Exhibit A

The Metropolitan Government of Nashville and Davidson County

DEBT MANAGEMENT POLICY

2017

Table of Contents

Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government"): (1) identifies policy goals and demonstrates a commitment to long-term financial planning; including a multi-year capital plan; (2) improves the quality of decisions; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the Metropolitan Government is well-managed and should 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 the Metropolitan Government to manage its debt programs in line with those resources.

The debt programs for the Metropolitan Government include general obligation debt issued by the Metropolitan Government for which the Metropolitan Government has pledged its full faith and credit for the payment of both principal and interest; and (2) revenue debt issued by the Metropolitan Government for which the Metropolitan Government has pledged the revenues of one or more or revenue-generating systems or facilities for the payment of both principal and interest. These policies shall be administered by the Metropolitan Government's Finance Department.

These policies will apply to all debt issued by the Metropolitan Government, with the exception of revenue debt issued on behalf of Nashville Electric Service (NES). Under applicable State law, NES is charged with the operation and management of the Metropolitan Government's electric system. NES shall at all times maintain debt management policies with respect to electric system revenue debt that are consistent with the requirements of applicable State law. Upon requesting or recommending that the Metropolitan Council authorize the issuance of any revenue debt on behalf of NES, NES shall certify that the recommended debt will be issued in a manner consistent with NES debt management policies and/or identify any deviations from NES debt management policies that have been specifically approved by NES.

The Metropolitan Government's Sports Authority and Convention Center Authority are both authorized to issue debt on their own behalf. Applicable State law requires the Metropolitan Council to approve any debt issued by the Sports Authority or the Convention Center Authority. Both Authorities shall at all times maintain debt management policies with respect to their respective debt issuances that are consistent with the requirements of applicable State law. Upon requesting or recommending that the Metropolitan Council approve the issuance of any debt on behalf of the Sports Authority or the Convention Center Authority, the applicable Authority shall certify that the recommended debt will be issued in a manner consistent with the Authority's debt management policies and/or identify any deviations from the Authority's debt management policies that have been specifically approved by the Authority.

These policies do not apply to the debt of any other instrumentality of the Metropolitan Government which is authorized to issue debt without the approval of the Metropolitan Council, including without limitation the Airport Authority, the Industrial Development Board, and the Health, Educational and Housing Facilities Board of the Metropolitan Government. Each of these instrumentalities is required to maintain debt management policies consistent with the requirements of applicable State law.

Goals and Objectives

The Metropolitan Government is establishing a debt policy as a tool to ensure that financial resources are adequate to meet the Metropolitan Government's long-term capital programs and financial planning. In addition, the Debt Management Policy (the "Policy") helps to ensure that financings undertaken by the Metropolitan Government satisfy certain clear objective standards designed to protect the Metropolitan Government's financial resources and to meet its long-term capital needs.

A. The goals of this policy are:

1. To document responsibility for the oversight and management of debt related transactions;
2. To define the criteria for the issuance of debt;
3. To define the types of debt approved for use within the constraints established by applicable State law and the Charter of the Metropolitan Government (the "Charter");
4. To define the appropriate uses of debt;
5. To define the criteria for evaluating refunding candidates or alternative debt structures; and
6. To minimize the cost of debt.

B. The objectives of this policy are:

1. To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
2. To identify legal and administrative limitations on the issuance of debt;
3. To ensure the legal use of the Metropolitan Government's debt issuance authority;
4. To maintain appropriate resources and funding capacity for present and future capital needs;
5. To protect and enhance the Metropolitan Government's credit ratings;
6. To evaluate debt issuance options;
7. To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
8. To manage interest rate exposure and other risks; and

9. To comply with applicable federal laws and Generally Accepted Accounting Principles ("GAAP").

Debt Management/General

A. Purpose and Use of Debt Issuance

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Charter and the Constitution and laws of the State of Tennessee (including without limitation Title 9, Chapter 21, Tennessee Code Annotated, and Title 7, Chapter 34, Tennessee Code Annotated (together, the "State Debt Statutes")), pursuant to resolutions adopted by the Metropolitan Council.

