

TENNESSEE MUNICIPAL LEAGUE

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Honorable Justin P. Wilson
Comptroller of the Treasury
First Floor, State Capitol
Nashville, TN 37243-0225

Dear Comptroller Wilson:

I am writing in response to your request for comment on the proposed Statement on Debt Management and accompanying document outlining best practices.

Under the proposal, municipalities are required to adopt a debt management statement no later than January 1, 2012. The Tennessee Municipal League (TML) and its member-municipalities are advocates of local autonomy and are not enthusiastic about federal or state mandated policies. However, I would hasten to add that TML concurs in your assessment that a municipality's financing decisions should be guided by a locally-determined and locally-adopted fiscal management policy.

Aside from our convictions regarding mandates, TML has no substantive objections to the four principles outlined in the proposed debt statement. The promotion of enhanced transparency, accountability, and disclosure and an improved awareness of sound fiscal management are certain to benefit taxpayers and local officials, alike. TML pledges to work with the University of Tennessee's Municipal Technical Advisory Service and its members to encourage the adoption of policies that support these objectives.

TML has four concerns regarding the document outlining best practices. First, TML believes that, unlike the swaps and derivatives policy and the four guiding principles, the specific problems or issues warranting the best practices document have not been identified. As such, there has been no analysis or discussion concerning the most efficient and effective means of addressing any prevailing issue or problem. Guidance, alone, is not inherently harmful; however, it is possible that targeted training or education might prove more effective than general guidance. Therefore, TML believes it is premature for the State Funding Board to consider the best practices at this time.

Second, TML believes with the categories and phrasing contained in the best practices document is inconsistent with statements concerning municipal debt management policies; potentially creating an environment in which the supposed optional guidance effectively serves as a mandate.

Public statements as well as statements contained in the best practices document suggest that the guidance is not mandatory and that a municipality should develop policies that are reflective of its size, nature and needs. It has also been suggested that a majority of municipalities engage in fairly basic and straightforward transactions and; therefore, only have need for a fairly simple policy.

These statements appear inconsistent with categories labeled "highly advisable" and "advisable." Moreover, phrasing such as "strongly encouraged," "encouraged," "should," and "must" are rarely associated with optional guidance. TML believes these inconsistencies are certain to cause confusion.

Further, TML notes that in addition to being the source for this guidance, the Comptroller's Office also determines whether municipalities may proceed with some of the transactions referenced in the document. TML is concerned the aforementioned inconsistencies, when considered in the context of the comptroller's role, might compel municipalities to incorporate provisions that are not situation appropriate into their policies for fear that failing to do so will result in some adverse regulatory consequences.

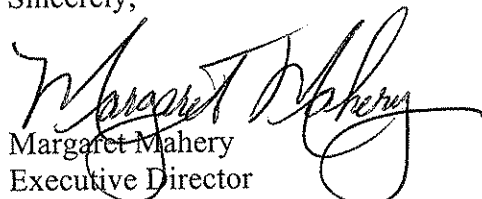
Third, TML believes that in attempting to create a comprehensive document, the proposed product offers too much information. The 49-page proposed best practices document attempts to address every transaction as well as any issue that may be associated with these transactions. Unfortunately, it is often difficult for the reader to distinguish between general information, opinions, recommendations and genuine best practices.

Fourth, the best practices document fails to clearly answer the most important question – which of these best practices are most appropriate for my municipality? In issuing the revised debt statement and guidance, you indicated that you had concluded a "one-size-fits-all" approach to debt management policies will not work and that each entity should have the freedom to craft a policy that suits its unique circumstances and needs.

TML is troubled that the best practices document seems to represent a continuation of the flawed "one-size-fits-all" approach. TML believes that as a debt management policy must be tailored to accommodate the specific expertise, experiences and expectations of a municipality so too must the guidance that leads one to such a policy.

Again, thank you for the opportunity to comment on the proposed Statement on Debt Management and Best Practices. If you have any questions concerning TML's views or would like to discuss the proposals, please do not hesitate to contact me.

Sincerely,


Margaret Mahery
Executive Director