257,830           | 26,079,257              | 5,574,070          | 31,653,327         | 8,683,349          | 2,885,590          | 11,568,939         |
| 2028           | 39,377,639           | 8,587,691          | 47,965,330           | 20,630,118              | 4,405,943          | 25,036,061         | 8,817,243          | 2,434,518          | 11,251,761         |
| 2029           | 18,412,472           | 6,533,737          | 24,946,209           | 8,824,239               | 3,284,084          | 12,108,324         | 4,718,289          | 1,957,117          | 6,675,406          |
| 2030           | 19,134,576           | 5,510,798          | 24,645,374           | 9,167,428               | 2,787,702          | 11,955,130         | 4,897,994          | 1,683,626          | 6,581,620          |
| 2031           | 15,921,624           | 4,447,963          | 20,369,587           | 8,133,039               | 2,272,096          | 10,405,134         | 5,010,337          | 1,399,718          | 6,410,055          |
| 2032           | 16,526,937           | 3,522,043          | 20,048,980           | 8,442,242               | 1,799,120          | 10,241,362         | 5,200,821          | 1,108,343          | 6,309,164          |
| 2033           | 17,156,899           | 2,560,875          | 19,717,774           | 8,764,038               | 1,308,139          | 10,072,177         | 5,399,063          | 805,875            | 6,204,938          |
| 2034           | 17,808,774           | 1,563,129          | 19,371,903           | 9,097,027               | 798,473            | 9,895,500          | 5,604,199          | 491,897            | 6,096,097          |
| 2035           | 18,485,299           | 527,478            | 19,012,777           | 9,442,608               | 269,445            | 9,712,052          | 5,817,093          | 165,991            | 5,983,084          |
| <b>Total</b>   | <b>1,087,315,396</b> | <b>528,614,928</b> | <b>1,615,930,327</b> | <b>648,952,774</b>      | <b>295,184,044</b> | <b>944,136,819</b> | <b>187,412,045</b> | <b>101,612,517</b> | <b>289,024,561</b> |