1. Debt may be issued for public purposes of the Metropolitan Government as permitted by the State Debt Statutes.

2. Debt may be used to finance capital projects authorized by resolutions of the Metropolitan Council and to fund costs of issuance, capitalized interest and debt service reserves, all as set forth in the resolution(s) of the Metropolitan Council.

3. Debt may only be used to fund operating expenditures when such debt is repaid in the fiscal year issued.

4. Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs of projects, as authorized by a resolution of the Metropolitan Council.

5. Bonds may be issued to refinance outstanding debt.

B. Debt Capacity Assessment

1. **General Obligation Bonds**

During development and consideration of a capital-spending plan, impact of the resulting debt and debt service will be evaluated to determine appropriate level of debt to the overall financial position of the Metropolitan Government. To accomplish this evaluation, a calculation of the various metrics, discussed herein, will be performed on existing debt as compared to projected debt resulting from the capital-spending plan. An analysis of historical financial trends and current and projected economic factors will be considered in evaluation of the appropriate level of debt to be approved in a capital-spending plan.

Metrics considered in evaluating a capital-spending plan are based on recommendations of Metro's Financial Advisor and approved by the Director of Finance. Selected metrics are those considered by rating agencies in assigning Metro's bond rating and represent best practices of municipal bond issuers, while ensuring the Metropolitan Government's local government structure is considered. Direct comparisons to other municipal debt issuers will be considered from time to time, but only to the extent those municipal debt issuers are responsible for similar capital responsibilities as the Metropolitan Government (i.e. county, municipal and school system functions).

The factors and metrics described below provide a broad information base for the Metropolitan Government's decision makers to consider in determining appropriate level of new debt authorizations:

- Financial trends provide a review of the financial progress of the government over multiple years. Fund balance demonstrates the government's ability to maintain reserves at appropriate levels while meeting funding needs. Annual comparison of revenue and expenses indicates effectiveness of the budget process and ability of management to operate within financial limitations. Ongoing review of these elements is part of the debt management program and the debt authorization process.

- Pension funding and Other Post Employment Benefits ("OPEB") obligations are important considerations to a government's financial stability. As of the date of this policy, the Metropolitan Government believes that its pension plan is well-funded. The Charter requires that annual contributions be based on funding necessary to keep the retirement plan actuarially sound as determined by a qualified independent actuary, which has been viewed favorably by rating agencies. As of the date of this policy, the Metropolitan Government's OPEB obligations are 0% funded, and the required contribution for OPEB obligations is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. As of the date of this policy, the Metropolitan Government believes that its treatment OPEB obligations has not affected the Metropolitan Government's ability to authorize debt nor has it negatively influenced bond ratings. This will be regularly assessed and should there become a potential for the OPEB liability or funding method to negatively impact bond ratings and interest rates in the future, a determination of policy actions necessary to mitigate potential negative impacts would be made at that time.

- Recognizing that the strength and resiliency of the local economy are the ultimate basis for the ability to repay debt, the economic factors were selected to gauge multiple elements of economic strength. Individually they provide insight to specific areas and combined provide a broad picture of the direction the economy is headed.

- Quantitative debt metrics provide a method of comparison. As mentioned above, Metro's structure with combined city, county and schools capital funding does not translate to comparison with other municipal debt issuers; a fact recognized by rating agencies. It is still important to annually document the debt relationship to tangible factors and compare those to prior years.

The Financial trends considered include:

- Annual comparison of general fund balance
- Annual comparison of revenue
- Annual comparison of expenses
- Review of pension funded status and OPEB obligations

The economic factors considered include:

- Population change
- Unemployment
- Personal income change
- New business creation and relocations
- Volume and amount of building permits

The metrics for evaluation that are used include:

- Debt service as percentage of annual general expenses
- Debt as percentage of actual value of taxable property
- Debt per capita
- Debt per capita personal income

While these metrics provide a broad range of information using both financial trends and economic factors as a comparison for determining the government's appropriate debt level, the primary consideration in determining debt capacity related to new capital spending plans is the impact of the resulting future debt service payments in relation to current, projected and proposed revenues over the term of future bonds and in relation to the retirement of other bonds outstanding.

