



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

August 6, 2019

Honorable David Briley, Mayor
and Members of the Metro Council
Metropolitan Government of Nashville and Davidson County
One Public Square, Suite 106
Nashville, TN 37201

Dear Mayor Briley and Councilmembers:

Our office received a request from the Metropolitan Government of Nashville and Davidson County (“Metro”) dated July 31, 2019, for the retroactive approval of tax anticipation notes (TANs) for fiscal year 2020 in the total amount of \$220,000,000 for the following funds:

- \$18,000,000 Schools General Purpose Fund Interfund TANs, Series G;
- \$124,500,000 General Services District Debt Service Fund Interfund TANs, Series H;
- \$66,300,000 Schools Debt Service Fund Interfund TANs, Series I; and
- \$11,200,000 Urban Services District Debt Service Fund Interfund TANs, Series J.

Metro also requested approval to issue TANs for fiscal year 2020 in the total amount of \$80,000,000 for the following funds:

- \$45,000,000 General Fund Interfund TANs, Series F;
- \$35,000,000 Schools General Purpose Fund Interfund TANs, Series G;

The initial amount requested for approval is \$300,000,000. Metro intends to request approval for additional TANs in a separate request. The total amount of TANs authorized by Metro Council for fiscal year 2020 is \$454,100,000.

Metro indicated that it will issue the TANs as interfund loans from the following funds: Water & Sewerage Services Fund, Education Services Special Revenue Fund, Event and Marketing Fund, CBID Event and Marketing Fund, Farmers Market Non-Bonded Capital Project Fund, General Fund Reserve Fund, General Government Self Insurance Fund, Hotel Occupancy General Fund, Hotel Tourist Promotion Fund, Information Technology Services Fund, Injured on Duty Fund, Municipal Auditorium Fund, Office of Fleet Management Fund, Government Services Special Revenue Fund, School Self Insurance Fund, Solid Waste Operations Fund, Stormwater Operations Fund, and Surplus Property Auction Fund (collectively the “Lending Funds”).

The request included Resolution No. RS2019-1726 adopted on June 18, 2019, by the Metro Council authorizing the issuance of TANs. Metro provided cash flow forecasts prepared by the Metro Finance Office that support the need to issue the TANs for the General Fund, Schools General Purpose Fund, General Services District Debt Service Fund, School Debt Service Fund, and Urban Services District Debt Service Fund.

Nonconforming Obligations

Metro issued the retroactive TANs prior to seeking or receiving approval from the Comptroller's Office as required by Title 9 Chapter 21 Parts 8 and 4 of the Tennessee Code Annotated. TANs issued contrary to Title 9 Chapter 21 Part 8 of the Tennessee Code Annotated are nonconforming obligations pursuant to T.C.A. § 9-21-406.

Metro adopted its fiscal year 2020 budget on June 18, 2019, and recently submitted all required budget documents to our office. We are in the process of discussing a number of fiscal concerns that need to be clarified or addressed.

Limitations on Tax Anticipation Notes

Local Governments in Tennessee are authorized to issue TANs pursuant to Tennessee Code Annotated, Title 9, Chapter 21 for the purpose of meeting appropriations made for the current fiscal year in anticipation of the collection of taxes and revenues of that fiscal year, subject to the prior approval of the Comptroller of the Treasury.

The authorized amount of TANs must not exceed 60% of the annual appropriation for the fund receiving proceeds from the loan and future revenues projected must be sufficient to provide for the payment of the TANs by June 30, 2020. The retroactive request from Metro for its three Debt Service Funds equals the maximum amount of TANs that can be approved pursuant to Tennessee State laws.

We have determined that Metro's request meets the percentage limitation described above.

Debt Management Policy

Metro provided a copy of its debt management policy and is required to submit a Report on Debt Obligation (CT-0253) by August 14 for each TAN to indicate that the notes comply with Metro's debt policy. If Metro amends its policy, please submit the amended policy to our office.

Tax Anticipation Notes (TANs) Approval

This letter constitutes approval of interfund TANs in the total amount of \$300,000,000, consisting of retroactive approval in the amount of \$220,000,000, and approval in the amount of \$80,000,000 for the General Fund, Schools General Purpose Fund, General Services District Debt Service Fund, School Debt Service Fund, and Urban Services District Debt Service Fund, as detailed above, from the Lending Funds, contingent upon this office receiving the following on or before September 20, 2019:

- Updated cash flow forecasts for all borrowing and Lending Funds will be provided to this office signed by the Chief Financial Officer.
- A summary that explains the impact of the sale of assets, including property and parking rights, on the fiscal year 2020 budget in addition to the actual status of these sales.

In addition, we request that Metro Council provide our office with a cash management policy. When adopting such policy, we encourage the Council to consider establishing minimum cash balances needed for Metro’s operating and debt service funds that are sufficient to meet unplanned fluctuations in revenue and expenditures. The policy should be presented to metro Council for consideration by November 2019.

Pursuant to Tennessee Code Annotated Title 9, Chapter 21 the Metro Mayor and Council Members shall comply with the following:

- The tax and revenue anticipation note forms submitted with the request shall be used as the loan documents;
- A Report on Debt Obligation, Form CT-0253, shall be filed with the Metro Council no later than 45 days after the issuance of the TANs, with a copy filed with our office;
- A balanced budget shall be maintained with no cash deficits and sufficient to pay operating and debt service costs; and
- The TANs shall be repaid no later than June 30, 2020, and documentation of repayment shall be provided to our office within 15 days of repayment, but no later than June 30, 2020.

Please provide a copy of this letter to all the members of the Metro Council at the next meeting of the Council and enter it into the minutes of the meeting.

Our office continues to work with Metro regarding these important issues.

Sincerely,



Justin P. Wilson
Comptroller of the Treasury

cc: Ms. Sandra Thompson, Director, Office of State and Local Finance
Ms. Jean Suh, Local Government Audit, COT
Ms. Talia Lomax O’neal, Metropolitan Government of Nashville and Davidson County