# 90 Debt Service Funds-At a Glance

Future Annual Debt Service Requirements for Debt Outstanding at 06/30/2012

## General Obligation Debt (Debt Service Funds)

| Fiscal<br>Year | Water Service (USD) |                    |                    | District Energy System (USD) |                   |                   | Correction Facility Revenue Bond |          |       |
|----------------|---------------------|--------------------|--------------------|------------------------------|-------------------|-------------------|----------------------------------|----------|-------|
|                | Principal           | Interest           | Total              | Principal                    | Interest          | Total             | Principal                        | Interest | Total |
| 2013           | 42,410,000          | 29,385,693         | 71,795,693         | 1,550,000                    | 2,851,744         | 4,401,744         |                                  |          |       |
| 2014           | 30,885,000          | 27,854,156         | 58,739,156         | 1,545,000                    | 2,777,178         | 4,322,178         |                                  |          |       |
| 2015           | 53,350,000          | 26,149,914         | 79,499,914         | 1,625,000                    | 2,694,930         | 4,319,930         |                                  |          |       |
| 2016           | 25,735,000          | 23,922,449         | 49,657,449         | 1,710,000                    | 2,607,388         | 4,317,388         |                                  |          |       |
| 2017           | 28,795,000          | 22,511,535         | 51,306,535         | 1,800,000                    | 2,517,125         | 4,317,125         |                                  |          |       |
| 2018           | 37,475,000          | 20,958,757         | 58,433,757         | 1,890,000                    | 2,422,138         | 4,312,138         |                                  |          |       |
| 2019           | 38,225,000          | 19,137,251         | 57,362,251         | 1,990,000                    | 2,321,205         | 4,311,205         |                                  |          |       |
| 2020           | 39,120,000          | 17,226,361         | 56,346,361         | 2,090,000                    | 2,215,025         | 4,305,025         |                                  |          |       |
| 2021           | 40,180,000          | 15,306,223         | 55,486,223         | 2,200,000                    | 2,102,413         | 4,302,413         |                                  |          |       |
| 2022           | 40,985,000          | 13,294,748         | 54,279,748         | 2,315,000                    | 1,984,119         | 4,299,119         |                                  |          |       |
| 2023           | 25,525,000          | 11,297,361         | 36,822,361         | 2,440,000                    | 1,859,850         | 4,299,850         |                                  |          |       |
| 2024           | 15,695,000          | 10,366,861         | 26,061,861         | 2,150,000                    | 1,747,750         | 3,897,750         |                                  |          |       |
| 2025           | 9,100,000           | 9,762,111          | 18,862,111         | 2,665,000                    | 1,632,750         | 4,297,750         |                                  |          |       |
| 2026           | 9,525,000           | 9,321,886          | 18,846,886         | 2,795,000                    | 1,496,250         | 4,291,250         |                                  |          |       |
| 2027           | 9,980,000           | 8,844,536          | 18,824,536         | 3,790,000                    | 1,338,731         | 5,128,731         |                                  |          |       |
| 2028           | 10,480,000          | 8,367,261          | 18,847,261         | 3,110,000                    | 1,179,169         | 4,289,169         |                                  |          |       |
| 2029           | 10,905,000          | 7,912,911          | 18,817,911         | 3,255,000                    | 1,025,875         | 4,280,875         |                                  |          |       |
| 2030           | 11,355,000          | 7,450,409          | 18,805,409         | 3,420,000                    | 859,000           | 4,279,000         |                                  |          |       |
| 2031           | 11,830,000          | 6,968,688          | 18,798,688         | 3,590,000                    | 683,750           | 4,273,750         |                                  |          |       |
| 2032           | 12,320,000          | 6,459,911          | 18,779,911         | 3,770,000                    | 499,750           | 4,269,750         |                                  |          |       |
| 2033           | 12,850,000          | 5,922,632          | 18,772,632         | 3,955,000                    | 306,625           | 4,261,625         |                                  |          |       |
| 2034           | 13,395,000          | 5,362,406          | 18,757,406         | 4,155,000                    | 103,875           | 4,258,875         |                                  |          |       |
| 2035           | 13,970,000          | 4,778,273          | 18,748,273         |                              |                   |                   |                                  |          |       |
| 2036           | 14,565,000          | 4,169,165          | 18,734,165         |                              |                   |                   |                                  |          |       |
| 2037           | 15,190,000          | 3,534,015          | 18,724,015         |                              |                   |                   |                                  |          |       |
| 2038           | 15,840,000          | 2,887,305          | 18,727,305         |                              |                   |                   |                                  |          |       |
| 2039           | 16,485,000          | 2,261,422          | 18,746,422         |                              |                   |                   |                                  |          |       |
| 2040           | 17,095,000          | 1,643,357          | 18,738,357         |                              |                   |                   |                                  |          |       |
| 2041           | 17,720,000          | 1,002,561          | 18,722,561         |                              |                   |                   |                                  |          |       |
| 2042           | 18,375,000          | 338,206            | 18,713,206         |                              |                   |                   |                                  |          |       |
| <b>Total</b>   | <b>659,360,000</b>  | <b>334,398,364</b> | <b>993,758,364</b> | <b>57,810,000</b>            | <b>37,226,640</b> | <b>95,036,640</b> | -                                | -        | -     |

# 90 Debt Service Funds-At a Glance

## Highlights from the Metropolitan Government of Nashville and Davidson County's Debt Management Policy

The purpose of the Policy is to establish and document the objectives and practices for debt management for the Metropolitan Government and to assist all concerned parties in understanding the Metropolitan Government's approach to debt management.

### Policy Statement

In managing its debt, it is the Metropolitan Government's policy to:

- Achieve the lowest cost of capital
- Ensure high credit quality
- Assure access to the capital credit markets
- Preserve financial flexibility
- Manage interest rate risk exposure

### Goals & Objectives

Debt policies and procedures are tools that ensure that financial resources are adequate to meet the Metropolitan Government's long-term financing objectives. In addition, the Policy helps to ensure that financings undertaken by the Metropolitan Government satisfy certain clear objective standards which allow the Metropolitan Government to protect its financial resources in order to meet its short-term financing and long-term capital needs. The adoption of clear and comprehensive financial policies enhances the internal financial management of the Metropolitan Government.