2. **Revenue Bonds**

Requirements of specific revenue debt indentures will be used to determine appropriate level of new debt to be authorized. The primary consideration in determining debt capacity for revenue bonds is whether the underlying net revenue stream is sufficient to cover the related principal and interest payments over the term of the proposed revenue bonds and in relation to the retirement of any related revenue bonds outstanding.

C. **Federal Tax Status**

1. **Tax-Exempt Debt** - The Metropolitan Government will use its best efforts to maximize the amount of debt sold under this policy using tax-exempt financing based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints.

2. **Taxable Debt** - The Metropolitan Government will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt.

However, the Metropolitan Government will finance taxable projects within the permitted limits of tax-exempt financings whenever possible.

D. Legal Limitations on the Use of Debt

1. No debt obligation, except as shall be repaid within the fiscal year of issuance, shall be sold to fund the current operation of any Metropolitan Government service or program.

2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized.

3. Debt may only be issued pursuant to an authorizing resolution of the Metropolitan Council.

Types of Debt

A. Bonds

Security- Pursuant to State Debt Statues, the Metropolitan Government may issue general obligation bonds, which are direct general obligations of the Metropolitan Government payable as to both principal and interest from any funds or monies of the Metropolitan Government from whatever source derived. The full faith and credit of the Metropolitan Government is pledged to the payment of principal of and interest on all general obligations bonds. General obligation bonds may be additionally secured by a pledge of the revenues of one or more revenue–producing systems or facilities. Pursuant to State Debt Statues, the Metropolitan Government may issue revenue bonds, which are limited obligations of the Metropolitan Government, payable solely from the revenues of one or more revenue–producing systems or facilities.

These bonds may be structured as:

1. **Fixed Interest Rate Bonds** - Bonds that have an interest rate that remains constant throughout the life of the bond.
   - Serial Bonds
   - Term Bonds
   - Capital Appreciation Bonds

2. **Variable Interest Rate Bonds** - Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution. Variable rate debt may be used in the following circumstances:

   - For bond anticipation notes issued during the construction period phase of a project;

   - To finance projects that have a high probability of having a change from public to private use over the period of amortization;

- For projects requiring an extraordinary redemption period prior to a standard call date;

- For asset liability matching purposes; and

- To diversify the interest rate risk of the debt portfolio.

3. **Capital Appreciation Bonds** - A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded interest rate until maturity, at which time the investor receives a single payment representing both the initial principal amount and the total investment return.

B. Short Term Debt

Pending the issuance of the definite bonds authorized by the bond authorizations, the Metropolitan Government may issue short term debt. Such debt shall be authorized by resolution of the Metropolitan Government. Debt issued in a short-term mode may be used for the following reasons:

1. To fund projects with an average useful life of ten years or less;

2. To fund projects during the construction phase of the projects; and

3. To fund cash flow deficits when repaid in the fiscal year in which the debt was issued.

These notes may be structured as:

1. **Bond Anticipation Notes ("BANs")** - BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue.

   - **Commercial Paper ("CP")** - CP is a form of bond anticipation notes that has maturities up to 270 days, may be rolled to a subsequent maturity date and is commonly used to finance a capital project during construction. It can be issued incrementally as funds are needed and then refunded with a bond once projects are completed to take advantage of lower short-term rates during the construction period.

   - **Fixed Rate Notes** -Notes issued for a period of time less than two years at a fixed interest rate that are used to fund capital projects during the construction period.

   - **Variable Rate Notes** - Notes which bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.

2. **Tax and Revenue Anticipation Notes ("TRANs")** - TRANs are short term notes secured by a pledge of taxes and other revenues in the current fiscal year of

the Metropolitan Government. TRANs, if issued, will constitute direct obligations of the Metropolitan Government backed by the full faith and credit of the Metropolitan Government. All TRANs will be redeemed in the same fiscal year in which they are issued.

3. **Capital Outlay Notes ("CONs")** – CONs are short-term general obligation notes which mature between one and twelve years of issuance.

