BOARD OF COMMISSIONERS AGENDA ROUTE SHEET
REFERRED TO COMMISSION COMMITTEE NUMBER _____
FOR BOARD ACTION ON _____ (DATE)

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1. DESCRIPTION OF ITEM:

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED FIVE HUNDRED FIFTY MILLION DOLLARS ($550,000,000) OF REFUNDING BONDS, BOND ANTICIPATION NOTES, TAX ANTICIPATION NOTES OR CAPITAL OUTLAY NOTES, TO BE ISSUED IN ONE OR MORE SERIES, TO REFINANCE BONDS ISSUED FOR PUBLIC WORKS PROJECTS IN SHELBY COUNTY PURSUANT TO SECTION 9-21-101, ET SEQ., OF THE TENNESSEE CODE ANNOTATED AND IN THE CASE OF BONDS ISSUED FOR SCHOOL PURPOSES PURSUANT TO SECTION 49-3-1001, ET SEQ., OF THE TENNESSEE CODE ANNOTATED; AUTHORIZING THE ISSUANCE OF BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS AND GENERAL OBLIGATION REFUNDING SCHOOL BONDS PURSUANT TO THE REQUIREMENTS OF PART 5 OF CHAPTER 21 OF TITLE 9 OF THE TENNESSEE CODE ANNOTATED, TAX ANTICIPATION NOTES PURSUANT TO PART 8 OF CHAPTER 21 OF TITLE 9 OF THE TENNESSEE CODE ANNOTATED OR CAPITAL OUTLAY NOTES PURSUANT TO PART 6 OF CHAPTER 21 OF TITLE 9 OF TENNESSEE CODE ANNOTATED AND TO PAY THE COSTS OF ISSUANCE AND SALE OF SUCH NOTES; AUTHORIZING THE CONVERSION TO A SHORT-TERM INTEREST RATE MODE AS PERMITTED BY THE RELATED AUTHORIZING RESOLUTIONS OF THE COUNTY'S GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS; AUTHORIZING THE CREATION OF A MARKET OVERSIGHT COMMITTEE TO ADDRESS ISSUES RAISED BY THE NATIONAL CREDIT CRISIS AND THE COUNTY'S RESPONSE; AMENDING THE FY 2009 OPERATING BUDGET; AUTHORIZING THE PROPER OFFICERS TO DO ALL THINGS NECESSARY OR ADVISABLE IN CONNECTION WITH THE IMPLEMENTATION OF THIS RESOLUTION AND PROVIDING AN EFFECTIVE DATE. SPONSORED BY COMMISSIONER DAVID LILLARD.

CHECK ALL THAT APPLY BELOW:

_____ This Action does NOT require expenditure of funds.

_____ This Item requires/approves expenditure of funds as follows (complete all that apply):

County General Funds: $_____ ; County CIP Funds- $_____

State Grant Funds: $_____; State Gas Tax Funds: $_____

Federal Grant Funds: $_____

Other funds (Specify source and amount): $_____

Other pass-thru funds (Specify source and amount): $ _____

Originating Department: _____
APPROVAL:

	(Type your name & phone #.)	(Initials)	(Date)
Dept. Head:			
Elected Official:			
Division Director:			
CIP – A&F Director:			
Finance Dept.	Mike Swift	MAS	10/9/08
County Attorney:	Christy Kinard 545-4233	CK	10-09-08
CAO/Mayor:	**James F. Huntzicker 545-4514**	[illegible]	10/9/08

Debt Resolution
Summary Sheet

Current status:

- Currently have $921,345,000 in variable rate debt with swaps to convert to a fixed rate.
- Why this structure rather than fixed rate debt – received lower net interest rates reducing annual debt service expense approximately $7 million.
- This worked very well until the markets recently froze and some banks developed financial difficulties.
- The liquidity provider on $511,850,000 of our variable rate debt is Dexia and they were downgraded from AA to A+. There is now very little market for this debt and any remaining market is requiring an interest rate of at least 3% higher.
- To the extent our debt can not be marketed, Dexia is required to pay the bond holder and take our debt. However, generally higher interest rates apply once Dexia holds our debt. In addition, Dexia is the liquidity provider for many debt issuers and they may not be able to take everyone's debt.

Alternative solutions:

- Replace Dexia as the liquidity provider – because of the current market conditions, it is very unlikely that we will be able find anyone willing to replace Dexia and it would be very expensive.
- Issue long term fixed rate debt to repay the $511,850,000 of debt with Dexia as the liquidity provider. It will take up to three months to be able to issue long term debt and it may be difficult to sell a debt issue this large. We should start the process so that this is an option this winter.
- Convert the variable rate debt to a one year note to repay the $511,850,000 with a fixed interest rate. Current indications are that there is a market for this type of debt and it can be sold with a 3% - 4% interest rate which is less than our current overall debt interest rate.

Additional information:

All of this debt has a related swap. At this time, it would cost over $20 million to cancel these swaps. By converting the current debt to a one year note, we do not have to cancel the swaps. Our intent will be to cancel the swaps as it is determined to be most economical. We believe it is likely that the swaps values will increase as the market stabilizes and then we can cancel the swaps at much more economical levels.

