


Making Sense of Manuals:
 Introduction to Comptroller's New
 Budget and Debt Manuals for Local Governments

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Agenda


- Why do we have manuals for local governments?
- Where can I find the new budget and debt manuals?
- Highlights from the new debt manual
- Highlights from the new budget manual

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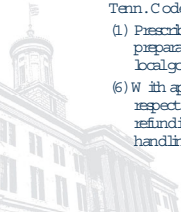


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Making Sense of Manuals

Tenn. Code Ann. § 4-3-305 (b)

- (1) Prescribe forms and procedures and provide guidance manuals for the preparation of annual budgets in the several counties and in the other local government entities.
- (6) With approval of the state funding board, provide guidance manuals with respect to the issuance of county and municipal notes and bonds, the refunding and retirement of county and municipal debts, and the handling of county or municipal defaults; and...



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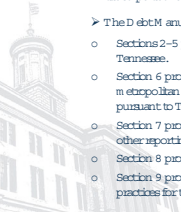


our mission to **Make Government Work Better.**
- Jason E. Mumpower, Comptroller of the Treasury


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Debt Manual

- The Debt Manual, as approved by the State Funding Board on June 15, 2021, is the first edition issued pursuant to Tenn. Code Ann. § 4-3-305.
- The Debt Manual contains the following Sections:
 - Sections 2-5 provide general information relating to the issuance of local government debt in Tennessee.
 - Section 6 provides uniform procedures for the issuance of notes by Tennessee counties, metropolitan government entities in municipalities, and other local government entities authorized to issue notes pursuant to Title 9, Chapter 21, of Tennessee Code Annotated.
 - Section 7 provides refunding and state law issuance guidance as well as brief descriptions of other reporting and approval requirements related to local government debt issuance.
 - Section 8 provides a brief overview of federal oversight of local government debt.
 - Section 9 provides local government entities with an introduction to other resources related to best practices for the issuance of debt.



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Debt Manual

- Most Common Types of Issuers
 - Cities, Counties, Metro Governments, Public Building Authorities, Utility Districts, Industrial Development Boards and Health Ed. Boards, Hospitals, Emergency Communications Districts, and Other Local Government Authorities like Airport and Convention Center Authorities
- Most Common Types of Debt
 - Bonds, Notes, Lease Financings, and Loan Agreements
- Most Common Types of Security
 - General Obligation and Limited Tax Debt
 - Revenue Debt
- Most Common Types of Sales
 - Competitive Sale and Negotiated Sale

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Debt Manual

Types of Oversight

- Federal Level
 - IRS and Federal Securities Laws
- State Level
 - Comptroller of the Treasury
 - Approval of Short-term Obligations
 - Pre-Approval of Financing Leases
 - Reporting on Refunding Bonds
 - Reporting on Utility District Revenue Bonds
 - Negotiated Sale Approval
 - Approval of Bailout Debt
 - Debt Reporting
 - Default Reporting

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Debt Manual

Comptroller Pre-approval required for lease financings entered into on and after January 1, 2022, Tenn. Code Ann. § 9-24-101 et seq.

- Lease terms that are reasonable and comparable to debt being issued in the current markets.
- A weighted average maturity of the lease principal payments that does not exceed the estimated weighted average life of the property being financed.
- Not to exceed interest rate that is less than the state usury maximum.

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Budget Manual


The purpose of the Budget Manual is to provide uniform guidance for the annual budget process in Tennessee's local government entities. The Manual is not designed to be all-inclusive but to provide guidance and requirements related to specific budget issues with an emphasis on areas of oversight by the Comptroller of the Treasury.

The Manual is divided into the following areas:

- State Oversight and Support - Sections 2 and 3
- Budget Basics - Sections 4 and 5
- The Budget Process - Section 6
- Best Practices - Section 7

The Manual, as approved by the State Funding Board on June 15, 2021, is the first edition issued pursuant to Tenn. Code Ann. §§ 4-3-305 and 9-21-403.