### Issuance Process

The Metropolitan Government charter, which was approved by referendum on June 28, 1962, as amended, and Title 9, Chapter 21 of the Tennessee Code Annotated authorizes the Metropolitan Government to issue general obligation bonds subject to the adoption of a bond resolution by the Metropolitan Council. Other sections of the Tennessee Code Annotated and the Federal Tax Code may govern the issuance or structure of the Metropolitan Government's bonds.

The Metropolitan Government strongly prefers a competitive issuance process for all debt issuances. The Metropolitan Government will consider a negotiated issuance or private placement process only where it is clear that such process is in the best interests of the Metropolitan Government.

### Credit Quality and Credit Enhancement

The Metropolitan Government's debt management activities will be conducted to receive the highest credit ratings possible, consistent with the Metropolitan Government's financing objectives. The Director of Finance will be responsible for maintaining relationships and communicating with the rating agencies that assign

ratings to the Metropolitan Government's debt. The Director of Finance will provide the rating agencies with periodic updates of the general financial condition of the Metropolitan Government. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Metropolitan Government, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision. The Director of Finance shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

The Metropolitan Government will make an annual credit presentation to the Metropolitan Council, explaining the Metropolitan Government's current rating, rating agency views on the Metropolitan Government's performance and current items which may positively or adversely affect the Metropolitan Government's credit rating.

The Metropolitan Government 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.

### Debt Affordability

It is the intent of the Metropolitan Government to promote the most efficient and cost-effective use of debt financing in order to facilitate long-term access to capital while ensuring that financial leveraging decisions do not negatively impact the Metropolitan Government's annual operations. To this end, the government will periodically review basic measures of debt affordability, including but not limited to, average life of new debt, percentage of principal paid within 10 years, per capita debt/per capita income, per capita debt/per capita assessed value, and debt service/general fund operating expenses.

### Bond Structure

The Metropolitan Government shall establish all terms and conditions relating to the issuance of bonds, and will invest all bond proceeds pursuant to the terms of the Metropolitan Government's Investment Policy. Unless otherwise authorized by the Metropolitan Government, the following shall serve as bond requirements:

1. **Term.** Capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements with a maximum of twenty (20) years. In certain circumstances where the debt meets legal requirements and is in the best interest of the Metropolitan Government this period may be extended to a maximum of thirty (30) years.

# 90 Debt Service Funds-At a Glance

2. **Capitalized Interest.** From time to time certain financings may require the use of capitalized interest from the issuance date until the Metropolitan Government has beneficial use and/or occupancy of the financed project. Interest shall not be funded (capitalized) beyond three (3) years or a shorter period if further restricted by statute. Interest earnings may, at the Metropolitan Government's discretion, be applied to extend the term of capitalized interest but in no event beyond the term statutorily authorized or three years, whichever is shorter.
3. **Debt Service Structure.** Debt issuance shall be planned to achieve relatively level debt service for an individual bond issue, while still matching debt service to the useful life of the capital asset financed by the debt. The Metropolitan Government shall avoid the use of bullet or balloon maturities except in those instances where these maturities serve to make existing overall debt service level or match a specific income stream.
4. **Call Provisions.** In general, the Metropolitan Government's securities will include a call feature, which is no later than ten (10) years from the date of delivery of the bonds. The Metropolitan Government will avoid the sale of long-term non-callable bonds absent careful evaluation by the Metropolitan Government with respect to the value of the call option.
5. **Original Issuance Discount/Premium.** Bonds with original issuance discount/premium will be permitted.
6. **Deep Discount Bonds.** Deep discount bonds may provide a lower cost of borrowing in certain markets. The Metropolitan Government will carefully consider their value and effect on any future refinancing as a result of the lower-than-market coupon.
7. **Synthetic Debt.** The Metropolitan Government will consider the limited use of swaps, derivatives and other forms of synthetic debt as a hedge against future interest rate risk when appropriate and in accordance with state guidelines. The Metropolitan Government will not use structured products for speculative purposes. The Metropolitan Government will consider the use of structured products when it is able to gain a comparative borrowing advantage and is able to quantify and understand the potential risks or to achieve fixed and/or variable rate exposure targets.

