

THE UNIVERSITY OF TENNESSEE  
MUNICIPAL TECHNICAL ADVISORY SERVICE



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December 10, 1993

Mr. Jeffrey G. Jones  
Attorney at Law  
101 South Jefferson Avenue  
Cookeville, Tennessee 38501-3424

Dear Mr. Jones:

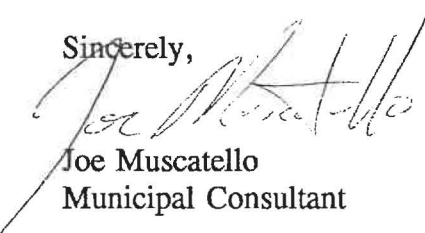
The answer to your question as to the possibility of the City of Algood/transferring funds from its general fund to the street aid fund, with future street aid money earmarked to reimburse the general fund is a qualified yes. #1

In order to use future street aid money to reimburse the general fund, the City Board must pass a loan resolution for a three year capital outlay note. The City may determine what, if any, interest charges there may be. Extensions can be granted for an additional six years. The City would be obligated to pay at least 1/9 of the loan annually. Prior to the passage of this note, the City would have to receive permission from the State Comptroller Office. The contact person is Mr. Wayne Williams, Director of Local Finance, and he can be reached at (615) 741-4276. I am enclosing a copy of the resolution authorizing a three-year capital outlay note. note: includes

There are other options the City may wish to pursue to finance its street paving program. The Tennessee Municipal League operates a bond fund for purposes such as this. The TML Bond Fund can be reached at (615) 255-6416.

If I can be of any other assistance, please let me know.

Sincerely,

  
Joe Muscatello  
Municipal Consultant

JM:aal  
Enclosure  
cc/with enc: Mayor Jim Heard  
fn:JM#2/L-Algood.Aty

THREE-YEAR CAPITAL OUTLAY NOTES

RESOLUTION OF THE GOVERNING BODY OF \_\_\_\_\_,  
TENNESSEE, AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF  
INTEREST-BEARING \_\_\_\_\_ CAPITAL  
OUTLAY NOTES NOT TO EXCEED \$ \_\_\_\_\_.

WHEREAS, the governing Body of \_\_\_\_\_, Tennessee has  
determined that it is necessary and desirable to \_\_\_\_\_  
\_\_\_\_\_ (the "Project") for the benefit of the  
citizens of the Local Government; and

WHEREAS, the Governing Body has determined that the Project  
will promote or provide a traditional governmental activity or  
otherwise fulfill a public purpose; and

WHEREAS under the provisions of Parts I, IV, and VI of Title  
9, Chapter 21, Tennessee Code Annotated (the "Act"), local  
governments in Tennessee are authorized to finance the cost of  
this Project through the issuance and sale of interest bearing  
capital outlay notes upon the approval of the State Director of  
Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to  
the Local Government to authorize the issuance of capital outlay  
notes to finance the cost of the Project;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of  
\_\_\_\_\_, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to  
finance the cost of the Project in and for the Local Government,  
the \_\_\_\_\_ of the Local Government is hereby authorized in  
accordance with the terms of this resolution to issue and sell  
interest-bearing capital outlay notes in a principal amount not to  
exceed \_\_\_\_\_ Dollars (\$ \_\_\_\_\_)  
(the "Notes") at either a competitive public sale or at a private  
negotiated sale upon approval of the State Director of Local  
Finance pursuant to the terms, provisions, and conditions permitted  
by law. The Notes shall be designated Capital Outlay Notes,  
Series 19\_\_; shall be numbered serially from 1 upwards; shall be  
dated as of the date of issuance; shall be in denomination(s) as  
agreed upon with the purchaser; shall be sold at not less than 99%  
of par value and accrued interest; and shall bear interest at a  
rate or rates not to exceed \_\_\_\_\_ percent (\_\_\_\_%) per  
annum; and in no event shall the rate exceed the legal limit  
provided by law.

Section 2. That, the Notes shall mature not later than three  
(3) years after the date of issuance and that the Notes and any

extension or renewal notes shall not exceed the reasonably expected economic life of the Project, which is hereby certified by the Governing Body to be at least \_\_\_\_\_ years. Provided, however, that each year the Notes are outstanding, one-\_\_\_\_\_ (1/\_\_\_), but in no event not less than one-ninth (1/9), of the original principal amount of the Notes shall mature without renewal but subject to prior redemption.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local Government over and above all other taxes authorized by the Local Government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

The Notes shall be further secured by state street aid revenues.

Section 5. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the \_\_\_\_\_ with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the \_\_\_\_\_ of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the \_\_\_\_\_ of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Note remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register for the registration, exchange or transfer of the Notes. The note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in

person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner or the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Note. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date on the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That, the Notes shall be sold only after the receipt of the written approval of the State Director of Local Finance for the sale of the Notes.

Section 9. That, the notes are hereby designated as qualified tax-exempt obligations for purpose of Section 265(b)(3) of the Internal Revenue Code of 1986.

Section 10. That, after the issuance and sale of the Notes, and for each year that any of the Notes are outstanding, the Local Government shall submit its annual budget to the State Director of Local Finance for approval immediately upon the Local Government's adoption of the budget.

Section 11. That, if any of the Notes shall remain unpaid at the end of three (3) years from the issue date, then the unpaid Notes shall be renewed or extended as permitted by law, or retired from the funds of the Local Government or be converted into bonds pursuant to chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approved by the State Director of Local Finance.

Section 12. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become affective immediately upon its passage

Duly passed and approved this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_  
 (Local Government Chief Executive)

ATTESTED:

\_\_\_\_\_  
 (City Recorder/County Clerk)