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Budget Manual

Any reference to the term "local government" in the Budget Manual applies to the following entities:

- Counties
- Municipalities
- Metropolitan Governments
- Utility Districts
- Water and Wastewater Treatment Authorities
- Other entities that have a financial relationship to a county, municipality, metropolitan government, utility district, or water/wastewater authority, such as joint ventures created by an interlocal agreement.

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Budget Manual

- Comptroller Oversight
 - Balanced budget requirement, Tenn. Code Ann. § 9-21-403
 - Budget Submission Requirements
 - Annual Budget Certificate
 - The budget was adopted on or before the fiscal year end;
 - The budget was filed with the Division of Local Government Finance within 15 days of adoption;
 - No issues of concern were raised during our review of the budget; and
 - The local government is not currently under the oversight of the Water & Wastewater Financing Board or Utility Management Review Board.

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Budget Manual

If a budget is either not approved by the comptroller of the treasury or the comptroller's designee or not submitted to the comptroller of the treasury or the comptroller's designee when required under this part within two (2) months of the beginning of the fiscal year, then debt or financing obligations shall not be issued by the public entity until the comptroller of the treasury or the comptroller's designee has approved the budget, or as otherwise provided for in a manner approved by the comptroller of the treasury or the comptroller's designee. In the case of an emergency, the comptroller of the treasury or the comptroller's designee, may waive the requirement of budget approval in order to allow the public entity to enter into emergency financial transactions. Tenn. Code Ann. § 9-21-404

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In order for the current available funding of a local government to be sufficient to meet current expenditures, an annual budget must be required of the local government by the comptroller of the treasury or the comptroller's designee. The annual budget must be on the same basis of accounting as required by generally accepted accounting principles and prepared in a form consistent with accepted governmental standards and as approved by the comptroller of the treasury or the comptroller's designee. The comptroller of the treasury shall provide guidance to the form of the budget, including supplemental schedules, as necessary, to demonstrate local government has adequate cash to meet its current obligations, including principal and interest, as applicable.

Tenn. Code Ann. § 9-21-403 (a) (1)

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Seven Keys to a Fiscally Well-Managed Government

Long-Term Liability Planning

Debt, pension, and OPEB payments are set amounts in the annual budget. The larger these payments are, the less ability the governing body has to make changes to the budget. Ongoing decisions of whether to issue additional debt or to make changes to benefits have a direct budgetary impact that must be considered. When the repayments of long-term liabilities comprise a large percentage of the budget, consistent management of the government's obligations is essential.

Multi-Year Financial Planning

Having a plan that considers the long-term affordability of programs or projects before they become an item in the annual budget is crucial. Assets will need to be replaced, maintenance performed, and programs expanded; advanced planning of these items will help ensure the funding is available in the future.

tncot.cc/7keys

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Budget Manual

Best Practices from the Government Finance Officers Association (GFOA)

The following best practices published by GFOA support areas addressed in the Seven Keys to a Fiscally Well-Managed Government:

- Achieving a Structurally Balanced Budget
- Financial Forecasting in the Budget Preparation Process
- Long-Term Financial Planning
- Using Cash Forecasts for Treasury and Operations Liquidity

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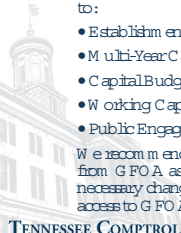

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Budget Manual

GFOA also has other budgetary best practices including, but not limited to:

- Establishment of Strategic Plans
- Multi-Year Capital Planning
- Capital Budget Presentation
- Working Capital Targets for Enterprise Funds
- Public Engagement in the Budget Process


We recommend local governments review and implement best practices from GFOA as part of your budget policies and procedures, making any necessary changes to address state and local laws and regulations. Online access to GFOA's best practices is available at: www.gfoa.org

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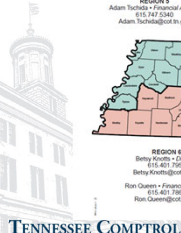

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