



RESOLUTION 26-668

A RESOLUTION OF THE TOWN OF MOUNT CARMEL BOARD OF MAYOR AND ALDERMEN ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the Town of Mount Carmel, Tennessee, is authorized under state law to issue debt for lawful municipal purposes and is responsible for managing such obligations in a prudent, transparent, and fiscally responsible manner; and

WHEREAS, Tennessee law and guidance from the Tennessee Comptroller of the Treasury require local governments to adopt a formal debt management policy governing the issuance and management of debt obligations; and

WHEREAS, the Town has historically managed debt in accordance with applicable law, Comptroller guidance, and sound financial practices, but has not previously adopted a comprehensive written debt management policy approved by the governing body; and

WHEREAS, the Municipal Technical Advisory Service (MTAS) and the Government Finance Officers Association (GFOA) recommend adoption of a written debt management policy as a best practice in municipal financial management; and

WHEREAS, the Town is currently participating in a sewer rate study evaluation being conducted by MTAS, which requires the adoption of formal financial governance policies, including a debt management policy, in order to evaluate existing obligations, debt service requirements, and long-term financial impacts on utility rates; and

WHEREAS, adoption of a Debt Management Policy will formalize the Town's existing practices, promote consistency and transparency, minimize financial risk, and provide a clear framework for future debt decisions;;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Mayor and Aldermen meeting at Mount Carmel, Tennessee, on this 22nd day of January, 2026, that

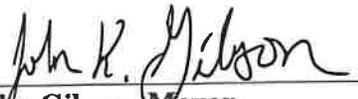
SECTION 1. The Debt Management Policy attached hereto and incorporated herein by reference is hereby adopted as the official Debt Management Policy of the Town of Mount Carmel.

SECTION 2. The policy shall apply to all debt obligations of the Town, including general obligation debt, revenue debt, notes, loans, financing leases, and any other debt permitted by law, and shall govern the planning, issuance, management, and reporting of such obligations.

SECTION 3. Adoption of this policy is intended to formalize and document existing debt management practices and does not, by itself, authorize the issuance of new debt or constitute a material change to current procedures.

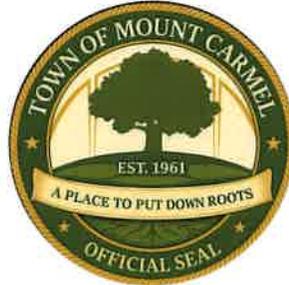
This Resolution shall take effect immediately, the public welfare requiring it.

ADOPTED this 22nd day of January, 2026


John Gibson, Mayor

Attest:


Tyler Williams, Town Recorder





Town of Mount Carmel
Debt Management Policy

The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the Town of Mount Carmel, TN. This policy reinforces the commitment of the Town and its officials to manage the financial affairs of the Town to minimize risk, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the Town. A debt management policy signals to the public and the rating agencies that the Town is using a disciplined and defined approach to financing operating and capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

The goal of this policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater stability over the long-term will be generated by the use of consistent guidelines in issuing debt.

Definition of Debt: All obligations of the Town to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of Town resources. This includes but is not limited to notes, bond issues, financing leases, and loans of any type (*whether from an outside source such as a bank or from another internal fund*).

Approval of Debt: Bond anticipation notes, capital outlay notes, grant anticipation notes, tax and revenue anticipation notes (including any interfund loans) and certain non-exempt financing leases will be submitted to the State of Tennessee Comptroller's Division of Local Government Finance and the Board of Mayor & Aldermen prior to adoption of the authorizing resolution for capital outlay notes and prior to issuance or entering into all other notes. A plan for refunding debt issues will also be submitted to the Comptroller's Office prior to adoption of the authorizing resolution by the governing body and issuance.

Transparency:

- The Town shall comply with legal requirements for notice and for public meetings related to debt issuance.
- All notices shall be posted in the customary and required posting locations, including as required local newspapers, bulletin boards, and websites.
- All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the citizens, Board of Mayor & Aldermen, and other stakeholders in a timely manner.

- The terms and life of each debt issue shall be clearly presented and disclosed to the citizens/members, Board of Mayor & Aldermen, and other stakeholders in a timely manner.
- A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens/members, Board of Mayor & Aldermen, and other stakeholders in a timely manner.