Debt Management Structure

The Metropolitan Government shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Metropolitan Government's authorizing resolution and the Metropolitan Government's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. In the case of general obligation bonds, the final maturity of the bond debt should be limited to 20 years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier, unless otherwise specifically approved by the Metropolitan Council in the debt authorizing resolution. In the case of revenue bonds, the final maturity of the bond debt should be limited to 30 years after the date of issuance or the date the project is deemed complete or place in service, whichever is earlier, unless otherwise specifically approved by the Metropolitan Council in the debt authorizing resolution.

B. Debt Service Structure

Debt issuance shall be planned to achieve substantially level debt service over a twenty year period (commencing immediately following the third year after issuance) unless otherwise specified in the authorizing resolution of the Metropolitan Council. The Metropolitan Government shall avoid use of bullet or balloon maturities without first complying with the Balloon Debt Management Procedures set forth in the following section; this does not include term bonds with mandatory sinking fund requirements or refunding bonds.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call features should be structured to provide the maximum flexibility relative to cost. 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.

D. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Metropolitan Council.

Balloon Debt

A. Introduction

The Metropolitan Government may, from time to time, consider the issuance of bonds that would now constitute "balloon indebtedness," as defined by Tennessee Code Annotated Section 9-21-134. Generally speaking, balloon indebtedness reduces the Metropolitan Government's future capacity to issue debt and its financial flexibility to meet future needs. The Metropolitan Government's preference if for the issuance of indebtedness that does not constitute balloon indebtedness, all in a manner consistent with this Debt Management Policy, and in the best interest of the Metropolitan Government and its taxpayers or ratepayers (as applicable).

As set forth above, the Debt Management Policy provides that: *Debt issuance shall be planned to achieve substantially level debt service over a twenty year period (commencing immediately following the third year after issuance) unless otherwise specified in the authorizing resolution of the Metropolitan Council.*

In most cases, the issuance of debt that constitutes balloon indebtedness because of a deferral of principal amortization is inconsistent with this Debt Management Policy because it does not minimize interest costs. The issuance of debt in this manner also limits the Metropolitan Government's future debt capacity and its future financial flexibility.

B. Policy

It is the policy of the Metropolitan Government that the Metropolitan Government will strive to issue all future debt to provide funding for capital projects ("improvement bonds") with a principal amortization structure that does not constitute balloon indebtedness.

It is further the policy of the Metropolitan Government to maintain at all times a plan for managing any outstanding balloon indebtedness to mitigate its effects on the Metropolitan Government's future debt capacity and financial flexibility, taking into consideration the financial resources of the Metropolitan Government.

C. Issuance of Balloon Indebtedness

1. Unless the Metropolitan Council concludes, through the procedures outlined in (2) below, that a balloon indebtedness structure is in the public interest, all future improvement bonds will be structured so that principal amortizes in a manner that results in level or declining debt service, commencing no later than the fourth year following issuance.

2. If the Metropolitan Council wishes to consider whether it may be in the best interest of the Metropolitan Government to issue improvement bonds with a balloon indebtedness structure, it will do the following:

    a. Prior to the preparation and submission to the Comptroller of a Plan of Finance and a request for the Comptroller's consent to a Plan of Balloon Indebtedness, the Metropolitan Council will consider the following factors, and any other factors the Metropolitan Council determines to be relevant:

i. the nature of the assets proposed to be financed, including the expected economic life of those assets
ii. the proposed balloon indebtedness debt service structure, with a comparison to a debt service structure that does not constitute balloon indebtedness, with detail regarding the incremental interest costs that would result from the balloon indebtedness debt service structure
iii. the Metropolitan Government's aggregate debt service schedule and principal amortization
iv. the Metropolitan Government's current available revenue streams
v. the Metropolitan Government's future capital needs
vi. the Metropolitan Government's future operational expenses
vii. the impact of a balloon indebtedness structure on the Metropolitan Government's ability to meet its future capital and operational needs with current available revenue streams
viii. if a balloon indebtedness structure is being considered based on anticipated revenue growth, an assessment of the implications to the Metropolitan Government if that growth does not occur

b. The consideration described in subsection (a) will take place in a public meeting of the Metropolitan Council. A written analysis of the items described in subsection (a) will be provided to the Metropolitan Council and made available to the public. The Metropolitan Council will notify the public of this meeting, by including a statement that the Council is considering the issuance of improvement bonds that would constitute balloon indebtedness in the Metropolitan Council's posted agenda.

