RESOLUTION 2026-649

AMENDING RESOLUTION 2026-643 ESTABLISHING A DEBT MANAGEMENT POLICY FOR THE TOWN OF WALDEN, TENNESSEE TO ADD A POLICY RELATIVE TO HEIGHTENED RISK DEBT

WHEREAS, Tennessee Code Annotated § 9-21-134 requires local governments issuing debt to adopt a debt management policy; and

WHEREAS, the Board of Mayor and Aldermen finds it in the best interest of the Town to adopt the attached Debt Management Policy; and

WHEREAS, by Resolution 2026-643, the Town established a Debt Management Policy; and

WHEREAS, the Town has been advised that recent legislation requires a Policy provision for Heightened Risk Debt;

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the Town of Walden, Tennessee, that the Debt Management Policy adopted in Resolution 2026-643 is hereby amended to add a Heightened Risk Debt Policy, and that the Amended Policy attached hereto is hereby adopted.

5/12/26

Yea: 2

Nay: 1

Lizzy Schmidt

Vice-Mayor Lizzy Schmidt

ATTEST:

SEStewart

Recorder Stacy Stewart

[1]The Mayor is in opposition to this acquisition, and has recused himself from executing any documentation relating thereto

TOWN OF WALDEN, TENNESSEE DEBT MANAGEMENT POLICY

This Debt Management Policy is adopted in accordance with Tennessee Code Annotated § 9-21-134 and guidance issued by the Tennessee Comptroller of the Treasury.

I. Purpose

The purpose of this Policy is to establish guidelines for the issuance and management of debt by the Town of Walden to ensure transparency, prudence, and compliance with applicable state and federal law.

II. Objectives

The Town shall:

- Issue debt only for lawful public purposes.
- Structure debt conservatively to minimize financial risk.
- Maintain transparency and public accountability.
- Comply with all applicable state and federal laws.

III. Authorization of Debt

All debt shall be authorized by the Board of Mayor and Aldermen in compliance with Tennessee Code Annotated, Title 9, Chapter 21, and reviewed by the Town Attorney prior to issuance.

IV. Types of Debt Permitted

The Town may utilize capital outlay notes, general obligation bonds, bank-qualified tax-exempt loans, or other lawful municipal financing instruments.

The Town shall avoid variable-rate debt, rate reset provisions, put options, balloon structures, and other heightened-risk features unless specifically approved in accordance with state law.

V. 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 cities 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 Town Council 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 Town Council 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 Town Council 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.

V. Debt Structure Guidelines

• Debt shall generally be fixed-rate.

• Maturity shall not exceed the useful life of the financed asset.

• Amortization shall comply with statutory requirements.

• Prepayment flexibility shall be considered when feasible.

VI. Professional Services

The Town may engage bond counsel, financial advisors, municipal advisors, or banking institutions as appropriate. Selection shall comply with applicable procurement and ethics laws.

VII. Post-Issuance Compliance

The Town shall monitor compliance with debt covenants, file required reports with the Tennessee Comptroller, and maintain records necessary for federal tax compliance where applicable.

VIII. Policy Review

This Policy shall be reviewed periodically and may be amended by resolution of the Board of Mayor and Aldermen.