Role of Debt:

- Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvement, regional development, transportation, or master process or plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the Town will minimize the use of short-term cash flow borrowings by maintaining adequate working capital for enterprise funds, available cash for governmental funds, and close budget management.
- In accordance with Generally Accepted Accounting Principles and state law,
 1. The maturity of the underlying debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed 30 years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with law and accepted practices.
 2. Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence.

Types and Limits of Debt:

- The Town will seek to limit total outstanding debt obligations to 20% of the assessed value of the taxable property of the Town according to the most recent complete assessment, excluding overlapping debt, enterprise debt, and revenue debt.
- The limitation on total outstanding debt must be reviewed prior to the issuance of any new debt.
- The Town's total outstanding debt obligation will be monitored and reported to the Board of Mayor & Aldermen by the Chief Financial Officer (CFO). The CFO shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The CFO shall also report to the Board of Mayor & Aldermen any matter that adversely affects the credit or financial integrity of the Town.
- The Town is authorized to issue General Obligation bonds, Revenue bonds, TIFs, loans, notes, financing leases, and other debt allowed by law. The Town has determined it currently will not issue complex debt instruments such as swaps or derivatives.
- The Town will seek to structure debt with *level or declining* debt service payments

- over the life of each individual bond issue, loan, or other debt obligation.
- As a rule, the Town will not backload, use “wrap-around” techniques, balloon payments or other exotic formats to pursue *the financing of* projects. When refunding opportunities, natural disasters, other non-general fund revenues, or other external factors occur, the Town may utilize non-level debt methods. However, the use of such methods must be thoroughly discussed in a public meeting and the mayor and governing body must determine such use is justified and in the best interest of the town, as well as submitted to the Comptroller’s Office for approval.
- The Town may use financing leases (formerly called capital leases) to finance projects. The Town will follow the guidance established by the Comptroller of the Treasury, Division of Local Government Finance when assessing potential financing leases. This guidance is pursuant to TCA 9-24-101 “Uniformity in Local Government Lease Financing Act of 2021” and the Division of Local Government Finance’s Debt Manual. ([Tennessee Debt Manual for Local Governments](#))
- Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The Town may use its General Obligation pledge with revenue bond issues when the populations served by the revenue bond projects overlap or significantly are the same as the property tax base of the Town. The Board of Mayor & Aldermen and management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the Town’s General Fund.

Use of Heightened Risk Debt:

- As defined in state law, heightened risk debt is debt that contains: a variable interest rate; an interest rate reset provision; or a put option where the holder of the debt can demand repayment with a certain notice. The Town recognizes the value of heightened risk debt obligations and that municipalities have greatly benefitted from the use of heightened risk debt in the financing of needed infrastructure and capital improvements.
- However, the Town also recognizes there are inherent risks associated with the use of heightened risk debt and will implement steps to mitigate these risks, including:
 1. When considering heightened risk debt, municipal officials will:
 - Use such obligations only when they fully understand the associated risks; and
 - Evaluate alternative financing options that avoid heightened-risk terms.
 2. The Town will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.
 3. Prior to entering into any heightened risk debt obligation that is backed by insurance and secured by a liquidity provider, the Board of Mayor & Aldermen shall be informed of the potential effect on rates as well as any additional costs that might be incurred should the insurance fail.
 4. Prior to entering into any heightened risk debt obligation that is backed by

a letter of credit provider, the Board of Mayor & Aldermen shall be informed of the potential effect on rates as well as any additional costs that might be incurred should the letter of credit fail.

5. Prior to entering into any heightened risk debt obligation, the Board of Mayor & Aldermen will be informed of any terms, conditions, fees, or other costs associated with the prepayment of heightened risk debt obligations.
6. The Town shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any heightened risk debt obligation.
7. The Town will not consider any debt obligation with a put option, as defined in TCA 9-21-409, unless the put option date is clearly stated in the obligation and the obligation requires at least 120 days' notice of ability to force repayment before the final maturity.
8. The Town will not consider any debt obligation with an interest rate reset provision as defined in TCA 9-21-409, unless the interest rate reset date or interval is clearly stated in the obligation and the obligation requires at least 60 days' notice of an interest rate change.
9. Prior to entering into any heightened risk debt obligation, the Town shall obtain approval from the Comptroller's Office.
10. The State Funding Board suggests that public entities may wish to include a maximum amount, level, or percentage of heightened risk debt that the public entity is willing to have outstanding at any time. We, the Town of Mount Carmel, believe that heightened risk debt should not exceed 5% of our total debt.