c. If at the conclusion of the process set forth in (a) and (b), the Metropolitan Council concludes that the issuance of improvement bonds as balloon indebtedness is in the best interest of the Metropolitan Government, then it may proceed the preparation and submission to the Comptroller of a Plan of Finance and a request for the Comptroller's consent to a Plan of Balloon Indebtedness, which Plans shall specifically describe the Metropolitan Council's compliance with these policies and shall document the document the reason why that structure is in the public interest and disclose any related costs and risks. In order to allow for public input, the Finance Department shall post a copy of the Plan of Balloon Indebtedness on its website from the time the Plan is filed with the Comptroller until the resolution authorizing the issuance of bonds has been adopted by the Metropolitan Council.

D. Outstanding Balloon Indebtedness

1. The Metropolitan Government will manage any outstanding balloon indebtedness in a manner that mitigates its effects on the Metropolitan Government's future revenues by considering the following options, within its financial resources:

- restructuring debt with accelerated amortization
- early repayment of debt
- delaying of capital projects, or funding capital projects with revenues, until capacity is available to issue debt structured with level or declining payments

- such other actions available within its financial capacity to manage debt

2. Whenever feasible and within the financial resources of the Metropolitan Government, the Metropolitan Council intends either to restructure such balloon indebtedness into a more level debt payment structure or to repay at faster rate than the original structure.

3. If the Metropolitan Council considers issuing bonds to refund debt that was balloon indebtedness ("refunding bonds"), it will determine whether it is in the public interest to maintain the debt structure as balloon indebtedness or to restructure the balloon indebtedness to provide for a more rapid amortization of principal. In making its determination, the Metropolitan Council will employ the process described in section (C)(2) above (modified to account for refunding bonds as opposed to improvement bonds).

E. Administration

These Balloon Debt policies should be reviewed annually with the Debt Management Policy of which they are a part by the Metropolitan Government and from time to time as circumstances, such as during the planning of new debt issuances, rules and regulations warrant.

Refinancing Outstanding Debt

The Department of Finance and the Metropolitan Government's Financial Advisor shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Financial Advisor will regularly conduct an analysis of all refunding candidates to identify potential refunding candidates from the outstanding bond maturities. The Metropolitan Government will consider the following issues when analyzing possible refunding opportunities:

A. Debt Service Savings

The bonds will be considered for refunding when:

1. The refunding of the bonds to be refunded results in aggregate present value savings of at least 3.5% as certified to the Metropolitan Government by the Financial Advisor to the Metropolitan Government, and the savings of the bonds to be refunded must be equal to or greater than twice the cost of issuance; or

2. The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the Bonds; or

3. A project is sold while still in its amortization period.

The Refunding Bond will only be executed when the Metropolitan Government confirms the receipt of the certification of the Financial Advisor to the Metropolitan Government and determines that the refunding of the bonds to be refunded accomplishes cost savings to the public or that such refunding is necessary to maintain compliance with the federal tax code.

B. Term of Refunding Issues

The Metropolitan Government will refund bonds within the term of the originally issued debt. No back loading of debt will be permitted.

C. Bond Structuring

The bonds will be structured to create proportional or level debt service savings.

D. Escrow Structuring

The Metropolitan Government shall structure refunding escrows using permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Metropolitan Government will take competitive bids on any selected portfolio of securities and will award to the lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Securities ("SLGs") are purchased directly from the Federal Government. The provider must guarantee the delivery of securities except for SLGs. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Metropolitan Government from its own account.

Methods of Sale

Pursuant to State Debt Statutes, new money general obligation bonds must be sold at competitive sale. State Debt Statutes permit the Metropolitan Government to determine the method of sale for refunding bonds and revenue bonds. Following each sale of bonds, the Finance Department with the assistance of the Financial Advisor shall provide a report to the Metropolitan Council on the results of the sale.