Item #_____ Prepared by: Richard J. Miller

Commissioner _____ Approved by: _____

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED FIVE HUNDRED FIFTY MILLION DOLLARS ($550,000,000) OF REFUNDING BONDS, BOND ANTICIPATION NOTES, TAX ANTICIPATION NOTES OR CAPITAL OUTLAY NOTES, TO BE ISSUED IN ONE OR MORE SERIES, TO REFINANCE BONDS ISSUED FOR PUBLIC WORKS PROJECTS IN SHELBY COUNTY PURSUANT TO SECTION 9-21-101, ET SEQ., OF THE TENNESSEE CODE ANNOTATED AND IN THE CASE OF BONDS ISSUED FOR SCHOOL PURPOSES PURSUANT TO SECTION 49-3-1001, ET SEQ., OF THE TENNESSEE CODE ANNOTATED; AUTHORIZING THE ISSUANCE OF BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS AND GENERAL OBLIGATION REFUNDING SCHOOL BONDS PURSUANT TO THE REQUIREMENTS OF PART 5 OF CHAPTER 21 OF TITLE 9 OF THE TENNESSEE CODE ANNOTATED, TAX ANTICIPATION NOTES PURSUANT TO PART 8 OF CHAPTER 21 OF TITLE 9 OF THE TENNESSEE CODE ANNOTATED OR CAPITAL OUTLAY NOTES PURSUANT TO PART 6 OF CHAPTER 21 OF TITLE 9 OF TENNESSEE CODE ANNOTATED AND TO PAY THE COSTS OF ISSUANCE AND SALE OF SUCH NOTES; AUTHORIZING THE CONVERSION TO A SHORT-TERM INTEREST RATE MODE AS PERMITTED BY THE RELATED AUTHORIZING RESOLUTIONS OF THE COUNTY'S GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS; AUTHORIZING THE CREATION OF A MARKET OVERSIGHT COMMITTEE TO ADDRESS ISSUES RAISED BY THE NATIONAL CREDIT CRISIS AND THE COUNTY'S RESPONSE; AMENDING THE FY 2009 OPERATING BUDGET; AUTHORIZING THE PROPER OFFICERS TO DO ALL THINGS NECESSARY OR ADVISABLE IN CONNECTION WITH THE IMPLEMENTATION OF THIS RESOLUTION AND PROVIDING AN EFFECTIVE DATE. SPONSORED BY COMMISSIONER DAVID LILLARD.

WHEREAS, Shelby County, Tennessee (the "County") pursuant to Sections 9-21-101, et seq., and 49-3-1001, et seq., of the Tennessee Code Annotated (the "T.C.A.") has the power and is authorized to issue by resolution general obligation refunding bonds to refinance public works projects, including schools, and to provide for the rights of the holders thereof, and to secure such bonds as provided in Part I and Part II of Section 9-21-101, et seq., of the T.C.A., and in the case of bonds issued for school purposes, as provided in Section 49-3-1005 of the T.C.A.; and

WHEREAS, pursuant to Part 5 of Chapter 21 of Title 9 of the T.C.A. the County has the power and is authorized to issue bond anticipation notes in anticipation of the issuance of general obligation refunding bonds authorized by Chapter 21 of Title 9 of the T.C.A., and in the case of refunding bonds issued for school purposes, as provided in Section 49-3-1005 of the T.C.A.; and

WHEREAS, pursuant to Part 6 of Chapter 21 of Title 9 of the T.C.A. the County has the power and is authorized to issue capital outlay notes in anticipation of the issuance of general obligation refunding bonds authorized by Chapter 21 of Title 9 of the T.C.A., and in the case of refunding bonds issued for school purposes, as provided in Section 49-3-1005 of the T.C.A.; and

WHEREAS, pursuant to Part 8 of Chapter 21 of Title 9 of the T.C.A. the County has the power and is authorized to issue tax anticipation notes in anticipation of the receipt of taxes and revenues for the current fiscal year; and

WHEREAS, the Board of County Commissioners of Shelby County, Tennessee (the "Board") finds that the current crisis in the U.S. credit markets requires the County to take rapid and corrective action to preserve its capital and minimize its exposure to the current turmoil in the credit markets, and, in that regard, the Board believes it to be in the best interest of the County to create a Market Oversight Committee (MOC) and authorize such Committee to work with the Chief Administrative Officer and Director, Division of Administration and Finance to take actions to protect the County's interests and credit in the current critical market environment as contemplated by this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SHELBY COUNTY, TENNESSEE, AS FOLLOWS:

1. Pursuant to Part 9 of Chapter 21 of Title 9 of the T.C.A. and pursuant to Section 49-3-1001, et seq., of the T.C.A., in the case of bonds issued to refinance school purposes, there are hereby authorized to be issued General Obligation Refunding Bonds and General Obligation Refunding School Bonds (such General Obligation Refunding Bonds and General Obligation Refunding School Bonds are herein collectively referred to as the "Bonds") of the County, in the maximum aggregate principal amount not to exceed Five Hundred Fifty Million Dollars ($550,000,000), in one or more series. Such Bonds shall have a maturity date no later than the final maturity date of the bonds they refund and shall bear interest at such rate or rates not to exceed the maximum permitted by law. The Bonds shall be in the denomination of Five Thousand Dollars ($5,000) each, and integral multiples thereof, shall be dated their date of delivery and shall bear interest from such date payable at such times, in such amounts and at such rates as shall be determined by the County Mayor in accordance with the parameters set forth above. The Bonds shall be issued in fully registered form without coupons and may be issued in book-entry form. The Mayor, upon the advice of the County's Financial Advisors and Chief Administrative Officer and Director, Division of Administration and Finance , is authorized to determine the terms of redemption provisions, if any, to provide the best market acceptance of the Bonds.