Use of Derivatives:

- The Town chooses not to use derivative or other exotic financial structures in the management of the Town's debt portfolio.
- Prior to any reversal of this provision:
 1. A written management report outlining the potential benefits and consequences of utilizing these structures must be submitted to the Board of Mayor & Aldermen; and
 2. The Board of Mayor & Aldermen must adopt a specific amendment to this policy concerning the use of derivatives or interest rate agreements that complies with the State Funding Board Guidelines.

Costs of Debt:

- All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the Board of Mayor & Aldermen in accordance with

- the notice requirements stated above.
- In cases of variable interest or non-specified costs, detailed explanation of the assumptions shall be provided along with the complete estimate of total costs anticipated to be incurred as part of the debt issue.
 - Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded (i.e., General Obligations bonds in context of the General Fund, Revenue bonds in context of the dedicated revenue stream and related expenditures, loans and notes).

Refinancing Outstanding Debt:

- The Town will refund debt when it is in the best financial interest of the Town to do so, and the CFO shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Comptroller's Office must review the refunding plan prior to the decision being approved by the governing body, and all plans for current or advance refunding (no longer tax- exempt) of debt must be in compliance with state laws and regulations.
- The CFO will consider the following issues when analyzing possible refunding opportunities:
 1. Onerous Restrictions – Debt may be refinanced to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.
 2. Restructuring for Economic Purposes – The Town will refund debt when it is in the best financial interest of the Town to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the CFO if the refunding generates positive present value savings, and the CFO must establish a minimum present value savings threshold for any refinancing.
 3. Term of Refunding Issues – The Town will refund bonds within the term of the originally issued debt. However, the CFO may consider maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The CFO 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 Town shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Town from its own account.
 5. Arbitrage – The Town shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding.

Professional Services:

The Town shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the Town and the lender or conduit issuer, if any. This includes “soft” costs or compensations in lieu of direct payments.

- Counsel: The Town shall enter into an engagement letter agreement with each lawyer or law firm representing the Town in a debt transaction. *(No engagement letter is required for any lawyer who is an employee of the Town or lawyer or law firm which is under a general appointment or contract to serve as counsel to the Town. The Town does not need an engagement letter with counsel not representing the Town, such as underwriters’ counsel.)*
- Financial Advisor: The Town shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions. Written agreements with a financial advisor should be limited to a specific transaction; or, if the Town desires to maintain an ongoing relationship with a financial advisor, then the agreement should be reviewed by the governing body annually. The written agreement should define a clear notice period for termination by either party.
 - Whether in a competitive sale 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 or broker any other debt transactions for the Town.
- Underwriter: The Town shall require the Underwriter to clearly identify itself in writing as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Town 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 Entity. 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 in advance of the pricing of the debt. Underwriter relationship will be reviewed at each new issuance of debt by the Town.

Conflicts:

- Professionals involved in a debt transaction hired or compensated by the Town shall be required to disclose to the Town 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, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the Town 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.

Review of Policy:

This policy shall be reviewed at least every five (5) years by the Board of Mayor & Aldermen. Any amendments shall be considered and approved in the same process as the initial adoption of this Policy.

Compliance:

Town Administration is responsible for ensuring compliance with this policy.

References:

T.C.A. §§ 7-51-901 thru 911 - Contracts, Leases, and Lease Purchase Agreements
T.C.A. § 9, Part 21 – Local Government Public Obligations Law
T.C.A. § 9-24-101 - Uniformity in Local Government Lease Financing Act of 2021
Government Finance Officers Association (GFOA) [Debt Management Policy \(gfoa.org\)](http://gfoa.org)

Version 1.0- January 2026