A. **Competitive Sale** - In a competitive sale, the Metropolitan Government's bonds are posted for auction sale and awarded to the bidder providing the lowest true interest cost as long as the bid conforms to the requirements set forth in the official notice of sale.

B. **Negotiated Sale** - While the Metropolitan Government prefers the use of a competitive process, the Metropolitan Government recognizes some bonds are best sold through negotiation. In a negotiated sale, the underwriter(s) will be chosen through a Request for Proposal ("RFP") process and underwriter's fees are negotiated prior to the sale. The factors to be considered for a negotiated sale include the following:

- Volatility of market conditions
- Size of the bond sale
- Credit strength
- Whether or not the bonds are issued as variable rate demand obligations

C. **Private Placement**

From time to time the Metropolitan Government may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings to the Metropolitan Government relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Metropolitan Government shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals or in promotional materials provided to the Metropolitan Government or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Metropolitan Government 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 Metropolitan Government. 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 Metropolitan Government or its designated official in advance of the pricing of the debt.

A. **Selection of Senior Management Team** - The Finance Department and Financial Advisor shall select the senior manager for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Metropolitan Government;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Metropolitan Government's engagement;
- Financing ideas presented; and
- Underwriting fees.

B. **Selection of Co-Managers** - Co-managers will be selected on the same basis as the senior manager. The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Metropolitan Government's bonds. The Metropolitan Government will affirmatively determine the designation policy for each bond issue.

C. **Selling Groups** - The Metropolitan Government may use selling groups in certain transactions to maximize the distribution of bonds to retail investors.

D. **Underwriter's Counsel** - In any negotiated sale of the Metropolitan Government's debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager with input from the Finance Department.

E. **Underwriter's Discount** - The Metropolitan Government will evaluate the proposed underwriter's discount in comparison to other issues in the market. If there are multiple underwriters in the transaction, the Metropolitan Government will determine the allocation of fees with respect to the management fee, if any. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined prior to the sale date. A cap on management fee, expenses and underwriter's counsel will be established and communicated to all parties by the Metropolitan Government. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

F. **Evaluation of Underwriter Performance** - The Finance Department, with assistance of the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit.

Credit Quality

The Metropolitan Government's debt management activities will be conducted to receive the highest credit ratings possible, consistent with Metropolitan Government's financing objectives.

The Finance Department will be responsible for the communication of information to the rating agencies and keeping them informed of significant developments throughout the year. The Finance Department will schedule rating agency calls and/or visits prior to the issuance of bonds.

The Finance Department will engage the relevant Rating Agencies in advance, in the event that the Metropolitan Government decides to move forward with a plan of finance that includes variable rate debt, new commercial paper programs or the use of derivatives.

The Metropolitan Government shall apply for ratings from at least two of the three Statistical Rating Organizations (the "SRO"). The Metropolitan Government shall fully review the contract with each SRO and receive an engagement letter prior to submitting documentation for the rating.

Credit Enhancements

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

A. **Bond Insurance**

The Metropolitan Government may purchase bond insurance when such purchase is deemed prudent and advantageous for negotiated sales. 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. For competitive sales, the purchaser of the bonds will determine whether bond insurance will be used and will be included in the bid for the bonds and will be paid for by the purchaser of the bonds.

The Metropolitan Government will qualify bonds for insurance and allow bidders to purchase the bonds with or without insurance. In a negotiated sale, the Metropolitan

Government will select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the Metropolitan Government.

B. **Letters of Credit**

The Metropolitan Government may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous. The Metropolitan Government will prepare and distribute a RFP to qualified banks or other qualified financial institutions which includes terms and conditions that are acceptable to the Metropolitan Government. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the Metropolitan Government.

C. **Liquidity**

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Metropolitan Government will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self-liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the Metropolitan Government.

D. **Use of Structured Products**

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered and approval of the Comptroller of the State of Tennessee is obtained.

Risk Assessment

The Finance Department will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The Finance Department will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. 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 issued 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.

Transparency

The Metropolitan Government shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. Additionally all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner (see also Federal Regulatory Compliance and Continuing Disclosure), including:

A. Within four weeks of closing on a bond transaction, the debt service schedule outlining the rate of retirement of the principal amount shall be posted to the Metropolitan Government's website;

B. Within 45 days from closing, costs related to the issuance and other information set forth in Section 9-21-151,Tennessee Code Annotated, shall be prepared, a copy filed with the Office of State and Local Finance, and the original presented at the next meeting of the Metropolitan Council; and

C. Disclosure of costs will be made by electronic submission through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website.

Professional Services

The Metropolitan Government requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Metropolitan Government. This includes "soft" costs or compensations in lieu of direct payments.

A. **Issuer's Counsel** - The Metropolitan Government will enter into an engagement letter agreement with each lawyer or law firm representing the Metropolitan Government in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Metropolitan Department of Law who serves as counsel to the Metropolitan Government.

B. **Bond Counsel** - Bond counsel is contracted by the Metropolitan Department of Law and serves to assist the Metropolitan Government in all its general obligation and revenue debt issues.

C. **Financial Advisor** - The Financial Advisor is contracted by the Finance Department and serves and assists the Metropolitan Government on financial matters. The Metropolitan Government shall approve the written agreement between the Finance Department and each person of the firm serving as financial advisor in debt management advisory services and debt issuance transactions. However, when in a competitive or negotiated sale, the Financial Advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services for the issuance. The Financial Advisor will be subject to a fiduciary duty which includes a duty of loyalty and a duty of care.

Potential Conflicts of Interest

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

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.

Debt Administration

A. **Planning for Sale**

1. Prior to submitting a bond resolution to the Metropolitan Council for approval, the Finance Department, with the assistance of the Financial Advisor, will present to the Metropolitan Council the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing.

2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Finance Department will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.

3. The Finance Department, bond counsel, financial advisor, along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. **Post Sale**

1. The Finance Department will present a post-sale report to the members of the Metropolitan Council describing the transaction and setting forth all the costs associated with the transaction.

2. The financial advisor will provide a closing memorandum with written instructions on transfer and flow of funds.

3. The Finance Department will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.

4. The Finance Department, bond counsel, financial advisor, along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

Federal Regulatory Compliance and Continuing Disclosure

A. **Federal Tax Compliance**

The Metropolitan Government has adopted Federal Tax Compliance Policies and Procedures regarding the administration of all of its tax-exempt and tax-advantaged debt. The Finance Department will comply with these Federal Tax Compliance Policies and Procedures, as they may be amended from time to time.

B. **Investment of Proceeds**

Any proceeds or other funds available will be deposited with the Metropolitan Treasurer's Office. The proceeds must be invested pursuant to the Metropolitan Government's investment policy and applicable provisions of State law.

C. **Disclosure**

In complying with U.S. Securities and Exchange Commission Rule 15c2-12, the Metropolitan Government will timely provide to EMMA certain financial information and operating data each year, and will provide notice of certain enumerated events with respect to the bonds, if material. Such material events include:

1. Principal and interest payment delinquencies

2. Nonpayment-related defaults

3. Unscheduled draws on credit enhancements

4. Substitution of credit or liquidity providers or the failure of performance on the part of a liquidity provider

5. Adverse tax opinions or events affecting the tax-exempt status of any bonds

6. Modifications to rights of bond holders

7. Bond calls

8. Defeasances

9. Matters affecting collateral

10. Rating changes

11. Bankruptcy, insolvency or receivership

12. Merger, acquisition or sale of all issuer assets

13. Appointment of a successor bond trustee

D. **Generally Accepted Accounting Principles (GAAP)**

The Metropolitan Government will prepare its financial reports in accordance with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the Finance Department when applicable.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Metropolitan Government maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Metropolitan Government's goals.

This policy will be reviewed by the Metropolitan Government no less frequently that annually. At that time, the Finance Department will present any recommendations for any amendments, deletions, additions, improvement or clarification.