## Types of Debt

When the Metropolitan Government determines that the use of debt is appropriate, the following criteria will be utilized to evaluate the type of debt to be issued.

### Structure

1. **General Obligation Bonds.** The Metropolitan Government may issue general obligation bonds supported by the full faith and credit of the Metropolitan Government. General obligation bonds shall be used to finance capital projects that do not have independent creditworthiness and significant ongoing revenue streams. The Metropolitan Government may also use its general obligation pledge to support other bond issues, if such support improves the economics of the other bond issue and is used in accordance with these guidelines.
2. **Revenue Bonds.** The Metropolitan Government may issue revenue bonds, where repayment of the bonds will be made through revenues generated from other sources. Revenue bonds will typically be issued for capital projects which can be supported from project or enterprise-related revenues.

### Duration

1. **Long-Term Debt.** The Metropolitan Government may issue long-term debt where it is deemed that capital improvements should not be financed from current revenues or short-term borrowings. Long-term borrowing will not be used to finance current operations or normal maintenance. Long-term debt will be self-supporting and structured such that financial obligations do not exceed the expected useful life of the project.
2. **Short-Term Debt.** Short-term borrowing may be utilized for construction financing, the temporary funding of operational cash flow deficits or anticipated revenues (defined as an assured source with the anticipated amount based on conservative estimates) subject to the following policies:
  - a) *Bond Anticipation Notes (BANs)* in the form of Commercial Paper shall be used only for the purpose of providing financing for the cost of all or any of the public purposes for which Bonds have been authorized and for the payment of principal of outstanding commercial paper.
  - b) *Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs)* shall be issued only to meet cash flow needs consistent with a finding by bond counsel that the sizing of the issue fully conforms to Federal IRS and state requirements and limitations.
  - c) *Lines of Credit* shall be considered as an alternative to other short-term borrowing options. The lines of credit shall be structured to limit concerns as to the Internal Revenue Code.
  - d) *Other Short-Term Debt* may be used when it provides an interest rate advantage or as interim financing until market conditions are more favorable. The Metropolitan Government will determine and utilize the least costly

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method for short-term borrowing. The Metropolitan Government may issue short-term debt when there is a defined repayment source or amortization of principal.

## Refinancing Outstanding Debt

The Director of Finance for the Metropolitan Government, with assistance from the Metropolitan Government's Financial Advisor, shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Metropolitan Government will consider the following issues when analyzing possible refunding opportunities:

1. **Debt Service Savings.** The Metropolitan Government establishes a minimum present value savings threshold of 3.5% of the refunded bond principal amount. The present value savings will be net of all costs related to the refinancing. If present value savings is less than 3.5%, the Metropolitan Government may consider the option value captured as a percent of total savings. If the option value exceeds 70% and present value savings is less than 3.5%, the Metropolitan Government may opt to complete a refunding. The decision to take savings on an upfront or deferred basis must be explicitly approved by the Metropolitan Government.
2. **Restructuring.** The Metropolitan Government will refund debt when it is in the best financial interest of the Metropolitan Government to do so. Such refunding will be limited to restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate
3. **Term of Refunding Issues.** The Metropolitan Government will refund bonds within the term of the originally issued debt. However, the Metropolitan Government may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Metropolitan Government may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.
4. **Escrow Structuring.** The Metropolitan Government shall utilize the least costly securities available in structuring refunding escrows. A certificate will be provided by a third party agent, who is not a broker-dealer stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Metropolitan Government from its own account.
5. **Arbitrage.** The Metropolitan Government shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding.

irregular debt service payments, release reserve funds or remove unduly restrictive bond covenants.