2. In anticipation of the issuance of the issuance of the Bonds and subject to approval of the Market Oversight Committee, the County may issue bond anticipation notes in aggregate outstanding principal amount of not exceeding Five Hundred Fifty Million Dollars ($550,000,000) pursuant to the requirements of Part 5 of Chapter 21 of Title 9 of the T.C.A. Such bond anticipation notes shall bear interest at such rate or rates (which may vary from time to time) not in excess of the maximum rate permitted under Tennessee law, and shall mature no later than 3 years from their date of issuance. The Chief Administrative Officer and Director, Division of Administration and Finance is authorized to determine the terms of redemption provisions, if any, to provide the best market acceptance of the bond anticipation notes.

3. Alternatively, in whole or in part and subject to approval of the Market Oversight Committee, in lieu of issuing bond anticipation notes pursuant to this Resolution and prior to the issuance of the Bonds, the County may issue capital outlay notes in aggregate principal amount of not exceeding Five Hundred Fifty Million Dollars ($550,000,000) pursuant to the requirements the requirements of Part 6 of Chapter 21 of Title 9 of the T.C.A. Such capital outlay notes shall bear interest at such rate or rates (which may vary from time to time) not in excess of the maximum rate permitted under Tennessee law, and shall mature no later than 3 years from their date of issuance. The Chief Administrative Officer and Director, Division of Administration and Finance is authorized to determine the terms of redemption provisions, if any, to provide the best market acceptance of the capital outlay notes.

4. In addition, subject to approval of the Market Oversight Committee, the County may issue tax anticipation notes in aggregate principal amount of not exceeding sixty percent (60%) of budgeted appropriations for the current fiscal year pursuant to the requirements the requirements of Part 8 of Chapter 21 of Title 9 of the T.C.A. Such tax anticipation notes shall bear interest at such rate or rates (which may vary from time to time) not in excess of the maximum rate permitted under Tennessee law.

5. The Chief Administrative Officer and Director, Department of Administration and Finance or his designee is hereby authorized and directed to make application with the State Director of Local Finance to seek approval of any refunding bonds (including the Bonds), bond anticipation notes, capital outlay notes or tax anticipation notes and swap

modifications/transactions authorized hereby, all in accordance with Section 9-21-901, 9-21-505, 9-21-601, 9-21-801, or 9-21-130 as the case may be, of the T.C.A.

6. In addition, to the extent permitted under the related authorizing resolutions, the Board hereby authorizes the conversion of all or a portion of the County's outstanding general obligation variable rate demand bonds to a short-term fixed rate mode, if deemed in the County's best interest by the Market Oversight Committee.

7. In connection with the potential restructuring of all or a portion of the County's outstanding variable rate debt as contemplated by this Resolution, the Board hereby authorizes the termination of any related interest rate swap transactions, if deemed in the County's best interests by the Market Oversight Committee upon consultation with the County's Financial Advisor and Bond Counsel.

8. In light of the current turmoil in the national credit markets, the Board believes it is in the best interest of the County to create a Market Oversight Committee consisting of the Mayor, the Chairman of the Board and the Chief Administrative Officer and Director, Division of Administration and Finance, which Market Oversight Committee shall work with the Chief Administrative Officer and Director, Division of Administration and Finance and have the power to further the actions authorized by this Resolution. The Market Oversight Committee, through the Chief Administrative Officer and Director, Division of Administration and Finance, shall provide monthly reports to the Budget Committee of the status of the County's debt and any actions taken under this Resolution.

9. The appropriate officials of the County are hereby authorized to execute and deliver all obligations, papers, certificates, receipts, opinions and other documents they may deem necessary or desirable in meeting the requirements of this Resolution, and to take all steps and actions they may deem necessary or desirable to fulfill the requirements and intent of this Resolution, including the execution and delivery of the Bonds and notes authorized herein by the Mayor and the Chairman of the Board of County Commissioners.

10. The Debt Service Fund budget for FY 2009 is hereby amended increasing "Proceeds from Issuance Debt" and "Debt Service Expenditures" by $550,000,000 and this amount is appropriated.

11. This resolution shall take effect immediately.

_____
CHAIRMAN OF THE BOARD OF
COUNTY COMMISSIONERS

_____
MAYOR

DATE

ATTEST:

_____
CLERK OF THE BOARD OF COUNTY COMMISSIONERS

ADOPTED: