

NEW ISSUE (Book-Entry-Only)

**RATINGS: Moody's "Aa2" (stable outlook)
S&P Global Ratings "AA" (stable outlook)**

In the opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metropolitan Government, interest on the Series 2021A Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2021A Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. In the further opinion of Bond Counsel, interest on the Series 2021B Bonds is not excluded from the gross income of the owners thereof for federal income tax purposes. For a more detailed explanation of certain tax consequences under federal law which may result from the ownership of the Series 2021 Bonds, see the discussion under the heading "TAX MATTERS" herein. Under existing law, the Series 2021 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes.

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)**

**\$377,520,000
WATER AND SEWER
REVENUE BONDS,
SERIES 2021A (GREEN BONDS)**



**\$232,075,000
FEDERALLY TAXABLE
WATER AND SEWER
REVENUE REFUNDING BONDS,
SERIES 2021B (GREEN BONDS)**

Dated: Date of Delivery

Due: As shown on the inside cover

The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") is issuing its \$377,520,000 Water and Sewer Revenue Bonds, Series 2021A (Green Bonds) (the "Series 2021A Bonds") and \$232,075,000 Federally Taxable Water and Sewer Revenue Refunding Bonds, Series 2021B (Green Bonds) (the "Series 2021B Bonds," and together with the Series 2021A Bonds, the "Series 2021 Bonds"). The Series 2021 Bonds are being issued pursuant to the Local Government Public Obligations Act of 1986, Tennessee Code Annotated §§ 9-21-101 *et seq.*, as amended and Tennessee Code Annotated §§ 7-34-101 *et seq.*, as amended (the "Act"), the Charter of The Metropolitan Government of Nashville and Davidson County authorized in referendum on June 28, 1962, as amended (the "Charter") and subject to the terms and conditions contained in Substitute Resolution Nos. RS2010-1442 and RS2010-1443 of the Metropolitan County Council of the Metropolitan Government (the "Metropolitan Council") adopted on November 16, 2010, as amended by Resolution Nos. RS2011-114 and RS2011-115 adopted by the Metropolitan Council on December 20, 2011, Resolution No. RS2013-621 of the Metropolitan Council adopted on March 19, 2013, Resolution No. RS2017-902 of the Metropolitan Council adopted on October 3, 2017, Resolution No. RS2020-215 of the Metropolitan Council adopted on March 17, 2020, Resolution Nos. 2020-262, 2020-263 and 2020-264 of the Metropolitan Council adopted on April 7, 2020, and Resolution RS2021-1148 of the Metropolitan Council adopted on September 21, 2021 (collectively, the "Bond Resolution").

The Series 2021 Bonds are being issued to (i) retire all or a portion of the Metropolitan Government's outstanding Water and Sewer Commercial Paper Bond Anticipation Notes (the "Commercial Paper"), which provided interim financing for various capital improvements to the Metropolitan Government's water and sewer system (the "System"); (ii) finance capital improvements to the System; (iii) advance refund, on a federally taxable basis, a portion of the Metropolitan Government's Water and Sewer Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds"); and (iv) pay certain costs of issuance related to the Series 2021 Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

The Series 2021 Bonds will be dated the date of their delivery and will bear interest from the dated date thereof, at the rates set forth on the inside cover of this Official Statement. Interest on the Series 2021 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2022. Principal on the Series 2021 Bonds is payable on July 1 of each year, commencing July 1, 2022. The Series 2021 Bonds are being designated as "Green Bonds" by the Metropolitan Government. See "DESCRIPTION OF THE SERIES 2021 BONDS" herein. The Series 2021 Bonds are subject to redemption prior to maturity at the option of the Metropolitan Government, as more fully described herein. See "REDEMPTION PROVISIONS FOR THE SERIES 2021 BONDS" herein.

The Series 2021 Bonds shall be issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiples thereof, as more fully described herein, and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York, ("DTC") to which principal and interest will be paid. Beneficial owners of the Series 2021 Bonds will not receive physical delivery of Series 2021 Bond certificates except as described herein. See "DESCRIPTION OF THE SERIES 2021 BONDS – Book-Entry Only System" herein. U.S. Bank National Association, Nashville, Tennessee, will serve as Registrar and Paying Agent (the "Registration Agent") for the Series 2021 Bonds.

The Series 2021 Bonds will be limited obligations of the Metropolitan Government payable solely from and secured solely by Revenues of the System and certain funds maintained in connection therewith, subject only to the payment of System operating expenses, as more fully described herein. The Series 2021 Bonds do not constitute a debt or liability of the Metropolitan Government for which there is a right to compel the exercise of its taxing power. The Metropolitan Government has elected not to establish a debt service reserve account for the Series 2021 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS" herein.

This cover page contains limited information for quick reference only. It is not a summary of the matters relating to the Series 2021 Bonds. Potential investors must read this entire Official Statement (including the cover page and all appendices attached hereto) to obtain information essential to the making of an informed investment decision.

The Series 2021 Bonds are being offered when, as and if issued by the Metropolitan Government and received by the Underwriters, subject to prior sale and to withdrawal or modification of the offer without notice, and subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee as Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel Carpenter Law, PLLC, Nashville, Tennessee. Certain legal matters will be passed upon for the Metropolitan Government by Wallace W. Dietz, Esquire, Director of Law of the Metropolitan Government. Hilltop Securities Inc., Dallas, Texas, is serving as the Financial Advisor to the Metropolitan Government. It is anticipated that the delivery of the Series 2021 Bonds will be made on or about October 14, 2021, through the facilities of DTC in New York, New York.

UBS

American Veterans Group, PBC

J.P. Morgan

Blaylock Van, LLC

Piper Sandler

Morgan Stanley

Fifth Third Securities, Inc.

Ramirez & Co., Inc.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS, PRICES AND INITIAL CUSIP NUMBERS**

**\$377,520,000
THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
WATER AND SEWER REVENUE BONDS
SERIES 2021A (GREEN BONDS)**

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP No. †</u>
2022	\$ 6,150,000	5.000%	0.090%	103.503	592098Z59
2023	6,465,000	5.000	0.160	108.280	592098Z67
2024	6,795,000	5.000	0.240	112.868	592098Z75
2025	7,145,000	5.000	0.370	117.061	592098Z83
2026	7,510,000	5.000	0.510	120.885	592098Z91
2027	7,895,000	5.000	0.680	124.169	5920982A4
2028	8,300,000	5.000	0.840	127.100	5920982B2
2029	8,725,000	5.000	0.970	129.881	5920982C0
2030	9,170,000	5.000	1.120	132.125	5920982D8
2031	9,640,000	5.000	1.210	134.633	5920982E6
2032	10,135,000	5.000	1.300	133.660 *	5920982F3
2033	10,655,000	5.000	1.360	133.015 *	5920982G1
2034	11,205,000	5.000	1.430	132.268 *	5920982H9
2035	11,720,000	4.000	1.560	121.912 *	5920982J5
2036	12,195,000	4.000	1.600	121.510 *	5920982K2
2037	12,695,000	4.000	1.660	120.910 *	5920982L0
2038	13,145,000	3.000	1.950	109.249 *	5920982M8
2039	13,545,000	3.000	1.990	108.879 *	5920982N6
2040	13,955,000	3.000	2.030	108.510 *	5920982P1
2041	14,385,000	3.000	2.060	108.235 *	5920982Q9

\$80,810,000 4.000% Term Bond due July 1, 2046 Yield 2.000%
Price 117.575 * Initial CUSIP 5920982R7†

\$95,280,000 2.625% Term Bond due July 1, 2051 Yield 2.620%
Price 100.040 * Initial CUSIP 5920982S5†

* Priced to July 1, 2031, par call.

†CUSIP is a registered trademark of the American Bankers Association (“ABA”). Initial CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Intelligence, a division of S&P Global, Inc. The CUSIP numbers listed above are being provided solely for the convenience of purchasers of the Series 2021 Bonds only at the time of issuance of the Series 2021 Bonds and the Metropolitan Government makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS, PRICES AND INITIAL CUSIP NUMBERS**

\$232,075,000

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
FEDERALLY TAXABLE
WATER AND SEWER REVENUE REFUNDING BONDS
SERIES 2021B (GREEN BONDS)**

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP No.†</u>
2022	\$ 2,705,000	0.288%	0.288%	100.00	592098X36
2023	2,715,000	0.368	0.368	100.00	592098X44
2024	9,425,000	0.675	0.675	100.00	592098X51
2025	9,505,000	1.031	1.031	100.00	592098X69
2026	9,610,000	1.181	1.181	100.00	592098X77
2027	9,735,000	1.466	1.466	100.00	592098X85
2028	9,885,000	1.616	1.616	100.00	592098X93
2029	10,060,000	1.781	1.781	100.00	592098Y27
2030	10,240,000	1.881	1.881	100.00	592098Y35
2031	10,440,000	1.931	1.931	100.00	592098Y43
2032	10,655,000	2.131	2.131	100.00*	592098Y50
2033	10,895,000	2.281	2.281	100.00*	592098Y68
2034	11,150,000	2.381	2.381	100.00*	592098Y76
2035	11,425,000	2.481	2.481	100.00*	592098Y84
2036	11,720,000	2.611	2.611	100.00*	592098Y92
2037	12,035,000	2.681	2.681	100.00*	592098Z26
2038	12,360,000	2.731	2.731	100.00*	592098Z34

\$67,515,000 2.942% Term Bond due July 1, 2043 Yield 2.942%
Price 100.00* Initial CUSIP 592098Z42†

* Priced to July 1, 2031, par call.

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No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, in connection with the offering of the Series 2021 Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Metropolitan Government or the Financial Advisor. This Official Statement does not constitute an offer or solicitation in any jurisdiction which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Metropolitan Government and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and it not to be construed as a representation by, the Underwriters of the Series 2021 Bonds.

This Official Statement is not to be construed as a contract with the purchaser of the Series 2021 Bonds. Statements contained in this Official Statement which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such, and are not to be construed as a representation of fact. This Official Statement contains “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The information and expressions of opinions contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Metropolitan Government since the date hereof. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2021 Bonds are qualified in their entirety by reference to the form thereof included in the Bond Resolution, and the provisions with respect thereto included in the aforementioned documents and agreements.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT MATERIAL FACTS AND CIRCUMSTANCES AS THEY EXIST ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION WILL NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2021 BONDS SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE SERIES 2021 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE METROPOLITAN GOVERNMENT, THE SERIES 2021 BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE FINANCIAL ADVISOR HAS BEEN EMPLOYED BY THE METROPOLITAN GOVERNMENT TO ADVISE IT WITH RESPECT TO CERTAIN MATTERS RELATING TO THE PROPOSED STRUCTURE OF THE SERIES 2021 BONDS. THE FINANCIAL ADVISOR HAS NOT BEEN EMPLOYED AND ASSUMES NO DUTY OR OBLIGATION TO ADVISE ANY OTHER PARTY AS TO ANY ASPECT OF THE TRANSACTION, INCLUDING THE HOLDERS OF THE SERIES 2021 BONDS.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE SERIES 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

For additional information regarding this Official Statement and the appendices attached hereto, please contact:

Metropolitan Government

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Official Statement

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Treasurer for the
Metropolitan Government
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Suite 205
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(615) 862-6154

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
ELECTED OFFICIALS**



MAYOR
John Cooper

METROPOLITAN COUNCIL

Jim Shulman – Vice Mayor

Bob Mendes – Council Member At Large	Ginny Welsch – District Council Member
Sharon Hurt – Council Member At Large	Colby Sledge – District Council Member
Burkley Allen – Council Member At Large	Tom Cash – District Council Member
Steve Glover – Council Member At Large	Freddie O’Connell – District Council Member
Zulfat Suara – Council Member At Large	Mary Carolyn Roberts – District Council Member
Jonathan Hall – District Council Member	Brandon Taylor – District Council Member
Kyonzté Toombs – District Council Member	Gloria Hausser – District Council Member
Jennifer Gamble – District Council Member	Thom Druffel – District Council Member
Robert Swope - District Council Member	Kathleen Murphy – District Council Member
Sean Parker – District Council Member	Russ Pulley – District Council Member
Brett Withers – District Council Member	Courtney Johnston – District Council Member
Emily Benedict – District Council Member	Robert Nash – District Council Member
Nancy VanReece – District Council Member	Tanaka Vercher – District Council Member
Tonya Hancock – District Council Member	Delishia Porterfield – District Council Member
Zach Young – District Council Member	Sandra Sepulveda – District Council Member
Larry Hagar – District Council Member	John Rutherford – District Council Member
Erin Evans – District Council Member	Joy Styles – District Council Member
Russ Bradford – District Council Member	Antoinette Lee – District Council Member
Kevin Rhoten – District Council Member	Angie Henderson – District Council Member
Jeff Syracuse – District Council Member	Dave Rosenberg – District Council Member

METROPOLITAN GOVERNMENT ADMINISTRATION

Kelly Flannery.....	Director of Finance
Michell Bosch, CTP, CFA.....	Metropolitan Treasurer
Wallace W. Dietz, Esquire.....	Director of Law
Elizabeth Waites, Esquire.....	Metropolitan Clerk

DEPARTMENT OF WATER AND SEWERAGE SERVICES

Scott Potter.....	Director
Amanda K. Deaton-Moyer.....	Assistant Director, Business & Finance

CONSULTANTS TO THE METROPOLITAN GOVERNMENT

Metropolitan Governmental Counsel

Metropolitan Department of Law, Nashville, Tennessee

Bond Counsel

Bass, Berry & Sims PLC, Nashville, Tennessee

Financial Advisor

Hilltop Securities Inc., Dallas, Texas

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- APPENDIX C** – FINANCIAL AND OPERATING INFORMATION REGARDING THE WATER AND SEWER SYSTEM
- APPENDIX D** – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE METROPOLITAN GOVERNMENT
- APPENDIX E** – FORM OF OPINION OF BOND COUNSEL
- APPENDIX F** – FORM OF CONTINUING DISCLOSURE AGREEMENT

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OFFICIAL STATEMENT

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)

\$377,520,000
WATER AND SEWER
REVENUE BONDS,
SERIES 2021A (GREEN BONDS)

\$232,075,000
FEDERALLY TAXABLE
WATER AND SEWER
REVENUE REFUNDING BONDS,
SERIES 2021B (GREEN BONDS)

INTRODUCTION

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, the more complete and detailed information contained in this entire Official Statement, including the cover page, inside cover pages, the appendices attached hereto, and the information summarized or described herein. This offering of the Series 2021 Bonds to potential investors is made only by means of this entire Official Statement, including the appendices attached hereto. No person is authorized to detach this Introduction from this Official Statement or to otherwise use it without this entire Official Statement, including the appendices attached hereto.

General

The Metropolitan Government of Nashville and Davidson County (the “Metropolitan Government”) is issuing its \$377,520,000 Water and Sewer Revenue Bonds, Series 2021A (Green Bonds) (the “Series 2021A Bonds”) and \$232,075,000 Federally Taxable Water and Sewer Revenue Refunding Bonds, Series 2021B (Green Bonds) (the “Series 2021B Bonds,” and together with the Series 2021A Bonds, the “Series 2021 Bonds”).

The Series 2021 Bonds are being issued pursuant to the Local Government Public Obligations Act of 1986, Tennessee Code Annotated §§ 9-21-101 *et seq.*, as amended and Tennessee Code Annotated §§ 7-34-101 *et seq.*, as amended (the “Act”), the Charter of The Metropolitan Government of Nashville and Davidson County authorized in referendum on June 28, 1962, as amended (the “Charter”) and subject to the terms and conditions contained in Substitute Resolution Nos. RS2010-1442 and RS2010-1443 of the Metropolitan County Council of the Metropolitan Government (the “Metropolitan Council”) adopted on November 16, 2010, as amended by Resolution Nos. RS2011-114 and RS2011-115 adopted by the Metropolitan Council on December 20, 2011, Resolution No. RS2013-621 of the Metropolitan Council adopted on March 19, 2013, Resolution No. RS2017-902 of the Metropolitan Council adopted on October 3, 2017, Resolution No. RS2020-215 of the Metropolitan Council adopted on March 17, 2020, Resolution Nos. 2020-262, 2020-263 and 2020-264 of the Metropolitan Council adopted on April 7, 2020, and Resolution RS2021-1148 of the Metropolitan Council adopted on September 21, 2021 (collectively, the “Bond Resolution”).

Plan of Finance

The Series 2021 Bonds are being issued to (i) retire all or a portion of the Metropolitan Government’s outstanding Water and Sewer Commercial Paper Bond Anticipation Notes (the “Commercial Paper”), which provided interim financing for various capital improvements to the Metropolitan Government’s water and sewer system (the “System”); (ii) finance capital improvements to the System; (iii) advance refund, on a federally taxable basis, a portion of the Metropolitan Government’s Water and Sewer Revenue Refunding Bonds, Series 2013 (the “Series 2013 Bonds”); and (iv) pay certain

costs of issuance related to the Series 2021 Bonds. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

Description of the Series 2021 Bonds

The Series 2021 Bonds will be dated the date of their delivery and will bear interest from the dated date thereof, at the rates set forth on the inside cover of this Official Statement. The Series 2021 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2021 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2021 Bonds are being designated as “Green Bonds” by the Metropolitan Government. See “DESCRIPTION OF THE SERIES 2021 BONDS” herein.

Registration Agent

U.S. Bank National Association, Nashville, Tennessee, will serve as Registrar and Paying Agent (the “Registration Agent”) for the Series 2021 Bonds.

Security and Source of Payment for the Series 2021 Bonds

The Series 2021 Bonds will be limited obligations of the Metropolitan Government payable solely from and secured solely by Revenues (defined herein) of the System and certain funds maintained in connection therewith, subject only to the payment of System operating expenses, as more fully described herein. The Series 2021 Bonds do not constitute a debt or liability of the Metropolitan Government for which there is a right to compel the exercise of its taxing power. The Metropolitan Government has elected not to establish a debt service reserve account for the Series 2021 Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS” herein.

Prospective Financial and Operating Information

All financial and other information presented in this Official Statement has been compiled from records of the Metropolitan Government, except for information expressly attributed to other sources. All quotations from, and summaries and explanations of, provisions of statutes contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Series 2021 Bonds and proceedings of the Metropolitan Government relating thereto are qualified in their entirety by reference to the form of the Series 2021 Bonds and such proceedings. Recent historical information does not indicate future or continuing trends in the Metropolitan Government's financial position or other affairs, unless specifically stated.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Metropolitan Government, that are not purely historical, are forward-looking statements, including certain statements regarding the Metropolitan Government's expectations, hopes, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Metropolitan Government on the date hereof and the Metropolitan Government assumes no obligation to update any such forward-looking statements. It is important to note that the Metropolitan Government's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Metropolitan Government. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

IN CONSIDERING THE MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW ALL INFORMATION INCLUDED HEREIN TO IDENTIFY ANY INVESTMENT CONSIDERATIONS. POTENTIAL INVESTORS SHOULD BE THOROUGHLY FAMILIAR WITH THIS ENTIRE OFFICIAL STATEMENT AND THE APPENDICES ATTACHED HERETO AND SHOULD HAVE ASSESSED WHATEVER ADDITIONAL FINANCIAL AND OTHER INFORMATION ANY SUCH INVESTOR MAY DEEM NECESSARY, PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE SERIES 2021 BONDS.

Additional Information

All references in this Official Statement referring to certain provisions of the Bond Resolution are qualified by reference and is attached hereto as **APPENDIX A**. An electronic link to the Metropolitan Government's annual comprehensive financial report for the Fiscal Year ended June 30, 2020, is incorporated in **APPENDIX B** attached hereto. Certain financial and operating information regarding the Metropolitan Government's Water and Sewer System is attached hereto as **APPENDIX C**.

Certain financial and demographic information related to the Metropolitan Government is attached hereto as **APPENDIX D**. The form of opinion of Bond Counsel for the Series 2021 Bonds is attached hereto as **APPENDIX E**. The form of the Continuing Disclosure Agreement for the Series 2021 Bonds is attached hereto as **APPENDIX F**.

INVESTORS SHOULD CONSIDER THIS ENTIRE OFFICIAL STATEMENT IN MAKING AN INVESTMENT DECISION AND SHOULD NOT CONSIDER INFORMATION MORE OR LESS IMPORTANT BECAUSE OF ITS LOCATION. INVESTORS SHOULD REFER TO LAWS, REPORTS OR OTHER DOCUMENTS DESCRIBED IN THIS OFFICIAL STATEMENT FOR MORE COMPLETE INFORMATION.

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DESCRIPTION OF THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be dated the date of their delivery and will bear interest from the dated date thereof, at the rates set forth on the inside cover of this Official Statement. Interest on the Series 2021 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2022 (“Interest Payment Date”). Principal on the Series 2021 Bonds is payable on July 1 of each year, commencing July 1, 2022. Interest on the Series 2021 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2021 Bonds shall be issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiples thereof, and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York, (“DTC”) to which principal and interest will be paid. DTC will act as securities depository for the Series 2021 Bonds. So long as the Series 2021 Bonds are held in book-entry only form, principal of, premium, if any, and interest on the Series 2021 Bonds will be paid directly to DTC for distribution to the Beneficial Owners (as defined herein) of the Series 2021 Bonds in accordance with the procedures adopted by DTC.

Payments of principal, premium, if any, and interest on the Series 2021 Bonds will be paid by the Registration Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Series 2021 Bonds. Beneficial owners of the Series 2021 Bonds will not receive physical delivery of Series 2021 Bond certificates except as described herein.

Interest on the Series 2021 Bonds will be paid by wire transfer or by check or draft mailed by the Registration Agent on any Interest Payment Date to the person in whose name the Series 2021 Bond is registered in the bond registration books kept by the Registration Agent as of the close of business on the 15th day of the calendar month preceding any Interest Payment Date. Notwithstanding the foregoing, while the Series 2021 Bonds are held in the book-entry only system all principal, premium, if any, and interest will be paid by DTC, or its nominee by wire transfer. See “DESCRIPTION OF THE SERIES 2021 BONDS – Book-Entry Only System” below.

The Series 2021 Bonds are subject to redemption prior to maturity at the option of the Metropolitan Government, as more fully described herein. See “REDEMPTION PROVISIONS FOR THE SERIES 2021 BONDS” herein.

Green Bonds Designation

The Series 2021 Bonds are being designated by the Metropolitan Government as “Green Bonds” in accordance with the 2021 edition of the Green Bond Principles (“GBP”), published by the International Capital Markets Association (“ICMA”). The GBP, updated as of June 2021, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bonds market. Holders of the Series 2021 Bonds will not possess any additional security and do not assume any specific risk with respect to any of the funded projects, as more fully described under this section.

The impacts from the capital projects of the System are aligned with the principles set forth in the ICMA and also with two of the United Nations 17 Sustainable Development Goals (“UNSDGs”). By reference to the ICMA “Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals” (June 2020), the capital projects of the System primarily aim to address Goal 6: “Clean Water and Sanitation” and Goal 11: “Sustainable Cities and Communities”. The

Metropolitan Government has committed to complying with the guidelines published by ICMA as set forth under the GBP and the UNSDGs, in order to qualify the Series 2021 Bonds for designation as Green Bonds.

Use of Series 2021A Bond Proceeds

Pursuant to the Bond Resolution, all or a portion of the Metropolitan Government's Commercial Paper will be retired with the proceeds of the Series 2021A Bonds. The capital projects for the System funded by the Metropolitan Government's Commercial Paper were in the categories of (i) Clean Water Projects and (ii) Drinking Water Projects.

The Commercial Paper Clean Water Projects are summarized below and consist of the following:

(A) **Wastewater Treatment Projects** – These projects involve the maintenance, upgrade, or construction of wastewater treatment facilities. A wastewater treatment facility receives all the sewage from a municipality or utility district service area and treats the water before releasing it back into the environment in accordance with permits from the National Pollutant Discharge Elimination System.

(B) **Infiltration/Inflow and Sewer System Rehabilitation Projects (Consent Decree Related Capital Engineering Report)** – These projects involve removing infiltration and inflow (i.e. water other than wastewater) from a sewer system, including construction associated with Infiltration/Inflow rehabilitation, which occurs when groundwater or stormwater enters a dedicated wastewater or sanitary sewer system either by direct connections or through damaged parts of sewer pipes.

(C) **Collector and Interceptor Sewer Projects** – These projects involve the physical conveyance of wastewater. Collector sewers gather wastewater from the source, and interceptor sewers convey wastewater to a treatment facility. Extending capacity in an existing sanitary sewer system can help mitigate issues in communities that have insufficient infrastructure to meet local demand.

(D) **Combined Sewer Overflow Correction Projects (Consent Decree Related- Long Term Control Plan)** – These projects involve the reduction of untreated water discharged from combined sewer systems. Combined sewer systems are sewers that are designed to collect rainwater runoff, domestic sewage, and industrial wastewater in the same pipe.

(E) **Planning Projects** – These projects involve developing plans to address water quality and related public health problems. Infrastructure management tracking, capital investment schedules, and the adoption of best management practices are also objectives.

The Commercial Paper Drinking Water Projects are summarized below and consist of the following:

(A) **Drinking Water Treatment Projects** – These projects involve the upgrade, maintenance, and construction of water treatment facilities. These projects are meant to improve the overall quality of drinking water and are targeted at removing specific pollutants that are known health risks.

(B) **Drinking Water Transmission and Distribution Projects** – These projects involve the infrastructure that brings raw water to treatment facilities and the infrastructure that conveys treated water for consumption. This includes everything from large transmission mains from reservoirs to the service lines that provide treated water to homes and businesses.

(C) **Drinking Storage Projects** – Storage projects deal with infrastructure for maintaining and storing treated water before it is distributed into a system. Proper storage and turnover maintain required water quality and ensures efficient use of the resources.

(D) **Drinking Water Planning and Design Projects** – These projects involve the activities needed to plan design and/or study drinking water infrastructure. Such projects are essential for maintaining and improving the key infrastructure that protects public health and water quality.

(E) **Non-Treatment Facility Projects** – These projects include buildings or renovated building projects for housing of staff or equipment. All are required by ordinance to be certified at least LEED Silver.

Below is a summation of the capital projects of the System that the Metropolitan Government intends to fund with the Series 2021 Bonds or is currently funding with its Commercial Paper:

(A) **Wastewater Treatment Projects** – These projects involve the maintenance, upgrade, or construction of wastewater treatment facilities. A wastewater treatment facility receives all the sewage from a municipality or utility district service area and treats the water before releasing it back into the environment in accordance with permits from the National Pollutant Discharge Elimination System. Included in this treatment process is residual solid waste management. The goal of these projects is to reduce or eliminate pollutants and nutrients found in wastewater for cleaner water ways and minimize environmental impacts from residuals.

(B) **Infiltration/Inflow and Sewer System Rehabilitation Projects (Consent Decree Related Capital Engineering Report)** – These projects involve removing infiltration and inflow (i.e. water other than wastewater) from a sewer system, including construction associated with Infiltration/Inflow (“I/I”) rehabilitation, which occurs when groundwater or stormwater enters a dedicated wastewater or sanitary sewer system either by direct connections or through damaged parts of sewer pipes. I/I increases the flow to wastewater treatment facilities and leads to back-ups or overflows of the system. Sewer system rehabilitation and I/I correction projects are concerned with removing sources of water that are either illicitly being added to a sewer system, or from sources entering via defective pipes or manholes. Eliminating I/I and replacing sewer systems reduces the occurrences of overflows, meaning less untreated wastewater is released into the environment.

(C) **Collector and Interceptor Sewer Projects** – These projects involve the physical conveyance of wastewater. Collector sewers gather wastewater from the source, and interceptor sewers convey wastewater to a treatment facility. Extending capacity in an existing sanitary sewer system can help mitigate issues in communities that have insufficient infrastructure to meet local demand. These projects are implemented in conjunction with other project categories, such as combined sewer overflow correction, which separates stormwater and wastewater collection systems to reduce untreated water being released into the Cumberland River.

(D) **Combined Sewer Overflow Correction Projects (Consent Decree Related- Long Term Control Plan)** – These projects involve the reduction of untreated water discharged from combined sewer systems. Combined sewer systems are sewers that are designed to collect rainwater runoff, domestic sewage, and industrial wastewater in the same pipe. During wet weather events, the combined sewer systems can reach capacity and the excess overflows into surrounding waters, creating a combined sewer overflow (“CSO”). CSO correction projects work to reduce the amount of untreated water discharged from combined sewer systems. The elimination of CSOs is a Consent Decree goal that will reduce the amount of untreated wastewater that is released into the Cumberland River.

(E) **Planning Projects** – These projects involve developing plans to address water quality and related public health problems. Infrastructure management tracking, capital investment schedules, and the adoption of best management practices are also objectives. For example, comprehensive wastewater management plans provide strategies for addressing wastewater treatment sustainability and asset management planning assists communities with maintaining replacement schedules and forecasting capital needs.

Use of Series 2021B Bond Proceeds

Pursuant to the Bond Resolution, all or a portion of the Metropolitan Government's Series 2013 Bonds will be advance refunded, on a federally taxable basis, with the proceeds of the Series 2021B Bonds. The capital projects for the System funded by the Metropolitan Government's Series 2013 Bonds were in the categories of (i) Clean Water Projects and (ii) Drinking Water Projects.

The Series 2013 Bonds Clean Water Projects are summarized below and consist of the following:

(A) **Wastewater Treatment Projects** – These projects involve the maintenance, upgrade, or construction of wastewater treatment facilities. A wastewater treatment facility receives all the sewage from a municipality or utility district service area and treats the water before releasing it back into the environment in accordance with permits from the National Pollutant Discharge Elimination System.

(B) **Infiltration/Inflow and Sewer System Rehabilitation Projects** – These projects involve removing infiltration and inflow (i.e. water other than wastewater) from a sewer system, including construction associated with Infiltration/Inflow rehabilitation, which rehabilitation projects were linked to the Consent Decree (defined herein).

(C) **Collector and Interceptor Sewer Projects** – These projects involve the physical conveyance of wastewater. Collector sewers gather wastewater from the source, and interceptor sewers convey wastewater to a treatment facility. Examples of such projects include (i) Rockwood Trunk Sewer; (ii) Nolensville Pike Trunk; (iii) Equalization Basins (Opry Mills, Davidson Branch Planning); and (iv) Dodson Chapel, Pump Stations (Whites Creek).

(D) **Combined Sewer Overflow Correction Projects (Consent Decree Related- Long Term Control Plan)** – These projects involve the reduction of untreated water discharged from combined sewer systems, which projects related to Consent Decree planning; separation and outfall planning and construction.

(E) **Planning Projects** – These projects involve developing plans to address water quality and related public health problems. Infrastructure management tracking, capital investment schedules, and the adoption of best management practices are also objectives, which projects related to Consent Decree – central planning for long term control plan.

The Series 2013 Bonds Drinking Water Projects are summarized below and consist of the following:

(A) **Drinking Water Treatment Projects** – These projects involve the upgrade, maintenance, and construction of water treatment facilities. These projects are meant to improve the overall quality of drinking water and are targeted at removing specific pollutants that are known health risks. Examples of such projects include (i) SCADA upgrades; (ii) filter plants; and (iii) new electrical substation.

(B) **Drinking Water Transmission and Distribution Projects** – These projects involve the infrastructure that brings raw water to treatment facilities and the infrastructure that conveys treated water for consumption. This includes everything from large transmission mains from reservoirs to the service lines that provide treated water to homes and businesses. Examples of such projects include (i) Kinhawk Swiss Feed; (ii) OHUD Transmission Main; (iii) 5th Ave Main; (iv) Elliston; and (v) 12th S phase 1.

(C) **Drinking Storage Projects** – Storage projects deal with infrastructure for maintaining and storing treated water before it is distributed into a system. Examples of such projects include (i) Reservoir Rehab; (ii) Ocala Reservoir; and (iii) 8th Ave design.

(D) **Drinking Water Planning and Design Projects** – These projects involve the activities needed to plan design and/or study drinking water infrastructure. Examples of such projects include (i) leak survey; and (ii) master planning efforts.

(E) **Non-Treatment Facility Projects** – These projects include buildings or renovated building projects for housing of staff or equipment. All are required by ordinance to be certified at least LEED Silver. Examples of such projects include (i) planning and beginning the Pumphouse remodel; and (ii) Solar Array for Route Services Building.

Process for Evaluation and Selection

The Metropolitan Government maintains a water and sewer system capital improvement plan (“Capital Improvement Plan”). In 2002, the Metropolitan Government updated its master water improvement plan through 2025, which forecasts the contemplated water needs due to growth for the service area. In December 2009, the United States Environmental Protection Agency issued a Consent Decree requiring the Metropolitan Government to make capital expenditures between \$1.0 billion to \$1.5 billion to address and correct deficiencies within its sewer system over an 11-year period. The capital projects of the sewer system were designed to comply with the requirements of the Consent Decree and were funded with the Commercial Paper proceeds. See “WATER AND SEWER SYSTEM FUTURE CAPITAL OBLIGATIONS” herein and “**APPENDIX C – FINANCIAL AND OPERATING INFORMATION REGARDING THE WATER AND SEWER SYSTEM**” attached hereto for additional information regarding the Consent Decree, the Capital Improvement Plan and capital expenditures for the System.

Management of Proceeds

The proceeds of the outstanding Commercial Paper were initially deposited into a separate account and expended on the above-mentioned System capital projects. The proceeds of the Series 2021A Bonds will be deposited into a separate account for the purpose of retiring all or a portion of the Metropolitan Government’s outstanding Commercial Paper. The proceeds of the Series 2021B Bonds will be deposited in a separate account for the purpose of retiring all or a portion of the Series 2013 Bonds on the applicable redemption dates. See, “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

Voluntary Reporting

The Metropolitan Government will voluntarily file quarterly and annual updates regarding the System’s capital projects funded by the Commercial Paper and retired by the proceeds of the Series 2021A Bonds and all other capital projects funded by proceeds of the Series 2021 Bonds. Such reporting shall continue on a quarterly and annual basis until all proceeds of the Series 2021 Bonds have been fully expended, which the Metropolitan Government expects to occur sometime during the second quarter of

2022, or at the latest, within two years from the issuance of the Series 2021 Bonds. Such quarterly and annual voluntary reports will be made available online at: <https://www.cleanwaternashville.org/public-document-repository>.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry only system has been obtained from DTC and the Metropolitan Government is not making any representation or warranty or take any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate will be issued for each maturity of each series of the Series 2021 Bonds as set forth on the inside front cover pages of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between accounts of Direct Participants. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "DTC Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry only system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within a series and maturity of the Series 2021 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Metropolitan Government as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2021 Bonds are credited on the record date, as identified in a listing attached to the Omnibus Proxy.

Principal, premium, if any, and interest payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Metropolitan Government or the Registration Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Registration Agent or the Metropolitan Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2021 Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Metropolitan Government and/or the Registration Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Metropolitan Government or the Registration Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bonds certificates are required to be printed and delivered.

The Metropolitan Government may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2021 Bonds certificates will be printed and delivered to the Holders of the Series 2021 Bonds.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE METROPOLITAN GOVERNMENT AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE METROPOLITAN GOVERNMENT, THE FINANCIAL ADVISOR AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NONE OF THE METROPOLITAN GOVERNMENT NOR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (B) DISTRIBUTION OF CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2021 BONDS; (C) THE PAYMENT BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT TO THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2021 BONDS; (D) THE DELIVERY OF ANY NOTICE BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (E) THE ELECTION OF THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2021 BONDS; OR (F) ANY CONSENT GIVEN OR ANY OTHER ACTION TAKEN BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT.

So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee for DTC, references herein to the registered owners of the Series 2021 Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2021 Bonds.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Series 2021 Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2021 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners pursuant to the Bond Resolution will be given only to DTC.

Effect of Discontinuance of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the Metropolitan Government, printed Series 2021 Bonds will be issued to the holders and the Series 2021 Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution.

REDEMPTION PROVISIONS FOR THE SERIES 2021 BONDS

Redemption Provisions for the Series 2021A Bonds

Optional Redemption. The Series 2021A Bonds maturing on or before July 1, 2031 shall not be subject to redemption prior to maturity. The Series 2021A Bonds maturing on or after July 1, 2032 (or portions thereof in authorized denominations of \$5,000 and integral multiples thereof) are subject to optional redemption by the Metropolitan Government on and after July 1, 2031 in whole or in part, at any time in such order as determined by the Metropolitan Government at a redemption price equal to the principal amount of the Series 2021A Bonds or portion thereof to be redeemed together with interest accrued thereon to the date fixed for redemption.

Mandatory Redemption. The Series 2021A Bonds maturing on July 1, 2046 and July 1, 2051 are subject to scheduled mandatory redemption prior to maturity in part (as selected by DTC or a successor depository using its general procedures or, if DTC or a successor depository is no longer serving as securities depository, by lot or in such other manner as may be designated by the Registration Agent) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below:

TERM BONDS

Redemption Date (July 1)	Principal Amount
2042	\$14,895,000
2043	15,505,000
2044	16,135,000
2045	16,795,000
2046*	17,480,000
Total	\$80,810,000

* Final Maturity.

Redemption Date (July 1)	Principal Amount
2047	\$18,070,000
2048	18,550,000
2049	19,040,000
2050	19,550,000
2051*	20,070,000
Total	\$95,280,000

* Final Maturity.

Redemption Provisions for the Series 2021B Bonds

Optional Redemption. The Series 2021B Bonds maturing on or before July 1, 2031, shall not be subject to redemption prior to maturity. The Series 2021B Bonds maturing on or after July 1, 2032 (or portions thereof in authorized denominations of \$5,000 and integral multiples thereof) are subject to optional redemption by the Metropolitan Government on and after July 1, 2031 in whole or in part, at any time in such order as determined by the Metropolitan Government at a redemption price equal to the principal amount of the Series 2021B Bonds or portion thereof to be redeemed together with interest accrued thereon to the date fixed for redemption.

Mandatory Redemption. The Series 2021B Bonds maturing on July 1, 2043, are subject to scheduled mandatory redemption prior to maturity in part (as selected by DTC or a successor depository using its general procedures or, if DTC or a successor depository is no longer serving as securities depository, by lot or in such other manner as may be designated by the Registration Agent) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below:

TERM BOND

Redemption Date (July 1)	Principal Amount
2039	\$12,720,000
2040	13,100,000
2041	13,490,000
2042	13,895,000
2043*	14,310,000
Total	\$67,515,000

* Final Maturity.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such mandatory redemption date, the Metropolitan Government, may (i) deliver to the Registration Agent for cancellation the Series 2021 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2021 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and cancelled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2021 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Metropolitan Government on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2021 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Metropolitan Government shall, on or before the forty-fifth (45th) day next preceding each payment date, furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Selection of Bonds for Redemption

If less than all of a series of Series 2021 Bonds are to be redeemed, the Registration Agent, upon written instruction from the Metropolitan Government, shall select the Series 2021 Bonds for redemption from such maturity dates and in such amounts as are selected by the Metropolitan Government, and if less than all the Series 2021 Bonds within a single maturity are to be redeemed, shall be selected as follows:

(i) if the Series 2021 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2021 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Series 2021 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Notice of Redemption for the Series 2021 Bonds

Notice of call for redemption shall be given by the Registration Agent on behalf of the Metropolitan Government not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2021 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Series 2021 Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Series 2021 Bonds for which proper notice was given. The notice may state that the redemption of such Series 2021 Bonds is conditional upon and subject to the deposit of moneys with the Registration Agent sufficient to redeem all such Series 2021 Bonds not later than the opening of business on the redemption date and that such notice shall be of no effect if such moneys are not on deposit (A “Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Series 2021 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2021 Bonds, as and when above provided, and neither the Metropolitan Government nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Series 2021 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Bond Resolution. In the case of a Conditional Redemption, the failure of the Metropolitan Government to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Series 2021 Bonds called for redemption and not so paid remain outstanding.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be limited obligations of the Metropolitan Government payable solely from and secured solely by Revenues (defined below) of the System and certain funds maintained in connection therewith, subject only to the payment of System operating expenses, as more fully described within this Official Statement. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS – Limited Obligations” below. All capitalized terms used within the section shall have the same meaning ascribed to them in **APPENDIX A** attached hereto.

Limited Obligations

The Series 2021 Bonds are limited obligations of the Metropolitan Government and do not constitute a debt or liability of the Metropolitan Government for which there is a right to compel the exercise of its taxing power. See “**APPENDIX A – CERTAIN PROVISIONS OF THE BOND RESOLUTION**” attached hereto.

For purposes of the Bond Resolution, “Revenues” means (a) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding any customer deposits or other deposits subject to refund, unless such deposits have become property of the Metropolitan Government; (b) the proceeds of any insurance covering business interruption loss relating to the System; and (c) interest received or to be received on any moneys or securities held in any of the funds or accounts established under the Bond Resolution, with the exception

of (i) moneys held in the Construction Fund or any account thereof, and (ii) moneys held in the Debt Service Reserve Fund, if any, during any period in which the investment earnings thereon are directed by Supplemental Resolution to the Construction Fund or an account thereof. “Revenues” shall not include any Tax Credit Payments, grant proceeds or, except as set forth in (b) above, insurance proceeds.

The computation of Revenues with respect to any period of time shall be increased by the amount of transfers during such period from the Rate Stabilization Fund to the Revenue Fund, and decreased by the amount of any transfers during such period from the Revenue Fund to the Rate Stabilization Fund. See, “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS – Flow of Funds” herein.

Series 2021 Bonds on a Parity and Equality of Lien with Outstanding Senior Lien Bonds

The pledge of the Revenues in favor of the Series 2021 Bonds is on a parity and equality of lien with the Metropolitan Government’s (i) Water and Sewer Revenue Bonds, Series 2010B (Build America Bonds – Direct Payment) (Federally Taxable) (the “Series 2010B Bonds”); (ii) Water and Sewer Revenue Bonds, Series 2010C (Recovery Zone Economic Development Bonds) (Federally Taxable) (the “Series 2010C Bonds”); (iii) Water and Sewer Revenue Bonds, Series 2013 (the “Series 2013 Bonds”); (iv) Water and Sewer Revenue Bonds, Series 2017A (**Green Bonds**) (the “Series 2017A Bonds”); (v) Water and Sewer Revenue Bonds, Series 2017B (the “Series 2017B Bonds”), (vi) Water and Sewer Revenue Bonds, Series 2020A (the “Series 2020A Bonds”); (vii) Water and Sewer Revenue Bonds, Series 2020B (the “Series 2020B Bonds”) and (viii) water and sewer revenue bonds in the form of state revolving fund loan agreements Nos. 2020-223, 2020-224 and 2020-446 (the “2020 SRF Loans”, and collectively, with the Series 2010B Bonds, Series 2010C Bonds, Series 2013 Bonds, Series 2017A Bonds, Series 2017B Bonds, Series 2020A Bonds, and the Series 2020B Bonds, the “Outstanding Senior Lien Bonds”); and any other series of bonds that may hereafter be issued pursuant to the Bond Resolution. The Outstanding Senior Lien Bonds together with the Series 2021 Bonds are referred to herein as, the “Senior Lien Bonds”.

Flow of Funds

The Bond Resolution requires that all Revenues (other than investment earnings, which are retained in the fund in which they are earned or, in the case of the Debt Service Reserve Fund, paid to the Debt Service Fund) be deposited to the Revenue Fund. Amounts on deposit in the Revenue Fund are to be used to pay Operation and Maintenance Expenses as they become due and to make the following monthly deposits or payments:

First, deposit to the Debt Service Fund an amount equal to accrued debt service on the Senior Lien Bonds, and any additional bonds issued on a parity and equality of lien therewith under the terms of the Bond Resolution. Moneys deposited to the Debt Service Fund may be used only to pay debt service on the Bonds.

Second, deposit to the Debt Service Reserve Fund an amount sufficient to remedy any deficiency therein. Moneys deposited or maintained in the Debt Service Reserve Fund may be used only to pay debt service on Senior Lien Bonds secured thereby in the event other funds are unavailable therefor. The Series 2021 Bonds will not benefit from the Debt Service Reserve Fund.

Third, pay subordinate indebtedness.

Fourth, make payments in lieu of taxes to the Metropolitan Government.

Fifth, deposit to the Rate Stabilization Fund any amounts determined by the Metropolitan Government. Moneys in the Rate Stabilization Fund may be transferred to the Revenue Fund or used for any other lawful purpose. Deposits to the Rate Stabilization Fund are deducted from the calculation of “Revenues” in the year of deposit for purposes of the Rate Covenant and Additional Bonds Tests, as more fully described herein. Transfers from the Rate Stabilization Fund to the Revenue Fund are added to the calculation of “Revenues” in the year of transfer for purposes of the Rate Covenant and Additional Bonds Tests as more fully described below.

Sixth, deposit all remaining moneys to the Surplus Fund. Moneys in the Surplus Fund are to be applied first in the same manner required of the Revenue Fund, to the extent of any deficiencies. Any excess funds in the Surplus Fund may be used for any lawful purpose.

See “**APPENDIX A – CERTAIN PROVISIONS OF THE BOND RESOLUTION**,” attached hereto, for more information regarding the flow of funds and application of Revenues to the System.

Debt Service Reserve Fund

The Bond Resolution establishes a Debt Service Reserve Fund but does not require the Metropolitan Government to fund reserves for every series of Bonds issued pursuant to the Bond Resolution. In the event the Metropolitan Government elects to fund a reserve for one or more series of Bonds, it must establish an account within the Debt Service Reserve Fund and dictate the manner of its funding. Any such account will be for the sole benefit of the Bonds secured thereby. See “**APPENDIX A – CERTAIN PROVISIONS OF THE BOND RESOLUTION**” attached hereto.

The Metropolitan Government has elected not to establish a debt service reserve account for the Series 2021 Bonds.

Rate Covenant

The Bond Resolution requires the Metropolitan Government to set and maintain rates sufficient to produce “Net Revenues”, defined as Revenues minus Operation and Maintenance Expenses, in each Fiscal Year at least equal to the greater of (i) one hundred twenty percent (120%) of the Debt Service Requirement on the Senior Lien Bonds in such Fiscal Year; or (ii) one hundred percent (100%) of the sum of (a) the Debt Service Requirement on the Senior Lien Bonds and Subordinated Indebtedness in such Fiscal Year, (b) the amounts required to be paid during such Fiscal Year into the Debt Service Reserve Fund established pursuant to the Bond Resolution, and (c) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, including, but not limited to, payments in lieu of taxes. See “**APPENDIX A – CERTAIN PROVISIONS OF THE BOND RESOLUTION**” attached hereto.

Additional Bonds

The Bond Resolution permits the Metropolitan Government to issue additional series of Bonds on a parity and equality of lien, as to the Revenues, with the Series 2021 Bonds and the Outstanding Senior Lien Bonds (“Additional Bonds”). In order to issue such Additional Bonds, among other things, the Metropolitan Government must certify that the Net Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of the Additional Bonds were at least equal to one hundred twenty percent (120%) of the maximum Debt Service Requirement on the Senior Lien Bonds in any future Fiscal Year (calculated with respect to the Bonds of all Series then Outstanding and the Bonds of the Series with respect to which such certification

is given). See “**APPENDIX A – CERTAIN PROVISIONS OF THE BOND RESOLUTION**” attached hereto.

The Bond Resolution prohibits the issuance of any debt obligations secured by a pledge of any portion of the Revenues on a basis senior to the Series 2021 Bonds.

Other Indebtedness Subordinate to Series 2021 Bonds

The Bond Resolution freely permits the Metropolitan Government to issue or incur debt obligations secured by all or a portion of the Revenues on a basis subordinate to the Series 2021 Bonds. The Metropolitan Government had outstanding its Subordinate Lien Series 2012 Water and Sewer Revenue Refunding Bonds (“Series 2012 Subordinate Lien Bonds”), but cash defeased the remaining maturities of the Series 2012 Subordinate Lien Bonds on September 28, 2021.

Following the defeasance of the Series 2012 Subordinate Lien Bonds, the only indebtedness of the Metropolitan Government secured by the Revenues of the System and subordinate to the Outstanding Senior Lien Bonds and the Series 2021 Bonds is its Commercial Paper.

See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS – Water and Sewer Commercial Paper Bond Anticipation Notes” below and “SCHEDULE OF THE OUTSTANDING WATER AND SEWER REVENUE BONDS” herein.

Water and Sewer Commercial Paper Bond Anticipation Notes

The Metropolitan Government typically funds capital improvements for the System through its water and sewer system commercial paper program, which consists of up to \$283 million of traditional commercial paper. The Metropolitan Government’s obligations under its Commercial Paper are payable from Revenues of the System on a basis subordinate to the Senior Lien Bonds. The Metropolitan Government currently has outstanding \$255.2 million of Commercial Paper, consisting of \$175 million of traditional commercial paper and \$80.2 million of extendable commercial paper.

The proceeds of the Series 2021A Bonds will be used to fully retire all \$255.2 million of the Metropolitan Government’s outstanding Commercial Paper for the System on or before October 19, 2021, leaving \$-0- of Commercial Paper outstanding. Any amounts remaining with the issuing and paying agent after the retirement of the Commercial Paper shall be transferred to the Debt Service Fund and applied to the payment of interest on the Series 2021 Bonds. The Metropolitan Government anticipates that it will continue to issue Commercial Paper to fund capital improvements for the System.

See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein. Also, see “**APPENDIX C – FINANCIAL AND OPERATING INFORMATION REGARDING THE WATER AND SEWER SYSTEM**” attached hereto, for additional information regarding the Metropolitan Government’s Commercial Paper program for the System.

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SCHEDULE OF THE OUTSTANDING WATER AND SEWER REVENUE BONDS

The following table illustrates a summary of the Metropolitan Government’s outstanding Senior Lien Bonds upon the issuance of the Series 2021 Bonds:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
WATER AND SEWER REVENUE BONDS OUTSTANDING**

WATER AND SEWER REVENUE BONDS	OUTSTANDING AMOUNTS
Series 2010B Bonds	\$ 135,000,000
Series 2010C Bonds	75,000,000
Series 2013 Bonds ⁽¹⁾	12,795,000
Series 2017A Bonds	87,625,000
Series 2017B Bonds	152,230,000
Series 2020A Bonds	166,025,000
Series 2020B Bonds	43,355,000
2020 SRF Loans ⁽²⁾	44,093,000
Series 2021A Bonds	377,520,000
Series 2021B Bonds	232,075,000
TOTAL	\$1,325,718,000

⁽¹⁾ Following the partial refunding of the Series 2013 Bonds, this will be the remaining outstanding amount. See “PLAN OF FINANCE” herein.

⁽²⁾ Reflects the maximum principal amount that may be drawn by the Metropolitan Government under the 2020 SRF Loans.

Source: The Metropolitan Government of Nashville and Davidson County.

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
DEBT SERVICE SCHEDULE**

FISCAL YEAR ENDED	TOTAL OUTSTANDING WATER AND SEWER REVENUE BONDS DEBT SERVICE ⁽¹⁾			SERIES 2021 BONDS DEBT SERVICE			TOTAL DEBT SERVICE		
	Principal	Interest ⁽²⁾⁽³⁾	Total	Principal	Interest	Total	Principal	Interest ⁽²⁾⁽³⁾	Total
June 30 2022	-	\$ 18,365,049	\$ 18,365,049	-	\$ 4,167,421	\$ 4,167,421	-	\$ 22,532,470	\$ 22,532,470
2023	\$ 22,545,000	30,108,831	52,653,831	\$ 8,855,000	19,326,401	28,181,401	\$ 31,400,000	49,435,232	80,835,232
2024	23,645,000	28,998,631	52,643,631	9,180,000	19,002,135	28,182,135	32,825,000	48,000,766	80,825,766
2025	17,975,000	27,998,306	45,973,306	16,220,000	18,633,830	34,853,830	34,195,000	46,632,136	80,827,136
2026	18,870,000	27,087,356	45,957,356	16,650,000	18,204,523	34,854,523	35,520,000	45,291,878	80,811,878
2027	19,810,000	26,127,956	45,937,956	17,120,000	17,732,402	34,852,402	36,930,000	43,860,358	80,790,358
2028	20,790,000	25,161,237	45,951,237	17,630,000	17,219,173	34,849,173	38,420,000	42,380,410	80,800,410
2029	22,605,000	24,156,139	46,761,139	18,185,000	16,663,069	34,848,069	40,790,000	40,819,209	81,609,209
2030	23,655,000	23,079,442	46,734,442	18,785,000	16,067,989	34,852,989	42,440,000	39,147,432	81,587,432
2031	24,760,000	21,952,187	46,712,187	19,410,000	15,434,723	34,844,723	44,170,000	37,386,909	81,556,909
2032	25,915,000	20,764,669	46,679,669	20,080,000	14,767,367	34,847,367	45,995,000	35,532,036	81,527,036
2033	27,135,000	19,517,549	46,652,549	20,790,000	14,058,665	34,848,665	47,925,000	33,576,215	81,501,215
2034	28,415,000	18,211,154	46,626,154	21,550,000	13,301,129	34,851,129	49,965,000	31,512,283	81,477,283
2035	29,760,000	16,872,842	46,632,842	22,355,000	12,497,630	34,852,630	52,115,000	29,370,473	81,485,473
2036	31,165,000	15,505,039	46,670,039	23,145,000	11,708,638	34,853,638	54,310,000	27,213,677	81,523,677
2037	32,640,000	14,072,470	46,712,470	23,915,000	10,935,606	34,850,606	56,555,000	25,008,076	81,563,076
2038	34,145,000	12,587,349	46,732,349	24,730,000	10,123,472	34,853,472	58,875,000	22,710,821	81,585,821
2039	35,685,000	11,079,281	46,764,281	25,505,000	9,342,292	34,847,292	61,190,000	20,421,573	81,611,573
2040	37,240,000	9,534,166	46,774,166	26,265,000	8,586,055	34,851,055	63,505,000	18,120,221	81,625,221
2041	38,845,000	7,921,051	46,766,051	27,055,000	7,793,743	34,848,743	65,900,000	15,714,794	81,614,794
2042	40,535,000	6,237,035	46,772,035	27,875,000	6,977,504	34,852,504	68,410,000	13,214,539	81,624,539
2043	23,200,000	4,846,544	28,046,544	28,790,000	6,060,996	34,850,996	51,990,000	10,907,539	62,897,539
2044	24,285,000	3,760,100	28,045,100	29,815,000	5,038,100	34,853,100	54,100,000	8,798,200	62,898,200
2045	25,420,000	2,621,500	28,041,500	16,135,000	4,194,800	20,329,800	41,555,000	6,816,300	48,371,300
2046	26,620,000	1,428,775	28,048,775	16,795,000	3,536,200	20,331,200	43,415,000	4,964,975	48,379,975
2047	16,370,000	409,250	16,779,250	17,480,000	2,850,700	20,330,700	33,850,000	3,259,950	37,109,950
2048	-	-	-	18,070,000	2,263,931	20,333,931	18,070,000	2,263,931	2,333,931
2049	-	-	-	18,550,000	1,783,294	20,333,294	18,550,000	1,783,294	20,333,294
2050	-	-	-	19,040,000	1,289,925	20,329,925	19,040,000	1,289,925	20,329,925
2051	-	-	-	19,550,000	783,431	20,333,431	19,550,000	783,431	20,333,431
2052	-	-	-	20,070,000	426,419	20,333,419	20,070,000	263,419	20,333,419
TOTAL	<u>\$672,030,000</u>	<u>\$418,403,906</u>	<u>\$1,090,433,906</u>	<u>\$609,595,000</u>	<u>\$310,608,564</u>	<u>\$920,203,564</u>	<u>\$1,281,625,000</u>	<u>\$729,012,470</u>	<u>\$2,010,637,470</u>

⁽¹⁾ Net of Refunded Senior Lien Bonds.

⁽²⁾ Net of BAB Subsidy after accounting for 5.7% sequestration effect.

⁽³⁾ Remaining Fiscal Year 2022 interest due reflects contribution of \$3,036,096.67 to pay the accrued interest due on the Refunded Bonds through the October 14, 2021, closing date.

Source: Hilltop Securities, Inc.

PLAN OF FINANCE

General

On September 21, 2021, the Metropolitan Council authorized the issuance of the Series 2021 Bonds in a par amount not to exceed \$780 million. The proceeds of the Series 2021 Bonds, plus the original issue premium and released funds from the Metropolitan Government’s debt service funds and debt service reserve funds will be used as further described below:

Series 2021A Bonds (Green Bonds)

The Series 2021A Bonds are being issued to (i) retire all or a portion of the Metropolitan Government’s outstanding Commercial Paper, which provided interim financing for various capital improvements to the System; (ii) finance capital improvements to the System; and (iii) pay certain costs of issuance related to the Series 2021A Bonds.

Federally Taxable Series 2021B Bonds (Green Bonds)

The Series 2021B Bonds are being issued to (i) achieve debt service savings through advance refunding, on a federally taxable basis, that portion of the Metropolitan Government’s Series 2013 Bonds identified below the (“Series 2013 Refunded Bonds”); and (ii) pay certain costs of issuance related to the Series 2021B Bonds.

The Series 2013 Refunded Bonds are as follows:

**\$225,135,000
WATER AND SEWER REVENUE BONDS,
SERIES 2013**

SERIAL BONDS

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price
07/01/2024	\$ 6,845,000	5.000%	07/01/2023	100%
07/01/2025	7,195,000	5.000	07/01/2023	100
07/01/2026	7,565,000	5.000	07/01/2023	100
07/01/2027	7,950,000	5.000	07/01/2023	100
07/01/2028	8,280,000	3.250	07/01/2023	100
07/01/2029	8,635,000	5.000	07/01/2023	100
07/01/2030	9,075,000	5.000	07/01/2023	100
07/01/2031	9,540,000	5.000	07/01/2023	100
07/01/2032	10,030,000	5.000	07/01/2023	100
07/01/2033	10,545,000	5.000	07/01/2023	100

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TERM BOND

Redemption Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price
07/01/2034	\$11,085,000	5.000%	07/01/2023	100%
07/01/2035	11,655,000	5.000	07/01/2023	100
07/01/2036	12,255,000	5.000	07/01/2023	100
07/01/2037	12,880,000	5.000	07/01/2023	100
07/01/2038	13,540,000	5.000	07/01/2023	100
07/01/2039	14,235,000	5.000	07/01/2023	100
07/01/2040*	13,800,000	5.000	07/01/2023	100

* Final Maturity.

TERM BOND

Redemption Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price
07/01/2040	\$ 1,160,000	4.000%	07/01/2023	100%
07/01/2041	15,640,000	4.000	07/01/2023	100
07/01/2042	16,280,000	4.000	07/01/2023	100
07/01/2043*	16,945,000	4.000	07/01/2023	100

* Final Maturity.

Refunding Escrow

Upon delivery of the Series 2021 Bonds and pursuant to an escrow agreement to be dated as of the date of the Series 2021 Bonds (the “Refunding Escrow Agreement”), by and between the Metropolitan Government and U.S. Bank National Association, Nashville, Tennessee, as escrow agent thereunder (the “Refunding Escrow Agent”), the Metropolitan Government will cause proceeds of the Series 2021B Bonds to be deposited into a fund established under the Refunding Escrow Agreement (the “Refunding Escrow Fund”), which together with the earnings thereon and other available moneys of the Metropolitan Government deposited thereto, will be sufficient, to pay and retire the Series 2013 Refunded Bonds through their July 1, 2023 redemption date.

The Refunding Escrow Agent shall invest moneys on deposit in the Refunding Escrow Fund in United States Treasury Obligations (the “Escrowed Securities”). Neither principal of, redemption premium, if any, nor the interest on the Escrowed Securities will be available for the payment of the Series 2021 Bonds. Upon deposit of the Escrowed Securities and moneys in the Refunding Escrow Funds in compliance with provisions of the resolutions pursuant to which the Series 2013 Bonds were issued, the Series 2013 Refunded Bonds will be deemed paid and all covenants, agreements and obligations of the Metropolitan Government to the holders of such Series 2013 Refunded Bonds shall cease, terminate and become void and be discharged and satisfied.

SOURCES AND USES OF FUNDS

The table below illustrates the sources and uses of funds in connection with the issuance of the Metropolitan Government's Series 2021 Bonds:

<u>SOURCES</u>	SERIES 2021A BONDS	SERIES 2021B BONDS	TOTAL
<u>Bond Proceeds:</u>			
Par Amount	\$377,520,000.00	\$232,075,000.00	\$609,595,000.00
Original Issue Premium	54,883,292.95	-	54,883,292.95
<u>Other Sources of Funds:</u>			
Debt Service Fund	-	\$ 3,036,096.67	\$ 3,036,096.67
Debt Service Reserve Fund	-	11,702,831.54	11,702,831.54
TOTAL	\$432,403,292.95	\$246,813,928.21	\$679,217,221.16
<u>USES</u>	SERIES 2021A BONDS	SERIES 2021B BONDS	TOTAL
<u>Project Fund Deposits:</u>			
Commercial Paper Refunding	\$255,200,000.00	-	\$255,200,000.00
New Money Projects	175,000,000.00	-	175,000,000.00
<u>Refunding Escrow Deposits:</u>			
Cash Deposit	-	\$ 566.84	\$ 566.84
Open Market Purchases	-	245,494,233.20	245,494,233.20
<u>Delivery Date Expenses:</u>			
Costs of Issuance ⁽¹⁾	\$ 2,203,292.95	\$ 1,319,128.17	\$ 3,522,421.12
TOTAL	\$432,403,292.95	\$246,813,928.21	\$679,217,221.16

⁽¹⁾ Includes Underwriters' discount, legal counsel fees, financial advisor fees, rating agencies fees, printing and mailing expenses, and other costs of issuance of the Series 2021 Bonds.

Source: The Metropolitan Government of Nashville and Davidson County.

WATER AND SEWER SYSTEM FUTURE CAPITAL OBLIGATIONS

Metropolitan Government Consent Decree

Under a consent decree among the Metropolitan Government, the Tennessee Department of Environment and Conservation (“TDEC”) and the United States Environmental Protection Agency (“EPA”), the Metropolitan Government is obligated to make future capital expenditures to address and correct deficiencies within the System in an approximate amount of \$1.0 billion to \$1.5 billion over an 11-year period, which period shall begin upon the approval of plans previously submitted by the Metropolitan Government (the “Consent Decree”).

The Consent Decree required that the Metropolitan Government fully develop a Corrective Action Plan/Engineering Report (“CAP/ER”) for its sanitary sewer system and a Long-Term Control Plan (“LTCP”) for its combined sewer system to achieve the goals of the Clean Water Act (“CWA”). Both the CAP/ER and LTCP were submitted on time to the EPA and TDEC in September 2011. On August 10, 2017, the EPA approved the CAP/ER and the eleven (11) year timeline to complete the work, which is currently in progress.

The Metropolitan Government, TDEC, and the EPA have had discussions of potential changes with respect to the LTCP, but little would be considered drastic or material to what was submitted. The LTCP has not yet been officially approved. The deadline for final compliance of the Consent Decree is eleven (11) years after final formal approval of the two plans. The Metropolitan Government expects to fund these expenditures primarily through long-term borrowings, including a portion of the proceeds of the Series 2021 Bonds, as well as Revenues of the System.

See “**APPENDIX C – FINANCIAL AND OPERATING INFORMATION REGARDING THE WATER AND SEWER SYSTEM**” attached hereto, for additional information regarding the Consent Decree and the required capital expenditures regarding the System.

Water and Sewer System Capital Improvement Plan

As part of its Capital Improvement Plan for the System for Fiscal Years 2021 through 2025, the Metropolitan Government plans to spend an additional amount of approximately \$1.04 billion for capital projects for the System (not including projects related to the Consent Decree). These capital projects are also expected to be primarily funded with long-term borrowings, including a portion of the proceeds of the Series 2021 Bonds, as well as Revenues of the System.

See “**APPENDIX C – FINANCIAL AND OPERATING INFORMATION REGARDING THE WATER AND SEWER SYSTEM**” and “**APPENDIX D – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE METROPOLITAN GOVERNMENT**” attached hereto, for additional information regarding the Capital Improvement Plan and the required capital expenditures regarding the System.

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The chart below illustrates the Metropolitan Government’s capital improvements budget for the System for Fiscal Years 2021 through 2025:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
CAPITAL IMPROVEMENTS BUDGET
(For Fiscal Years Ended June 30, 2021, through June 30, 2025)**

FISCAL YEAR	AMOUNTS ⁽¹⁾
Fiscal Year 2020-2021	\$475,495,000
Fiscal Year 2021-2022	303,480,000
Fiscal Year 2022-2023	400,622,385
Fiscal Year 2023-2024	346,925,801
Fiscal Year 2024-2025	306,134,319
TOTAL	\$1,832,657,505

⁽¹⁾ See “**APPENDIX C – FINANCIAL AND OPERATING INFORMATION REGARDING THE WATER AND SEWER SYSTEM**” attached hereto, for the complete chart of the Capital Improvement Plan for the System.

Source: The Metropolitan Government of Nashville and Davidson County.

Future Anticipated Borrowings

The Metropolitan Government anticipates issuing additional Commercial Paper for the purpose of providing interim financing to make capital improvements to the System. Additionally, the Metropolitan Government anticipates making capital improvements to the System with one or more loans from the EPA pursuant to the Water Infrastructure Finance and Innovation Act of 2014, as amended (“WIFIA Loan”). The Metropolitan Government will likely structure the WIFIA Loan as a draw-down bond and it will be secured by Net Revenues on a parity and equality of lien with the Senior Lien Bonds.

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RISK FACTORS AND INVESTMENT CONSIDERATIONS

General

Attention should be given to the investment considerations described below, which, among others, could affect the ability of the Metropolitan Government to pay principal of and interest on the Series 2021 Bonds, and which could also affect the marketability of or the market price for the Series 2021 Bonds.

The purchase of the Series 2021 Bonds involves certain investment considerations that are discussed throughout this Official Statement. Certain of these investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. Each prospective purchaser of any Series 2021 Bond should read this Official Statement in its entirety, including the appendices attached hereto, and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Series 2021 Bonds.

Coronavirus Disease 2019

The worldwide spread of COVID-19, a respiratory illness caused by a novel strain of coronavirus, is widespread throughout the State of Tennessee, including the Metropolitan Government, and is considered by the World Health Organization to be a public health emergency of international concern. On March 11, 2020, the World Health Organization officially declared COVID-19 as a pandemic. According to John Hopkins University, as of September 23, 2021, there were over 4.7 million cases of COVID-19 across the globe, with over 230.2 million confirmed deaths. The United States is now reporting over 42.5 million cases of COVID-19 with over 681,253 confirmed deaths. To view daily updates on COVID-19 information and statistics in Nashville, see <https://www.asafenashville.org>; and for national updates, see the COVID-19 Resource Center at <https://coronavirus.jhu.edu>.

According to the Centers for Disease Control and Prevention (“CDC”), three COVID-19 vaccines are now available in the United States for distribution and use. The CDC and other expert advisory groups have made recommendations to federal, state, and local governments about who should be the first to receive the COVID-19 vaccines, its effects and other applicable medical information. Each vaccine has an efficacy rate exceeding sixty-five percent (65%) and each vaccine is currently available for individuals who are ages 12 and older.

Continued expansion of vaccine manufacturing capacity, as well as the availability of other COVID-19 vaccines, are needed to ensure that all people globally and in the United States have access to the lifesaving COVID-19 vaccines. According to the CDC, as of September 23, 2021, there were over 468,248,675 total doses of the COVID-19 vaccine distributed and 387,493,716 of those doses have been administered. For more information regarding the developments and dissemination of the COVID-19 vaccination, see <https://covid.cdc.gov/covid-data-tracker/#vaccinations>.

The spread of COVID-19 has led to quarantine and other “social distancing” measures in affected regions. These measures have included recommendations and formal requirements limiting nonessential travel, promoting telecommuting, limiting the operations and capacity of restaurants, bars and other places of public gathering. The Metropolitan Government is proactively taking steps to mitigate the spread of COVID-19 within the Metropolitan Government and to preserve effective staffing for all essential Metropolitan Government operations.

Given the evolving nature of the spread of the coronavirus and the behavior of governments, businesses, and individuals in response thereto, the Metropolitan Government cannot accurately predict the magnitude of the future impact of COVID-19 on the operations or financial condition of the System. The Metropolitan Government is proactively taking steps to preserve effective staffing for all essential System operations.

Although the Metropolitan Government cannot accurately predict the magnitude of the future impact of COVID-19 on the System, it continues to monitor the System's operations and finances. From an operations perspective, its primary concern is ensuring that System operators remain healthy and capable of managing the operation of the System. The Metropolitan Government has enacted policies, based on guidelines issued by the CDC, requiring the isolation of any employees who may have contracted or been exposed to COVID-19. To date, the System's operations have not been materially impacted.

During the period from March 1, 2020 through May 2020, the System experienced decreased demand as compared to the same period in 2019. During March 2020, restrictions on business and personal activity related to the COVID-19 pandemic took effect and lasted through June 2020. Total commercial demand decreased by four percent (4%) from March 1, 2020, through May 2020 as compared to the same period in 2019. Residential demand increased over the same period by ten percent (10%). The tiered rate structure, put in effect in January 2020, assisted in stabilizing revenue. While overall demand decreased March through June, revenue increased over the prior year by \$19.3 million due to the rate restructure and increase.

As part of the effort to aid customers who experienced economic hardship from COVID-19, the System did not disconnect service for nonpayment or charge late fees during the period of March 2020 through December 2020. Prior to the onset of the pandemic (February 2020), the System had accounts receivable aged past thirty (30) days totaling \$9.8 million. When regular collection activities resumed in January 2021, the System had customer balances over thirty (30) days past due totaling \$12.8 million. As of June 30, 2021, the System had account balances of \$12.28 million that were greater than thirty (30) days past due. The Metropolitan Government believes the System has adequate cash on hand to cover essential services and make timely debt service payments if unexpected changes to System revenues and expenses occur.

Various types of information regarding employment and income trends, and business and tourism activity within the Metropolitan Government are detailed in APPENDIX D attached hereto. This information reflects data prior to the COVID-19 pandemic and may not be reflective of current financial conditions. For example, (i) unemployment rates throughout the United States, including the Metropolitan Government, have increased significantly since the COVID-19 pandemic; (ii) convention, tourism and other entertainment business activities, have been significantly affected; and (iii) the Metropolitan Government's largest employers may have been forced to reduce their employment from the levels described in APPENDIX D attached hereto.

Limited Obligations

The Series 2021 Bonds will be limited obligations of the Metropolitan Government payable solely from and secured solely by Revenues of the System and certain funds maintained in connection therewith, subject to the payment of certain expenses and to prior pledges of such Revenues to other indebtedness as described below and herein. The Series 2021 Bonds do not constitute a debt or liability of the Metropolitan Government for which there is a right to compel the exercise of its taxing power. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS" herein.

Additional Obligations

The Metropolitan Government may issue additional bonds payable from and secured by the Revenues of the System. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS” herein.

Enforceability of Remedies

The remedies available to the owners of the Series 2021 Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay.

The enforceability of remedies or rights with respect to the Series 2021 Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (federal bankruptcy code), certain remedies specified by the Bond Resolution may not be readily available or may be limited.

Under existing law, municipalities must obtain the consent of state government in order to avail themselves of federal bankruptcy protection under Title 11 of the United States Code. However, there is currently no Tennessee law granting such consent. The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting the rights of creditors generally or as to the availability of any particular remedy.

Early Payment Prior to Maturity

The Series 2021 Bonds are subject to optional redemption prior to maturity. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2021 BONDS” and “REDEMPTION PROVISIONS FOR THE SERIES 2021 BONDS” herein.

A prospective investor should consider this right when making any investment decision. Following a redemption, the Owners of Series 2021 Bonds that are redeemed may not be able to reinvest their funds at a comparable interest rate.

Loss of Tax Exemption

The interest on the Series 2021A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021A Bonds because of a failure of the Metropolitan Government to comply with certain provisions of the Code. Should such an event of taxability occur, the Series 2021A Bonds are not subject to early redemption and may remain outstanding until maturity or until redeemed under the redemption provisions of the Bond Resolution. The Metropolitan Government will covenant not to do anything that would adversely affect the tax-exempt status of the Series 2021A Bonds. See “TAX MATTERS” herein.

Risk of Future Legislative Action and/or Court Decisions Related to Tax Treatment

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of Tennessee legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2021A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2021A Bonds will not have an adverse effect on the tax status of the interest on the Series 2021A Bonds or the market value or marketability of the Series 2021A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2021A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, investors in the Series 2021A Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2021A Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2021A Bonds may be affected and the ability of holders to sell their Series 2021A Bonds in the secondary market may be reduced. The Series 2021A Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2021A Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2021A Bonds.

Cybersecurity

The Metropolitan Government utilizes various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information, and as a result, the Metropolitan Government is a target of cyberattacks attempting to both gain access to such information and to disrupt operations. In addition to intentional attacks, information breaches may occur due to unintentional employee error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt municipal services and operations and subject the Metropolitan Government to legal action.

To mitigate against such risks, the Metropolitan Government has instituted various policies and procedures to protect its information technology infrastructure, including a cybersecurity training requirement for Metropolitan Government employees. Despite the Metropolitan Government's measures to safeguard its information technology infrastructure and the information entrusted to the Metropolitan Government, there are no guarantees that such measures will be successful. The Metropolitan Government's information security management program reported no security incidents resulting in loss of service to its residents, as of 2020. The Metropolitan Government's Nationwide Cybersecurity Review score for 2020 was 5.17, where Tennessee's peer score average was 4.78, and the local government peer score average was 3.81.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The Metropolitan Government's geographical location in middle Tennessee and next to the Cumberland River increases its vulnerability to flooding, including storm water flooding, and extreme heat. In addition to flooding and extreme heat, the Metropolitan Government faces other threats due to climate change, including damaging wind that could become more severe and frequent.

The Metropolitan Government cannot accurately predict the timing, extent or severity of climate change and its impact on the Metropolitan Government's operations and finances. Due to severe weather and other recent events that have impacted Metropolitan Nashville, the Metropolitan Government has implemented additional safety protocols to respond to these types of occurrences.

Ratings on the Series 2021 Bonds

The ratings of the Series 2021 Bonds may be lowered or withdrawn depending on various factors, including the ratings agencies' assessment of the Metropolitan Government's financial strength.

Two credit rating agencies have assigned credit ratings to the Series 2021 Bonds. The ratings of the Series 2021 Bonds are not a recommendation to purchase, hold or sell the Series 2021 Bonds, and the ratings do not comment on the market price or suitability of the Series 2021 Bonds for a particular investor. The ratings of the Series 2021 Bonds may not remain for a given period of time and may be lowered or withdrawn depending on, among other things, each ratings agency's assessment of the Metropolitan Government's financial strength and changes in each rating agency's methodology in assigning a credit rating to the Series 2021 Bonds. The Metropolitan Government is not required to maintain a specified rating with respect to the Series 2021 Bonds. See "RATINGS" herein.

Secondary Market Prices

No assurance can be given that a secondary market for any of the Series 2021 Bonds will be available, and no assurance can be given that the initial offering prices for the Series 2021 Bonds will continue for any period of time. The Series 2021 Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Series 2021 Bonds in the event an owner thereof determines to solicit purchasers of the Series 2021 Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Series 2021 Bonds may be sold. Such price may be lower than that paid by the current owners of the Series 2021 Bonds, depending on existing market conditions and other factors.

Suitability of the Series 2021 Bonds for Investment

No dealer, broker, salesman or other person has been authorized by the Metropolitan Government or the Underwriters to give any information or make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

THIS SECTION DOES NOT PURPORT TO SUMMARIZE ALL RISKS THAT MAY BE ASSOCIATED WITH PURCHASING OR OWNING THE SERIES 2021 BONDS AND PROSPECTIVE PURCHASERS ARE ADVISED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY (INCLUSIVE OF THE ATTACHED APPENDICES HERETO) FOR A MORE COMPLETE DESCRIPTION OF CERTAIN RISK FACTORS AND INVESTMENT CONSIDERATIONS RELATING TO THE SERIES 2021 BONDS.

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LITIGATION

At the time of original delivery of the Series 2021 Bonds, there will also be furnished to the Underwriters a certificate of certain officers of the Metropolitan Government stating that except as disclosed in the Official Statement there is no litigation then pending, or to their knowledge threatened, affecting the validity of the Series 2021 Bonds.

There is no pending, nor to the knowledge of the Metropolitan Government, threatened legal proceedings restraining, enjoining, or adversely affecting the issuance, delivery and validity of the Series 2021 Bonds, the fixing or collecting of rates and charges for the services of the System, the proceedings and authority under which the Series 2021 Bonds are to be issued or which affect in any way the validity of the Series 2021 Bonds.

The Metropolitan Government, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. Except as discussed herein, after reviewing the current status of all pending and threatened litigation with its counsel, there is no pending litigation against the Metropolitan Government that, if decided adversely to the Metropolitan Government, would have a material adverse financial impact upon the System or its operations.

TAX MATTERS

Federal Taxes – Series 2021A Bonds

Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2021A Bonds. A form of their opinion is attached hereto as **APPENDIX C**. Their opinion under existing law, relying on certain statements by the Metropolitan Government and assuming compliance by the Metropolitan Government with certain covenants, is that interest on the Series 2021A Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

The Code imposes requirements on the Series 2021A Bonds that the Metropolitan Government must continue to meet after the Series 2021A Bonds are issued. These requirements generally involve the way that Series 2021A Bond proceeds must be invested and ultimately used. If the Metropolitan Government does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2021A Bonds in its federal gross income on a retroactive basis to the date of issue. The Metropolitan Government has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2021A Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,

- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2021A Bonds or affect the market price of the Series 2021A Bonds.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2021A Bonds, or under State, local or foreign tax law.

Original Issue Discount

A Series 2021A Bond will have “original issue discount” if the price paid by the original purchaser of such Series 2021A Bond is less than the principal amount of such Series 2021A Bond. Bond Counsel's opinion is that any original issue discount on these Series 2021A Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Series 2021A Bonds will be increased. If a bondholder owns one of these Series 2021A Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2021A Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2021A Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Series 2021A Bond will be reduced. The holder of a Series 2021A Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2021A Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2021A Bond with bond premium, even though the Series 2021A Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2021A Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding.

Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2021A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2021A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup

withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2021A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

Federal Taxes – Series 2021B Bonds

Bond Counsel will opine that interest on the Series 2021B Bonds is includable in the bondholder's federal gross income under the Code. Any discussion of the tax issues relating to the Series 2021B Bonds in this Official Statement was written to support the promotion or marketing of the Series 2021B Bonds. Such discussion was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on such person. Each investor should seek advice with respect to the Series 2021B Bonds based on its particular circumstances from an independent tax advisor.

State Taxes

Under existing law, the Series 2021 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2021 Bonds during the period the Series 2021 Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2021 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2021 Bonds or otherwise prevent holders of the Series 2021 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2021 Bonds. Further, such proposals may impact the marketability or market value of the Series 2021 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2021 Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2021 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2021 Bonds would be impacted thereby. Purchasers of the Series 2021 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinion expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2021 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, validity, sale and delivery of the Series 2021 Bonds is subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose approving opinion, in substantially the form, attached hereto as “**APPENDIX E – FORM OF OPINION OF BOND COUNSEL**” will be delivered concurrently with the issuance of the Series 2021 Bonds.

Certain legal matters will be passed upon for the Underwriters incident to the authorization, issuance, validity, sale and delivery of the Series 2021 Bonds by their counsel Carpenter Law, PLLC, Nashville, Tennessee. In addition, certain legal matters will be passed upon for the Metropolitan Government by its Director of Law, Wallace W. Dietz, Esquire.

No representation is made to the holders of the Series 2021 Bonds that Bond Counsel has verified the accuracy, completeness or fairness of the statements in this Official Statement and Bond Counsel assumes no responsibility to the holders of the Series 2021 Bonds except for the matters that will be set forth in its approving opinion.

The legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering legal opinions, the attorneys providing such opinions do not become insurers or guarantors of the result indicated by that expression of professional judgment with respect to the transaction on which the opinions are rendered or of the future performance of parties to the transaction. Furthermore, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

Hilltop Securities Inc., Dallas, Texas, is employed as Financial Advisor to the Metropolitan Government in connection with the issuance of the Series 2021 Bonds. The Financial Advisor's fees for services rendered with respect to the sale of the Series 2021 Bonds are contingent upon the issuance and delivery of the Series 2021 Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2021 Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, Hilltop Securities Inc. may from time to time sell investment securities to the Metropolitan Government for the investment of bond proceeds or other funds of the Metropolitan Government upon the request of the Metropolitan Government.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Metropolitan Government and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INDEPENDENT AUDITOR

An electronic link to the Metropolitan Government's annual comprehensive financial statements as of the Fiscal Year ended June 30, 2020, is included herein, and such financial statements have been audited by Crosslin & Associates, P.C., independent auditors, as stated in its report attached hereto as **APPENDIX B – ELECTRONIC LINK TO THE ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE METROPOLITAN GOVERNMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2020.**

Crosslin & Associates, P.C. has not been engaged to perform and has not performed, since the date of its report included herein any procedure on the financial statements addressed in its report attached hereto and has not performed any procedures relating to this Official Statement.

RATINGS

Moody's Investors Service, Inc. and S&P Global Ratings, have assigned ratings of “Aa2” (stable outlook) and “AA” (stable outlook), respectively, to the Series 2021 Bonds. The ratings reflect only the respective views of such organizations, and the Metropolitan Government makes no representation as to the appropriateness of the ratings. Any explanation of the significance of the ratings may be obtained only from the respective rating agency furnishing the same at the following addresses: Moody's Investors Services, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; S&P Global Ratings, 55 Water Street, New York, New York 10041. The Metropolitan Government furnished to each rating agency certain information and materials, some of which may not have been included in this Official Statement, relating to the Metropolitan Government and its outstanding debt. Generally, rating agencies base their ratings upon such information and materials and upon investigations, studies and assumptions by the ratings agencies.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Series 2021 Bonds.

UNDERWRITING

UBS Financial Services Inc. (the “Representative”), on behalf of itself and the other underwriters listed on the front cover page of this Official Statement (collectively, the “Underwriters”) of the Series 2021 Bonds have agreed, subject to certain conditions, to purchase (i) all of the Series 2021A Bonds from the Metropolitan Government at an aggregate purchase price to be paid by the Underwriters of \$430,654,222.75 (representing the principal amount of the Series 2021A Bonds, plus an original issue premium of \$54,883,292.95, less an Underwriters' discount of \$1,749,070.20); and (ii) all of the Series 2021B Bonds from the Metropolitan Government at an aggregate purchase price to be paid by the Underwriters of \$231,041,279.23 (representing the principal amount of the Series 2021B Bonds, less an Underwriters' discount of \$1,033,720.77). The Bond Purchase Agreement between the Metropolitan Government and the Underwriters provide, with respect to the Series 2021 Bonds, that all of the Series 2021 Bonds will be purchased by the Underwriters, if any of the Series 2021 Bonds of such issue are purchased.

The Series 2021 Bonds will be offered at the respective initial public offering prices or yields shown on the inside cover pages of this Official Statement. The Underwriters may offer and sell the

Series 2021 Bonds to certain dealers (including dealers depositing the Series 2021 Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover pages hereof. Following the initial public offering, the initial public offering prices may be changed from time to time by the Underwriters in their discretion.

In the ordinary course of its various business activities, UBS Financial Services Inc. (one of the underwriters of the Series 2021 Bonds) and its affiliates, officers, directors, and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Metropolitan Government (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Metropolitan Government. UBS Financial Services Inc. and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

UBS Financial Services Inc. (“UBS FSI”), an underwriter of the Series 2021 Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC (“UBS Securities”) for the distribution of certain municipal securities offerings, including the Series 2021 Bonds. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with respect to the Series 2021 Bonds with UBS Securities. Each UBS FSI and UBS Securities are subsidiaries of UBS Group AG.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2021 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2021 Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2021 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2021 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2021 Bonds that such firm sells.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC (the “Verification Agent”) will deliver to the Metropolitan Government, on or before the settlement date of the Series 2021B Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Series 2013 Refunded Bonds.

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent by the Metropolitan Government and its representatives. The Verification Agent's report of its verification will state that the Verification Agent

has no obligation to update such report because of events occurring, or data or information coming to the attention of the Verification Agent subsequent to the date of the report.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Metropolitan Government. In addition, the Verification Agent has relied on any information provided to it by the Metropolitan Government's retained advisors, consultants or legal counsel.

CONTINUING DISCLOSURE

In connection with the issuance of the Series 2021 Bonds and to assist the Underwriters in complying with Rule 15c2-12 (the "Rule") promulgated by the SEC under the Securities Exchange Act of 1934, as amended, the Metropolitan Government has executed the Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"). The Metropolitan Government has covenanted for the benefit of the holders of the Series 2021 Bonds that, consistent with the Rule, it will provide: annual financial information for the Metropolitan Government, including audited financial statements of the Metropolitan Government for each fiscal year ending on and after June 30, 2021, in a timely manner, and notices of certain events with respect to the Series 2021 Bonds. The proposed form of the Continuing Disclosure Agreement is in "**APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT**" attached hereto.

The Metropolitan Government has agreed to provide the foregoing information only as described in the Disclosure Agreement. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at emma.msrb.org.

In evaluating its compliance with its continuing disclosure obligations during the previous five years, the Metropolitan Government made the following findings: (1) in certain cases, annual reports were not correctly linked to CUSIPs that replaced initially-assigned CUSIPs as a result of a partial refunding of a maturity of bonds (i.e. CUSIPs distinguishing between pre-refunded and unrefunded bonds); (2) annual reports of The Sports Authority of The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Authority") for Fiscal Year 2014 through Fiscal Year 2017, filed in connection with the Authority's Public Improvement Revenue Bonds (Ballpark Project), Series 2013A and Series 2013B (the "Ballpark Bonds"), did not contain an individual listing of the revenues that provide the first line of repayment for the Ballpark Bonds but did contain both a statement of all revenues received by the Authority and a specific listing of the non-tax revenues that ultimately secure the Ballpark Bonds; (3) annual reports were not timely filed with respect to two series of bonds issued by the Metropolitan Government's Industrial Development Board and Health, Educational and Housing Facility Board for Fiscal Year 2015 through Fiscal Year 2019, in part, because the filing deadline for their respective continuing disclosure agreements is three months shorter than the deadline for all of the Metropolitan Government's other continuing disclosure agreements; (4) audited financial statements were not correctly linked to the CUSIPs for a series of bonds issued by the Metropolitan Government's Industrial Development Board and a series of bonds issued on behalf of the Metropolitan Development and Housing Agency for Fiscal Year 2015 through Fiscal Year 2018; and (5) certain general and non-operating data was inadvertently omitted from the Metropolitan Government's Fiscal Year 2018 and Fiscal Year 2019 annual reports.

The Metropolitan Government believes that it has otherwise complied in all respects with its previous continuing disclosure undertakings.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to in this Official Statement do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2021 Bonds, the security for and the sources for repayment for the Series 2021 Bonds and the rights and obligations of the bondholders. The information in this Official Statement, including the appendices attached hereto, has been compiled from official and other sources deemed by the Metropolitan Government to be reliable and, while not guaranteed as to completeness or accuracy, is believed by the Metropolitan Government to be correct as of the date of this Official Statement.

Use of the words “shall” or “will” in this Official Statement or in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2021 Bonds.

[Signatures on Following Page]

**AUTHORIZATION OF AND CERTIFICATION CONCERNING THE
OFFICIAL STATEMENT**

The execution and delivery of this Official Statement, and its distribution and use by the Underwriters in connection with the original public offer, sale and distribution of the Series 2021 Bonds, have been duly authorized and approved by the Metropolitan Government.

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

By: /s/ John Cooper
John Cooper
Metropolitan Mayor

By: /s/ Kelly Flannery
Kelly Flannery
Director of Finance

APPENDIX A

CERTAIN PROVISIONS OF THE BOND RESOLUTION

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ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. Definitions. The following terms shall, for all purposes of the Resolution, have the following meanings:

Account or Accounts shall mean, as the case may be, each or all of the accounts established in Section 502(a).

Accountant's Certificate shall mean a certificate signed by an independent certified public accountant of recognized national standing or a firm of certified public accountants of recognized national standing, selected by the Metropolitan Government, who may be the accountant or firm of accountants who regularly audit the books of the Metropolitan Government relating to the System.

Accreted Value shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

Additionally Secured Series shall mean a Series of Bonds for which the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds of such Series shall be secured, in addition to the pledge created pursuant to Section 501(a) hereof in favor of all of the Bonds, by amounts on deposit in a separate account to be designated therefor in the Debt Service Reserve Fund.

Alternate Variable Rate Taxable Index shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excluded from gross income for federal income tax purposes, as determined by an Authorized Finance Officer.

Alternate Variable Rate Tax-Exempt Index shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excluded from gross income for federal income tax purposes, as determined by an Authorized Finance Officer.

Annual Budget shall mean the annual budget or budgets of the System, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in Section 709.

Appreciated Value shall mean, with respect to any Deferred Income Bond, (i) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from

the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Deferred Income Bond on which interest on such Bond is to be compounded (hereinafter, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

Authorized Newspaper shall mean a newspaper or financial journal customarily published at least once a day for at least five days (other than legal holidays) in each calendar week and printed in the English language, which is of general circulation in the Borough of Manhattan, City and State of New York (which may include The Bond Buyer and The Wall Street Journal).

Authorized Finance Officer shall mean the Director of Finance or the Treasurer and any other persons authorized in writing by the Metropolitan Mayor to act as an Authorized Finance Officer hereunder.

Balloon Date means any date of a Principal Installment or any date on which a Holder may elect to have Balloon Obligations redeemed, prepaid, purchased directly or indirectly by the Metropolitan Government, or otherwise paid, in a Balloon Year.

Balloon Obligations means any Series of Bonds 25% or more of the Principal Installments of which is due or may be required to be paid in any 12-month period; provided that, in calculating the principal amount of such Bonds due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such principal amount shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

Balloon Year means any 12-month period in which more than 25% of the original principal amount of related Balloon Obligations mature or are subject to mandatory redemption or could, at the option of the holders thereof, be required to be redeemed, prepaid, purchased directly or indirectly by the Metropolitan Government, or otherwise paid.

Bond or Bonds shall mean any bonds, notes, loan agreements or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Resolution (currently, the Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds—Direct Payment); Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds); Water and Sewer Revenue Bonds, Series 2013; Water and Sewer Revenue Bonds, Series 2017A (Green Bonds); Water and Sewer Revenue Bonds, Series 2017B; Water and Sewer Revenue Bonds, Series 2020A; Water and Sewer Revenue Bonds, Series 2020B; State Revolving Fund Loans Nos. 2020-223, 2020-224 and 2020-446; Water and Sewer Revenue Bonds, Series 2021A (Green Bonds); and Federally Taxable Water and Sewer Revenue Refunding Bonds, Series 2021B (Green Bonds))

Bond Registrar shall mean the officer of the Metropolitan Government, such transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended (or successor provision of law), or such bank or trust company organized under the laws of the United States of America or of any State of the United States of America or national banking association, located within or without the State of Tennessee, appointed by the Metropolitan Government to perform the duties of Bond Registrar enumerated in Section 703 with respect to one or more Series of Bonds.

Book Entry Bond shall mean a Bond authorized to be issued to, and issued to and, except as provided in Section 309(d), restricted to being registered in the name of, a Securities Depository for the participants in such Securities Depository or the beneficial owners of such Bond.

Code shall mean the Internal Revenue Code of 1986, as amended, or any successor, and the applicable regulations (including final, temporary and proposed) promulgated by the United States Department of the Treasury thereunder, including Treasury Regulations issued pursuant to Sections 103 and 141 through 150, inclusive, of said Internal Revenue Code of 1986.

Capitalized Interest Account shall mean the Capitalized Interest Account established within the Construction Fund in Section 502(a).

Capital Appreciation Bonds shall mean any Bonds issued under the Resolution as to which interest is (a) compounded periodically on dates that are specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Resolution or the Supplemental Resolution authorizing such Capital Appreciation Bonds.

Certified Interest Rate shall mean, as of any date of determination:

(a) with respect to Bonds that were or will be, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the average of the Variable Rate Tax-Exempt Index for the five (5) years preceding such date of determination; and

(b) with respect to Bonds that were not and will not be, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the average of the Variable Rate Taxable Index for the five (5) years preceding such date of determination.

Charter shall mean the Charter of the Metropolitan Government approved by referendum on June 28, 1962, as amended from time to time.

Commercial Paper Obligations shall mean the commercial paper notes as may be issued from time to time by the Metropolitan Government, including the Metropolitan Government's obligations to any provider of liquidity in connection therewith.

Commitment, when used with respect to Balloon Obligations, means a binding written commitment from a financial institution, surety, or insurance company to refinance such Balloon Obligations on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Balloon Obligations.

Construction Fund shall mean the Construction Fund established in Section 502(a).

Consultant shall mean a firm of engineers, accountants or water and sewer consultants of national reputation for advising municipalities with respect to the setting of rates and charges for the use of water and sewer systems, as selected by an Authorized Finance Officer.

Consulting Engineer shall mean the engineer or engineering firm or corporation, if any, retained by the Metropolitan Government to perform the acts and carry out the duties provided for such Consulting Engineer in the Resolution. In the event that the Metropolitan Government shall retain an engineer or engineering firm or corporation as aforesaid, such engineer or engineering firm or corporation shall have a nationwide and favorable reputation for skill and experience in such work.

Contracts means all Credit Facility Agreements, including any Reimbursement Obligations, and all Qualified Hedge Agreements.

Costs shall mean any and all costs permitted to be financed by applicable Tennessee law through the issuance of a Series of Bonds.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be counsel to the Metropolitan Government) selected by the Metropolitan Government.

Credit Facility means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement or instrument (other than a Reserve Fund Credit Facility) issued by a bank, insurance company, or any entity that is used by the Metropolitan Government to perform one or more of the following tasks: (i) enhancing the Metropolitan Government's credit by assuring owners of any of the Bonds that principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the owners of Bonds through undertaking to cause Bonds to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Supplemental Resolution; or (iii) remarketing any Bonds so submitted to the Credit Issuer (whether or not the same Credit Issuer is remarketing the Bonds).

Credit Facility Agreement means an agreement between the Metropolitan Government and a Credit Issuer pursuant to which the Credit Issuer issues a Credit Facility.

Credit Issuer means any issuer of a Credit Facility then in effect for all or part of the Bonds.

Current Interest Commencement Date shall mean, with respect to any particular Deferred Income Bonds, the date specified in the Supplemental Resolution authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds) after which interest accruing on such Deferred Income Bonds shall be payable periodically on dates specified in such Supplemental Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

Date of Issuance shall mean, with respect to any Series of Bonds, the date upon which such Bonds are or have been authenticated and delivered by the Bond Registrar therefor.

Debt Service Fund shall mean the Debt Service Fund established in Section 502(a).

Debt Service Requirement shall mean:

(a) with respect to Subordinated Indebtedness, the total principal and interest coming due, whether at maturity or upon mandatory redemption, in any specified period.

(b) with respect to the Bonds, the total Principal Installments and interest accruing in any specified period, provided that:

(i) If any Bonds Outstanding or proposed to be issued shall bear interest at a Variable Rate, including Hedged Obligations if the interest thereon calculated as set forth below is expected to vary and Bonds secured by a Credit Facility if the interest thereon calculated as set forth below is expected to vary, the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled, at the option of the Metropolitan Government either (1) the average of the actual Variable Rates which were in effect (weighted according to the length of the period during which each such Variable Rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the Certified Interest Rate.

(ii) With respect to any Bonds secured by a Credit Facility, the Debt Service Requirement therefor shall include (1) any commission or commitment fee obligations with respect to such Credit Facility, (2) the outstanding and unpaid amount of any Reimbursement Obligation and interest thereon, (3) any additional interest owed on Bonds which have been purchased by a Credit Issuer pursuant to a Credit Facility Agreement, and (4) any remarketing agent fees; provided if (a) the Credit Facility requires the Credit Issuer to make all interest payments on the Bonds, (b) the Reimbursement Obligation provides for payments by the Metropolitan Government or the Credit Issuer based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, and (c) the Credit Issuer, upon the execution of the Credit Facility Agreement, would qualify as a Qualified Hedge Provider if the Credit Facility Agreement were to be construed as a Hedge Agreement and the related Bonds as Hedged Obligations, then interest on such Bonds shall be calculated by adding (x) the amount of interest payable on such Bonds pursuant to their terms and (y) the amount of payments for interest to be made by the Metropolitan Government under the Credit Facility Agreement, and subtracting (z) the amounts payable by the Credit Issuer to the Metropolitan Government as interest on such Bonds as specified in the Credit Facility Agreement; but only to the extent the Credit Issuer is not in default under the Credit Facility and if such default has occurred and is continuing, interest on such Bonds shall be calculated as if there were no Credit Facility. In determining the amounts described in this paragraph for any future period, the Metropolitan Government (A) may assume that any Credit Facility presently in effect will remain in effect even if such Credit Facility has an expiration date prior to the maturity of the related Bonds and (B) may assume that the current payments relating to the Credit Facility will remain in effect or may estimate such payments in the future provided that the Metropolitan Government obtains a certificate from a Financial Adviser that such estimates are reasonable.

(iii) With respect to any Hedged Obligations, the interest on such Hedged Obligations during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the Metropolitan Government on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the Metropolitan Government under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement;

provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Metropolitan Government on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(iv) For the purpose of calculating the Debt Service Requirement on Balloon Obligations (1) which are subject to a Commitment or (2) which do not have a Balloon Year commencing within 12 months from the date of calculation or (3) which are issued in anticipation of the issuance of Bonds that are not Balloon Obligations or (4) which are issued pursuant to a Supplemental Resolution which contemplates that the principal of Bonds tendered for payment at the option of the holder thereof prior to the stated maturity of such Bonds will be paid from the proceeds of the remarketing of such tendered Bonds (or from the issuance of new Bonds authorized by such Supplemental Resolution), at the option of the Metropolitan Government, the actual principal and interest on such Balloon Obligations shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 30 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Metropolitan Government could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Obligations and with a 30-year term). For the purpose of calculating the Debt Service Requirement on Balloon Obligations not described in the preceding sentence, the principal payable on such Bonds during the Balloon Year shall be calculated as if paid on the Balloon Date.

(v) The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service Requirement in the manner prescribed in Section 207(a).

(vi) Interest on Bonds shall be excluded from the determination of Debt Service Requirement to the extent amounts on deposit in the Capitalized Interest Account of the Construction Fund are scheduled to be applied thereto during such period.

(vii) Scheduled interest payments on Tax Credit Bonds during any period shall be reduced to reflect Tax Credit Payments attributable to such scheduled interest payments.

(c) For purposes of calculating the accrual of Principal Installments and interest on the Bonds, (i) Principal Installments of a Series will be deemed to accrue daily in equal amounts from the preceding Principal Installment date for such Series (but in no event shall any accrual be made for any Principal Installment more than one year prior to the due date of such Principal Installment or from the Date of Issuance of Bonds of such Series, whichever date is later); (ii) each fixed payment obligation (other than Principal Installments) will be deemed to accrue daily in equal amounts from the preceding relevant payment obligation date (but in no event more than one year prior to such payment obligation date or the initial incurrence of the payment obligation, whichever is later); and (iii) principal and interest

portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall accrue in the manner provided in Section 207(a).

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established in Section 502(a).

Debt Service Reserve Requirement shall mean, with respect to each separate account in the Debt Service Reserve Fund, the amount specified in the Supplemental Resolution establishing such account.

Defaulted Interest shall have the meaning given to such term in Section 308.

Defeasance Securities shall mean, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds, such securities as are described by applicable provisions of Tennessee law as permitted to be acquired for the purpose of providing for the refunding outstanding debt service obligations.

Deferred Income Bonds shall mean any Bonds issued under the Resolution as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the Supplemental Resolution authorizing such Deferred Income Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Resolution or the Supplemental Resolution authorizing such Deferred Income Bonds.

Depository shall mean any bank, trust company, national banking association, savings and loan association, savings bank or other banking association or state or federal agency selected by the Metropolitan Government as a depository of moneys and securities held under the provisions of the Resolution.

Director of Finance means the Director of Finance of the Metropolitan Government appointed pursuant to the provisions of the Charter of the Metropolitan Government or, in the absence of such appointment or in the event the person so appointed is unable or incapable of acting in such capacity, the person appointed by the Metropolitan Mayor to undertake the duties otherwise performed by the Director of Finance.

Director of Law means the Director of Law of the Metropolitan Government appointed pursuant to the provisions of the Charter or, in the absence of such appointment or in the event the person so appointed is unable or incapable of acting in such capacity, the person appointed by the Metropolitan Mayor to undertake the duties otherwise performed by the Director of Law, or his or her designee.

Escrow Agent shall mean, with respect to the refunding or defeasance of any particular Bond or Bonds at any one time, the entity with which moneys or investments shall be deposited in trust for the Holders of such Bond or Bonds to be refunded or defeased, and who shall agree, through an appropriate agreement with the Metropolitan Government, to perform the duties of Escrow Agent with respect to such Bond or Bonds as provided in the Resolution or the Supplemental Resolution authorizing the Series of which such Bond or Bonds are a part.

Event of Default shall have the meaning given to such term in Section 801.

Fiduciary or Fiduciaries shall mean the Bond Registrars, the Paying Agents, any Escrow Agent in respect of the refunding or defeasance of Bonds, or any or all of them, as may be appropriate.

Financial Adviser shall mean an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the Metropolitan Government for the purpose of passing on questions relating to the availability and terms of specified types of bonds or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the Metropolitan Government, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

Fiscal Year shall mean the 12-month period established by the Metropolitan Council or provided by law from time to time as the fiscal year for the System, and which, as of the date of adoption of this Resolution, is the 12-month period commencing on July 1 of any year and ending on June 30 of the following year.

Fund or Funds shall mean, as the case may be, each or all of the Funds established in Section 502.

Hedge Agreement means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Metropolitan Government determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

Hedge Payments means amounts payable by the Metropolitan Government pursuant to any Hedge Agreement, other than Termination Payments.

Hedge Receipts means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments.

Hedge Period means the period during which a Hedge Agreement is in effect.

Hedged Obligations means any Bonds with respect to which the Metropolitan Government shall have entered into a Qualified Hedge Agreement.

Holder shall mean any person who shall be the registered owner of any Bond or Bonds.

Investment Securities shall mean and include any securities which are legal investments for monies of the System, as prescribed by applicable provisions of Tennessee law.

Metropolitan Clerk shall mean the Metropolitan Clerk of the Metropolitan Government appointed pursuant to the provisions of the Charter or his or her designee.

Metropolitan Mayor shall mean the Metropolitan Mayor of the Metropolitan Government elected pursuant to the provisions of the Charter.

Metropolitan Council shall mean the Metropolitan County Council of the Metropolitan Government.

Metropolitan Government shall mean The Metropolitan Government of Nashville and Davidson County.

Net Revenues shall mean, for any period, the Revenues during such period, minus the Operation and Maintenance Expenses during such period.

One-Month LIBOR Rate shall mean, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

Operation and Maintenance Expenses shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System, including administration costs, as calculated in accordance with generally accepted accounting principles. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include payments in lieu of taxes or any reserve for renewals or replacements or any allowance for depreciation or amortization, and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of the Metropolitan Government which are properly allocable to the System.

Outstanding shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(a) Bonds cancelled (or, in the case of Book Entry Bonds, to the extent provided in Section 309(f), portions thereof deemed to have been cancelled) by the Bond Registrar therefor at or prior to such date;

(b) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article IV or in the Supplemental Resolution authorizing the Series of which such Bonds are a part or provision shall have been made for the giving of such notice;

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 405 or 1106 unless proof satisfactory to the Metropolitan Government is presented that any such Bonds are held by a bona fide purchaser in due course; and

(d) Bonds (or, in the case of Book Entry Bonds, to the extent provided in Section 309(h), portions thereof) deemed to have been paid as provided in Section 1201 or in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

Paying Agent shall mean an officer of the Metropolitan Government, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended, or a bank or trust company organized under the laws of any state of the United States of America or a national banking association appointed to act in such capacity hereunder.

Principal Installment shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, the principal amount of Bonds of such Series due on a certain future date, whether at stated maturity or as a result of mandatory redemption requirements, or which

may, at the option of the holders thereof, be required to be redeemed, prepaid, purchased or otherwise paid, as set forth in a Supplemental Resolution.

Project Account shall mean the Project Account established within the Construction Fund in Section 502(a).

Prudent Utility Practice shall mean, in respect of any particular utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

Qualified Hedge Agreement means any Hedge Agreement with a Qualified Hedge Provider.

Qualified Hedge Provider means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, is sufficient to satisfy applicable Tennessee law.

Rate Stabilization Fund shall mean the Rate Stabilization Fund established in Section 502(a).

Rating means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

Rating Agencies or Rating Agency means any nationally recognized credit rating agency.

Redemption Price shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or a Supplemental Resolution.

Refunding Bonds shall mean Bonds authenticated and delivered pursuant to Section 204, and all Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 405 or Section 1106.

Regular Record Date shall have the meaning given to such term in Section 308.

Reimbursement Obligation means the obligation of the Metropolitan Government to directly reimburse any Credit Issuer for amounts paid by such Credit Issuer under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument. The term Reimbursement Obligation includes obligations pursuant to a Credit Facility Agreement either to make payments for interest based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, in return for the Credit Issuer's fixed obligations under the Credit Facility or to make fixed payments for interest in return for the Credit Issuer's payments based on such variables.

Reserve Fund Credit Facility means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement which provides for payment of amounts equal to all or any portion of the Debt Service Reserve Requirement.

Resolution shall mean this resolution, sometimes referred to herein as the “Water and Sewer System Revenue Bond Resolution”, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms hereof.

Revenue Fund shall mean the Revenue Fund established in Section 502(a).

Revenues shall mean (a) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding any customer deposits or other deposits subject to refund, unless such deposits have become property of the Metropolitan Government, (b) the proceeds of any insurance covering business interruption loss relating to the System, and (c) interest received or to be received on any moneys or securities held in any of the funds or accounts established by the Resolution, with the exception of (i) moneys held in the Construction Fund or any account thereof and (ii) moneys held in the Debt Service Reserve Fund during any period in which the investment earnings thereon are directed by Supplemental Resolution to the Construction Fund or an account thereof. The computation of Revenues with respect to any period of time hereunder shall be increased by the amount of transfers during such period from the Rate Stabilization Fund to the Revenue Fund pursuant to Section 509(a), and decreased by the amount of any transfers during such period from the Revenue Fund to the Rate Stabilization Fund pursuant to Section 506(e). “Revenues” shall not include any Tax Credit Payments, grant proceeds or, except as set forth in (b) above, insurance proceeds.

Securities Depository shall mean, with respect to a Book Entry Bond, the person, association or corporation specified in the Supplemental Resolution authorizing the Bonds of the Series of which such Book Entry Bond is a part to serve as the securities depository for such Book Entry Bond, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Resolution or such Supplemental Resolution.

Series shall mean that portion of the Bonds authenticated and delivered in a single transaction and identified pursuant to the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, regardless of variations in maturity, interest rate or other provisions, together with any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 405 or Section 1106.

SIFMA Municipal Swap Index shall mean the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets specific criteria established by The Securities Industry and Financial Markets Association.

Special Record Date shall have the meaning given to such term in Section 308.

State Revolving Fund Loans shall mean those Revolving Fund Loan Agreements by and among the Tennessee Department of Environment and Conservation, Tennessee Local Development Metropolitan Government and the Metropolitan Government, outstanding on the date hereof.

Subordinated Indebtedness shall mean any bonds, notes, loan agreements or other evidences of indebtedness issued from time to time and payable from and, if applicable, secured by the Revenues of the System on a basis subordinate to the pledge of Revenues (as part of the Trust Estate) in favor of the Bonds, including, without limitation, the Commercial Paper Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Metropolitan Government in accordance with Article X hereof.

Surplus Fund shall mean the Surplus Fund established in Section 502(a).

System shall mean each and every part of the water system and sewer system of the Metropolitan Government that shall be owned and operated by the Metropolitan Government for water supply, transmission, treatment and distribution and for sewage collection, transmission, treatment and disposal or distribution now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed, including any interest or participation of the Metropolitan Government in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way and all other works, property or structures and contract rights and other tangible and intangible assets now or hereafter owned or used in connection with or related to said System. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interests in properties of the Metropolitan Government (a) which the Metropolitan Government determines shall not constitute a part of the System for the purpose of the Resolution at the time of the acquisition thereof by the Metropolitan Government or (b) as to which there shall be filed with the records of the Metropolitan Government a certificate of a Consultant stating, in its opinion, that the exclusion of such properties or interests in properties from the System will not materially impair the ability of the Metropolitan Government to comply during the current or any future Fiscal Year with the provisions of Section 711.

Tax Credit Bonds shall mean any Bonds with respect to which the Metropolitan Government has received a Counsel's Opinion to the effect that the Metropolitan Government is entitled to receive payments by the United States Department of the Treasury or other agency of the United States government in offset of the debt service on such Bonds.

Tax Credit Payment Account shall mean a Tax Credit Payment Account established in the Debt Service Fund pursuant to Section 502(a) and 507(c).

Tax Credit Payments shall mean and amounts payable to the Issuer by the United States Department of the Treasury or other agency of the United States government with respect to Tax Credit Bonds.

Termination Payment means an amount payable by the Metropolitan Government or a Qualified Hedge Provider upon termination of a Qualified Hedge Agreement.

Trust Estate shall mean the Revenues and amounts on deposit in all Funds and Accounts established by the Resolution (other than the Debt Service Reserve Fund and the Tax Credit Payment Account within the Debt Service Fund).

Variable Rate shall mean a rate of interest applicable to the Bonds, other than a fixed rate of interest which applies to a particular maturity of the Bonds so long as that maturity of the Bonds remains Outstanding.

Variable Rate Taxable Index shall mean the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

Variable Rate Tax-Exempt Index shall mean the SIMFA Municipal Swap Index or, if the SIMFA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and bodies.

SECTION 102. Metropolitan Government for the Resolution. The Resolution is adopted pursuant to the provisions of Sections 9-21-101 et seq. and 7-34-101 et seq., and all other applicable provisions of Tennessee law.

SECTION 103. Resolution to Constitute Contract. In consideration of the acceptance of any and all of the Bonds by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Metropolitan Government and the Holders from time to time of the Bonds and any Credit Issuer or Qualified Hedge Provider; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Metropolitan Government shall be, except as expressly set forth in the Resolution or in a Supplemental Resolution and subject to any limitations set forth therein, for the equal benefit, protection and security of the Holders of any and all of the Bonds and any Credit Issuer or Qualified Hedge Provider, all of which Bonds, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Resolution.

ARTICLE II ISSUANCE OF BONDS; SUBORDINATE INDEBTEDNESS; CREDIT FACILITIES AND HEDGE AGREEMENTS

SECTION 201. Authorization of Bonds.

(a) The Metropolitan Government is hereby authorized to issue from time to time, as hereinafter provided, Bonds of the Metropolitan Government. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as may hereafter be provided in the Resolution or in any Supplemental Resolution or as may be limited by law.

(b) The Bonds may, if and when authorized by the Metropolitan Government pursuant to one or more Supplemental Resolutions, be issued in one or more Series. The designation of each Series shall bear such designation as the Metropolitan Government may determine. Each Bond shall bear upon its face the designation so determined by the Metropolitan Government for the Series to which it belongs.

SECTION 202. General Provisions for Issuance of Bonds of Each Series.

(a) When authorized pursuant to a Supplemental Resolution, the officers of the Metropolitan Government specified in Section 303 may execute all (but not less than all) the Bonds of each Series for issuance under the Resolution and deliver such Bonds to the Bond Registrar therefor for completion, authentication and delivery. Such Bond Registrar shall authenticate and deliver such Bonds upon the order of the Metropolitan Government, but only upon satisfaction by the Metropolitan Government of the conditions specified in Article X of the Resolution and in the Supplemental Resolution authorizing the Series of which such Bonds are a part and upon satisfaction by the Metropolitan Government of the following conditions:

(i) receipt of a Counsel's Opinion to the effect that (A) the Metropolitan Government has the right and power under applicable Tennessee law to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Metropolitan Government, is in full

force and effect and is valid and binding upon the Metropolitan Government in accordance with its terms, and no other authorization for the Resolution is required; (B) the Resolution creates the valid pledge which it purports to create of the Trust Estate and, if such Series of Bonds shall be an Additionally Secured Series, the separate account in the Debt Service Reserve Fund established for the benefit of such Bonds, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution; and (C) the Bonds of such Series are valid and binding obligations of the Metropolitan Government as provided in the Resolution and are entitled to the benefits of the Resolution and of applicable Tennessee law, and such Bonds have been duly and validly authorized and issued in accordance with applicable Tennessee law and in accordance with the Resolution. Such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights and may state that no opinion is being rendered as to the availability of any particular remedy. No opinion need be expressed as to the priority of the pledge created by the Resolution over the rights of other persons in the Trust Estate and, if applicable, such separate account in the Debt Service Reserve Fund;

(ii) adoption of a Supplemental Resolution authorizing such Bonds, which shall specify such terms and conditions relative to the Bonds of such Series, and such other matters relative thereto, as the Metropolitan Government may determine;

(iii) if such Series shall be an Additionally Secured Series, evidence of the funding of the account within the Debt Service Reserve Fund designated therefor in the manner prescribed by the Supplemental Resolution;

(iv) execution by an Authorized Finance Officer of a certificate stating that upon the issuance of such Series the Metropolitan Government will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(v) except in the case of the Bonds issued under the first Supplemental Resolution, execution by an Authorized Finance Officer of a certificate (A) setting forth the amounts of Net Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of the Bonds of the Series with respect to which such certificate is being given; and (B) stating that the Net Revenues for such 12 month period were at least equal to 120% of the maximum Debt Service Requirement on the Bonds in any future Fiscal Year (calculated with respect to the Bonds of all Series then Outstanding and the Bonds of the Series with respect to which such certificate is given); provided, however, that the Net Revenues for such twelve (12) month period may be adjusted for the purposes of such certificate (X) to reflect for such period revisions in the rates, fees, rentals and other charges of the Metropolitan Government for the product and services of the System made after the commencement of such period and preceding the date of issuance of the Bonds of the Series with respect to which such certificate is given; (Y) to reflect any increase in Net Revenues due to any new facilities of the System having been placed into use and operation subsequent to the commencement of such period and prior to the Date of Issuance of such Bonds, as certified by a Consultant; and (Z) to include an amount equal to the average annual contribution to Net Revenues for the first three full Fiscal Years commencing after the date of acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the Date of Issuance of such Bonds, as certified by a Consultant;

(vi) in the case of a Series of Tax Credit Bonds, a Counsel's Opinion addressed to the Metropolitan Government regarding the status of such Series of Bonds as Tax Credit Bonds; and

(vii) delivery of such further documents, moneys and securities as are required by the provisions of this Article II or Article X or any Supplemental Resolution adopted pursuant to Article X.

(b) All the Bonds of each Series of like maturity shall be identical in all respects, except as to interest rates, redemption provisions, denominations, numbers and letters. After the issuance of the Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III or Section 405 or Section 1106.

SECTION 203. Bonds Other Than Refunding Bonds.

(a) One or more Series of Bonds may be issued at any time for the purpose of financing capital improvements to the System and any and all other Costs related thereto or to the issuance of the Bonds. Bonds of each such Series shall be authenticated and delivered only upon compliance with the terms and conditions set forth in Section 202.

(b) The proceeds of each Series of Bonds authorized under this Section 203 shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Resolution authorizing such Series.

SECTION 204. Refunding Bonds.

(a) One or more Series of Refunding Bonds may be issued at any time to refund all or any Outstanding Bonds or Subordinated Indebtedness. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds or to make any deposits or payments required by a resolution authorizing Subordinate Indebtedness, as applicable.

(b) In addition to the conditions set forth in Section 202, the Bonds of each Series of Refunding Bonds issued pursuant to subsection (a) of this Section 204 may be authenticated and delivered only upon the filing with the records of the Metropolitan Government of a certificate of an Authorized Finance Officer certifying that all conditions relating to the payment or prepayment of such Bonds or Subordinated Indebtedness as set forth in the documents relating thereto have been satisfied.

(c) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof or to the payment or prepayment purposes thereof in the manner provided in said Supplemental Resolution.

(d) In lieu of compliance with Section 202(a)(v), Refunded Bonds may be issued to refund Outstanding Bonds (i) if the refunding will constitute a refunding of all Outstanding Bonds, including the retirement of related Contracts, or (ii) upon the execution by an Authorized Finance Officer of a certificate stating that the refunding will result in a reduction in the future Debt Service Requirement on the Bonds in all future Fiscal Years.

(e) In complying with Section 202(a)(v) there shall be deleted from the calculation of maximum Debt Service Requirement the Debt Service Requirement on any Bonds being refunded by the Bonds with respect to which the certificate described in Section 202(a)(v) is being given.

SECTION 205. Credit Facilities and Hedge Agreements.

(a) The Metropolitan Government may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Issuer, or providing funds for the purchase of such Bonds by the Metropolitan Government. In connection therewith, the Metropolitan Government may enter into Credit Facility Agreements with such Credit Issuers providing for, among other things, (i) the payment of fees and expenses to such Credit Issuers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities.

(b) The Metropolitan Government may secure any Credit Facility by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions for such Bonds as are specified by the Metropolitan Government in the applicable Supplemental Resolution. The Metropolitan Government may in a Credit Facility Agreement agree to directly reimburse such Credit Issuer for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation shall be created for purposes of the Resolution until amounts are paid under such Credit Facility. Any such Credit Facility shall be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Supplemental Resolution. The Metropolitan Government's obligations under a Credit Facility may be payable from and/or secured by a pledge of, and lien on, the Trust Estate as described Section 501, if and as set forth in a Supplemental Resolution.

(c) In connection with the issuance of any Bonds or at any time thereafter so long as such Bonds remain Outstanding, the Metropolitan Government may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Bonds. The Metropolitan Government shall authorize the execution, delivery, and performance of each Qualified Hedge Agreement in a Supplemental Resolution, in which it shall designate the Bonds to which such Qualified Hedge Agreement relates. The Metropolitan Government's obligation to pay Hedge Payments on a Qualified Hedge Agreement may be payable from and/or secured by a pledge of, and lien on, the Trust Estate as described in Section 501 (other than with respect to Termination Payments), if and as set forth in a Supplemental Resolution.

SECTION 206. No Other Obligations. No obligations payable from the Trust Estate or any portion thereof, other than Subordinated Indebtedness, shall be issued or incurred by the Metropolitan Government, except as set forth in this Article II.

SECTION 207. Special Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds.

(a) The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of mandatory redemption requirements shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service Requirement only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such

Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

(b) For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution, or (iii) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Metropolitan Government any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then-current Accreted Value.

(c) For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution or (iii) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to the Metropolitan Government any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 301. Medium of Payment; Form and Date; Letters and Numbers.

(a) The Bonds of each Series shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) Unless otherwise provided in a Supplemental Resolution, the Bonds of each Series shall be issued in the form of fully registered Bonds without coupons. The Bonds of each Series shall be in substantially the form set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

(c) Each Bond shall be lettered and numbered as provided in the Supplemental Resolution or Supplemental Resolutions authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(d) The Bonds of each Series shall be dated the date of their authentication, except as otherwise may be provided in the Supplemental Resolution authorizing the Series of which such Bonds are a part, and shall bear interest as provided in such Supplemental Resolution.

SECTION 302. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Metropolitan Government prior to the authentication and delivery thereof.

SECTION 303. Execution and Authentication.

(a) The Bonds executed and delivered on or after the effective date of the Resolution shall be executed in the name of the Metropolitan Government by the manual or facsimile signature of the

Metropolitan Mayor and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of its Metropolitan Clerk, and approved as to form and legality by the Director of Law by his or her manual or facsimile signature, or in such other manner as may be required or permitted by the Charter and applicable law. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Bond Registrar therefor, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the Metropolitan Government by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper office in the Metropolitan Government, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

(b) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part, executed manually by the Bond Registrar therefor. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution, and no such Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Bond Registrar therefor. Such certificate of the Bond Registrar upon any Bond executed on behalf of the Metropolitan Government shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the Holder thereof is entitled to the benefits of the Resolution.

SECTION 304. Interchangeability of Bonds. Except as otherwise provided in a Supplemental Resolution, the Bonds, upon surrender thereof at the office of the Bond Registrar therefor with a written instrument of transfer satisfactory to such Bond Registrar, duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, and upon payment by such registered owner of any charges which such Bond Registrar may make as provided in Section 306, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity, interest rate and redemption provisions of any other authorized denominations.

SECTION 305. Negotiability, Transfer and Registry.

(a) Except as otherwise provided in a Supplemental Resolution, the Bonds shall be transferable only upon the books of the Metropolitan Government, which shall be kept for such purposes at the respective offices of the Bond Registrar(s) therefor, by the registered owner thereof or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to such Bond Registrar duly executed by the registered owner or its duly authorized attorney. Upon the transfer of any Bond, there shall be issued in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series, maturity, interest rate and redemption provisions as the surrendered Bond.

(b) The Metropolitan Government and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Metropolitan Government as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Metropolitan Government nor any Fiduciary shall be affected by any notice to the contrary.

SECTION 306. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the appropriate officers of the Metropolitan Government shall execute and the Bond Registrar therefor shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Bond Registrar therefor and cancelled or retained by such Bond Registrar. For every such exchange or transfer of Bonds, the Metropolitan Government or the Bond Registrar therefor may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Unless otherwise provided in a Supplemental Resolution, neither the Metropolitan Government nor the Bond Registrar therefor shall be required (a) to transfer or exchange Bonds of any Series for the period next preceding any interest payment date for the Bonds of such Series beginning with the Regular Record Date for such interest payment date and ending on such interest payment date, or for the period next preceding any date for the proposed payment of Defaulted Interest with respect to such Bonds beginning with the Special Record Date for the date of such proposed payment and ending on the date of such proposed payment, (b) to transfer or exchange Bonds of any Series for a period beginning 15 days before the mailing of any notice of redemption and ending on the day of such mailing, or (c) to transfer or exchange any Bonds called for redemption.

SECTION 307. Bonds Mutilated, Lost, Stolen or Destroyed. If any Bond becomes mutilated or is lost, stolen or destroyed, an Authorized Finance Officer may cause to be executed and the Bond Registrar therefor shall authenticate and deliver a new Bond of like Series, date of issue, maturity date, principal amount, interest rate per annum and redemption provisions as the Bond so mutilated, lost, stolen or destroyed, provided that (a) in the case of such mutilated Bond, such Bond is first surrendered to the Metropolitan Government, (b) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to such Authorized Finance Officer together with indemnity satisfactory to such Authorized Finance Officer, (c) all other reasonable requirements of such Authorized Finance Officer are complied with, and (d) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for exchange shall be cancelled. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be lost, stolen or destroyed shall constitute original additional contractual obligations on the part of the Metropolitan Government, whether or not the Bonds so alleged to be lost, stolen or destroyed be at any time enforceable by anyone, and shall be equally secured by, and entitled to equal and proportionate benefits with all other Bonds issued under the Resolution in, the Trust Estate and, if such new Bond shall be part of an Additionally Secured Series, in the amounts on deposit in the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established for the benefit of such Series. If any such Bond lost, stolen or destroyed shall have matured or be about to mature, instead of issuing a new Bond pursuant to this Section, an Authorized Finance Officer may cause the same to be paid, upon being indemnified as aforesaid, without surrender thereof.

SECTION 308. Payment of Interest on Bonds; Interest Rights Preserved. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Bond is registered at the close of business on the date (hereinafter, the "Regular Record Date") which is the 15th day of the calendar month next preceding such interest payment date (or such other date as may be provided in the Supplemental Resolution authorizing the Series of which such Bond is a part).

Except as may otherwise be provided by Supplemental Resolution, any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date (hereinafter, "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date by virtue of having been such owner; and such Defaulted Interest shall be paid by the Metropolitan Government to the persons in whose names the Bonds are registered at the close

of business on a date (hereinafter, the “Special Record Date”) for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Metropolitan Government shall notify the Bond Registrar therefor in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Metropolitan Government shall deposit with the Paying Agents an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agents for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon such Bond Registrar shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by such Bond Registrar of the notice of the proposed payment. Such Bond Registrar shall promptly notify the Metropolitan Government of such Special Record Date and, in the name and at the expense of the Metropolitan Government, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of a Bond at its address as it appears upon the registry books, not less than 10 days prior to such Special Record Date. Such Bond Registrar may, in its discretion, in the name and at the expense of the Metropolitan Government, cause a similar notice to be published at least once in an Authorized Newspaper, but such publication shall not be a condition precedent to the establishment of such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under the Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

SECTION 309. Book Entry Bonds.

(a) Anything in the Resolution to the contrary notwithstanding, if and to the extent provided in the Supplemental Resolution authorizing the Bonds of the Series of which such Additional Obligation is a part, any Additional Obligation may be authorized and issued as a Book Entry Bond.

(b) For all purposes of the Resolution, the Holder of a Book Entry Bond shall be the Securities Depository therefor and neither the Metropolitan Government nor any Fiduciary shall have any responsibility or obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Securities Depository. Without limiting the generality of the foregoing, neither the Metropolitan Government nor any Fiduciary shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book Entry Bond with respect to (i) the accuracy of the records of the Securities Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any notice with respect to such Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any amount with respect to the principal or Redemption Price of, or interest on, such Bond. The Metropolitan Government and the Fiduciaries may treat the Securities Depository therefor as, and deem such Securities Depository to be, the absolute owner of a Book Entry Bond for all purposes whatsoever, including (w) payment of the principal or Redemption Price of, and interest on, such Bond, (x) giving notices of redemption and of other matters with respect to such Bond, (y) registering transfers with respect to such Bond and (z) giving to the Metropolitan Government any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever. The Paying Agents shall pay the principal or Redemption Price of, and interest on, a Book Entry Bond only to or upon the order of the Securities Depository therefor, and all such payments shall be valid and effective to satisfy fully and discharge the Metropolitan Government's obligations with respect to such principal or Redemption Price, and interest, to the extent of

the sum or sums so paid. Except as otherwise provided in Section 309(d) or in any Supplemental Resolution authorizing a Book Entry Bond, no person other than the Securities Depository shall receive a Bond or other instrument evidencing the Metropolitan Government's obligation to make payments of the principal or Redemption Price thereof, and interest thereon.

(c) The Metropolitan Government, in its sole discretion and without the consent of any other person, may, by notice to the Bond Registrar therefor and a Securities Depository, terminate the services of such Securities Depository with respect to the Book Entry Bonds for which such Securities Depository serves as securities depository if the Metropolitan Government determines that (i) the Securities Depository is unable to discharge its responsibilities with respect to such Bond or (ii) a continuation of the requirement that all of the Bonds issued as Book Entry Bonds be registered in the registration books of the Metropolitan Government in the name of the Securities Depository, is not in the best interests of the beneficial owners of such Bonds or of the Metropolitan Government. Additional or other terms and provisions relating to the termination or resignation of a Securities Depository may be provided in the Supplemental Resolution authorizing a Book Entry Bond.

(d) Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to Section 309(c)(ii), such Bond shall no longer be restricted to being registered in the registration books kept by the Bond Registrar therefor in the name of a Securities Depository. Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to Section 309(c)(i), the Metropolitan Government may within 90 days thereafter appoint a substitute securities depository which, in the opinion of the Metropolitan Government, is willing and able to undertake the functions of Securities Depository under the Resolution upon reasonable and customary terms. If no such successor can be found within such period, such Book Entry Bond shall no longer be restricted to being registered in the registration books kept by such Bond Registrar in the name of a Securities Depository. In the event that a Book Entry Bond shall no longer be restricted to being registered in the registration books kept by such Bond Registrar in the name of a Securities Depository, (i) the Metropolitan Government shall execute and such Bond Registrar shall authenticate and deliver, upon presentation and surrender of the Book Entry Bond, Bond certificates as requested by the Securities Depository so terminated of like Series, principal amount, maturity, interest rate and redemption provisions, in authorized denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Book Entry Bond and (ii) the Metropolitan Government shall notify such Bond Registrar and the Paying Agents that such Bond is no longer restricted to being registered in the registration books kept by such Bond Registrar in the name of a Securities Depository.

(e) Anything in the Resolution to the contrary notwithstanding, payment of the Redemption Price of a Book Entry Bond, or portion thereof, called for redemption prior to maturity may be paid to the Securities Depository by check or draft mailed to the Securities Depository or by wire transfer. Anything in the Resolution to the contrary notwithstanding, such Redemption Price may be paid without presentation and surrender to the Paying Agent of the Book Entry Bond, or portion thereof, called for redemption; provided, however, that payment of (i) the principal payable at maturity of a Book Entry Bond and (ii) the Redemption Price of a Book Entry Bond as to which the entire principal amount thereof has been called for redemption shall be payable only upon presentation and surrender of such Book Entry Bond to the Paying Agent; and provided, further, that no such Redemption Price shall be so payable without presentation and surrender unless the Securities Depository therefor shall have procedures in effect that provide for the reduction, on its records, of the aggregate amount of securities (and related positions therein) held by it upon such payment without presentation and surrender. Anything in the Resolution to the contrary notwithstanding, upon any such payment to the Securities Depository without presentation and surrender, for all purposes of (x) the Book Entry Bond as to which such payment has been made and (y) the Resolution, the unpaid principal amount of such Book Entry Bond Outstanding

shall be reduced automatically by the principal amount so paid. In such event, the Paying Agent shall notify forthwith the Bond Registrar therefor as to the particular Book Entry Bond as to which such payment has been made, and the principal amount of such Bond so paid, and such Bond Registrar shall note such payment on the registration books of the Metropolitan Government maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection.

(f) For all purposes of the Resolution authorizing or permitting the purchase of Bonds, or portions thereof, by, or for the account of, the Metropolitan Government for cancellation, and anything in the Resolution to the contrary notwithstanding, a portion of a Book Entry Bond may be deemed to have been purchased and cancelled without surrender thereof upon delivery to the Bond Registrar therefor of a certificate executed by the Metropolitan Government and a participant of the Securities Depository therefor to the effect that a beneficial ownership interest in such Bond, in the principal amount stated therein, has been purchased by, or for the account of, the Metropolitan Government through the participant of the Securities Depository executing such certificate; provided, however, that any purchase for cancellation of the entire principal amount of a Book Entry Bond shall be effective for purposes of the Resolution only upon surrender of such Book Entry Bond to such Bond Registrar; and provided, further, that no portion of a Book Entry Bond may be deemed to have been so purchased and cancelled without surrender thereof unless the condition set forth in the second proviso to the second sentence of Section 309(e) shall have been satisfied. Anything in the Resolution to the contrary notwithstanding, upon delivery of any such certificate to such Bond Registrar, for all purposes of (i) the Book Entry Bond to which such certificate relates and (ii) the Resolution, the unpaid principal amount of such Book Entry Bond Outstanding shall be reduced automatically by the principal amount so purchased. In such event, such Bond Registrar shall note such reduction on the registration books of the Metropolitan Government maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection.

(g) Anything in the Resolution to the contrary notwithstanding, a Securities Depository may make a notation on a Book Entry Bond (i) redeemed in part or (ii) purchased by, or for the account of, the Metropolitan Government in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or deemed cancelled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in Section 309(e) or (f), as the case may be.

(h) Anything in the Resolution to the contrary notwithstanding, in the case of a Book Entry Bond, the Metropolitan Government shall be authorized to defease, redeem or purchase (by or for the account of the Metropolitan Government), or issue Refunding Bonds to refund, less than all of the entire Outstanding principal amount thereof (in portions thereof of \$5,000 or integral multiples thereof, or such other denominations as shall be specified in the Supplemental Resolution authorizing such Book Entry Bond), and in the event of such partial defeasance, redemption, purchase or refunding, the provisions of the Resolution relating to the defeasance, redemption, purchase or refunding of a Bond or Bonds shall be deemed to refer to the defeasance, redemption, purchase or refunding of a portion of a Bond.

SECTION 310. Cancellation and Destruction of Bonds. Except as provided in Section 309, and except as may be otherwise provided in a Supplemental Resolution providing for the issuance thereof, all Bonds paid or redeemed, either at or before maturity, shall be delivered to the Bond Registrar(s) therefor when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Metropolitan Government and delivered to such Bond Registrar(s) for cancellation, shall thereupon promptly be cancelled (other than Book Entry Bonds, to the extent provided in Section 309(f), that have been deemed to have been cancelled). Bonds so cancelled may at any time be destroyed by such Bond Registrar(s), who shall execute a certificate of destruction in duplicate by the signature of one of its

authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Metropolitan Government and the other executed certificate shall be retained by such Bond Registrar(s).

ARTICLE IV REDEMPTION OF BONDS

SECTION 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to their terms or the terms of the Resolution shall be redeemable, upon notice given as provided in this Article IV, at such times, at such Redemption Prices and upon such terms, in addition to the terms contained in this Article IV, as may be specified in such Bonds or in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

SECTION 402. Redemption of Bonds. Unless other requirements are specified in the applicable Supplemental Resolution, in the case of any redemption of Bonds other than a mandatory redemption, the Metropolitan Government shall give written notice to the Bond Registrar(s) therefor and the Paying Agents of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series and of the Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by the Metropolitan Government in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or any Supplemental Resolution authorizing the Series of which such Bonds are a part). Such notice shall be filed with such Bond Registrars and the Paying Agents for the Bonds to be redeemed at least 40 days prior to the redemption date (or such shorter period (a) as shall be specified in the Supplemental Resolution authorizing the Series of the Bonds to be redeemed or (b) as shall be acceptable to such Bond Registrars and Paying Agents). In the event notice of redemption shall have been given as in Section 404 provided, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

SECTION 403. Selection of Bonds to be Redeemed. If less than all of the Bonds of like maturity or interest rate within a maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected in such manner as the Metropolitan Government in its discretion may deem fair and appropriate; provided, however, that for any Bond of a denomination of more than the minimum denomination for such Series, the portion of such Bond to be redeemed shall, unless otherwise specified in the Supplemental Resolution relating to such Series, be in a principal amount equal to such minimum denomination or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, each such Bond shall be treated as representing that number of Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of such minimum denomination. Notwithstanding the foregoing, the Securities Depository for any Book Entry Bonds shall select Bonds for redemption within particular maturities according to its stated procedures.

SECTION 404. Notice of Redemption. When any Bonds shall become subject to redemption, the Metropolitan Government shall give notice, or provide for the giving of notice, of the redemption of such Bonds, which notice shall specify the Series, maturities and interest rates within maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series, maturity and interest rate are to be redeemed the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the

respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date, if there shall be sufficient moneys available therefor, then there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by first class mail, postage prepaid, by or on behalf of the Metropolitan Government, not less than 20 days nor more than 60 days prior to the redemption date, to the Holders of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure to give notice of redemption by mail, or any defect in such notice, to the Holder of any Bond shall not affect the validity of the proceedings for the redemption of any other Bonds. Any such notice may, by Supplemental Resolution, be made conditional upon the occurrence of certain events, including without limitation the receipt of funds sufficient to make the redemption or the issuance of Bonds by the Metropolitan Government. Notwithstanding the foregoing, a Supplemental Resolution authorizing the Bonds of a Series may specify a different method for the giving of a notice of redemption, or a different time by which such notice shall be given.

SECTION 405. Payment of Redeemed Bonds. Unless otherwise set forth in a Supplemental Resolution, notice having been given in the manner provided in Section 404 or in the manner provided in the Supplemental Resolution authorizing the Bonds of a Series, on the redemption date so designated, (a) unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof and (b) if there shall be sufficient moneys available therefor, then the Bonds or portions thereof so called for redemption shall become due and payable on such redemption date at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, if presentation and surrender shall be required hereby, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be drawn for redemption less than all of a Bond, if presentation and surrender thereof are required hereby, the Metropolitan Government shall execute and the Bond Registrar shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series, maturity, interest rate and redemption provisions in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series, maturity and interest rate to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series, maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

SECTION 501. The Pledge Effected by the Resolution.

(a) The Bonds are special obligations of the Metropolitan Government payable solely from and secured solely by the Trust Estate. The taxing power of the Metropolitan Government is not available for the payment of the Bonds. The Trust Estate is hereby pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution requiring or permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The Trust Estate shall immediately be subject to the lien of this pledge without physical delivery thereof or further act, and the

lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Metropolitan Government, without regard to whether such parties have notice thereof.

(b) There are hereby pledged, as additional security for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds of each Additionally Secured Series secured thereby, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, amounts on deposit in the separate account established in the Debt Service Reserve Fund with respect to such Additionally Secured Series. Such amounts on deposit in such separate account established in the Debt Service Reserve Fund shall immediately be subject to the lien of this pledge without physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Metropolitan Government, without regard to whether such parties have notice thereof.

(c) There are hereby pledged, as additional security for the payment of the principal or Redemption Price, if any, of, and interest on, any Series of Tax Credit Bonds, any Tax Credit Payments attributable to such Series of Tax Credit Bonds, and all amounts on deposit in the applicable Tax Credit Payment Account in the Debt Service Fund. Such amounts on deposit in any separate Tax Credit Payment Account shall immediately be subject to the lien of this pledge without physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Metropolitan Government, without regard to whether such parties have notice thereof.

(d) To the extent permitted by applicable law, a Supplemental Resolution may extend the pledge of the Trust Estate to the payment of all or a portion of the Metropolitan Government's obligations under a Contract, provide that such obligations are payable from the Trust Estate, and establish the priority of the payment of such obligations (provided that no Contract payment shall be made prior to the payment of debt service on Bonds and no Termination Payment shall be made except from the Surplus Fund), in any case subject to the requirements and limitations set forth in this Article V.

(e) Nothing contained in the Resolution shall be construed to prevent the Metropolitan Government from acquiring, constructing or financing through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the System for the purposes of the Resolution; provided that such bonds, notes or other evidences of indebtedness shall not be payable out of or secured by the Revenues or any Fund or Account held under the Resolution and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Revenues or from any such Fund or Account.

SECTION 502. Establishment of Funds and Accounts.

(a) The following Funds and Accounts, to be held by the Metropolitan Government, are hereby established:

(i) Construction Fund, which shall contain a Project Account and a Capitalized Interest Account;

(ii) Revenue Fund;

(iii) Debt Service Fund, which shall contain one or more Tax Credit Payment Accounts, if applicable;

(iv) Debt Service Reserve Fund, which shall contain one or more accounts as Additionally Secured Series are issued;

(v) Rate Stabilization Fund; and

(vi) Surplus Fund.

(b) There may be established within any Fund or Account established hereunder such further accounts or subaccounts as set forth in a Supplemental Resolution or as an Authorized Finance Officer may determine.

SECTION 503. Construction Fund.

(a) The proceeds of each Series of Bonds issued pursuant to Section 203 hereof shall be deposited in the Construction Fund, for further allocation between the Project Account and a Capitalized Interest Account for such Series, all as directed by the provisions of the Supplemental Resolution authorizing such Series of Bonds. Amounts deposited in the Project Account for a Series of Bonds shall be applied to the Costs as directed by the Supplemental Resolution. Amounts deposited in the Capitalized Interest Account for a Series of Bonds shall be transferred to the Debt Service Account for such Series of Bonds as and when needed to pay interest on such Series of Bonds, all as directed by the Supplemental Resolution. Amounts remaining on deposit in a Capitalized Interest Account beyond the period of time prescribed by the Supplemental Resolution for payment of interest on a Series of Bonds shall be transferred to the Project Account established by such Supplemental Resolution.

(b) The Metropolitan Government shall withdraw amounts from the Project Account for the payment of amounts due and owing on account of the Costs of the System upon determination of an Authorized Finance Officer that an obligation in the amount to be paid from the Project Account has been incurred by the Metropolitan Government and that each item thereof is a proper and reasonable charge against such Project Account, and that such amount has not been paid theretofore.

(c) At such time as there are no additional Costs to be paid from a Project Account, any moneys remaining therein may be transferred to another Project Account, to the Debt Service Fund to redeem Bonds of such Series, to the account within the Debt Service Reserve Fund attributable to such Series of Bonds, if applicable, or put to another use, in any case as directed by an Authorized Finance Officer and subject to a Counsel's Opinion to the effect that such application is permitted by applicable law and will not adversely affect any applicable exemption from federal income taxation of the interest on any Series of Bonds (or the Metropolitan Government's right to any Tax Credit Payments attributable thereto).

(d) Nothing in this Section 503 shall be construed to prevent the Metropolitan Government from permanently discontinuing the acquisition or construction of any portion of the System, the Costs of which are at the time being paid out of the Construction Fund, if the Metropolitan Council determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of the Metropolitan Government and not disadvantageous to the Holders of the Bonds.

(e) Notwithstanding anything herein to the contrary, to the extent that an Event of Default described in Section 801(a) shall have occurred and be continuing and no other moneys are available hereunder to cure such Event of Default, no moneys on deposit in the Construction Fund may be applied as set forth above in this Section 503. In such event, moneys on deposit in the Construction Fund shall be applied in accordance with Article VIII hereof.

SECTION 504. Revenues and Revenue Fund. Except as provided by Section 603, all Revenues shall be deposited promptly as collected by the Metropolitan Government to the credit of the Revenue Fund.

SECTION 505. Payment of Operation and Maintenance Expenses. Operation and Maintenance Expenses shall be paid from the Revenue Fund as they become due and payable.

SECTION 506. Payments into Certain Funds. The Metropolitan Government shall make monthly withdrawals from the Revenue Fund to the extent of amounts available therein, in order to make the following deposits and payments, in the order and amounts set forth below:

(a) for deposit in the Debt Service Fund an amount sufficient to provide for the timely payments required by Section 507, in amounts calculated as prescribed by Section 507(b); then

(b) for deposit in the Debt Service Reserve Fund an amount sufficient to satisfy the requirements of Section 508 for such month; then

(c) for payment of Subordinated Indebtedness, the funding of such debt service reserves as may be required therewith and the payment of all related financing costs thereof, including without limitation any liquidity and credit enhancement charges or fees; then

(d) for payment to the Metropolitan Government, the amount of any payment in lieu of tax required of the System; then

(e) for deposit in the Rate Stabilization Fund, the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current Annual Budget or the amount otherwise determined by an Authorized Finance Officer to be deposited to such Fund for the month; and then

(f) for deposit in the Surplus Fund, the balance of any such remaining amounts in the Revenue Fund.

SECTION 507. Debt Service Fund.

(a) Sufficient moneys shall be deposited to the Debt Service Fund from the Revenue Fund for the purpose of paying the Bonds as they become due and payable and, if and to the extent directed by a Supplemental Resolution, for the purpose of making payments under Contracts. Specifically:

(i) Unless otherwise provided in a Supplemental Resolution, on or before each interest payment date for a Series of Bonds, there shall be deposited in the Debt Service Fund an amount which, together with available moneys already on deposit therein (including Capitalized Interest Account transfers and Hedge Receipts and Termination Payments attributable to such Series of Bonds, which shall be deposited directly to the Debt Service Fund) and amounts scheduled to be deposited therein from a Tax Credit Payment Account, is not less than the interest coming due on such Bonds on such interest payment date. Such amount shall be used solely to pay interest on the Bonds when due or pay Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all interest payments on the Bonds.

(ii) Unless otherwise provided in a Supplemental Resolution or a Hedge Agreement, on or before each payment date for Hedge Payments under a Qualified Hedge Agreement, the Metropolitan Government shall deposit in the Debt Service Fund an amount which, together with

any Hedge Receipts and other moneys already on deposit therein and available to make such payment, is not less than such Hedge Payments coming due on such payment date. Such amount shall be used solely to pay Hedge Payments under Qualified Hedge Agreements when due.

(iii) Unless otherwise provided in a Supplemental Resolution or a Contract, on or before each payment date for amounts due on Contracts, other than for Reimbursement Obligations and Qualified Hedge Agreements, the Metropolitan Government shall deposit in the Debt Service Fund an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the amount coming due on such payment date. Such amount shall be used solely for such Contract payments when due.

(iv) Unless otherwise provided in a Supplemental Resolution, on or before each Principal Installment date for a Series of Bonds, the Metropolitan Government shall deposit in the Debt Service Fund an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the principal payable on such Bonds on such Principal Installment date, other than principal to be paid from a source other than Revenues. Such amount shall be used solely for the payment of principal of the Bonds as the same shall become due and payable or to pay Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all principal payments on the Bonds.

(b) Without limiting Section 507(a), and except as may otherwise be set forth in a Supplemental Resolution, the payment required to be made each month from the Revenue Fund to the Debt Service Fund shall be calculated to provide for the deposit obligations described in Section 507(a) which will have accrued by the end of the month of such payment to the Debt Service Fund. For purposes of calculating the accrual of such deposit obligations, (i) Principal Installments of a Series will be deemed to accrue daily in equal amounts from the preceding Principal Installment date for such Series (but in no event shall any accrual be made for any Principal Installment more than one year prior to the due date of such Principal Installment or from the Date of Issuance of Bonds of such Series, whichever date is later); (ii) each fixed payment obligation (other than Principal Installments) will be deemed to accrue daily in equal amounts from the preceding relevant payment obligation date (but in no event more than one year prior to such payment obligation date or the initial incurrence of the payment obligation, whichever is later); (iii) principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall accrue in the manner provided in Section 207(a); and (iv) variable payment obligations, whether interest related to Bonds issued with Variable Rates or otherwise, shall accrue as estimated by the Metropolitan Government. Any monthly deposit in excess of the amount required by this subsection (b) shall be credited against the next ensuing monthly payment or payments.

(c) There shall be established within the Debt Service Fund a Tax Credit Payment Account for each Series of Tax Credit Bonds. Tax Credit Payments received by the Metropolitan Government shall be deposited directly into the applicable Tax Credit Payment Account and such amounts shall be applied solely to the payment of debt service on the applicable Series of Tax Credit Bonds, at the times and in the manner otherwise described in this Section 507.

(d) Nothing herein shall limit the right of the Metropolitan Government to use amounts on deposit in the Debt Service Fund, together with such other amounts as may be determined by an Authorized Finance Officer, to defease all or a portion of Bonds attributable to such Debt Service Fund deposits, purchase all or a portion of such Bonds in the open market, or redeem all or a portion of such Bonds at their Redemption Price; provided that the amount thereafter remaining in the Debt Service Fund shall not be less than the remaining requirement of such Fund, as set forth in Section 506(a) and this Section 507. Any Bonds so purchased or redeemed by the Metropolitan Government which are subject to

mandatory redemption requirements may be applied as a credit against such mandatory redemption requirements as prescribed by the Supplemental Resolution authorizing such Bonds.

SECTION 508. Debt Service Reserve Fund.

(a) There shall be deposited into the Debt Service Reserve Fund the amounts specified, if any, in Supplemental Resolutions with respect to one or more Additionally Secured Series. The Metropolitan Government shall establish by Supplemental Resolution an account within the Debt Service Reserve Fund for each separately secured Additionally Secured Series. Each such account shall be for the benefit and security of one or more Additionally Secured Series and need not secure all Additionally Secured Series. Each such account shall be initially funded, maintained and replenished as prescribed by Supplemental Resolution. In the event that deposits are required hereunder for two or more accounts within the Debt Service Reserve Fund, transfers from the Revenue Fund to such accounts shall be made on a pro rata basis in proportion to the respective monthly funding requirements. Whenever, on the date that interest or principal is due on any Additionally Secured Series, there are insufficient moneys therefor in the Debt Service Fund, the Metropolitan Government shall, without further instructions, apply so much as may be needed of the moneys in the related account of the Debt Service Reserve Fund to prevent default in the payment of such interest or principal, with priority to interest payments.

(b) Whenever the moneys on deposit in an account established in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement related thereto, and after giving effect to any Reserve Fund Credit Facility that may be credited to such account in accordance with the provisions of the Supplemental Resolution establishing such subaccount, such excess shall be transferred from such account of the Debt Service Reserve Fund to the Debt Service Fund to redeem Bonds allocable thereto or to such other Fund or Account as may be directed by an Authorized Finance Officer, subject to a Counsel's Opinion to the effect that such application is permitted by applicable law and will not adversely affect any applicable exemption from federal income taxation of the interest on any Series of Bonds (or the Metropolitan Government's right to any Tax Credit Payments applicable thereto).

(c) Whenever the amount in an account within the Debt Service Reserve Fund attributable to an Additionally Secured Series, together with the amount in the Debt Service Fund for such Series, is sufficient to pay in full all such Bonds secured thereby in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), the applicable funds on deposit in such account of the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the timely payment of principal or Redemption Price, if applicable, and interest on the outstanding Bonds secured thereby.

(d) In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, the Metropolitan Government may withdraw from the separate account in the Debt Service Reserve Fund established for the benefit of the Bonds of such Additionally Secured Series all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; provided that such withdrawal shall not be made unless the amount thereafter remaining in such separate account in such account shall not be less than the remaining Debt Service Reserve Requirement related thereto.

(e) The Metropolitan Government may satisfy the Debt Service Reserve Requirement for an Additionally Secured Series by purchasing and depositing to the applicable account of the Debt Service Reserve Fund one or more Reserve Fund Credit Facilities, and may provide for the reimbursement of payments made by the providers of such Reserve Fund Credit Facilities from amounts required to be

deposited to such account of the Debt Service Reserve Fund, all as may be set forth in a Supplemental Resolution.

SECTION 509. Rate Stabilization Fund.

(a) Each month, the Metropolitan Government shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the then current Annual Budget or the amount otherwise determined by the Metropolitan Government to be deposited into such Fund for the month.

(b) The Metropolitan Government may, from time to time and upon written direction of an Authorized Finance Officer, withdraw amounts on deposit in the Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Resolution other than the Revenue Fund, (ii) use such amounts to purchase or redeem Bonds, (iii) use such amounts to otherwise provide for the payment of Bonds or interest thereon, or (iv) use such funds to make any other lawful payments.

SECTION 510. Surplus Fund. Amounts in the Surplus Fund shall be applied first to remedy any deficiencies in the amounts required to be withdrawn from the Revenue Fund pursuant to Sections 505 and 506(a)-(d), which such deficiencies shall be remedied from amounts on deposit in the Surplus Fund in the order set forth in Sections 505 and 506(a)-(d). Amounts at any time not needed therefor may be applied to the payment of the cost of capital improvements to the System, the purchase, redemption, payment or provision for payment of Bonds or Subordinated Indebtedness, the payment of Contracts, including Termination Payments, and any other legal expenditure of System funds.

ARTICLE VI

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 601. Depositories.

(a) All moneys held by the Metropolitan Government under the Resolution shall be deposited with one or more Depositories in the name of the Metropolitan Government and shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

(b) Each Depository shall be qualified to serve as such under applicable Tennessee law, and be willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution.

SECTION 602. Deposits.

(a) All Revenues and moneys held by any Depository under the Resolution shall be in held on deposit in a manner permitted by applicable Tennessee law. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not a Fiduciary. To the extent permitted by applicable law, all moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Metropolitan Government and acceptable to such Fiduciary, on savings or time deposit, provided that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(b) All moneys held under the Resolution by any Depository shall be held in such manner as may then be required by applicable Federal or State of Tennessee laws and regulations and applicable state laws and regulations of the state in which such Depository is located, regarding security for, or granting a preference in the case of, the deposit of public or trust funds.

(c) All moneys deposited with each Depository shall be credited to the particular Fund or Account to which such moneys belong.

SECTION 603. Investment of Funds. Unless further limited as to maturity by the provisions of a Supplemental Resolution, moneys held in the Funds and Accounts established under the Resolution may be invested and reinvested by the Metropolitan Government in Investment Securities which will provide moneys not later than such times as shall be needed for payments to be made from such Funds and Accounts. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution and held by the Metropolitan Government, the Metropolitan Government may combine such moneys with moneys in any other Fund or Account held by the Metropolitan Government, but solely for purposes of making such investment in such Investment Securities.

If provided in a Supplemental Indenture, interest earned on any moneys or investments in the Debt Service Reserve Fund shall be deposited in the Construction Fund. Otherwise, interest earned on any moneys or investments in each account of the Debt Service Reserve Fund shall be deposited in the Debt Service Fund and applied to the payment of the Bonds of the Additionally Secured Series secured thereby. Interest earned on any moneys or investments in all such other Funds and Accounts established herein shall be held in such Fund or Account for the purposes thereof.

SECTION 604. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Fund created under the provisions of the Resolution shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund, and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

In computing the amount in any Fund created under the provisions of the Resolution for any purpose provided in the Resolution, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations. Such computation shall be determined as of June 30 in each year. Each Reserve Fund Credit Facility shall be valued at the lesser of the face amount thereof or the maximum amount available thereunder.

ARTICLE VII PARTICULAR COVENANTS OF THE METROPOLITAN GOVERNMENT

The Metropolitan Government covenants and agrees with the Holders of the Bonds as follows:

SECTION 701. Payment of Bonds and Contracts. The Metropolitan Government shall duly and punctually pay or cause to be paid, but solely from the Trust Estate, and, in the case of the Bonds of each Additionally Secured Series, the account in the Debt Service Reserve Account in the Debt Service Fund with attributable thereto, and in the case of Tax Credit Bonds, the Tax Credit Payment Account, the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and all amounts due and owing under the Contracts.

SECTION 702. Extension of Payment of Bonds. The Metropolitan Government shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of Revenues or Funds established by the Resolution, including the investments and investment income, if any, thereof, or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Metropolitan Government or the Fiduciaries, except subject to the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Metropolitan Government to issue Refunding Bonds.

SECTION 703. Offices for Servicing Bonds. Except as may be otherwise provided in any Supplemental Resolution with respect to any Series of Bonds, the Metropolitan Government shall at all times maintain one or more agencies where Bonds may be presented for payment and shall at all times maintain one or more agencies where Bonds may be presented for registration, transfer or exchange, and where notices, demands and other documents may be served upon the Metropolitan Government in respect of the Bonds or of the Resolution. The Metropolitan Government hereby appoints each Bond Registrar to maintain an agency for the registration, transfer or exchange of Bonds, and for the service upon the Metropolitan Government of such notices, demands and other documents and the Bond Registrars shall continuously maintain or make arrangements to provide such services. The Metropolitan Government hereby appoints the Paying Agent or Agents in such cities as its respective agents to maintain such agencies for the payment or redemption of Bonds.

SECTION 704. Further Assurance. At any and all times the Metropolitan Government shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged, or intended so to be, or which the Metropolitan Government may become bound to pledge.

SECTION 705. Power to Issue Bonds and Pledge Revenues and Other Funds. The Metropolitan Government is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Trust Estate and, in the case of the Bonds of Additionally Secured Series, the related account in the Debt Service Reserve Fund with respect thereto, and, in the case of Tax Credit Bonds, the Tax Credit Payment Account, in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Resolution, the Trust Estate, each separate account in the Debt Service Reserve Fund and each Tax Credit Payment Account are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto superior to, or of equal rank with, the respective pledges created by the Resolution, and all corporate or other action on the part of the Metropolitan Government to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Metropolitan Government in accordance with their terms and the terms of the Resolution. The Metropolitan Government shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate, each separate account in the Debt Service Reserve Fund, each Tax Credit Payment Account and all the rights of the Holders of the Bonds under the Resolution against all claims and demands of all persons whomsoever.

SECTION 706. Power to Fix and Collect Rates, Fees and Charges. The Metropolitan Government has, and will have as long as any Bonds are Outstanding, good right and lawful power to acquire, construct, reconstruct, improve, maintain, operate and repair the System and to fix, establish, maintain and collect rates, fees and charges with respect to the use of the capability of and sale of the output, capacity, use or service of the System subject to the terms of contracts relating thereto and subject to the jurisdiction of any applicable regulatory authority.

SECTION 707. Creation of Liens; Sale and Lease of Property.

(a) Except as described in Article II, the Metropolitan Government shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a security interest in or pledge of the Trust Estate, any separate account in the Debt Service Reserve Fund, any Tax Credit Payment Account or other moneys, securities or funds held or set aside by the Metropolitan Government or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on the Trust Estate, any separate account in the Debt Service Reserve Fund, any Tax Credit Payment Account or such moneys, securities or funds.

(b) No part of the System shall be sold, mortgaged, leased or otherwise disposed of, except as follows:

(i) the Metropolitan Government may sell or exchange at any time and from time to time any property or facilities constituting part of the System only if (A) the Metropolitan Government shall determine that such property or facilities are not needed or useful in the operation of the System, or (B) the net book value of the property or facilities sold or exchanged is not more than 5% of the net book value of the property and facilities of the System, or (C) there shall be filed with the records of the Metropolitan Government a certificate of a Consultant or a Consulting Engineer stating, in its opinion, that the sale or exchange of such property or facilities will not materially impair the ability of the Metropolitan Government to comply during the current or any future Fiscal Year with the provisions of Section 711. The proceeds of any sale or exchange of any property or facilities constituting a part of the System not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Revenue Fund; provided, however, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for purposes of Section 711 of the Resolution;

(ii) The Metropolitan Government may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right (A) does not impede the operation by the Metropolitan Government or its agents of the System and (B) does not materially adversely affect the rights or security of the Holders of the Bonds under the Resolution. Any payments received by the Metropolitan Government under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues for all purposes of the Resolution;

(iii) The limitations imposed upon the Metropolitan Government by subsection (b)(ii) (A) and (B) shall not apply to any disposition of property by the Metropolitan Government where: (A) such property is leased back to the Metropolitan Government under a lease having a term of years (including renewal options) (1) of not less than 75% of the remaining useful life of the property as estimated by the Metropolitan Government computed from the date of disposition and lease if such property is disposed of by sale or a lease for more than 90% of the remaining estimated useful life or any other means of disposition except as set forth in the following clause

(2), or (2) 75% of the term of the lease out by the Metropolitan Government if such property is disposed of by a lease for less than 90% of the useful life of the property so estimated, (B) fair value to the Metropolitan Government (as determined by the Metropolitan Government) is received by the Metropolitan Government for the property subject to such transaction, and (C) there shall have been delivered to the Metropolitan Council a Counsel's Opinion to the effect that the disposition and lease will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on such certifications of (1) any banking or financial institution serving as financial advisor to the Metropolitan Government, as to financial and economic matters, (2) the Consulting Engineer, as to matters within its field of expertise, and (3) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate). The proceeds of any such transaction not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Revenue Fund; and

(iv) The Metropolitan Government may permanently discontinue the acquisition or construction of any portion of the System as provided in Section 503(d).

SECTION 708. (Reserved).

SECTION 709. Annual Budget. The Metropolitan Government shall adopt an operating budget ("Annual Budget") covering the fiscal operations of the Department of Water and Sewerage Services prior to the beginning of each Fiscal Year. The Annual Budget need not necessarily be the budget prepared by the Metropolitan Government for Metropolitan Government budgeting purposes. The Annual Budget for the ensuing Fiscal Year shall set forth in reasonable detail the estimated Revenues, payments with respect to all obligations assumed or incurred by the Metropolitan Government with respect to the System (including, without limitation, the Bonds and Subordinated Indebtedness) and Operation and Maintenance Expenses and other expenditures for the System for such Fiscal Year, and shall include appropriations for the estimated payments with respect to such obligations for such Fiscal Year, the estimated Operation and Maintenance Expenses for the System for such Fiscal Year, including provisions for any general reserve for Operation and Maintenance Expenses or other reserves determined necessary or desirable by the Metropolitan Government and the estimated amount to be expended during such Fiscal Year from the Surplus Fund established by the Resolution. Such Annual Budget also shall set forth such detail with respect to such Revenues, payments with respect to such obligations, Operation and Maintenance Expenses and other expenditures and may set forth such additional material as the Metropolitan Government may determine. The Metropolitan Government may at any time, as necessary, adopt an amended Annual Budget for the remainder of the then current Fiscal Year. In the event the Metropolitan Government does not adopt an Annual Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Annual Budget for the preceding Fiscal Year shall be deemed to have been adopted and be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year has been adopted.

SECTION 710. Operation and Maintenance of the System. The Metropolitan Government shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

SECTION 711. Rates, Fees and Charges.

(a) The Metropolitan Government shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to produce Net Revenues in each Fiscal Year at least equal to the greater of:

(i) 120% of the sum of the Debt Service Requirement on the Outstanding Bonds in such Fiscal Year; or

(ii) 100% of the sum of:

(A) the Debt Service Requirement on the Outstanding Bonds and Subordinated Indebtedness in such Fiscal Year,

(B) the amounts required to be paid during such Fiscal Year into the Debt Service Reserve Fund pursuant to the Resolution, and

(C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, including payments in lieu of taxes and any payments required during such Fiscal Year under Contracts to the extent not otherwise provided for in this subsection (ii).

(b) For purposes of this Section 711, the Metropolitan Government may, when calculating the Debt Service Requirement on Subordinated Indebtedness, make the adjustments and assumptions set forth in subsection (b) of the definition of “Debt Service Requirement”, as if such provisions were applicable to Subordinated Indebtedness; provided however, that there shall be disregarded any scheduled principal amount of Subordinated Indebtedness which are notes or other evidences of indebtedness issued in anticipation of the issuance of Bonds, the payment of which is to be paid from the proceeds of such Bonds.

(c) If the Metropolitan Government fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of this section in any Fiscal Year, but the Metropolitan Government in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by a Consultant retained by the Metropolitan Government to review the operations of the System, there shall be no Event of Default as described in Section 801 until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this section.

SECTION 712. Maintenance of Insurance.

(a) With respect to the System, the Metropolitan Government will carry adequate public liability, fidelity, and property insurance, such as is maintained by similar utility systems; provided, the Metropolitan Government shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, as amended, and provided further, the Metropolitan Government may self-insure against any risks that the Metropolitan Council deems appropriate provided the Metropolitan Government maintains adequate reserves, in such amounts as the Metropolitan Government determines is reasonable, for such self-insurance. All such policies shall be for the benefit of and made payable to the Metropolitan Government and shall be on deposit with the Metropolitan Government.

(b) The proceeds received by the Metropolitan Government from any insurance policy shall be deposited in the Surplus Fund; provided that proceeds of any insurance covering business interruption loss shall be deposited to the Revenue Fund.

SECTION 713. Accounts and Reports.

(a) The Metropolitan Government shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in accordance with generally accepted accounting principles (or other comprehensive basis of accounting) in which complete and correct entries shall be made of its transactions relating to the System, the amount of Revenues and the application thereof and each Fund and Account established under the Resolution, and which, together with all other books and papers of the Metropolitan Government, including insurance policies, relating to the System, shall, subject to the terms thereof, at all times be subject to the inspection of the Holders of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) The Metropolitan Government shall annually, within 180 days after the close of each Fiscal Year, file with the records of the Metropolitan Government and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Certificate, relating to the System and including reasonably detailed information relating to the following: (i) the assets and liabilities of the System as of the end of such Fiscal Year; (ii) the Revenues and Operation and Maintenance Expenses of the System for such Fiscal Year; and (iii) a summary, with respect to each Fund and Account established under the Resolution, of the receipts therein and disbursements therefrom during such Fiscal Year and the amount held therein at the end of such Fiscal Year; provided, however, that nothing herein shall preclude such annual report from being included as part of the audited financial statements of the Metropolitan Government generally. Such Accountant's Certificate shall state whether or not, to the knowledge of the signer, the Metropolitan Government is in default with respect to any of the covenants, agreements or conditions on its part contained in the Resolution, and if so, the nature of such default.

(c) The reports, statements and other documents required to be prepared or obtained by the Metropolitan Government pursuant to any provisions of the Resolution shall be available for the inspection of Holders of the Bonds at the office of the Metropolitan Government and shall be mailed to each Holder of a Bond who shall file a written request therefor with the Metropolitan Government. The Metropolitan Government may charge each Holder of a Bond requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

SECTION 714. Payment of Taxes and Charges. The Metropolitan Government will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of the Metropolitan Government or upon the rights, revenues, income, receipts, and other moneys, securities and funds of the Metropolitan Government when the same shall become due (including all rights, moneys and other property transferred, assigned or pledged under the Resolution), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which the Metropolitan Government shall in good faith contest by proper legal proceedings if the Metropolitan Government shall in all such cases have set aside of its books reserves deemed adequate with respect thereto. Notwithstanding the foregoing, no payments may be paid to the Metropolitan Government from Revenues prior to the payment of debt service on the Bonds and Subordinated Indebtedness.

SECTION 715. (Reserved).

SECTION 716. General.

(a) The Metropolitan Government shall at all times maintain its corporate existence (or, if the Metropolitan Government shall be dissolved or abolished, a successor shall be named to assume the rights and obligations of the Metropolitan Government) and shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Metropolitan Government under the provisions of applicable Tennessee law and the Resolution.

(b) Upon the date of authentication and delivery of any of the Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed prior to and in connection with the issuance of such Bonds shall exist, have happened and have been performed, and the issuance of such Bonds, together with all other obligations of the Metropolitan Government, shall comply in all respects with the applicable laws of the State of Tennessee.

**ARTICLE VIII
REMEDIES OF HOLDERS OF THE BONDS**

SECTION 801. Events of Default. If one or more of the following Events of Default shall happen:

(a) if default shall be made in the due and punctual payment of any Principal Installment of or any interest on any Bond when and as the same shall become due and payable (determined without giving effect to any payments made with funds provided by any Credit Issuer pursuant to any Credit Facility);

(b) if default shall be made by the Metropolitan Government in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, as supplemented, or in the Bonds contained, and such default shall continue for a period of 90 days after written notice thereof to the Metropolitan Government by the Holders of not less than 10% in principal amount of the Bonds Outstanding;

(c) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of the Metropolitan Government or the filing by the Metropolitan Government of a voluntary petition in bankruptcy, or adjudication of the Metropolitan Government as a bankrupt, or assignment by the Metropolitan Government for the benefit of its creditors, or the entry by the Metropolitan Government into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Metropolitan Government in any proceeding for its reorganization instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the Metropolitan Government, appointing a receiver or receivers of the System, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the Metropolitan Government, shall not be vacated or discharged or stayed within 90 days after the entry thereof; then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Holders of not less than 25% in principal amount of the Bonds Outstanding or any Credit Issuer securing not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the Metropolitan Government), may declare the principal of all the Bonds then Outstanding, and the

interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the Resolution or in any of the Bonds notwithstanding; provided, however, that in the event that a Supplemental Resolution authorizing Bonds for which a Credit Facility is provided provides that the principal of such Bonds, and the accrued interest thereon, may not be declared due and payable immediately (nor such declaration be rescinded and annulled, as provided in the following sentence) without the consent in writing of the Credit Issuer therefor, then such Bonds, and the interest accrued thereon, shall not become due and payable immediately as aforesaid (nor may such declaration be rescinded and annulled, as provided in the following sentence) without such written consent, and, in that event, the remedies available to the Holders of such Bonds (or such Credit Issuer, on behalf of such Holders) shall be limited to those set forth in Sections 802, 804 and 805. The right of the Holders of not less than 25% in principal amount of the Bonds to make such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by the Metropolitan Government under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Metropolitan Government or provision shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or adequate provision shall be made therefor, then and in every such case the Holders of 25% in principal amount of the Bonds Outstanding, by written notice to the Metropolitan Government, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

SECTION 802. Accounting and Examination of Records After Default.

(a) The Metropolitan Government covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Metropolitan Government and all other records relating to the System shall at all times be subject to the inspection and use of the Holders and of their agents and attorneys.

(b) The Metropolitan Government covenants that if an Event of Default shall have happened and shall not have been remedied, the Metropolitan Government, upon demand of the Holders of not less than 25% in principal amount of the Bonds of the time Outstanding, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

SECTION 803. Application of Revenues and Other Moneys After Default.

(a) During the continuance of an Event of Default, the Metropolitan Government, subject to the provisions of Section 511, shall apply all moneys, securities, funds and Revenues held or received by the Metropolitan Government under the Resolution (other than amounts on deposit in the Debt Service Reserve Fund and the Tax Credit Payment Account of the Debt Service Fund) as follows and in the following order:

(i) Expenses of Receiver, Paying Agent and Bond Registrar – to the payment of the reasonable and proper charges, expenses, and liabilities of the receiver and the Paying Agent and Bond Registrar under the Resolution, and any receiver appointed pursuant to Section 804;

(ii) Operation and Maintenance Expenses – to the payment of the amounts required for Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the System necessary in the judgment of the Metropolitan Government to prevent a loss of Revenues. For this purpose, the books of record and accounts of the Metropolitan Government relating to the System shall at all times be subject to the inspection of the Holders and their representatives and agents during the continuance of such Event of Default;

(iii) Principal Installments, Interest and Contract Payments – to the payment of the interest and Principal Installments then due on the Bonds, and payment under related Contracts, as follows:

(A) unless the principal of all the Bonds shall have become or have been declared due and payable,

First: Interest – to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and/or to the payment of amounts due under related Contracts and otherwise payable pursuant to Section 507(a)(i) and (ii) hereof, and, if the amount available shall not be sufficient therefor, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal Installments – to the payment to the persons entitled thereto of the unpaid Principal Installments of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and/or to the payment of amounts due under related Contracts and otherwise payable pursuant to Section 507(a)(iii) hereof and, if the amount available shall not be sufficient therefor, then to the payment thereof ratably, according to the amounts of the Principal Installments due on such date, to the persons entitled thereto, without any discrimination or preference; or

(B) if the principal of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, and of amounts then due and unpaid on related Contracts otherwise payable pursuant to Section 507(a), without preference or priority, ratably, according to the amounts due respectively for principal and interest and such Contract payments, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

(iv) Subordinated Indebtedness – to the payment of principal, redemption price and interest then due on Subordinated Indebtedness in accordance with the resolutions authorizing such Subordinated Indebtedness; and

(v) Contract Payments Otherwise Payable from Surplus Fund – to the payment of amounts due under Contracts and otherwise payable from the Surplus Fund.

(b) During the continuance of an Event of Default, the Metropolitan Government shall apply all amounts on deposit in each separate account in the Debt Service Reserve Fund in the following order:

(i) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest – to the payment to the persons entitled thereto of all installments of interest then due on the Bonds of each Additionally Secured Series secured by such separate account in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds of such Additionally Secured Series theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal Installments – to the payment to the persons entitled thereto of the unpaid Principal Installments of any Bonds of such Additionally Secured Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Installments due on such date, to the persons entitled thereto, without any discrimination or preference; or

(ii) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of each Additionally Secured Series secured by such separate account without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

(c) During the continuance of an Event of Default, the Metropolitan Government shall apply all amounts on deposit in each separate Tax Credit Payment Account in the Debt Service Fund in the Debt Service Fund first to the payment of interest and then to the payment of Principal Installments on the related Series of Tax Credit Bonds.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Fiduciaries, and all other sums payable by the Metropolitan Government under the Resolution including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, and including all payments under the Contracts, shall either be paid by or for the account of the Metropolitan Government, and all defaults under the Resolution or the Bonds shall be made good, the Metropolitan Government and the Holders shall be restored, respectively, to their former positions and rights under the Resolution. No such restoration of the Metropolitan Government and the Holders to their former positions and rights shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

SECTION 804. Appointment of Receiver. If an Event of Default shall happen and shall not have been remedied, the Holders of the Bonds shall be entitled as a matter of right, upon application to a court of competent jurisdiction, to have appointed a receiver of the System.

SECTION 805. Remedies Not Exclusive. No remedy by the terms of the Resolution conferred upon or reserved to the Holders of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

SECTION 806. Effect of Waiver and Other Circumstances.

(a) No delay or omission of any Holder of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Holders of the Bonds.

(b) Prior to the declaration of maturity of the Bonds as provided in Section 801, the Holders of not less than a majority in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal or Redemption Price, if any, of any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 807. Notice of Default. The Metropolitan Government shall promptly mail written notice of the occurrence of any Event of Default to each Holder of Bonds then Outstanding at its address, if any, appearing upon the registry books of the Metropolitan Government.

**ARTICLE IX
THE FIDUCIARIES**

SECTION 901. Paying Agents.

(a) The Metropolitan Government shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents. Each Paying Agent shall be an officer of the Metropolitan Government, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended, or a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(b) Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Metropolitan Government a written acceptance thereof.

(c) Unless otherwise provided, the principal offices of the Paying Agents are designated as the respective offices or agencies of the Metropolitan Government for the payment of the interest on and principal or Redemption Price of the Bonds.

(d) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days' written notice to the Metropolitan Government and the other Paying Agents, provided that no such resignation shall be effective until a successor shall have been appointed. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by an Authorized Finance Officer, provided that no such removal shall be effective until a successor shall have been appointed. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys and records held by it in such capacity to its successor.

SECTION 902. Responsibilities of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Metropolitan Government and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. Each Bond Registrar shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Resolution to the Metropolitan Government or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

SECTION 903. Evidence on Which Fiduciaries May Act.

(a) Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of the Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Metropolitan Government, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Finance Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

(c) Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Metropolitan Government to any Fiduciary shall be sufficiently executed in the name of the Metropolitan Government by an Authorized Finance Officer.

SECTION 904. Compensation. The Metropolitan Government shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Resolution, in accordance with the agreements made from time to time between the Metropolitan Government and the Fiduciary. Subject to the provisions of Section 902, the Metropolitan Government further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its negligence, misconduct or default.

SECTION 905. Certain Permitted Acts. Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders of the Bonds or

to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

SECTION 906. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by the Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

SECTION 907. Adoption of Authentication. In case any of the Bonds shall have been authenticated but not delivered, any successor Bond Registrar may adopt the certificate of authentication of any predecessor Bond Registrar so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Bond Registrar may authenticate such Bonds in the name of the predecessor Bond Registrar, or in the name of the successor Bond Registrar, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in the Resolution provided that the certificate of the Bond Registrar shall have.

ARTICLE X SUPPLEMENTAL RESOLUTIONS

SECTION 1001. Supplemental Resolutions Effective Without Delivery of Counsel's Opinion as to No Material Adverse Effect and Without Consent of Holders of the Bonds. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Metropolitan Government may be adopted, which, upon its adoption and compliance with the provisions of Section 1004, shall be fully effective in accordance with its terms:

(a) to close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(b) to add to the covenants and agreements of the Metropolitan Government in the Resolution other covenants and agreements to be observed by the Metropolitan Government which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(c) to add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by the Metropolitan Government which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(d) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(e) to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in loan agreement form payable to the counterparty thereto, and, in connection therewith, to specify and determine any matters and things relative thereto;

(f) to confirm, as further assurance, any security interest or pledge under, and the subjection to any security interest or pledge created or to be created by, the Resolution of the Trust Estate;

(g) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of a Reserve Fund Credit Facility and to establish the terms of reimbursement of such a provider of a Reserve Fund Credit Facility from amounts on deposit in the Debt Service Reserve Fund; and

(h) to modify any of the provisions of the Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof.

SECTION 1002. Supplemental Resolutions Effective Upon Delivery of Counsel's Opinion as to No Material Adverse Effect. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon delivery of a Counsel's Opinion to the effect that the provisions of such Supplemental Resolution will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on certifications of the Financial Adviser or a Consultant as to financial and economic matters, the Consulting Engineer, as to matters within its field of expertise and such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate) and compliance with the provision of Section 1004, shall be fully effective in accordance with its terms:

(a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;

(b) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect; or

(c) to make any other modification to or amendment of the Resolution which such counsel in its reasonable judgment shall determine will not have a material adverse effect on the interests of Holders of the Bonds.

Notwithstanding any other provision of the Resolution, in determining whether the interests of the Holders of Outstanding Bonds are materially adversely affected, such counsel shall consider the effect on the Holders of any Bonds for which a Credit Facility has been provided without regard to such Credit Facility.

SECTION 1003. Supplemental Resolutions Effective with Consent of Holders of the Bonds. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Holders of the Bonds in accordance with and subject to the provisions of Article XI, which Supplemental Resolution, upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

SECTION 1004. General Provisions.

(a) The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI. Nothing in this

Article X or Article XI contained shall affect or limit the right or obligation of the Metropolitan Government to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the Metropolitan Government to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

(b) Any Supplemental Resolution referred to and permitted or authorized by Section 1001 or 1002 may be adopted by the Metropolitan Government without the consent of any of the Holders of the Bonds, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Prior to the effectiveness of any such Supplemental Resolution the Metropolitan Government shall secure a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Metropolitan Government in accordance with its terms.

(c) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

(d) Promptly following the adoption thereof, the Metropolitan Government shall send to each Credit Issuer a copy of each Supplemental Resolution adopted pursuant to Section 1002 or Article XI of the Resolution, together with a full transcript of all proceedings relating to the adoption thereof.

ARTICLE XI AMENDMENTS

SECTION 1101. Mailing. Any provision in this Article for the mailing of a notice or other paper to Holders of the Bonds shall be fully complied with if it is mailed postage prepaid to each Holder of affected Bonds then Outstanding at its address, if any, appearing upon the registry books of the Metropolitan Government.

SECTION 1102. Powers of Amendment. Any modification or amendment of the Resolution and of the rights and obligations of the Metropolitan Government and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 1103 of the Holders of not less than a majority in principal amount of the Bonds affected by such modification or amendment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Metropolitan Government may in its discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall, absent manifest error, be binding and conclusive on the Metropolitan Government and all Holders of Bonds. For the purpose of this Section, a change in the terms of redemption of any Outstanding Bond shall be deemed only to affect such Bond, and shall be deemed not

to affect any other Bond. For the purpose of this Section, the Holders of any Bonds may include the initial Holder or Holders thereof, which shall in all cases be deemed to include the underwriter of such Bonds, and the consent of such initial Holder shall be fully binding on all subsequent Holders of such Bonds.

SECTION 1103. Consent of Holders of the Bonds. The Metropolitan Government may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1102 to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto), together with a request to affected Holders of the Bonds for their consent thereto, shall be mailed by the Metropolitan Government to affected Holders of the Bonds (but failure of any affected Holder of a Bond to receive such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Metropolitan Government (a) the written consents of Holders of the percentages of affected Outstanding Bonds specified in Section 1102 and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Metropolitan Government in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Metropolitan Government in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section 1103 provided. It shall not be necessary that the consents of Holders of Bonds approve the particular form of wording of the proposed modification or amendment or of the proposed Supplemental Resolution effecting such modification or amendment, but it shall be sufficient if such consents approve the substance of the proposed amendment or modification. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. A certificate or certificates executed by an Authorized Finance Officer stating that such Officer has examined such proof and that such proof is sufficient in accordance with Section 1202 shall be prima facie evidence that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the affected Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such affected Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Metropolitan Government, prior to the time when the written statement of the Metropolitan Government hereinafter in this Section 1103 provided for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Finance Officer filed with the records of the Metropolitan Government to the effect that no revocation thereof is on file with the Metropolitan Government. At any time after the Holders of the required percentages of affected Bonds shall have filed their consents to the Supplemental Resolution, an Authorized Finance Officer shall make and file with the records of the Metropolitan Government a written statement that the Holders of such required percentages of affected Bonds have filed consents. Such written statements shall be prima facie evidence that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Resolution adopted by the Metropolitan Government on a stated date (a copy of which is on file with the Metropolitan Government) has been consented to by the Holders of the required percentages of affected Bonds and will be effective as provided in this Section 1103, may be given to affected Holders of the Bonds by the Metropolitan Government by mailing such notice to affected Holders of the Bonds (but failure of any affected Holder of a Bond to receive such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 1103 provided) not more than 90 days after the Holders of the required percentages of affected Bonds shall have filed their consents to the Supplemental Resolution and the written statement of an Authorized Finance Officer hereinabove provided for is filed. The Metropolitan Government shall file with its records proof of the mailing of such notice. A record, consisting of the certificates or statements required or permitted by this Section 1103 to be made by the Metropolitan Government, shall be proof of the matters therein stated. Such Supplemental Resolution

making such amendment or modification shall be deemed conclusively binding upon the Metropolitan Government, the Fiduciaries and the Holders of all Bonds at the expiration of 40 days after the filing with the records of the Metropolitan Government of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40 day period; provided, however, that any Fiduciary and the Metropolitan Government during such 40 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

SECTION 1104. Modifications by Unanimous Consent. The terms and provisions of the Resolution and the rights and obligations of the Metropolitan Government and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption by the Metropolitan Government of a Supplemental Resolution and the consent of the Holders of all of the affected Bonds then Outstanding, such consents to be given as provided in Section 1103 except that no notice to affected Holders of the Bonds by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the records of the Metropolitan Government of the written assent thereto of such Fiduciary in addition to the consent of the affected Holders of the Bonds.

SECTION 1105. Exclusion of Bonds. Bonds owned or held by or for the account of the Metropolitan Government shall not be deemed Outstanding for the purpose of consent or other action or any calculation of affected Outstanding Bonds provided for in this Article XI, and the Metropolitan Government shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, an Authorized Finance Officer shall file with the records of the Metropolitan Government a certificate as to all Bonds so to be excluded.

SECTION 1106. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI provided may, if the Metropolitan Government so determines, bear a notation by endorsement or otherwise in form approved by the Metropolitan Government as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of its Bond for the purpose at the principal office of the Bond Registrar therefor or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by such Bond Registrar as to any such action. If the Metropolitan Government shall so determine, new Bonds so modified as in the opinion of the Metropolitan Government to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Holder, for Bonds of the same Series, principal amount, maturity, interest rate and redemption provisions then Outstanding, upon surrender of such Bonds. Any action taken as in Article X or this Article XI provided shall be effective and binding upon all Holders of Bonds notwithstanding that the notation is not endorsed on all Bonds.

ARTICLE XII MISCELLANEOUS

SECTION 1201. Defeasance.

(a) Except as otherwise set forth in a Supplemental Resolution authorizing Bonds, all or any portion of the Bonds for the payment, prepayment or redemption of which sufficient moneys or sufficient Defeasance Securities shall have been deposited with the Paying Agent or an Escrow Agent (whether

upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid and no longer Outstanding under the Resolution; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given as provided in Article IV or firm and irrevocable arrangements shall have been made for the giving of such notice. Defeasance Securities shall be considered sufficient for purposes of this Section 1201 only: (i) if such Defeasance Securities are not callable by the issuer of the Defeasance Securities prior to their stated maturity, and (ii) if such Defeasance Securities fall due and bear interest in such amounts and at such times as will assure sufficient cash (whether or not such Defeasance Securities are redeemed by the Metropolitan Government pursuant to any right of redemption) to pay currently maturing interest and to pay principal and redemption premiums, if any, when due on the Bonds without rendering the interest on any tax-exempt Bonds includable in gross income of any owner thereof for federal income tax purposes.

(b) For purposes of determining whether Bonds bearing interest at Variable Rates shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, in accordance with subsection (a) above, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of such Bonds in order to satisfy subsection (a) above, the Escrow Agent shall, if requested by the Metropolitan Government, pay the amount of such excess to the Metropolitan Government free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the Resolution.

(c) The Metropolitan Government may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered under the Resolution which the Metropolitan Government may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(d) If all Bonds and related obligations secured by a lien on the Trust Estate have been paid or provision for payment thereof made pursuant to this Section 1201 and related Supplemental Resolution(s), then at the option of the Metropolitan Government, the terms and provisions of the Resolution may be determined as void and of no further force or effect.

SECTION 1202. Evidence of Signatures of Holders of the Bonds and Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Holders of the Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Holders or by their attorneys appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Metropolitan Government, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Holder of a Bond or its attorney of such instrument may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgements of deeds, that the person signing such request or other instrument acknowledged to such person the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such

execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature, guarantee, certificate or affidavit shall also constitute sufficient proof of the authority of such officer or member.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(c) Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Metropolitan Government or any Fiduciary in accordance therewith.

SECTION 1203. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

SECTION 1204. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Metropolitan Government, any other Fiduciary, and by Holders of the Bonds and their agents and their representatives, any of whom may make copies thereof.

SECTION 1205. Parties Interested Herein. Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Metropolitan Government, the Fiduciaries, the Holders of the Bonds and any Credit Issuers and Qualified Hedge Providers, any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of the Metropolitan Government shall be for the sole and exclusive benefit of the Metropolitan Government, the Fiduciaries, the Holders of the Bonds and any Credit Issuers and Qualified Hedge Providers; provided, however, that the foregoing shall not be construed so as to limit or restrict the Metropolitan Government's right to covenant in any other instrument for the benefit of any other entity that the Metropolitan Government will comply with any or all of such covenants, stipulations, promises or agreements, and that the Metropolitan Government will not amend, modify, supplement or change the same.

SECTION 1206. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Resolution against any present or former member or officer of the Metropolitan Government or any person executing the Bonds.

SECTION 1207. Publication of Notice; Suspension of Publication; Notice to Credit Enhancers.

(a) Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any business day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in a different Authorized Newspaper.

(b) If, because of the temporary or permanent suspension of the publication or general circulation of any Authorized Newspaper or for any other reason, it is impossible or impractical to publish any notice pursuant to the Resolution in the manner herein provided, then such publication in lieu thereof shall constitute a sufficient publication of such notice.

(c) All notices and other documents required or permitted to be given to Holders of Bonds also shall be given to each Credit Issuer and Qualified Hedge Provider, at the address to be specified by it by notice in writing to the Metropolitan Government.

SECTION 1208. Action by Credit Issuer When Action by Holders of the Bonds Required.

Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which a Credit Facility is being provided, if not in default in respect of any of its obligations with respect to the Credit Facility for the Bonds of a Series, or a maturity within a Series, the Credit Issuer for, and not the actual Holders of, the Bonds of a Series, or a maturity within a Series, for which such Credit Facility is being provided, shall be deemed to be the Holder of Bonds of any Series, or maturity within a Series, as to which it is the Credit Issuer at all times for the purpose of (a) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Resolution as specified in Sections 1003, 1102, 1103 and 1104 or any other provision hereof, which requires the written approval or consent of Holders; provided, however, that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, and (b) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of Article VIII hereof.

SECTION 1209. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in the Resolution on the part of the Metropolitan Government or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of the Resolution.

SECTION 1210. Holidays. Except as may be provided otherwise in a Supplemental Resolution, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Resolution, shall be a legal holiday or a day on which banking institutions in the cities in which are located the principal offices of the Paying Agents are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in the Resolution, and no interest shall accrue for the period after such nominal date.

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APPENDIX B

**ELECTRONIC LINK TO THE ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE
METROPOLITAN GOVERNMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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GENERAL PURPOSE FINANCIAL STATEMENTS

Audited Financial Statements of the Metropolitan Government and supplementary information as of and for the Fiscal Year ending June 30, 2020, together with the independent auditors' report from Crosslin & Associates, Certified Public Accountants, are available through the website of the Metropolitan Government's Department of Finance at: <https://filetransfer.nashville.gov/portals/0/sitecontent/Finance/docs/CAFR/CAFR%202020.pdf> and are hereby incorporated by reference as part of this **APPENDIX B**.

To the extent there are any differences between the electronically posted financial statements of the Metropolitan Government and the printed financial statements of the Metropolitan Government, the printed version shall control. Information related to the Metropolitan Government's Water and Sewer System are also incorporated within these financial statements.

Crosslin & Associates, Certified Public Accountants has not been engaged to perform and has not performed, since the date of its report included herein, any procedure on the financial statements addressed in that report and has not performed any procedures relating to the Official Statement.

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APPENDIX C

**FINANCIAL AND OPERATING INFORMATION REGARDING THE
WATER AND SEWER SYSTEM**

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES**

The following table illustrates a summary of the revenues, operating expenses, debt service and unrestricted fund balances for the Metropolitan Government of Nashville and Davidson County’s water and sewer system (the “System”) for the Fiscal Year 2016 through Fiscal Year 2020, including the unaudited Fiscal Year 2021 numbers. The following table is not necessarily indicative of the future financial performance of the System.

**HISTORICAL STATEMENT OF REVENUES, OPERATING EXPENSES, DEBT SERVICE
AND UNRESTRICTED FUND BALANCES ⁽¹⁾
(For the Fiscal Years Ending June 30, 2016, through June 30, 2021) ⁽²⁾**

REVENUES:	2016	2017	2018	2019	2020	2021
Operating Water Revenues	\$ 67,299,069	\$ 68,360,281	\$ 67,485,050	\$ 68,214,183	\$ 85,545,380	\$110,948,734
Operating Sewer Revenues	144,870,463	145,254,682	148,389,200	152,625,516	171,825,505	195,415,355
Non-Operating Revenues	6,853,295	6,349,198	2,963,497	13,110,896	9,098,930	8,278,610
TOTAL REVENUES	\$219,022,827	\$219,964,161	\$226,804,486	\$233,950,595	\$266,469,815	\$314,642,698
OPERATING EXPENSES:						
Less Depreciation and Amortization	\$112,207,776	\$112,654,492	\$113,857,694	\$111,335,275	\$132,611,031	\$125,469,640
NET REVENUES	\$106,815,051	\$107,309,669	\$112,946,792	\$122,615,320	\$133,858,784	\$189,173,059
DEBT SERVICE:						
Debt Service on Prior First Lien Bonds	\$16,716,413	\$15,927,469	\$15,095,013	\$15,024,438	-	-
Debt Service on Current Senior Lien ⁽³⁾	30,168,768	32,430,176	42,539,399	50,301,108	\$ 47,134,077	\$57,091,129
Debt Service on Series 2012 Subordinate Lien Bonds	15,967,750	22,789,625	21,742,375	20,766,500	19,844,125	18,768,000
TOTAL DEBT SERVICE	\$62,852,930	\$71,147,269	\$79,376,786	\$86,092,046	\$ 66,978,202	\$75,859,129
UNDESIGNATED FUND BALANCE	<u>\$46,344,242</u>	<u>\$42,627,873</u>	<u>\$53,674,825</u>	<u>\$57,426,839</u>	<u>\$120,629,850</u>	<u>\$120,629,850</u>
DEBT SERVICE COVERAGE RATIO:						
Senior Lien Bonds ⁽⁴⁾	2.28	2.22	1.96	1.88	2.84	3.31
Total Debt Service Coverage ⁽⁵⁾	1.70	1.51	1.42	1.42	2.00	2.49

⁽¹⁾ As defined in the Bond Resolution.

⁽²⁾ The 2021 numbers are unaudited.

⁽³⁾ Net of the federal subsidy on direct payment bonds.

⁽⁴⁾ Net Revenues divided by the debt service on the Prior First Lien Bonds and the Current Senior Lien Bonds.

⁽⁵⁾ Net Revenues divided by the debt service on all debt.

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

THE WATER AND SEWER SYSTEM

General

The formation of the Metropolitan Government of Nashville and Davidson County (the “Metropolitan Government”), effective on April 1, 1963, resulted in the combination and consolidation of (i) the water and sewage system formerly maintained by the City of Nashville, and (ii) the sewage system formerly maintained by the Davidson County Improvement District No. 1 into the Department of Water and Sewerage Services (the “Department”). The Department, established under Section 8.501 of the Charter of the Metropolitan Government (the “Charter”), is charged with the responsibility for construction, operation and maintenance of all water and sanitary sewer facilities for the Metropolitan Government as well as the collection of all charges for the services of such utilities.

In addition to the combined and consolidated facilities, the Water System (defined herein) and the Sewer System (as defined herein) have been gradually expanded to include: (i) improvements financed by revenues; (ii) improvements resulting from capital contributions in aid of construction by private developers; (iii) all improvements, additions and extensions financed with the proceeds of outstanding bonds and governmental grants; and (iv) facilities acquired from (a) the Nashville Suburban Utility District, (b) the First Suburban Water Utility District of Davidson County, Tennessee, (c) the sewerage service of the Parkwood Service Company, (d) the Joelton Water Utility District, (e) the City of Lakewood water and sewerage system, (f) Rayon City Water Company, (g) the Cumberland Utility District, (h) the sewerage service of the Nolensville/College Grove Utility District in Williamson County, and (i) the Old Hickory Utility District of Davidson County.

Under the Charter and Tennessee Code Annotated §§ 7-3-302, the Metropolitan Government can assume and take over any water and/or sewer utility district located within its boundaries through ordinances adopted by the Metropolitan County Council of the Metropolitan Government (the “Metropolitan Council”). Several such systems currently operate inside Davidson County and if a decision is made to consolidate these operations into the Department, the Metropolitan Government will take subject to or retire all debts and liabilities of the systems. The economic impact of such an assumption or takeover would be evaluated prior to the submission of any legislation to the Metropolitan Council. By contract, dated February 1996, the Metropolitan Government has agreed not to take over the Harpeth Valley Utility District before February 2026.

Historically, the Department managed and partially funded the Stormwater operations of the Metropolitan Government. In 2009, the Metropolitan Government established a Stormwater Division of the Department as a stand-alone enterprise fund with its own set of service fees, which are now an itemized part of the water bill. Further funding of Stormwater operations will not be required of the Department.

In July of 2021, the Department began managing Waste Services which provides Waste and Recycling Services to Nashville and Davidson County. This is established as a stand-alone special revenue fund that is funded in part by proceeds from property taxes and revenues received from waste operations.

The Water System

The water provided by the Department’s water system (the “Water System”) currently meets all physical, chemical, and bacteriological water quality standards established by the United States Environmental Protection Agency (the “EPA”) under the Safe Drinking Water Act, as amended, by the

Tennessee Department of Environment and Conservation (“TDEC”) and under the Tennessee Safe Drinking Water Act of 1983, as amended.

The Water System draws water from the Cumberland River and processes it through modern filtration plants for delivery into the distribution system. Raw water is treated by chemical coagulation, flocculation, clarification, filtration, and disinfection. The existing water treatment plants and pumping facilities have a total delivery capacity of 180 million gallons per day. In Fiscal Year 2020, net sales to retail customers were 22.8 billion gallons. The peak demand for water from the Water System during Fiscal Year 2020 was 116.5 million gallons as of October 2, 2019.

The Omohundro Water Treatment Plant, originally placed in service in 1889, has been extensively expanded and modernized over the years. This campus includes (i) the George Reyer Pumping Station, (ii) the Robert L. Lawrence Jr. Filtration Plant, and (iii) the Boiler House and a recently built electrical substation. The substation includes four 2.5 mega-watt backup electrical generators that can run the entire Omohundro Campus at its rated maximum capacity of 90 million gallons per day. The central control room located at this plant provides constant monitoring of the status of all water pumping stations and reservoirs.

The K. R. Harrington Water Treatment Plant was completed and placed into operation in 1977. This facility provided an additional capacity of 60 million gallons per day to the Metropolitan Government’s water treatment capabilities. Expansion of this plant to 90 million gallons per day was completed in 1992 and will ensure an adequate supply of potable water through the coming years. In 1999, as a precaution against prolonged power outages caused by ice storms, tornadoes, or other disasters, the Harrington Plant was equipped with four emergency generators with a capacity of 1,750 kW each. These generators allow the Department to operate the plant at a capacity of 72 million gallons per day.

The water from the existing treatment plants is delivered into the water distribution system through six major transmission mains. The water distribution system contains approximately 3,067 miles of mains ranging in diameter from 2 inches to 60 inches. Storage is provided by the Eighth Avenue Reservoir, which is 51 million gallons in capacity, various other reservoirs with a combined additional capacity of 37.3 million gallons and by tanks and standpipes, many of which are utilized to provide water service in areas of higher elevation than the central urbanized area. Currently only half of the Eighth Avenue Reservoir is in service, thus reducing its capacity to 25.5 million gallons. The Water System has 57 booster-pumping stations to deliver water to these higher regions.

Although recent growth has been relatively flat, the Water System has experienced continuous growth over the past decade, and as of Fiscal Year 2020, provided direct service to 212,481 customers. In Fiscal Year 2020, sixty percent (60%) of the water provided by the Water System was consumed by commercial and industrial customers (including residential apartment complexes), and forty percent (40%) by residential customers.

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The following table illustrates the growth of the Metropolitan Government’s Water System over the past eleven (11) fiscal years:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
(For the Fiscal Years Ended June 30, 2010, through June 30, 2020)**

USE OF WATER:	Fiscal Year 2020	Fiscal Year 2010	Fiscal Years 2010-2020
Water Customers ⁽¹⁾	212,481	176,033	20.71%
Average Daily Finished (MGD)	91.5	89.2	2.54%
Water Sales for Fiscal Year ⁽²⁾ (billions of gallons)	22.8	21.4	6.54%
Maximum Daily Demand (millions of gallons)	116.5	108.2	7.67%
<u>GROWTH OF SYSTEM:</u>			
Utility Plant Value ⁽³⁾ (in millions)	2,062	1,575	30.89%
Reservoirs	37	40	-7.5%
Storage Capacity of Reservoirs (millions of gallons)	62.8	92.6	-32.18%
Water Pumping Stations	57	57	0.00%
Miles of Distribution Lines	3,067	2,878	6.57%
Fire Hydrants	21,608	19,974	8.18%

⁽¹⁾ As per billing records.

⁽²⁾ Excludes wholesale customers.

⁽³⁾ Property, Plant & Equipment of the Combined Water and Sewer System, net of depreciation.

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

The Department has a contract with Water Systems Optimization to perform an independent water audit annually. The audit for Fiscal Year 2020 is complete. During the audit, the system input volume is categorized as revenue water and non-revenue water. Non-revenue water is further broken down into real losses (leakage) and apparent losses (meter error). For Fiscal Year 2020, the real losses were 28.7% of system input volume and the apparent losses were 1.2% of system input volume.

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The Sewer System

The existing sewerage system (the “Sewer System”) comprises of 3,017 miles of gravity sewers, 120 pumping stations, 167 miles of force main and four treatment plants, the three most important of which are the Central Wastewater Treatment Plant, the Dry Creek Wastewater Treatment Plant, and the Whites Creek Wastewater Treatment Plant. The Central Wastewater Treatment Plant has a capacity of 250 million gallons per day plus an additional 80 million gallons per day used for stormwater treatment for a total capacity of 330 million gallons per day. The Dry Creek Wastewater Treatment Plant has a design capacity of 24 million gallons per day of secondary treatment while the Whites Creek Wastewater Treatment Plant has a capacity of 37.5 million gallons per day of secondary treatment.

The Department properly treats and disposes of sludge produced at its treatment plants consistent with State and Federal law and has constructed a \$132 million biosolids facility to stabilize and further treat sludge, including sludge thickening, anaerobic digestion and heat drying. The methane gas produced from the digesters is used to heat dry the sludge into pellets, which are considered a Class A material by the USEPA and are a marketable agricultural product. The facility has significantly reduced the need to landfill the residuals.

The following table illustrates data on the use and facilities of the Sewer System over the last ten (10) fiscal years. The average number of customers served increased 14.6% since Fiscal Year 2010. Over the last ten fiscal years, there has been a 9.1% increase in the number of sewerage pumping stations and a concurrent 4.6% increase in the miles of sewer lines. Wastewater treatment has increased by approximately 7.8%.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
(For the Fiscal Years Ended June 30, 2010, through June 30, 2020)**

SEWER SYSTEM:	Fiscal Year 2020	Fiscal Year 2010	Fiscal Years 2010-2020
Sewer Customers	216,988	189,299	14.63%
Annual Sewage Treatment (billions of gallons)	65.3	60.6	7.79%
Average Daily Treatment (millions of gallons)	186.5	166.0	12.35%
GROWTH OF SYSTEM:			
Utility Plant Value ⁽¹⁾ (in millions)	2,062	1,575	30.89%
Total Miles of Sewer Lines	3,184	3,045	4.56%
Treatment Plants	4	4	0.00%
Total Sewer Pumping Stations	120	110	9.09%

⁽¹⁾ Property, Plant & Equipment of the Combined Water and Sewer System, net of depreciation.

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

Major Customers

The following tables illustrate the largest customers of the Department for water and sewer services for the Fiscal Year ended June 30, 2020, ranked according to billings:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
WATER SERVICES LARGEST CUSTOMERS
(For the Fiscal Year Ended June 30, 2020)
(Amounts in Thousands)**

WATER CUSTOMERS	AMOUNTS
Vanderbilt University	\$2,189,581
City of Brentwood	830,706
RHP Operations OH, LLC	665,536
Metro District Energy Systems	398,849
MWS – Biosolids Treatment Plant	355,640
Wometco Coca Cola	350,187
Fivestar Custom Foods	337,510
Bridgestone Tire & RC	301,139
David Lipscomb University	293,013

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
SEWER SERVICES LARGEST CUSTOMERS
(For the Fiscal Year Ended June 30, 2020)
(Amounts in Thousands)**

SEWER CUSTOMERS	AMOUNTS
Hendersonville Utility District	\$3,617,719
City of Mt. Juliet	3,405,472
Brentwood Lift Station	3,215,760
Vanderbilt University	3,123,599
City of Goodlettsville District	2,975,404
City of Lavergne	2,234,996
RHP Operations OH, LLC	1,301,558
MWS – Bio Solids Treatment Plant	651,722
Fivestar Custom Foods	619,132
Bridgestone Tire & RC	511,816
David Lipscomb University	309,721

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

Management and Personnel

SCOTT A. POTTER, P.E., Director, graduated from Vanderbilt University with a Bachelor of Engineering Degree in Electrical Engineering in 1986 and was commissioned as an Ensign in the United States Navy. While serving in the Navy Mr. Potter received a master's degree in Mechanical Engineering from the Naval Postgraduate School in Monterey, California, in 1991. Mr. Potter served on two destroyers: USS COCHRANE (DDG 21) and USS CALLAGHAN (DDG 994). While stationed at the United States Naval Academy, he earned the academic rank of Master Instructor, teaching courses in Statics, Materials Science, Applied Fluid Mechanics, Thermodynamics, and Applied Thermodynamics. The Louisville Water Company, in Louisville, Kentucky, employed Mr. Potter as Manager of Distribution Operations from 1998 to 2001. He was also an adjunct member of the faculty of the Mechanical Engineering Department in the Speed Scientific School at the University of Louisville and is presently an adjunct instructor at Belmont University in the Mathematics Department.

DAVID M. TUCKER, Deputy Director (Operations), graduated from Tennessee State University with a Bachelor of Science Degree in Biological Sciences. He has thirty-two years of experience in water and wastewater treatment plant operations and maintenance. Mr. Tucker holds a State of Tennessee Grade IV Operator's Certification in both water and wastewater treatment. The Operations division is responsible for the operation and maintenance of all water and wastewater treatment facilities, all associated pumping stations and reservoirs, Laboratory Services and Security. He joined the Department in 1987 as an Assistant Plant Manager and has progressed to his present position. He is a member of the Water Environmental Federation and the American Water Works Association.

CYRUS Q. TOOSI, P.E., Assistant Director (Engineering), graduated from the University of Texas at Austin, in 1988, with a Bachelor of Science Degree in Civil Engineering. Mr. Toosi held a position with the City of Houston for two years prior to coming to Nashville. In 1990 he joined the Department as a hydraulic modeler, and as a flow monitoring, and planning specialist. He has since advanced to his present position. He has twenty years of experience in the engineering of water and wastewater systems. He has created MWS' Master Water Growth Plan, Asset Management Program, and Water Infrastructure Rehabilitation Program. He also currently serves as the Chief Engineer for the Department and also oversees the Overflow Abatement- Clean Water Nashville Program. He holds a Professional Engineering License in the State of Tennessee and is a member of the American Water Works Association and Water Environment Federation.

LEANNE B. SCOTT, P.E., Assistant Director (Repair and Maintenance of Distribution and Collection Systems) holds a Bachelor of Science degree in Chemical Engineering from Tennessee Technological University and a Master of Science degree in Engineering Management from the University of Tennessee. She has over thirty years of experience in water and wastewater systems, working across the department in treatment, distribution/collection systems, engineering planning. Leanne is a registered professional engineer in the State of Tennessee and holds Grade 4 Water Treatment Operator, Grade 2 Water Distribution Operator and Grade 2 Wastewater Collection Operator licenses. She is a member of the Water Environment Federation, served as President of the KY-TN Section in 2011-12 and 2013-14 and currently serves as the Tennessee Delegate. She is also a member of the American Waterworks Association and serves on the section's Nonrevenue Water Committee.

BRENT R. FREEMAN, P.E., Assistant Director (Operations - Wastewater), holds a Bachelor of Science Degree in Civil Engineering from Tennessee Technological University. He is a licensed Professional Engineer, holds state operator certifications in Wastewater Operations, Collection, and Distribution, and is a Certified Energy Manager. He is a member of the Water Environment Federation, Association of Energy Engineers, and the American Water Works Association. Prior to

joining the Department in 2002, Mr. Freeman worked as a consulting engineer; and he has over 25 years of professional experience in municipal operations and engineering.

GLEN K. DOSS, Assistant Director (Water Operations), holds an associate degree in Electrical Engineering Technology and a bachelor's degree in Business Administration. He has 27 years of experience in water and wastewater treatment plant operations and maintenance. Mr. Doss holds a State of Tennessee Grade IV Operator's Certification in both water and wastewater treatment. He joined the Department in 1992 as a helper in the electric shop at the Central Wastewater Treatment and has progressed to his present position. He is the licensed operator in direct charge of the water treatment system as per TDEC rules and regulations.

HAL BALTHROP, P.E., Assistant Director (Development Services), holds a Bachelor of Science Degree in Civil Engineering from Tennessee Technological University. He is a licensed Professional Engineer and the Department's State Licensed Collection System Manager and Water Distribution Manager. Mr. Balthrop also serves on the Tennessee Board of Architectural and Engineering Examiners, serves as State Chair of the Tennessee Water and Wastewater Agency Response Network, serves as Chair of the KY/TN AWWA Water Utility Committee on Legislative Issues and is a member of WEF, AWWA, TWWA, and TAUD.

AMANDA K. DEATON-MOYER, Assistant Director (Business & Finance), holds a Bachelor of Arts Degree in Political Science and a Master of Public Administration degree from the University of Georgia. She is a Certified Municipal Financial Officer for the State of Tennessee and is a member of the Association of Government Accounts, the Government Financial Officers Association. Prior to joining the Department in 2017, she served as the City Manager for the City of Forest Hills, Tennessee and the Assistant Chief Administrative Officer for Budget and Strategic Planning for the City of Macon, Georgia. She has over 10 years of professional experience in financial planning and management in the government sector.

SHANNON FRYE, Assistant Director (Customer Service & Information Services), graduated from Trevecca University with a Bachelor of Arts in Management and Human Relations. She joined the department in 1988 beginning her career in Human Resources and then transitioned to Customer Service where she has been working for over 30 years. Ms. Frye has served several years on the AWWA Customer Service Committee. She is the Chair of the KY/TN AWWA Knowledge, Creation, and Exchange Council and is a member of the Water for People Committee.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

At the end of Fiscal Year 2020, the Department employed 679 persons. Employees of the Department are members of one of these pension plans:

Overview

Employees of the Department participate in one of two main pension plan groups:

1. Metro Active Plans; and
2. Closed Plans maintained under the Guaranteed Payment Program

The Department's expenses for the various pension plans are determined by the contribution rate established by the Metropolitan Employee Benefit Board (the "Benefit Board") and totaled \$4,780,937 for the Fiscal Year ended June 30, 2020.

The Metro Active Plans consist of two divisions – A and B. Division A was established at the inception of the Metropolitan Government on April 1, 1963 and implemented on November 4, 1964. At that time, all employees of the former city and county governments were given the option of continuing as participants of the pension plans of those organizations or transferring to the Metro Plan Division A. Division A of the Metro Plan was closed to new members on July 1, 1995.

On July 1, 1995, Division B of the Metro Active Plans was established for all non-certified employees of the Metropolitan Nashville Public Schools and all other Metropolitan Government employees. Metropolitan Government employees who were members of Division A were given the option to transfer to Division B as of January 1, 1996. At that time, 95% of the approximately 11,300 employees elected to transfer to Division B.

The Metro Active Plan Division B is a non-contributory, defined benefit plan, covering approximately 11,800 current employees and 12,800 retired and deferred vested employees. The Active Plan covers all employees of the Metropolitan Government other than teachers. Contributions attributable to employees of the general government (approximately 75% of the total) are funded from the Metropolitan Government's operating fund and revenues. The balance of contributions (approximately 25%) is attributable to the Metropolitan Government employees at enterprise funds and other non-operating funded agencies of the Metropolitan Government (e.g. contributions for water and sewer department employees and funded from water and sewer revenues).

The Closed Plans are defined benefit plans collectively covering one active employee and approximately 1,400 retired employees. Contributions to the Closed Plans are funded from the Metropolitan Government's operating fund through the Guaranteed Payment Plan.

Metro Active Plan

Benefits

Normal retirement for employees other than police officers and fire fighters occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited employee service equals 85, but not before age 60; and (b) the date when the employee reaches age 65 and completes five years of credited employee service. The lifetime annual benefit is calculated as 1.75% multiplied by the final average earnings multiplied by the years of credited service. Final average earnings are the highest 60 consecutive months of credited service divided by five. Benefits fully vest after completing five years of service. Employees with a date of hire on or after July 1, 2013, will become fully vested after completing ten years of service.

Normal retirement for police officers and fire fighters occurs any time after attaining the unreduced retirement age which is the date when the employee's age plus the completed years of credited police and fire service equals 75, but not before age 53 nor after age 60. The lifetime annual benefit is the sum of two percent (2%) of final average earnings multiplied by the years of credited police and fire service up to 25 years; plus 1.75% of final average earnings multiplied by the year of credited police and fire service over 25 years. Final average earnings is the highest 60 consecutive months of credited service divided by five. Benefits fully vest upon completing five years of service. Employees with a date of hire on or after July 1, 2013, will become fully vested upon completing ten years of service.

An early retirement pension is available for retired employees if the retirement occurs prior to the eligibility of normal retirement but after age 50 (45 for police officers and fire fighters) and after the completion of ten years credited employee service. Benefits are reduced by four percent (4%) for each of

the first five years by which the retirement date precedes the normal retirement age, and by eight percent (8%) for each additional year by which the retirement date precedes the normal retirement age.

Any employee who terminates after completion of required years of service to be vested and before eligibility for normal or early retirement is eligible to receive a monthly deferred pension commencing on the first day of the month following the attainment of unreduced retirement age computed and payable in accordance with the plan.

Funding

Minimum Required Employer Contribution: The Metropolitan Code of Ordinance requires the Metropolitan Government to contribute to the Metro Active Plans each fiscal year an amount equal to a percentage of the annual payroll of members who are eligible employees and who are covered for pension benefits the percentage to be known as the “employer contribution rate.” The employer contribution rate applicable for any fiscal year is determined by resolution of the Benefit Board at a public meeting held at least four months prior to the beginning date of such fiscal year and filed with the Metropolitan Clerk and must be no less than the smaller of (1) three-tenths of one percent plus the employer contribution rate applicable to the prior fiscal year, or (2) an employer contribution rate, which shall be the ratio of the actuarially determined contribution level to the amount of the valuation payroll, on the basis of an actuarial valuation of the system made as of the last day of the fiscal year preceding the adoption of the contribution rate. The actuarially determined contribution level equals the sum of normal cost and a percentage of unfunded past service liabilities, such percentage to be determined by the board at a level at least equal to the actuarial valuation interest rate. The actuarial valuation must be made by a qualified or accredited actuary according to accepted and sound actuarial principles and methods and based on actuarial assumptions which have been recommended by the actuary and approved by the Benefit Board.

Historic Employer Contribution: The Metropolitan Government has historically made employer contributions at a rate higher than the minimum required contribution. The Metropolitan Government’s policy has been to make annual contributions to the Active Plans equal to the actuary’s recommended rate, sufficient to amortize the unfunded liability over the 40-year period commencing in 1978. Beginning with the plan year ended June 30, 2006, the Benefit Board adopted a level unfunded liability amortization period of 15 years. The level amortization period is designed to reduce contribution volatility compared with a continuing decline in the amortization period. The chart below illustrates the annual employer contribution rate (in both percentage of employee salary and aggregate dollar terms) for the past 10 years. The employer contribution rate for Fiscal Year 2018-2019 was 12.340%. The contribution rate for Fiscal Year 2019-2020 was 12.340%. Factors affecting the reduction in the contribution rate are investment returns, compensation increases were less than expected, and cost-of-living adjustments (COLA) were less than projected.

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
HISTORICAL METRO CONTRIBUTIONS
METRO ACTIVE PLAN
(For the Fiscal Years Ended June 30, 2011 through June 30, 2020)**

Fiscal Year Ending June 30	Contribution Rate	Contribution Amount
2020	12.340%	\$78,632,924
2019	12.340	77,242,171
2018	12.340	76,539,373
2017	12.340	73,868,818
2016	15.510	85,676,490
2015	17.987	94,045,896
2014	17.117	87,643,045
2013	15.938	82,653,128
2012	15.416	81,636,995
2011	15.416	81,502,645

Source: The Metropolitan Government of Nashville and Davidson County.

Key Actuarial Assumptions: Current actuarial assumptions include a discount rate of 7.5%, cost-of-living adjustments (COLA) of 2.50% for Division A and 1.25% for Division B, salary increases averaging 4.0% annually and five-year smoothing of gains and losses, and an inflation rate of 2.50%.

Schedule of Funding Progress

Effective June 30, 2014, the Metropolitan Government adopted GASB Statement No. 68, which revised the calculation and financial statement disclosure regarding the liability related to pensions. The table below illustrates a history of funding progress based on the Metropolitan Government's net pension liability.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
OPEN PENSION PLAN; SCHEDULE FUNDING PROGRESS
For the Fiscal Years Ended June 30, 2016 through June 30, 2020
(Amounts in Thousands)**

Fiscal Year Ending	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
June 30, 2016	2,909,545	2,688,227	221,318	92.39%	531,267	41.66%
June 30, 2017	3,009,103	2,968,259	40,844	98.64%	538,699	7.58%
June 30, 2018	3,198,180	3,116,572	81,608	97.45%	577,129	14.14%
June 30, 2019	3,377,509	3,254,984	122,525	96.37%	623,435	19.65%
June 30, 2020	3,489,331	3,272,530	216,801	93.79%	638,021	33.98%

Source: The Metropolitan Government of Nashville and Davidson County.

Benefits

Employees hired on or after July 1, 2014, became members of a new plan that consists of two components, a defined benefit plan and a defined contribution plan. TCRS members in the defined benefit plan are eligible to retire either at the age of 65 and vested with five years of service or under the rule of 90 where a combination of age and service credit total 90. An actuary reduced benefit is available at age 60 or the rule of 80. Disability benefits are available after five years of service for those who become disabled and cannot engage in gainful employment. Benefits are determined by a formula using the member's high five-year average salary and years of service. TCRS members in the defined contribution plan elect to participate in the Optional Retirement Program. Members are immediately vested in employer and employee contributions. Members make the determination as to how the employer contributions made on their behalf are invested. Members can choose among a variety of investment products. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated. Tennessee statutes are amended by the Tennessee General Assembly.

Closed Plans – Guaranteed Payment Plan

The Metropolitan Council created the Guaranteed Payment Plan effective July 1, 2000, to ensure actuarially sound funding for a group of five closed plans supervised by the Benefit Board and the Board of Education. Under the Guaranteed Payment Plan, unfunded liabilities of the aggregate plan are amortized over a period of no more than thirty years beginning with the effective date. Payments for each constituent plan are transferred to a payment account from which distributions are disbursed to the constituent plans as necessary to satisfy current benefit needs and funding objectives of the Guaranteed Payment Plan. Appropriations made by the Metropolitan Government and the Board of Education to fund obligations of the aggregate plan may not be reduced until all plan obligations are fully amortized. Plan improvements adopted subsequent to inception are to be funded over a period ending June 30, 2030.

The five plans included in the Guaranteed Payment Plan are:

1. Metropolitan Board of Education Teacher Retirement Plan
2. Davidson County Board of Education Retirement Plan
3. Nashville City Teachers Retirement Plan
4. Former Davidson County Pension System
5. Former City of Nashville Pension System

Current Funded Status

The FOLLOWING table provides a description of the status of the funding of the Metropolitan Government's Closed Plans. This information was previously presented on an actuarial basis. As a result of GASB Statement No. 68, this table is now and will in the future be presented on the basis of the plan's net position and net pension liability.

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THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
CLOSED PENSION PLANS
SCHEDULE FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2020
(Amounts in Thousands)

Teachers and Employees	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
Metro Teachers	\$228,799	\$117,451	\$111,348	51.33%
County Teachers	25,504	1,177	24,326	4.62
City Teachers	12,116	963	11,153	7.95
City Employees	24,671	-	24,671	0.00
County Employees	5,301	-	5,301	0.00

Source: The Metropolitan Government of Nashville and Davidson County.

Historical Contributions

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
CONTRIBUTIONS
METRO CLOSED PLANS
(For the Fiscal Years Ended June 30, 2011 through June 30, 2020)

Fiscal Year Ending June 30	Metro Contributions	State Contributions
2020	\$33,570,400	\$13,341,332
2019	33,577,399	14,096,974
2018	33,486,419	14,782,460
2017	33,490,352	15,484,346
2016	33,493,456	16,200,749
2015	33,524,016	16,902,423
2014	33,512,358	17,593,670
2013	33,521,052	18,130,962
2012	33,520,844	18,769,087
2011	33,529,553	19,333,186

Source: The Metropolitan Government of Nashville and Davidson County.

Additional statistical information for the Closed Plans can be found in the Metropolitan Government's Annual Comprehensive Financial Report, a link to which is included in the Official Statement attached thereto as **APPENDIX B**.

Other Post-Employment Benefits

The Metropolitan Government currently provides various other post-employment benefits (“OPEB”) other than pensions, with healthcare representing the most significant portion of the OPEB cost. For any retiree in the Metro, City or County Plan who elects to participate in the Metro Medical Benefit Plan, the Metropolitan Government contributes 75% of all premium payments, and the retiree contributes 25%. For employees hired July 1, 2013, or later, the Metropolitan Government contribution is based on years of service and ranges from 25% for a retiree with less than 15 years of service to 75% for a retiree with 20 or more years of service. On July 1, 2014, the Metropolitan Government implemented a Medicare Part D or Employer Group Waiver Plan for eligible retirees that are expected to reduce OPEB liability. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. The Metropolitan Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. During the Fiscal Year ended June 30, 2020, contributions totaled \$58,940,981.

For any retiree in the Metro, City or County Education Plans who elects to participate in the medical and dental insurance plans of the Metropolitan Nashville Public Schools; Schools contribute 75% of all premium payments with the retiree contributing the remaining 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid. During the year ended June 30, 2020, contributions totaled \$20,687,829.

The Metropolitan Government adopted GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions, in Fiscal Year 2018. This Statement addresses how governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits; it does not require that the liability be funded. No assets are set aside in a trust to fund the OPEB liability.

For Fiscal Year ended June 30, 2020, amounts related to OPEB were (all amounts in thousands):

	Metro Plan	School Plan
Total OPEB Liability	\$3,064,107	\$1,196,938
Covered Payroll	563,220	314,458
Total OPEB Liability as a % of Covered Payroll	540.20%	380.64%

The key assumptions used in developing these amounts include:

- Current level of benefits provided;
- June 30, 2020, valuation and measurement date;
- Discount Rate: 2.66%;
- Administrative fees: 5.00% per annum; and
- Healthcare cost trend rate: 7.5% graded down to 6.75% for medical expenses and prescription drugs, 4% each year for dental and vision expenses.

RATE SETTING PROCESS

The Charter provides that the Metropolitan Mayor and the Metropolitan Council have the authority and are directed to establish the rates for water and sewerage services and to provide methods of changes in such rates. Acting in accordance with this authority, the Metropolitan Council adopted Ordinance BL 2019-045, which beginning January 1, 2020, implemented a five-year plan of increases for both water and wastewater rates. Water and sewer rates were restructured in accordance with a cost of services study, completed in Fall of 2019. In addition to the restructuring, rates were increased, equivalent to 26.4%, to meet planned capital needs. Water and sewer rate increases were 4% for calendar year 2021; and 3% for the calendar years 2022, 2023, and 2024. Beginning in calendar year 2025, annual rate increases based on the Consumer Price Index for all Urban Consumers will occur in perpetuity. The Ordinance requires cost of services studies to be completed at least every seven years to review and realign rates with Capital and Operating requirements.

The Metropolitan Council also adopted Ordinance BL 2010-790 on December 7, 2010, imposing a 10% sewer surcharge in lieu of the surcharge which had previously been imposed to secure the payment of the TLDA Loans. Therefore, the sewer surcharge had not been included as part of Revenues, and such funds were not available to pay System operating expenses or System debt service (other than the TLDA Loans). Ordinance BL2019-045 renames the 10% Sewer Surcharge the Sewer Infrastructure Replacement fee and adds a 10% charge on water rates called the Water Infrastructure Replacement Fee. Revenue from the surcharges is available for payment of System operating expenses and debt service. In addition to rate adjustments, Ordinance BL2019-045 increased water capacity fees by 450% and sewer capacity fees by 207%.

Any change in the water and sewerage service rates established under the above ordinances must be adopted by the Metropolitan Council through approval of an ordinance. As stated in Section 3.05 of the Charter: “No ordinance shall become effective unless it shall have passed by a majority vote on three (3) different days, on the final passage of which it shall have received a majority vote of all the members to which the council is entitled and until it shall have been signed by the Metropolitan County Mayor or become a law without his signature....”

An ordinance will become law without the signature of the Metropolitan Mayor if the Metropolitan Mayor fails to approve or disapprove the ordinance and does not return it to the Metropolitan Council at or prior to the next regular meeting of the Metropolitan Council occurring ten days or more after the ordinance is delivered to the Metropolitan Mayor. If the Metropolitan Mayor vetoes the ordinance, it will become law if subsequently adopted by a two-thirds vote of all the members of the Metropolitan Council to which it is entitled.

Under the Charter, the Metropolitan Mayor is obligated to submit an operating budget to the Metropolitan Council no later than May 1st of each year. Before the beginning of each Fiscal Year, and in no event later than June 30th, the Metropolitan Council is obligated to adopt a budget, which must provide for all expenditures required by law or the Charter and for the payment of all debt service requirements for the ensuing fiscal year and a tax rate to fully fund the budget. If the Metropolitan Council fails to adopt a budget, the budget submitted by the Metropolitan Mayor becomes law and the Metropolitan Council must adopt a tax rate to fund that budget.

Monthly service charges for water and sewerage services are generally based, in each case, upon a rate schedule consisting of a minimum charge and a quantity charge. The minimum charges vary according to meter size and account class, i.e. residential, nonresidential/commercial. The quantity charge is dependent on account class.

Monthly rates for water sold are based on meter measurement. Monthly sewerage service charges for the use of the public sanitary sewerage system are set by water consumption as determined by meter measurement. Minimum charges per month are based on size of meter and customer class.

Water revenues from the Department’s customers include a fixed minimum charge per customer connection and a quantity charge per 100 cubic feet (cf) based upon the meter size and number of connections, and a 10% Water Infrastructure Replacement fee. The quantity charge is applied to all consumption in excess of 200 cf per month. The rates listed below were in effect as of January 1, 2021.

The following table illustrates the Class Determination and each’s anticipated and historical usage:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
WATER AND SEWERAGE RATE SCHEDULE BY CUSTOMER CLASS**

CLASS	ANTICIPATED/HISTORICAL USAGE
Residential	Up to Two Housing Units on a Common Meter
Non-Residential	All Others

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

The following tables illustrate (i) the Water and Sewer System charges and rates, along with (ii) the volumetric rates, as of January 1, 2021:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
WATER AND SEWER CHARGES AND RATES
Minimum Charges per Month (Including 200 Cubic Feet Usage)
(As of January 1, 2021)**

METER SIZE	WATER	SEWER
5/8 inches	\$ 5.30	\$ 8.46
3/4 inches	12.61	37.44
1 inch	15.89	48.44
1 1/2 inches	27.92	94.30
2 inches	39.42	132.48
3 inches	63.01	164.93
4 inches	143.23	467.97
6 inches	178.81	557.89
8 and 10 inches	232.67	714.36

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
VOLUMETRIC RATES ⁽¹⁾
Minimum Charges per Month (Including 200 Cubic Feet Usage)
(As of January 1, 2021)

RESIDENTIAL	WATER	SEWER
0-2 CCF	0	-
2-6 CCF	3.64	6.08
6-10 CCF	4.37	6.08
>11 CCF	5.46	6.08
NON-RESIDENTIAL	WATER	SEWER
0-2 CCF	0	0
>2 CCF	2.86	6.08

⁽¹⁾ The volumetric rates include a 10% Water Fee and a 10% Sewer Infrastructure Fee.

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

Billing and Collection Procedures

With certain limited exceptions, the Department is required to charge for all water and sewerage services provided by it and consumed by, or, in the case of sewerage services, made available to each customer. Charges for water and sewerage services are generally based on metered measurement of water consumption. The Department reads meters and renders bills to customers monthly. The charges for water and sewerage services are included in a single, combined bill in terms of a “net billing,” which is the charge calculated at established rates, and a “gross billing,” which is the current net billing increased by 5% or by \$2.50, whichever is greater. This addition to the net billing is a form of penalty for the customer’s failure to promptly pay the monthly bill for services. The gross billing amount becomes applicable 20 days after the billing is mailed to the customer. If a customer fails to pay a bill, a delinquency notice is included in the subsequent month’s bill. If the customer fails to pay the bill for a second time, the customer is notified of potential disconnect by letter and/or phone call advising that service will be discontinued if payment is not received in five days. If the customer does not pay the delinquent account within five days following the notice, the account is subject to immediate discontinuation of water and sewer service. To have service restored the customer must then pay the total delinquent amount plus a reconnection fee. If the Department is unable to collect the amount owed, the account is then turned over to a commercial collection agency.

These billing and collection procedures have resulted in the collection of approximately 99.63% of all amounts billed during the past five Fiscal Years.

The Department has approximately 215,000 meters across Davidson County, Tennessee. Of those, more than 98,000 are AMI (“Advanced Meter Infrastructure”), meaning readings and other vital data can be sent and received remotely through the cellular network. Beginning in 2018, the Department replaced about 12,000 meters with this technology and will continue annually until the entire system is upgraded. Currently, the AMI system uses nine antennae to receive data; this system will be expanded as the network needs grow. Customer service has experienced a less than 1% failure rate with data reception from AMI meters.

Wholesale Customers

The Department provides sewage treatment services for the Cities of Brentwood, Goodlettsville, Millersville, Belle Meade, Lavergne, Ridgetop, Mount Juliet, Hendersonville Utility District, and White House Utility District (the “Wholesale Sewer Customers”), pursuant to contracts between the Department and each of the Wholesale Sewer Customers. Revenues from Wholesale Sewer Customers represented 6.6% (or \$17.2 million) of revenue received in Fiscal Year 2020. Wholesale contracts have been updated to include annual escalation based on the consumer price index. Under the wholesale contracts, the Department is obligated to treat sewage (subject to volume limitations) from the Wholesale Sewer Customers, and the Wholesale Sewer Customers are required to pay a volumetric rate for sewage delivered to the Department. Capital costs incurred by the Department to maintain capacity for the Wholesale Sewer Customers are recoverable under the contracts. None of the Wholesale Sewer Customers has ready access to other sewage treatment facilities. A cost of services study was conducted in Fiscal Year 2018 and rates were increased in October 2019 by 6% accordingly. Wholesale Sewer Customer flows were approximately 12.88% of total treated flows for Fiscal Year 2020.

The following table illustrates a summary of the effective dates and terms of the wholesale contracts:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
WHOLESALE CUSTOMERS’ CONTRACTS**

WHOLESALE CUSTOMERS	EFFECTIVE DATE	AMENDMENT DATE	TERM OF CONTRACT
City of Belle Meade	October 1, 2014	N/A	10 years
City of LaVergne	December 1, 2009	October 1, 2014	10 years
City of Millersville	February 16, 2010	October 1, 2014	10 years
City of Brentwood	November 19, 2009	October 1, 2014	10 years
City of Goodlettsville	September 27, 2010	October 1, 2014	10 years
Hendersonville Utility District	October 20, 2011	May 6, 2015	20 years
City of Ridgetop	May 6, 2015	N/A	9 years
City of Mount Juliet	June 22, 1999	N/A	30 years
White House Utility District	May 6, 2015	N/A	9 Years

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

Operations and Maintenance

The Department has implemented operation and maintenance procedures with respect to the System and has undertaken several programs to upgrade performance, including a water quality testing program. Water quality within the water treatment facilities is tested on site on an hourly basis. Additional testing is conducted at a central laboratory maintained by the Department and certified by the State of Tennessee. Water discharged from the plants into the distribution system is monitored in accordance with the Federal Safe Drinking Water Act. Water discharged from the three wastewater

treatment plants is tested to ensure compliance with the National Pollutant Discharge Elimination System as administered by the United States Environmental Protection Agency and Tennessee to the Tennessee Department of Environment and Conservation.

The Department takes every precaution to ensure that the water delivered to each customer is of the highest quality possible and meets all Federal and State drinking water standards. Drinking water does not contain lead when it leaves the treatment plants but tap water can accumulate trace amounts of lead through the corrosion of plumbing materials containing lead. The Department has had an intense corrosion control program since 1992 to prevent the possibility of lead leaching into the water. Following EPA and State guidelines, the Department regularly monitors drinking water in the distribution system for lead to determine the effectiveness of our corrosion control program. The Department replaces its portion of lead service lines prior to public works paving projects, during water main replacement projects, and when a lead service line is leaking, and repair would be required.

The Department performs regular maintenance and repair of equipment with outside contractors performing major repairs. To facilitate maintenance and repairs, the Department has established several inspection programs for the different areas of operation. Inspection programs include pumping station inspection, cross-connection protection testing, smoke testing for collection system integrity, water leak detection, fire hydrant testing and valve testing programs. Vans are equipped with closed circuit television cameras that can be maneuvered through the sewer mains to inspect the Sewer system.

Comprehensive training programs have been developed for employees, from unskilled to supervisory and management positions, covering many aspects of the operation and maintenance of the System. Although participation in the programs is not mandatory, employees who wish to be promoted to a higher job classification must demonstrate that they have the knowledge and skills that such programs provide.

ENVIRONMENTAL REGULATION

The Federal Water Pollution Control Act of 1972 (“FWPCA”), as amended by the Clean Water Act of 1977, and the Water Quality Act of 1987 (collectively, the “CWA”), provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation’s waters. To achieve that end, the FWPCA established the National Pollution Discharge Elimination System (“NPDES”), a permit system administered by the United States Environmental Protection Agency (“EPA”) in conjunction with the states. The EPA has delegated the NPDES program for Tennessee to the Tennessee Department of Environment and Conservation (“TDEC”). The Tennessee General Assembly enacted the Tennessee Water Quality Control Act of 1977 to obtain the primary objectives of the CWA and to qualify for full participation in the NPDES program established under Section 402 of the FWPCA. Pursuant to the authority granted to it, the Tennessee Water Quality Control Board has enacted regulations consistent with the CWA.

In 1990, TDEC issued Order 88-3364 (the “1990 Order”) as a result of violations by the Metropolitan Government of the Tennessee CWA from January 1987 through June 1989. The 1990 Order was, among other things, a result of the discharge of improperly treated wastewater into the waterways by the Metropolitan Government’s collection system and various wastewater treatment plants, leading to pollution in violation of the CWA. The 1990 Order also stated that the Metropolitan Government’s failure to comply with certain agreed upon orders entered by the Tennessee Water Quality Control Board in 1985 and 1987 was also a basis for the 1990 Order.

The 1990 Order identified specific problems regarding the Metropolitan Government’s collection system and wastewater treatment and required the Metropolitan Government to correct them. In

response, the Department developed a detailed program, referred to as the “Overflow Abatement Program” (“OAP”), for making system improvements to correct the problems identified in the 1990 Order. This program was approved by the TDEC. Although the Department substantially complied with the 1990 Order, it was not in full compliance with the CWA as of 1999.

On September 17, 1999, the TDEC issued Order 99-0390 (the “1999 Order”) replacing the 1990 Order and citing the Metropolitan Government in violation of state law. Effective July 1, 2001, the Metropolitan Government was to immediately not permit or allow any overflows of bypasses from its combined Sewer system (wastewater and storm water) during dry weather to any waters of the State of Tennessee, nor was it to allow any discharge from the sanitary sewerage system to any tributary of the Cumberland River. The current flow limits that the tie-in points from all contributing satellite sewage systems were to be maintained.

The Metropolitan Government has substantially addressed the issues raised in the 1999 Order and continues to make capital improvements to its Sewer System in response thereto. TDEC has not assessed monetary penalties against the Metropolitan Government for failing to meet a schedule compliance date, and the Metropolitan Government is currently in compliance with the requirement of the 1999 Order.

Environmental Protection Agency Consent Decree

In December 2005, the Department received an inquiry from the United States Environmental Protection Agency’s Region IV (“USEPA”) headquarters. This inquiry requested certain documents and records pertaining to the Department’s operations, capital plan, and stormwater management. The Department’s response was submitted in January 2006. The Department, TDEC, and USEPA agreed on a recommended consent decree to address and correct deficiencies within the Department’s Sewer system that have caused violations of the CWA (the “Consent Decree”). The Consent Decree originally required that the Metropolitan Government fully develop, by March 12, 2011, a Corrective Action Plan/Engineering Report (CAP/ER) for its sanitary sewer system and a Long-Term Control Plan (“LTCP”) for its combined Sewer system to achieve the goals of the CWA. Upon submittal and approval of the plans, the Metropolitan Government was originally obligated to complete the work as developed by the plans in nine years.

On May 14, 2010, the Metropolitan Government petitioned the USEPA and TDEC for a 6-month time extension for the delivery of both plans and the two years for the final compliance with the Consent Decree due to the flood of May 2010. The USEPA and TDEC granted the requested time extension to the Department. Both the CAP/ER and LTCP were submitted on time based on the time extension to EPA and TDEC in September of 2011. On August 10, 2017, the EPA approved the CAP/ER and the timeline (11 years) to complete the work, which has now officially commenced. After extensive negotiation, EPA issued a partial conditional approval of the LTCP in December 2020, which requires the Department to submit a revised LTCP within four years and allows 11 years from the date of the letter to complete the work.

Among other requirements, the Consent Decree will require capital expenditures to the System in a total amount of approximately \$1.65 billion. See “THE WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN” herein. Failure to comply with the Consent Decree and meet future established deadlines could result in penalties up to \$3,000 per incident, and up to \$5,000 per day for failure to implement work in a timely manner. The Department has spent just over \$470 million dollars on program projects through June of 2021.

The Department has thus far been successful in meeting all the deadlines established by the Consent Decree and is currently in compliance with the Decree in all respects.

Payments in Lieu of Taxes, the Local Cost Allocation Plan, and Shared Government Services

Tennessee law, Tennessee Code Annotated §§ 7-34-115(a)(9), provides that a municipality may require a municipally owned utility to make payments in lieu of ad valorem property taxes, for which the utility is exempt as a governmental entity, in an amount not to exceed the taxes payable on privately owned property of a similar nature. This payment is intended to help reimburse the municipality for the municipal services and support provided to the public works. In 1996, the Metropolitan Council adopted Substitute Resolution Number R96-177, which requires the Department to make an annual payment to the Metropolitan Government of \$4,000,000. In 2020, the Metropolitan Council adopted Resolution Number R20-154, requiring the Department to make an annual payment to the Metropolitan Government of \$10,000,000. The total \$14,000,000 represents a payment in lieu of ad valorem taxes. This payment, made in monthly installments, is made after payments of debt service on the Metropolitan Government's water revenue bonds.

The Local Cost Allocation Plan (LOCAP) for the Metropolitan Government is a method by which central service costs are distributed across the various departments of the Metropolitan Government. In Fiscal Year 2020 and Fiscal Year 2021, the Department was charged \$6,292,700 and \$6,510,300 respectively. In Fiscal Year 2022 this plan will cost the Department \$7,379,800. The Metropolitan Government charges the Department for additional Shared Government Services such as Fleet Management, Information Systems, Legal Fees, Insurance, and Property Services. These additional charges totaled \$6,663,700 in Fiscal Year 2020, \$7,907,300 in Fiscal Year 2021, and budgeted for \$8,712,100 in Fiscal Year 2022.

Payments in Lieu of Taxes, the Local Cost Allocation Plan payments, as well as all Shared Services charges have been included in the historical and forecasted Expenses of the Department in the Forecast Statement.

THE WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN

The Water System

The Metropolitan Government's Water System dates back to the late 1800's. Over sixty five percent (65%) of the Water System is at least forty (40) years old. More than 150 miles of water main are over eighty (80) years old. The Water Infrastructure Rehabilitation ("WIR") program provides for the rehabilitation and/or replacement of old water distribution infrastructure. The 12th Ave South project is a multi-phased construction project that will replace 52,720 linear feet of water mains at a cost of \$21 million. The Castleman Drive water main replacement project, currently underway, will replace 8,400 feet of unlined, cast-iron pipe with new 8 and 12 inch main at a cost of \$ 2.7 million. Other WIR projects, similar in scope and size, including phased projects in the Sylvan Park, East Nashville, Jefferson South, Albion / DB Todd, Centennial and Charles E. Davis amongst other areas, will account for \$180 million over the next six years.

Water System Capital Improvement Plan

In addition to projects identified in the WIR program, the Department maintains the Master Water Improvement Plan, which sets out projected water needs based on population forecasting and hydraulic modeling (the "Water Plan"). The Water Plan was last updated in 2016 and the next revision will be completed in early 2022. To prepare for anticipated growth across the service area, the Water Plan has identified several projects, totaling over \$65 million in the next six years to provide both capacity and redundancy in the overall system. In 2019, the Department completed the Cumberland/City Low project,

installing 24,000 feet of 36-inch to 60-inch water mains, at a cost of \$32.9 million, to support distribution of water in the event that one of the water treatment plants goes offline.

Future identified projects intended to add redundancy to the System include installation of a redundant 24-inch water main for the Airport Pressure zone; installation of redundant 60-inch water main from the Omohundro Water Treatment Plant, a redundant 60-inch water main from the KRH Water Treatment Plant to the approximate midpoint of the Cumberland/City Low water main project. Currently underway and partially funded through SRF Loans, is the 8th Ave Reservoir Tank in Tank project which will update the historic structure (Est 1890's) structure with a new 14M gallon steel tank. Future identified projects intended to add capacity to the System include installation of 6,000 feet of new 24-inch water main in Brick Church Lane to Belle Arbor; installation of 3,000 feet of new 16-inch main in Ashland City Highway; installation of 11,000 linear feet of a 24-inch water main along Central Pike; installation of 4,000 feet of a 12-inch water main in Clarksville Pike; installation of 4,000 feet of a 12-inch water main in Brick Church Lane to Knight Road; and the optimization of two reservoirs to meet current hydraulic patterns.

Finally, improvements at the water plants are also critical to meeting the needs of the service area. A new raw water pump station and additional clearwell capacity, increasing rated capacity from 90 million gallons per day to 120–150 million gallons per day, and finished water pump station improvements at the Omohundro Water Treatment Plant have been identified as needed improvements. The Department recently completed an 18-month pilot study to identify the best technologies for both current and potential future regulations based on the Cumberland River source water. As a result, post filter granular activated carbon is the selected process that will position the Department to best meet current and future regulations for the growing service area. Combined into one large multifaceted, multi-phased project, “Water Treatment Plant Process Advancements,” work at both the Omohundro and KR Harrington Water Plants is anticipated to cost just under \$642 million over the next six years. The project has just been initiated with an Engineer Design Team. The Department has been invited to apply for a Water Infrastructure Finance and Innovation Act (WIFIA) loan for a portion of this funding and that process is underway.

Sewer System Capital Improvement Plan

In September of 2011, the CAP/ER and the LTCP studies were submitted to EPA and TDEC. A schedule was developed to pursue those projects to meet the compliance date of the Consent Decree, which is eleven years following the approval of the plan. While waiting for approval of these plans, Water Services implemented numerous projects related to the CAP/ER taking advantage of the additional time for completion. EPA approved the CAP/ER in August 2017, setting a deadline for compliance of August 2028. The LTCP received a partial conditional approval in December 2020, with a compliance deadline of December 2031.

Sewer System rehabilitation continues for the elimination of inflow and infiltration from the separated sanitary sewer system. Rehabilitation projects identified in the CAP/ER recently completed include Smith Springs Area 2, \$4.7 million; Cowan Area 4/5, \$6.0 million; Shelby Area 5, \$5.0 million; Loves Branch, \$4.5 million; Hidden Acres, \$1.3 million and Vandiver, \$3.9 million. Design for sewer rehabilitation has been completed on Smith Springs Area 3 Rehab, Shelby Park Area 6 – Trunk Line Rehab, Seven Mile Creek Area 1, Shepherd Hills, and Dry Creek. These projects are awaiting bidding. Design for sewer rehabilitation is underway for 28th Avenue Area 2, Cleeces Ferry Area 1 and Lakewood Area 2.

Equalization Projects (“EQ Projects”) are included in the CAP/ER to temporarily store excess flow during heavy rainfall events, before returning the stored flow to the collection system for treatment. Construction has been completed on the West Park EQ Project at \$15 million, and on the Ewing Creek EQ Project at \$9.4 million. Construction is underway for the Davidson Branch Pump Station and EQ Project at \$29.8 million, and for the Gibson Creek EQ Project at \$19 million. Design has initiated for the Mill Creek Trunk and EQ Project, estimated to cost \$200 million, making it the second largest project under the Consent Decree Program. A construction manager at risk (“CMAR”) has also been selected for the Mill Creek project.

The largest project under the Consent Decree Program is the Central Wastewater Treatment Capacity Improvements and CSO Reduction project which will both reduce CSOs and make necessary process improvements. At a cost of approximately \$400 million, this construction project includes increasing capacity for the Central Pumping Station, increasing treatment capacity for peak flows by forty percent (40%), upgrading the aeration system, and replacing chlorine disinfection with ultraviolet light. The Central project is under construction utilizing a CMAR for project delivery and is scheduled for completion in December 2023.

The following table illustrates the proposed spending for capital improvements by the Department during the Fiscal Years ending June 30, 2021, through June 30, 2025. Capital projects in the forecast period will be funded from the revenues of the Department, proceeds from Commercial Paper, issuance of new revenue bonds, or a combination of these. The plan as shown assumes additional funding will be available from an increase in water and sewer rates, thus increasing the amount of operating revenues available to the Department and/or issuance of new revenue bonds, with the resultant change to debt service requirements.

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THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
WATER AND SEWER CAPITAL IMPROVEMENT PLAN
(For Fiscal Year 2021 through Fiscal Year 2025)

	2021	2022	2023	2024	2025	TOTAL
CONSENT DECREE PROGRAM:						
Program Management and Water Quality	\$ 11,900,000	\$16,200,000	\$ 17,100,000	\$ 18,600,000	\$ 14,800,000	\$ 78,600,000
Combined Sewer Improvements	41,000,000	60,000,000	100,000,000	85,000,000	90,000,000	376,000,000
Sanitary Sewer Rehabilitation	262,000,000	3,500,000	12,000,000	36,000,000	16,000,000	329,500,000
Total Consent Decree Program	\$314,900,000	\$79,700,000	\$129,100,000	\$139,600,000	\$120,800,000	\$784,100,000
OTHER:						
Water Distribution System Improvements	\$ 32,027,016	\$ 55,229,352	\$ 50,201,826	\$ 66,878,720	\$ 71,207,906	\$ 275,544,819
Water Pump Station Improvements	2,337,000	2,155,000	2,456,000	3,076,000	2,292,000	12,316,000
Water Plant Improvements	30,451,763	50,446,813	150,000,000	60,000,000	50,000,000	340,898,576
Water Reservoir Improvements	2,700,000	16,650,000	3,100,000	9,450,000	2,950,000	34,850,000
Development Assistance	16,011,003	15,137,775	13,748,178	17,501,000	16,928,280	79,326,855
Customer Services/Information Services	6,675,000	20,925,000	5,825,000	8,125,000	5,925,000	47,475,000
Vehicles and Equipment	3,715,000	4,600,000	4,500,000	4,500,000	3,500,000	20,815,000
Wastewater Collection System Improvements	3,715,619	4,699,803	7,223,987	3,921,706	3,299,910	22,861,025
Wastewater Plant Improvements	57,374,600	48,666,257	28,863,395	27,838,755	24,133,224	186,876,230
Wastewater Pump Station Improvements	1,558,000	1,470,000	1,804,000	2,384,000	1,528,000	8,744,000
Other	4,030,000	3,800,000	3,800,000	3,650,000	3,570,000	18,850,000
Total Other Capital Projects	\$160,595,000	\$223,780,000	\$271,522,385	\$207,325,801	\$185,334,319	\$1,048,557,505
TOTAL	\$475,495,000	\$303,480,000	\$400,622,385	\$346,925,801	\$306,134,319	\$1,832,657,505
SOURCES OF FUNDS:						
Extension and Replacement Fund	\$ 90,000,000	\$ 90,000,000	\$120,000,000	\$120,000,000	\$150,000,000	\$ 570,000,000
Proceeds from Long-Term Debt	-	-	130,000,000	-	-	130,000,000
Commercial Paper Program	214,000,000	228,000,000	233,000,000	170,000,000	165,000,000	1,010,000,000
Other Short-Term Financing	2,205,000	15,433,000	8,819,000	8,819,000	8,817,000	44,093,000
Water Impact Fees	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
Sewer Impact Fees	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	50,000,000
TOTAL	\$321,205,000	\$348,433,000	\$506,819,000	\$313,819,000	\$338,817,000	\$1,829,093,000

Source: The Metropolitan Government of Nashville and Davidson County, Department of Water and Sewerage Services.

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APPENDIX D

**FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE
METROPOLITAN GOVERNMENT**

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**FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE
METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



In addition to providing audited financial information as of and for the Fiscal Year ended June 30, 2020, The Metropolitan Government of Nashville and Davidson County (the “Metropolitan Government”) intends that this **APPENDIX D** will be used, together with information to be specifically provided by the Metropolitan Government for that purpose, in connection with the offering and issuance by the Metropolitan Government of its Series 2021 Bonds. Except as otherwise described in the Official Statement under the heading “CONTINUING DISCLOSURE”, the Metropolitan Government undertakes no obligation to update the information contained within this **APPENDIX D**.

The Metropolitan Government has prepared a annual comprehensive financial report containing additional financial statements for the Fiscal Year ended June 30, 2020, in addition to other information for the periods covered by this **APPENDIX D**.

For questions regarding information within this **APPENDIX D**, please contact:

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Although the financial and demographic information provided below has been collected from sources that the Metropolitan Government considers to be reliable, the Metropolitan Government has made no independent verification of the information provided by non-Metropolitan Government sources, and the Metropolitan Government takes no responsibility for the completeness or accuracy thereof. The information below is provided as general background and the information is generally in relation to dates and periods prior to the economic impact of the Coronavirus Disease 2019 (“COVID-19”) pandemic and the ongoing resulting measures instituted to mitigate it. A material deterioration in domestic or global economic conditions, including the ongoing COVID-19 pandemic, is having a significant negative effect on the economy of the Metropolitan Government, the State of Tennessee, and the United States of America.

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INTRODUCTION

The Metropolitan Government of Nashville and Davidson County

The Metropolitan Government of Nashville and Davidson County (“the Metropolitan Government”), as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east. Nashville is a center for the music, healthcare, publishing, private prison, banking and transportation industries, and is home to numerous colleges and universities. Largely due to its association with the music industry, the Metropolitan Government has a vibrant tourism industry. The Metropolitan Government sits at the center of a 13-county metropolitan statistical area with a population of approximately 1.9 million, located at the intersections of Interstates 24, 40 and 65.

On June 28, 1962, the voters of the City of Nashville and Davidson County approved the Charter of the Metropolitan Government (the “Charter”). On April 1, 1963, the governments of the City of Nashville and of Davidson County were consolidated to form “The Metropolitan Government of Nashville and Davidson County”, under which the boundaries of Nashville and Davidson County are co-extensive.

The executive and administrative powers are vested in the Metropolitan Mayor (the “Mayor”), who is elected at large for a four-year term. The Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions created by the Charter or by ordinance enacted pursuant to the Charter unless otherwise excepted. A two-thirds vote of the Metropolitan County Council of the Metropolitan Government (the “Metropolitan Council”) is required to override the Mayor’s veto. The Charter also provides for a Vice Mayor, who is elected at large for a four-year term and is the presiding officer of the Metropolitan Council. The Metropolitan Council is the legislative body of the Metropolitan Government and is composed of 40 members who are elected for four-year terms: 35 are elected from council districts and five are elected at large.

The Charter provides a framework for the Metropolitan Government in Nashville to serve the needs of two service districts: (i) the General Services District (“GSD”) and (ii) the Urban Services District (“USD”). The GSD embraces the entire area of Davidson County and is taxed to support those services, functions and debt obligations, which are deemed properly chargeable to the whole population. Such services include general administration, police, fire protection, courts, jails, health, welfare, hospitals, streets and roads, traffic, schools, parks and recreation, auditoriums, public housing, urban renewal, planning and public libraries. The original USD conformed to the corporate limits of the City of Nashville as they existed on April 1, 1963, the date of consolidation. The residents of the USD are charged an additional tax to support those services, functions and debt obligations, which benefit only the USD. Such services include additional police and fire protection, storm sewers, street lighting and refuse collection. The Charter provides: “The area of the USD may be expanded and its territorial limits extended by annexation whenever particular areas of the GSD come to need urban services, and the Metropolitan Government becomes able to provide such services within a reasonable period which shall be not greater than one year after ad valorem taxes in the annexed area become due.” Since April 1, 1963, the area of the USD has been expanded from 72 square miles to 184 square miles.

As a consolidated government, the Metropolitan Government is responsible for providing all of the services typically provided by cities, counties and school districts. The Metropolitan Government’s school system is the second largest school system in Tennessee. The Metropolitan Government provides tax-supported funding for school capital and operating expenses. School system operations are managed by the Metropolitan Board of Education (“MBE”), consisting of nine publicly-elected members.

The Metropolitan Government provides water and wastewater services throughout the Metropolitan Government. Capital and operating costs of water and wastewater services are funded exclusively through revenues generated from water and wastewater rates, fees and charges. Likewise, the Metropolitan Government funds the capital and operating costs of its electric system exclusively through revenues generated from electric rates, fees and charges. Because these utility systems are not tax-supported enterprises, information regarding these utility systems is not included herein.

Fiscal Year

The Metropolitan Government operates on a fiscal year, which commences July 1 and ends June 30.

Accounting

Pursuant to the Charter, independent auditors annually audit the financial statements of the Metropolitan Government. The Basic Financial Statements and other financial information, which are presented in the Annual Comprehensive Financial Report, are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and with those standards and procedures recommended by the State Comptroller of the Treasury. Copies of the Annual Comprehensive Financial Reports are available on the Metropolitan Government's website at: <https://filetransfer.nashville.gov/portals/0/sitecontent/Finance/docs/CAFR/CAFR%202020.pdf>.

The Metropolitan Government reports the following major governmental funds:

- **General Fund** – the Metropolitan Government's primary operating fund which is used to account for all financial resources of the general operations of the Metropolitan Government, except those required to be accounted for in another fund.
- **General Purpose School Fund** – used to account for the receipt and disbursement of federal, state and local funds for education purposes, except those required to be accounted for in another fund.
- **Education Services Fund** – used to account for a variety of programs supporting education activities including various state and federal grant programs, funds reserved for unemployment claims of the Metropolitan Nashville Public School employees, food service operations of the school system, costs associated with charter schools, and fundraising activities of individuals schools.
- **General Services District General Purposes Debt Service Fund** – used to account for the accumulation of resources and the payment of principal and interest for the GSD general obligation debt.
- **General Services District School Purposes Debt Service Fund** – used to account for the accumulation of resources and the payment of principal and interest for the debt related to schools.
- **Urban Services District General Purposes Debt Service Fund** – used to account for the accumulation of resources and the payment of principal and interest for the USD general obligation debt.
- **General Services District Capital Projects Fund** – used to account for the use of bond proceeds for the construction and equipping of various public projects in the GSD.

- **Education Capital Projects Fund** – used to account for the use of bond proceeds for the construction and equipping of various school facilities.
- **Urban Services District Capital Projects Fund** – used to account for the use of bond proceeds for the construction and equipping of various public projects in the USD.

The Metropolitan Government reports the following major enterprise funds:

- **Department of Water and Sewerage Services** – provides services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.
- **District Energy System** – provides heating and cooling services to the Metropolitan Government and downtown businesses. The District Energy System is managed by a third party and is self-supporting by utilizing a rate structure designed to fund debt service requirements, pay for operating expenses and generate adequate working capital.
- **Stormwater Operations** – under the administrative responsibility of the Department of Water and Sewerage Services and accounts for activities surrounding the maintenance of the Metropolitan Government’s stormwater drainage system. Revenues are derived from a stormwater fee assessed on users of the system.

Additionally, the Metropolitan Government reports the following fund types:

- **Internal Service Funds** – used to account for the operations of self-sustaining agencies rendering services to other agencies of the Metropolitan Government on a cost reimbursement basis. These services included fleet management, information systems, insurance, treasury management and printing.
- **Pension (and other employee benefit) Trust Funds** – used to account for assets and liabilities held by the Metropolitan Government in a fiduciary capacity to provide retirement and disability benefits for employees and retirees.
- **Agency Funds** – used to account for assets held by elected officials as agents for individuals, collections by the Metropolitan Government due to the purchasers of certain outstanding property tax receivables, funds held by the Sheriff’s Department for inmates, and funds held by the Planning Commission for performance bonds for contractors.

Operating Budgeting Process

The Charter requires the Director of Finance to obtain information necessary to compile the annual operating budget of the Metropolitan Government from all officers, departments, boards, commissions and other agencies for which appropriations are made by the Metropolitan Government or which collect revenues for the Metropolitan Government.

The Mayor reviews the operating budget submitted by the Director of Finance and may make such revisions in the budget deemed necessary or desirable before it is submitted to the Metropolitan Council for consideration no later than May 1st. In no event can the total appropriations from any fund exceed the total anticipated revenues plus the estimated unappropriated fund balance and applicable reserves. After the Metropolitan Council has passed the budget ordinance on first reading, it will hold

public hearings. After the conclusion of the public hearings, the Metropolitan Council may amend the operating budget prepared by the Mayor. The budget as finally amended and adopted, however, must provide for all expenditures required by law or by provisions of the Charter and for all debt service requirements for the ensuing fiscal year as certified by the Director of Finance. If the Metropolitan Council fails to adopt a budget by July 1st, the budget submitted by the Mayor is deemed to be the adopted budget.

The Charter requires that following the adoption of the Metropolitan Government's annual operating budget, an annual tax is to be levied on all taxable property within the GSD and an additional annual tax on all taxable property within the USD. These annual taxes must be at rates sufficient to finance the GSD and USD budgets adopted for their respective service districts.

Historical Summary of Major Fund Results

The tables on the following three pages provide a five-year history of revenues, expenditures and changes in fund balances for the Metropolitan Government's General Fund, Special Revenue Funds and Debt Service Funds, which are the primary tax-supported operating funds of the Metropolitan Government. The Special Revenue Funds table includes the General Purpose School Fund and various other funds with specific revenues that are to be utilized in carrying out the requirements of statutes, ordinances, grants or other governing regulations. The Debt Service Funds table includes the GSD General Purposes Debt Service Fund, the GSD School Debt Service Fund and the USD General Purposes Debt Service Fund.

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THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(For the Fiscal Years Ended June 30, 2016 through June 30, 2020)

REVENUES:	2020	2019	2018	2017	2016
Property Taxes	\$ 597,829,022	\$ 565,209,717	\$ 539,343,469	\$524,330,765	\$508,417,976
Local Option Sales Tax	113,464,491	141,902,355	133,884,975	117,578,530	112,386,239
Other Taxes, Licenses and Permits	159,918,852	160,881,656	155,826,065	149,949,331	143,264,669
Fines, Forfeits and Penalties	5,014,278	6,855,593	9,311,162	9,594,026	10,536,938
Revenues from Use of Money of Property	376,653	1,698,384	975,494	649,586	695,634
Revenue from Other Governmental Agencies	139,187,410	124,460,648	112,150,191	106,702,440	103,945,191
Commissions and Fees	13,437,944	17,058,875	17,257,045	17,388,364	14,528,053
Charges for Current Services	36,498,952	42,233,974	41,117,340	39,153,918	35,359,332
Compensation for Loss, Sale or Damage to Property	513,104	13,096,343	903,657	2,655,387	6,879,924
Contributions and Gifts	406,680	318,780	562,551	22,250	266,525
Miscellaneous	1,079,380	897,243	3,023,042	3,296,472	1,893,902
TOTAL REVENUES	<u>\$1,067,726,766</u>	<u>\$1,074,613,568</u>	<u>\$1,014,354,991</u>	<u>\$971,321,069</u>	<u>\$938,174,383</u>
EXPENDITURES:					
General Government	\$ 52,446,684	\$ 51,342,987	\$ 50,846,174	\$ 49,420,430	\$ 50,211,810
Fiscal Administration	24,620,447	24,085,812	23,703,880	22,980,238	21,463,006
Administration of Justice	68,715,316	65,677,679	64,444,333	61,514,210	57,481,614
Law Enforcement and Care of Prisoners	301,194,426	288,482,195	284,014,877	272,631,001	262,052,423
Fire Prevention and Control	136,829,267	130,611,622	131,839,625	124,384,360	116,948,664
Regulation and Inspection	11,032,259	10,238,714	10,156,818	9,138,734	8,101,479
Conservation of Natural Resources	335,444	322,263	407,900	411,714	373,209
Public Welfare	6,672,499	6,667,525	6,709,667	6,226,903	6,293,042
Public Health and Hospitals	66,919,483	66,464,916	69,697,474	70,885,052	62,958,373
Public Library System	31,369,260	31,282,141	30,793,711	23,789,104	27,432,634
Public Works, Highway and Streets	36,321,877	35,064,951	34,359,154	34,324,984	32,302,132
Recreational and Cultural	42,072,126	43,787,806	42,296,855	41,293,352	37,931,086
Retiree Benefits	88,233,381	87,855,789	87,579,887	84,585,219	81,576,678
Miscellaneous	102,696,115	108,887,193	116,376,212	109,046,528	89,278,073
<u>Debt Service:</u>					
Principal Retirement	21,230,100	-	-	-	-
Interest	16,669,900	-	-	-	-
TOTAL EXPENDITURES	<u>\$1,007,358,584</u>	<u>\$950,771,593</u>	<u>\$953,226,567</u>	<u>\$916,631,829</u>	<u>\$854,404,223</u>
Excess (Deficiency) of Revenues Over Expenditures	60,368,182	123,841,975	61,128,424	54,689,240	83,770,160
OTHER FINANCING SOURCES (USES)					
Transfers In	25,936,866	28,324,712	26,219,860	27,006,469	22,890,396
Transfers Out	(103,974,920)	(137,383,097)	(117,383,483)	(119,501,949)	(100,211,388)
Total other Financing Sources (Uses)	(78,038,054)	(109,058,385)	(91,163,623)	(92,495,480)	(77,320,992)
Excess (deficiency) of Revenues & other sources Over Expenditures	(17,669,872)	14,783,590	(30,035,199)	(37,806,240)	6,449,168
FUND BALANCE, BEGINNING OF YEAR	<u>\$91,444,917</u>	<u>\$ 76,661,327</u>	<u>\$ 106,696,526</u>	<u>\$ 144,502,766</u>	<u>\$138,053,598</u>
FUND BALANCE, END OF YEAR	<u>\$73,775,045</u>	<u>\$ 91,444,917</u>	<u>\$ 76,661,327</u>	<u>\$ 106,696,526</u>	<u>\$144,502,766</u>

Source: The Metropolitan Government of Nashville and Davidson County Annual Comprehensive Financial Report 2020.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
SPECIAL REVENUE FUND ⁽¹⁾
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(For the Fiscal Years Ended June 30, 2016 through June 30, 2020)

REVENUES:	2020	2019	2018	2017	2016
Property Taxes	\$ 331,591,099	\$ 325,095,825	\$ 313,053,234	\$ 305,487,946	\$ 295,533,190
Local Option Sales Tax	242,743,133	242,006,117	224,215,780	216,851,995	214,139,486
Other Taxes, Licenses and Permits	103,649,115	135,340,744	115,629,215	102,665,159	90,624,525
Fines, Forfeits and Penalties	1,858,881	3,226,296	4,021,696	4,744,371	6,194,363
Revenues from Use of Money of Property	3,349,841	3,996,660	1,936,251	979,439	893,265
Revenue from Other Governmental Agencies	507,400,824	514,846,966	523,344,665	506,130,905	475,832,993
Commissions and Fees	12,080,393	8,893,569	9,519,060	8,860,141	9,497,930
Charges for Current Services	29,383,312	32,968,507	29,143,772	30,254,093	29,979,888
Compensation for Loss, Sale or Damage to Property	1,982,404	9,293,212	3,334,839	7,084,983	3,188,064
Contributions and Gifts	6,515,863	13,726,681	6,191,334	4,875,806	5,563,171
Miscellaneous	329,505	62,659	208,655	191,095	847,745
TOTAL REVENUES	\$1,240,884,370	\$1,289,457,236	\$1,230,598,501	\$1,188,125,933	\$1,132,294,620
EXPENDITURES:					
General Government	\$ 103,282,752	\$ 104,559,104	\$ 93,568,485	\$ 83,418,867	\$ 78,008,259
Fiscal Administration	343,633	285,175	1,442,826	788,278	271,676
Administration of Justice	13,458,767	10,538,338	10,578,509	9,909,052	13,872,252
Law Enforcement and Care of Prisoners	25,071,303	23,107,385	23,651,407	24,491,295	21,818,071
Fire Prevention and Control	23,954	33,184	11,809	52,851	6,500
Regulation and Inspection	48,049	96,487	63,729	79,210	87,755
Public Welfare	58,410,684	46,917,069	36,313,702	33,527,326	32,656,928
Public Health and Hospitals	23,969,614	22,963,130	23,909,026	22,544,410	22,604,542
Public Library System	781,938	1,053,862	854,279	855,202	951,871
Public Works, Highway and Streets	37,924,204	42,878,934	37,631,657	33,895,323	31,551,513
Recreational and Cultural	1,694,001	2,058,992	2,148,090	2,255,096	2,113,171
Education	1,034,084,222	1,041,774,050	1,033,114,009	965,420,840	918,529,638
Capital Outlay	24,544,427	32,483,038	28,146,906	22,320,891	25,378,504
TOTAL EXPENDITURES	\$1,323,637,548	\$1,328,748,748	\$1,291,434,434	\$1,199,558,641	\$1,147,850,680
Excess (Deficiency) of Revenues Over Expenditures	(82,753,178)	(39,291,512)	(60,835,933)	(11,432,708)	(15,556,060)
OTHER FINANCING SOURCES (USES)					
Insurance Recovery	4,000,000	-	-	-	-
Transfers In	216,935,884	215,571,815	195,661,918	174,827,192	140,720,312
Transfers Out	(175,665,100)	(180,185,805)	(151,347,941)	(132,361,241)	(105,413,507)
Total other Financing Sources (Uses)	45,270,784	35,386,010	44,313,977	42,465,951	35,306,805
Excess (deficiency) of Revenues & other sources Over Expenditures	(37,482,394)	(3,905,502)	(16,521,956)	31,033,243	19,750,745
FUND BALANCE, BEGINNING OF YEAR	<u>\$180,497,282</u>	<u>\$ 184,402,784</u>	<u>\$ 200,924,740</u>	<u>\$ 169,891,497</u>	<u>\$150,140,752</u>
FUND BALANCE, END OF YEAR	<u>\$143,014,888</u>	<u>\$ 180,497,282</u>	<u>\$ 184,402,784</u>	<u>\$ 200,924,740</u>	<u>\$169,891,497</u>

⁽¹⁾Special revenue funds are used to account for specific revenues to be utilized in carrying out the specific terms of statutes, ordinances, grant requirements or governing regulations and include the General Purpose School Fund.

Source: The Metropolitan Government of Nashville and Davidson County Annual Comprehensive Financial Report 2020.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEBT SERVICE FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(For the Fiscal Years Ended June 30, 2016 through June 30, 2020)

REVENUES:	2020	2019	2018	2017	2016
Property Taxes	\$154,648,416	\$151,549,899	\$146,187,493	\$142,484,847	\$140,059,158
Local Option Sales Tax	87,659,932	66,325,954	56,055,237	48,503,623	39,178,209
Other Taxes, Licenses and Permits	239,243	-	-	-	-
Fines, Forfeits and Penalties	316,378	207,489	323,999	323,165	324,053
Revenues from Use of Money of Property	651,221	992,583	440,718	188,611	743,257
Revenue from Other Governmental Agencies	9,733,881	5,572,748	6,030,459	5,419,643	4,024,838
Bond Interest Tax Credit	4,911,180	4,895,429	4,874,645	4,859,357	4,864,020
Miscellaneous	-	-	12	-	-
TOTAL REVENUES	\$258,160,251	\$229,544,102	\$213,912,563	\$201,779,246	\$189,193,535
EXPENDITURES:					
Principal Retirement	\$162,282,384	\$155,391,020	\$140,797,840	\$132,859,891	\$115,957,762
Interest	129,539,635	126,187,299	125,106,557	103,366,006	104,982,211
Fiscal Charges	3,687,504	3,954,518	6,848,877	6,792,950	7,898,402
TOTAL EXPENDITURES	\$295,509,523	\$285,532,837	\$272,753,274	\$243,018,847	\$228,838,375
Excess (Deficiency) of Revenues Over Expenditures	(37,349,272)	(55,988,735)	(58,840,711)	(41,239,601)	(39,644,840)
OTHER FINANCING SOURCES (USES)					
Issuance of Refunding Debt	-	-	-	-	338,311,539
Payments to Refunded Bond Escrow Agent	-	-	-	-	(409,215,077)
Bond Issue Premium (Discount)	-	-	-	-	73,093,369
Transfers In	53,712,523	63,089,894	49,017,272	39,630,948	31,647,985
Total other Financing Sources (Uses)	53,712,523	63,089,894	49,017,272	39,630,948	33,837,816
Excess (deficiency) of Revenues & other sources Over Expenditures	16,363,251	7,101,159	(9,823,439)	(1,608,653)	(5,807,024)
FUND BALANCE, BEGINNING OF YEAR	<u>\$17,952,500</u>	<u>\$10,851,341</u>	<u>\$20,674,780</u>	<u>\$22,283,433</u>	<u>\$28,090,457</u>
FUND BALANCE, END OF YEAR	<u>\$34,315,751</u>	<u>\$17,952,500</u>	<u>\$10,851,341</u>	<u>\$20,674,780</u>	<u>\$22,283,433</u>

Source: The Metropolitan Government of Nashville and Davidson County Annual Comprehensive Financial Report 2020.

REVENUES

The Metropolitan Government derives its revenues from the following sources:

Property Taxation

The Tennessee Constitution provides counties and municipalities with the authority to levy real and personal property taxes based on the value of the property. The Metropolitan Government levies property taxes on a calendar year basis, with property tax bills being sent by September 15 of each year and payment due before March 1 of the following year. The process for the valuation of property, the assessment of property value, the levy of property taxes, the collection of property taxes, the remittance of incremental property taxes to the Metropolitan Government and the collection of delinquent property taxes is described below.

Property Valuation

Pursuant to the Property Tax Act, the Assessor of Property of the Metropolitan Government (the “Assessor”) appraises the value of all real property every four years. Except in circumstances where property is subsequently improved or damaged, this appraised value serves as the basis for the assessment and levy of real property taxes through the ensuing four-year period. The goal of the Assessor is to estimate fair market value for each property. Fair market value is defined as the most probable price a property would sell for in an open market under normal conditions. In order to determine the appraisal, the Assessor’s office uses acceptable methods approved by the State Comptroller’s Office to estimate the value of each property. Because all properties need to be appraised by January 1 in the year of a reappraisal, the Assessor uses mass appraisal techniques aided by appraisal models of benchmark properties developed by its staff and processed by computers into a value indication for each property.

A taxpayer wishing to protest the appraised value of its real property may request an informal review by Assessor staff by the end of April of each tax year, and staff may make adjustments to the appraised or assessed value. If the taxpayer remains unsatisfied, it may appeal its protest to the Metropolitan Board of Equalization, for hearing in June or July. If a taxpayer is still unsatisfied, it may further appeal to the State Board of Equalization on or about August 1.

Assessed Value

Each year, the Assessor determines the “assessed value” of each parcel of real and personal property, based on the most recent valuation and the classification of the property under the Property Tax Act. Leased personal property is assessed against the lessee on the basis of the use of the property by the lessee. The assessed value of a parcel of property, rather than its appraised value, is the measure against which property taxes are levied. For real property, the Property Tax Act currently provides for the following classification and assessment of properties:

<u>Use Classification</u>	<u>Assessed Value as a Percentage of Appraised Value</u>
Public Utility	55%
Industrial and Commercial	40%
Residential	25%
Farm Property	25%

For personal property, the Property Tax Act currently provides for the following classification and assessment of properties:

<u>Use Classification</u>	<u>Assessed Value as a Percentage of Appraised Value</u>
Public Utility	55%
Industrial and Commercial	30%

Properties owned by governmental or religious, charitable, scientific, literary or educational institutions are exempt from assessment and, therefore, any requirement to pay property taxes.

Metropolitan Government-owned utilities (Nashville Electric Service and the Water and Sewer Department) are also exempt from assessment but are assessed a separate in-lieu-of-tax. Nashville Electric Service is taxed under Tennessee law pursuant to the provisions of the Municipal Electric System Tax Equivalent Law of 1987. Under this law, the annual tax equivalent is the sum of: (a) the equalized tax rate applied to the net plant value and book value of materials and supplies, and (b) four percent (4%) of the average of revenue less power cost for the preceding three (3) fiscal years. In-lieu-of-tax payments from Nashville Electric Service and the Water and Sewer Department are reflected in the Metropolitan Government's financial statements as if they were property taxes.

Levy of Property Taxes

The Metropolitan Government is divided into two service districts, the GSD and the USD. The GSD embraces the entire area of Davidson County. Properties in the GSD are taxed to support the services, functions and debt obligations which are chargeable to the whole population, such as general government administration, police, fire protection, courts, jails, health, welfare, hospitals, streets and roads, traffic, schools, parks and recreation, airport facilities, auditoriums, public housing, urban renewal, planning and public libraries. The USD, originally conformed to the corporate limits of the City of Nashville as they existed on April 1, 1963, the date of the consolidation of the City of Nashville and Davidson County into the Metropolitan Government. Since April 1, 1963, the area of the USD has been expanded by annexation from 72 square miles to 184 square miles. Properties in the USD are subject to an additional tax to support additional police protection, storm sewers, street lighting and refuse collection. The current tax rate in the GSD is \$3.788 per \$100 of assessed value and the additional tax rate for the USD is \$0.433 per \$100 of assessed value, for a combined tax rate of \$4.221 per \$100 of assessed value.

The Metropolitan Government operates on a July 1 to June 30 fiscal year. Each year, as part of its budget process, the Metropolitan Mayor (the "Mayor") must submit the operating budget for the upcoming fiscal year to the Metropolitan Council. The Metropolitan Council may revise the budget proposed by the Mayor, except that the budget as finally amended and adopted must provide for all expenditures required by law and for all debt service requirements for the ensuing fiscal year. The Metropolitan Council is required to finally adopt the annual operating budget not later than June 30. If the Metropolitan Council fails to adopt a budget prior to the beginning of the fiscal year, it shall be conclusively presumed to have adopted the budget as submitted by the Mayor. After the annual operating budget has been adopted, the Metropolitan Council is required to adopt a property tax levy sufficient to fund the adopted budget.

By referendum held on November 7, 2006, voters in the Metropolitan Government amended the Metropolitan Government’s Charter to require that any future increase above the tax levy rate then in effect (\$4.69 per \$100 of assessed value for properties located in the USD) be first approved by voter referendum. The Department of Law of the Metropolitan Government has issued its opinion (Legal Opinion No. 2006-03) to the effect that such Charter amendment requiring a voter referendum is invalid because it violates the Tennessee Constitution, but the constitutionality of the voter referendum requirement has not been adjudicated.

Tax Abatement Programs

The Metropolitan Government’s Industrial Development Board (the “IDB”) is authorized by Tennessee law to negotiate and accept payments in lieu of ad valorem taxes to maintain and increase employment opportunities and household income. The IDB acts as a conduit organization for property tax abatements through payment in lieu of taxes agreements (“PILOT agreements”). The Director of the Mayor’s Office of Economic and Community Development serves as the Executive Director of the IDB and negotiates PILOT agreements, presents to the Metropolitan Council for approval, and if approved, presents to the IDB for approval. The abatements, which may be as much as 100% of the standard real and/or personal property taxes, may be granted to any qualified business located within or relocating to property within the boundaries of the Metropolitan Government, making significant capital investments and retaining or increasing a significant number of full-time employees. Consideration is given on a case-by-case basis and includes analyses of job creation, economic impact, capital investment and wage rates.

A list of active PILOTs is set forth in Note 15 in the Notes to the Financial Statements in the financial statements attached to the Official Statement as **APPENDIX B**.

The Metropolitan Government recognizes the assessed value real and personal property subject to a PILOT agreement, and PILOT payments are reflected in the Metropolitan Government’s financial statements as if they were property taxes.

Historical Property Tax Rate Adjustments

In the last 24 years, the Metropolitan Council has adjusted property tax rates on six occasions, in each case increasing the tax rate to generate additional tax revenues to satisfy increased budget demands. The following table identifies the year of the rate adjustment and the percentage increase in the GSD levy, the USD levy and the combined GSD/USD levy. The Metropolitan Government cannot predict whether the historical pattern of rate adjustments will continue. Any decision to increase or reduce taxes must be approved by the Metropolitan Council.

<u>Year</u>	<u>GSD Adjustment</u>	<u>USD Adjustment</u>	<u>Combined GSD/USD Adjustment</u>
1997	14.03%	18.75%	15.08%
1998	3.79	0.00	2.91
2001	26.69	12.16	23.78
2005	19.88	0.00	16.67
2012	13.48	8.77	12.83
2020	37.50	8.33	33.80

Adjustment of Property Tax Rates as a Result of Reappraisal

As described above, the Property Tax Act requires that property be reappraised every four years. The Property Tax Act further requires that the result of reappraisal be revenue neutral in the aggregate. As a result, upon the reappraisal of property within the Metropolitan Government, the property tax rate must be adjusted by the Metropolitan Council so that, when levied against the new aggregate assessed value of property within the Metropolitan Government, it generates revenues identical to the prior property tax rate, when levied against the prior aggregate assessed property value. Each of the last five reappraisals have resulted in a decrease in the tax rate as listed below, reflecting in each case a proportionate increase in aggregate appraised values. The next reappraisal year is in 2025.

<u>Reappraisal Year</u>	<u>Combined GSD/USD Equalization Rate Adjustment</u>
2001	(12.74)%
2005	(12.23)
2009	(11.94)
2013	(3.09)
2017	(30.1)
2021	(22.1)

Billing, Collection and Delinquencies

Property taxes are collected by the Metropolitan Trustee, which is the office established as the property tax collection agency for the Metropolitan Government under Tennessee law. The Metropolitan Trustee sends a tax bill to taxpayers on or before September 15 of each year. Property taxes must be paid before March 1 of the following year, after which they become delinquent. The Property Tax Act provides that delinquent property taxes are subject to a penalty of 0.5 percent and interest of 1 percent. These penalty and interest amounts are thereafter added to delinquent taxes on the first day of each succeeding month until the taxes are paid.

To aid in the collection of property taxes, the Property Tax Act imposes a lien on the property to secure payment of the tax. The lien for taxes becomes a first lien on the property as of January 1 of the tax year and takes priority over any pre-existing liens on the property, with the exception of pre-filed federal tax liens. The Property Tax Act authorizes the Metropolitan Government, approximately one year after delinquency, to file suit in chancery or circuit court to collect the delinquent property taxes, as well as the penalties, interest and costs of collection, including attorney’s fees. The Property Tax Act also authorizes the Metropolitan Government, approximately two years after delinquency, to seize and sell property if the Metropolitan Government is unable to collect delinquent property taxes by other means. If the Metropolitan Government is unable to sell the seized property for an amount equal to the amount of delinquent taxes (including penalties, interest and expenses), then the Metropolitan Government is required to take ownership of the property. The Property Tax Act then requires the Metropolitan Government to arrange for the sale of the property. The sale price is required to be no less than the amount of delinquent taxes, unless the Metropolitan Government certifies that a sale on such terms is not feasible. The proceeds from the sale are first applied to the payment of delinquent taxes.

The Metropolitan Government’s current policy is to sell delinquent real property taxes through a bid process on or about June 1 of the year after due (the agreement whereby the Metropolitan Government sells such delinquent real property taxes each year is referred to herein as the “Receivables Sale Agreement”). Under the terms of each Receivables Sale Agreement, the purchaser pays to the Metropolitan Government the purchase price and in return is entitled to all collections of delinquent real property taxes that are sold pursuant to that Receivables Sale Agreement. Historically, the purchase price

paid to the Metropolitan Government has been at least 100% of the original amount of taxes due. It is likely that the Metropolitan Government will continue this policy and enter into subsequent and similar arrangements in the future. However, the Metropolitan Government can accept a purchase price of less than 100% of the original amount of tax due.

Statistical Data Regarding Property Tax Collections and Concentration

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
TEN-YEAR HISTORY OF ASSESSED VALUATION
(For the Fiscal Years Ended June 30, 2011 through June 30, 2020)**

The following table illustrates a ten-year history of assessed property value for the Fiscal Years ended June 30, 2011 through June 30, 2020 (with numbers expressed in thousands):

Fiscal Year Ended June 30	Total Assessed Value (USD/GSD)	Growth (Decline) from Prior Year
2011	\$19,208,515	(0.1)
2012	19,104,264	(0.5)
2013	19,160,523	0.3
2014	20,209,537	5.5
2015	20,376,059	0.8
2016	20,742,695	1.8
2017	21,314,821	2.8
2018	31,144,615	46.1
2019	32,220,800	3.5
2020	33,015,683	2.5

Source: The Metropolitan Government of Nashville and Davidson County.

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PRINCIPAL PROPERTY TAXPAYERS
(For the Fiscal Year Ended June 30, 2020)**

The following table illustrates information concerning the ten largest property taxpayers of the Metropolitan Government for the Fiscal Year ended June 30, 2020.

PRINCIPAL PROPERTY TAXPAYERS	2019 ASSESSED VALUATION	AMOUNT OF TAX	% OF TOTAL TAX LEVY
Electric Power Board ⁽¹⁾	\$ N/A	\$ 29,227,916	2.89%
RHP Hotels Inc./Gaylord	91,292,170	13,002,587	1.29
Columbia/HCA	352,872,410	11,307,111	1.12
AT&T Telephone/BellSouth	182,953,182	5,789,310	0.57
The Mall at Green Hills	175,291,748	5,530,455	0.55
Highwoods Properties	170,268,868	5,453,735	0.54
Vanderbilt University/VUMC	161,095,442	5,078,113	0.50
Opry Mills Mall	144,339,743	4,553,919	0.45
Mid-America Apartments	138,250,729	4,149,934	0.41
Piedmont Natural Gas	131,216,936	3,961,559	0.39
TOTAL	\$ 1,547,581,228	\$ 88,054,639	8.71%

⁽¹⁾ As described above, the amount of tax for the Electric Power Board represents a payment in lieu of taxes and is not based on an assessed valuation.

Source: The Metropolitan Government of Nashville and Davidson County Tax Assessor's Office and Trustee Office.

Sales Tax

A local option sales tax is collected at the rate of 2-1/4% on all sales of tangible personal property and certain services, except for sales of certain energy sources and other limited exemptions. This local option sales tax is currently levied, in accordance with State law, only on the first \$1,600 of a transaction.

Other Taxes, Licenses, and Permits

This category includes charges for licenses and permits issued by departments, agencies, boards and commissions of the Metropolitan Government. Also included is the Hotel/Motel Tax, which is assessed against the gross receipts of hotels and motels within the Metropolitan Government, based on occupancy. Currently, there is a 6% tax levied by Metropolitan Council ordinance. Half of the revenues derived from such tax are required to be allocated to the Convention Center Authority for payment of its bonds. Two percent (2%) of the remaining three percent (3%) is required to be appropriated for tourist promotion, and the one percent (1%) balance is allocated to the general fund.

Also included in this category is the Hall income tax, which is a six-percent tax on income derived from dividends on stock and interest on bonds. The Tennessee General Assembly has taken legislative action to phase-out the Hall income tax by January 1, 2021, by reducing the tax by one percent per year. Because three-eighths of the proceeds derived from the Hall income tax is distributed to local governments, the reduction and elimination of the Hall income tax will reduce and eliminate a source of income for Nashville. The Metropolitan Government collected approximately \$8.6 million from the Hall income tax for the Fiscal Year ended June 30, 2020.

Fines, Forfeits and Penalties

This category includes collections of obligations imposed by the courts, law enforcement and agencies charged with the care of prisoners.

Revenue from Use of Money or Property

This category includes interest on investments, rentals and commissions for use of Metropolitan Government property or rights.

Revenue from Other Governmental Agencies and Contributions and Gifts

Under this revenue category are payments to the Metropolitan Government by other public divisions (Federal, State of Tennessee or other governmental units or agencies) and gifts or donations received from individuals or citizens groups.

Charges for Current Services

These are fees and charges for activities and services provided by agencies of the Metropolitan Government.

Other Revenue Sources

Includes (i) commissions and fees collected by certain officials for certain activities of the Metropolitan Government; (ii) proceeds from confiscation of property; (iii) compensation for loss, sale or damage to property; and (iv) miscellaneous.

Transfers In

Transfers are attributable to the budgeted allocation of resources from one fund to another for items such as the general fund's portion of hotel occupancy taxes, debt service requirements, and indirect cost recovery.

EXPENDITURES

Overview

As a metropolitan government under Tennessee law, the Metropolitan Government must provide the services typically provided by cities, counties and school districts. Public services include police, fire and public safety, mental health and other social services, courts, jails, and juvenile justice, secondary education, public works, streets and transportation, construction of all public buildings and facilities, parks and recreation, libraries and cultural facilities and events, and zoning and planning. The tables on pages B-5 through B-7 highlight the amounts of costs and services funded from the three major tax-supported operating funds.

Public Employees and Employees' Costs

Employee costs account for approximately fifty-nine percent (59%) of all General Fund expenditures.

As of June 30, 2021, the Metropolitan Government, and the Metropolitan Board of Education (the "MBE") employed approximately 23,828 persons full-time of whom approximately 15,495 worked full-time for the MBE and 8,333 worked full-time for the Metropolitan Government. Approximately 1,049 (or 85%) of the uniformed personnel of the Fire Department are members of Local No. 140 of the International Association of Firefighters. The Police Department has 1802 active employees, of which 1463 are sworn personnel. Approximately 1301 sworn officers (or 72%) of the Police Department belong to the Fraternal Order of Police, Andrew Jackson Lodge No. 5, the designated employee representative. Of those employed by the MBE, approximately 1784 (or 29%) of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA"); 671 (or 7%) of the remaining non-teaching employees are members of the Service Employees International Union; and 92 (or 1%) are in the Steel Workers Union.

The MBE is a party to a Memorandum of Understanding with the MNEA which is renewed annually. The Metropolitan Government confers on an informal basis with representatives of employee unions mentioned above concerning employees' working conditions within their respective departments.

With the exception of schoolteachers covered specifically by the Education Professional Negotiation Act, which provides for memoranda of understanding, the State does not recognize collective bargaining agreements between municipalities and their employees. The State courts have ruled that collective bargaining between municipalities and their employees are void and of no effect because they are contrary to public policy. The State courts have also ruled that strikes by municipal employees are illegal and subject to injunction.

Pension Plan Overview

Employees of the Department participate in one of two main pension plan groups:

1. Metro Active Plans;
2. Closed Plans maintained under the Guaranteed Payment Program.

The Department's expenses for the various pension plans are determined by the contribution rate established by the Metropolitan Employee Benefit Board (the "Benefit Board") and totaled \$4,780,937 for the Fiscal Year ended June 30, 2020.

The Metro Active Plans consist of two divisions – A and B. Division A was established at the inception of the Metropolitan Government on April 1, 1963 and implemented on November 4, 1964. At that time, all employees of the former city and county governments were given the option of continuing as participants of the pension plans of those organizations or transferring to the Metro Plan Division A. Division A of the Metro Plan was closed to new members on July 1, 1995.

On July 1, 1995, Division B of the Metro Active Plans was established for all non-certified employees of the Metropolitan Nashville Public Schools and all other Metropolitan Government employees. Metropolitan Government employees who were members of Division A were given the

option to transfer to Division B as of January 1, 1996. At that time, 95% of the approximately 11,300 employees elected to transfer to Division B.

The Metro Active Plan Division B is a non-contributory, defined benefit plan, covering approximately 11,800 current employees and 12,800 retired and deferred vested employees. The Active Plan covers all employees of the Metropolitan Government other than teachers. Contributions attributable to employees of the general government (approximately 75% of the total) are funded from the Metropolitan Government's operating fund and revenues. The balance of contributions (approximately 25%) is attributable to the Metropolitan Government employees at enterprise funds and other non-operating funded agencies of the Metropolitan Government (e.g. contributions for water and sewer department employees and funded from water and sewer revenues).

The Closed Plans are defined benefit plans collectively covering one active employee and approximately 1,400 retired employees. Contributions to the Closed Plans are funded from the Metropolitan Government's operating fund through the Guaranteed Payment Plan.

Metro Active Plan

Benefits

Normal retirement for employees other than police officers and fire fighters occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited employee service equals 85, but not before age 60; and (b) the date when the employee reaches age 65 and completes five years of credited employee service. The lifetime annual benefit is calculated as 1.75% multiplied by the final average earnings multiplied by the years of credited service. Final average earnings are the highest 60 consecutive months of credited service divided by five. Benefits fully vest after completing five years of service. Employees with a date of hire on or after July 1, 2013, will become fully vested after completing ten years of service.

Normal retirement for police officers and fire fighters occurs any time after attaining the unreduced retirement age which is the date when the employee's age plus the completed years of credited police and fire service equals 75, but not before age 53 nor after age 60. The lifetime annual benefit is the sum of two percent (2%) of final average earnings multiplied by the years of credited police and fire service up to 25 years; plus 1.75% of final average earnings multiplied by the year of credited police and fire service over 25 years. Final average earnings is the highest 60 consecutive months of credited service divided by five. Benefits fully vest upon completing five years of service. Employees with a date of hire on or after July 1, 2013, will become fully vested upon completing ten years of service.

An early retirement pension is available for retired employees if the retirement occurs prior to the eligibility of normal retirement but after age 50 (45 for police officers and fire fighters) and after the completion of ten years credited employee service. Benefits are reduced by four percent (4%) for each of the first five years by which the retirement date precedes the normal retirement age, and by eight percent (8%) for each additional year by which the retirement date precedes the normal retirement age.

Any employee who terminates after completion of required years of service to be vested and before eligibility for normal or early retirement is eligible to receive a monthly deferred pension commencing on the first day of the month following the attainment of unreduced retirement age computed and payable in accordance with the plan.

Funding

Minimum Required Employer Contribution: The Metropolitan Code of Ordinance requires the Metropolitan Government to contribute to the Metro Active Plans each fiscal year an amount equal to a percentage of the annual payroll of members who are eligible employees and who are covered for pension benefits the percentage to be known as the “employer contribution rate.” The employer contribution rate applicable for any fiscal year is determined by resolution of the Benefit Board at a public meeting held at least four months prior to the beginning date of such fiscal year and filed with the Metropolitan Clerk and must be no less than the smaller of (1) three-tenths of one percent plus the employer contribution rate applicable to the prior fiscal year, or (2) an employer contribution rate, which shall be the ratio of the actuarially determined contribution level to the amount of the valuation payroll, on the basis of an actuarial valuation of the system made as of the last day of the fiscal year preceding the adoption of the contribution rate. The actuarially determined contribution level equals the sum of normal cost and a percentage of unfunded past service liabilities, such percentage to be determined by the board at a level at least equal to the actuarial valuation interest rate. The actuarial valuation must be made by a qualified or accredited actuary according to accepted and sound actuarial principles and methods and based on actuarial assumptions which have been recommended by the actuary and approved by the Benefit Board.

Historic Employer Contribution: The Metropolitan Government has historically made employer contributions at a rate higher than the minimum required contribution. The Metropolitan Government’s policy has been to make annual contributions to the Active Plans equal to the actuary’s recommended rate, sufficient to amortize the unfunded liability over the 40-year period commencing in 1978. Beginning with the plan year ended June 30, 2006, the Benefit Board adopted a level unfunded liability amortization period of 15 years. The level amortization period is designed to reduce contribution volatility compared with a continuing decline in the amortization period. The chart below illustrates the annual employer contribution rate (in both percentage of employee salary and aggregate dollar terms) for the past 10 years. The employer contribution rate for Fiscal Year 2018-2019 was 12.340%. The contribution rate for Fiscal Year 2019-2020 was 12.340%. Factors affecting the reduction in the contribution rate are investment returns, compensation increases were less than expected, and cost-of-living adjustments (COLA) were less than projected.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
HISTORICAL METRO CONTRIBUTIONS
METRO ACTIVE PLAN
(For the Fiscal Years Ended June 30, 2011 through June 30, 2020)**

Fiscal Year Ending June 30	Contribution Rate	Contribution Amount
2020	12.340%	\$78,632,924
2019	12.340	77,242,171
2018	12.340	76,539,373
2017	12.340	73,868,818
2016	15.510	85,676,490
2015	17.987	94,045,896
2014	17.117	87,643,045
2013	15.938	82,653,128
2012	15.416	81,636,995
2011	15.416	81,502,645

Source: The Metropolitan Government of Nashville and Davidson County.

Key Actuarial Assumptions: Current actuarial assumptions include a discount rate of 7.25%, cost-of-living adjustments (COLA) of 2.50% for Division A and 1.25% for Division B, salary increases averaging 4.0% annually and five-year smoothing of gains and losses, and an inflation rate of 2.50%.

Schedule of Funding Progress

Effective June 30, 2014, the Metropolitan Government adopted GASB Statement No. 68, which revised the calculation and financial statement disclosure regarding the liability related to pensions. The table below illustrates a history of funding progress based on the Metropolitan Government's net pension liability.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
OPEN PENSION PLAN; SCHEDULE FUNDING PROGRESS
For the Fiscal Years Ended June 30, 2016 through June 30, 2020
(Amounts in Thousands)**

Fiscal Year Ending	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
June 30, 2016	2,909,545	2,688,227	221,318	92.39%	531,267	41.66%
June 30, 2017	3,009,103	2,968,259	40,844	98.64%	538,699	7.58%
June 30, 2018	3,198,180	3,116,572	81,608	97.45%	577,129	14.14%
June 30, 2019	3,377,509	3,254,984	122,525	96.37%	623,435	19.65%
June 30, 2020	3,489,331	3,272,530	216,801	93.79%	638,021	33.98%

Source: The Metropolitan Government of Nashville and Davidson County.

TCRS

Closed TCRS Plan for employees hired on or before June 30, 2014.

Benefits

TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. The plan was closed to new members on June 30, 2014. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly.

Funding Sources

Teachers contribute five percent (5%) of their salaries, and the Metropolitan Government, via funding of the school budget, contributes an amount equal to the percentage of certified payroll set by the TCRS each year. The certified percentage results from a bi-annual TCRS actuarial report and equals normal cost, accrued liability cost and administrative costs (minus teacher contributions).

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
CLOSED TCRS PLAN ⁽¹⁾
For the Plan Years Ended June 30, 2015 through June 30, 2019
(Amounts in Thousands)**

Plan Year Ending	Metro's Proportion of Net Pension Liability (Asset)	Metro's Proportionate Share of Net Pension Liability (Asset)	Metro's Covered Payroll	Metro's Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Position as a Percentage of Total Pension Liability
June 30, 2015	8.49%	3,477	317,727	1.09%	99.81%
June 30, 2016	8.30%	51,891	299,733	17.31%	97.14%
June 30, 2017	-8.14%	(2,664)	288,102	-0.92%	100.14%
June 30, 2018	-7.98%	(28,078)	279,409	-10.05%	101.49%
June 30, 2019	-7.68%	(79,016)	257,691	-30.66%	104.28%

⁽¹⁾ The plan measurement date is the end of the prior fiscal year.

Source: The Metropolitan Government of Nashville and Davidson County.

Open TCRS defined benefit plan and defined contribution plan for employees hired on or after July 1, 2014.

Benefits

Employees hired on or after July 1, 2014, became members of a new plan that consists of two components, a defined benefit plan and a defined contribution plan. TCRS members in the defined benefit plan are eligible to retire either at the age of 65 and vested with five years of service or under the rule of 90 where a combination of age and service credit total 90. An actuary reduced benefit is available at age 60 or the rule of 80. Disability benefits are available after five years of service for those who become disabled and cannot engage in gainful employment. Benefits are determined by a formula using the member's high five-year average salary and years of service. TCRS members in the defined contribution plan elect to participate in the Optional Retirement Program. Members are immediately vested in employer and employee contributions. Members make the determination as to how the employer contributions made on their behalf are invested. Members can choose among a variety of investment products. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated. Tennessee statutes are amended by the Tennessee General Assembly.

The maximum employer pension cost is a total of nine percent (9%) of salary for both the defined benefit plan and the defined contribution plan. Employer contributions to the defined benefit plan will be four percent (4%) of salary and employer contributions to the defined contribution plan will be five percent (5%) of salary.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
OPEN TCRS PLAN
For the Fiscal Years Ended June 30, 2015 through June 30, 2019
(Amounts in Thousands)**

Plan Year Ending	Metro's Proportion of Net Pension Liability (Asset)	Metro's Proportionate Share of Net Pension Liability (Asset)	Metro's Covered Payroll	Metro's Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Position as a Percentage of Total Pension Liability
June 30, 2015	-14.13%	(569)	29,367	-1.94%	127.46%
June 30, 2016	-12.73%	(1,325)	56,003	-2.37%	121.88%
June 30, 2017	-12.27%	(3,238)	80,335	-4.03%	126.81%
June 30, 2018	-11.58%	(5,253)	101,221	-5.19%	126.97%
June 30, 2019	-10.65%	(6,010)	112,675	-5.33%	123.07%

Source: The Metropolitan Government of Nashville and Davidson County.

Annual Contributions

Required TCRS contributions for the Closed Plan in 2019 and 2020 were 10.46% and 10.60% of covered payroll, or \$26,954,693 and \$26,170,227.

Required TCRS contributions for the Open Plan in 2019 and 2020 were 1.94% and 2.03% of covered payroll, or \$2,185,885 and 2,660,029.

Additional Information

Additional information about TCRS can be accessed at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Closed Plans – Guaranteed Payment Plan

The Metropolitan Council created the Guaranteed Payment Plan effective July 1, 2000, to ensure actuarially sound funding for a group of five closed plans supervised by the Benefit Board and the Board of Education. Under the Guaranteed Payment Plan, unfunded liabilities of the aggregate plan are amortized over a period of no more than thirty years beginning with the effective date. Payments for each constituent plan are transferred to a payment account from which distributions are disbursed to the

constituent plans as necessary to satisfy current benefit needs and funding objectives of the Guaranteed Payment Plan. Appropriations made by the Metropolitan Government and the Board of Education to fund obligations of the aggregate plan may not be reduced until all plan obligations are fully amortized. Plan improvements adopted subsequent to inception are to be funded over a period ending June 30, 2030.

The five plans included in the Guaranteed Payment Plan are:

1. Metropolitan Board of Education Teacher Retirement Plan
2. Davidson County Board of Education Retirement Plan
3. Nashville City Teachers Retirement Plan
4. Former Davidson County Pension System
5. Former City of Nashville Pension System

Current Funded Status

The table below provides a description of the status of the funding of the Metropolitan Government’s Closed Plans. This information was previously presented on an actuarial basis. As a result of GASB Statement No. 68, this table is now and will in the future be presented on the basis of the plan’s net position and net pension liability.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
CLOSED PENSION PLANS
SCHEDULE FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2020
(Amounts in Thousands)**

Teachers and Employees	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
Metro Teachers	\$228,799	\$117,451	\$111,348	51.33%
County Teachers	25,504	1,177	24,326	4.62
City Teachers	12,116	963	11,153	7.95
City Employees	24,671	-	24,671	0.00
County Employees	5,301	-	5,301	0.00

Source: The Metropolitan Government of Nashville and Davidson County.

Historical Contributions

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
CONTRIBUTIONS
METRO CLOSED PLANS
(For the Fiscal Years Ended June 30, 2011 through June 30, 2020)**

Fiscal Year Ending June 30	Metro Contributions	State Contributions
2020	\$33,570,400	\$13,341,332
2019	33,577,399	14,096,974
2018	33,486,419	14,782,460
2017	33,490,352	15,484,346
2016	33,493,456	16,200,749
2015	33,524,016	16,902,423
2014	33,512,358	17,593,670
2013	33,521,052	18,130,962
2012	33,520,844	18,769,087
2011	33,529,553	19,333,186

Source: The Metropolitan Government of Nashville and Davidson County.

Additional statistical information for the Closed Plans can be found in the Metropolitan Government’s Annual Comprehensive Financial Report, a link to which is included in the Official Statement attached thereto as **APPENDIX B**.

Other Post-Employment Benefits

The Metropolitan Government currently provides various other post-employment benefits (“OPEB”) other than pensions, with healthcare representing the most significant portion of the OPEB cost. For any retiree in the Metro, City or County Plan who elects to participate in the Metro Medical Benefit Plan, the Metropolitan Government contributes 75% of all premium payments, and the retiree contributes 25%. For employees hired July 1, 2013, or later, the Metropolitan Government contribution is based on years of service and ranges from 25% for a retiree with less than 15 years of service to 75% for a retiree with 20 or more years of service. On July 1, 2014, the Metropolitan Government implemented a Medicare Part D or Employer Group Waiver Plan for eligible retirees that are expected to reduce OPEB liability. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. The Metropolitan Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. During the Fiscal Year ended June 30, 2020, contributions totaled \$58,940,981.

For any retiree in the Metro, City or County Education Plans who elects to participate in the medical and dental insurance plans of the Metropolitan Nashville Public Schools; Schools contribute 75% of all premium payments with the retiree contributing the remaining 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid. During the year ended June 30, 2020, contributions totaled \$20,687,829.

The Metropolitan Government adopted GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions, in Fiscal Year 2018. This Statement addresses how governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits; it does not require that the liability be funded. No assets are set aside in a trust to fund the OPEB liability.

For Fiscal Year ended June 30, 2020, amounts related to OPEB were (all amounts in thousands):

	Metro Plan	School Plan
Total OPEB Liability	\$3,064,107	\$1,196,938
Covered Payroll	563,220	314,458
Total OPEB Liability as a % of Covered Payroll	540.20%	380.64%

The key assumptions used in developing these amounts include:

- Current level of benefits provided;
- June 30, 2020, valuation and measurement date;
- Discount Rate: 2.66%;
- Administrative fees: 5.00% per annum; and
- Healthcare cost trend rate: 7.5% graded down to 6.75% for medical expenses and prescription drugs, 4% each year for dental and vision expenses.

New Developments in State Law and Reporting

Under current Tennessee law and except as described below, the Metropolitan Government is generally not permitted to change the terms of a pension plan to reduce an accrued benefit, or the right to accrue future benefits, of any participant who is eligible to receive benefits under the plan (i.e., any vested participant) unless that participant consents to the decrease or reduction in benefits. However, a pension plan can be amended so as to exclude new employees. In addition, "The Public Employee Defined Benefit Financial Security Act of 2014" (the "2014 Act"), was signed into law by the Governor of Tennessee on May 22, 2014. The 2014 Act provides that for all affected employees of any political subdivision (such as the Metropolitan Government) hired on or after the effective date of the 2014 Act, the political subdivision may freeze, suspend or modify benefits, employee contributions and plan terms and design on a prospective basis (except as to those employees employed prior to the effective date of the 2014 Act where applicable law provides otherwise).

The 2014 Act also requires each political subdivision which provides its own defined benefit plan (such as Metro's Active Plans and Closed Plans) to annually make a payment to its pension plan of no less than 100% of the actuarially-determined contribution that incorporates both the normal cost of benefits and amortization of the pension plan's unfunded accrued liability, if any. As described herein, the Metropolitan Government has historically funded at least 100% of the actuarially-determined contribution. The Metropolitan Government is in compliance with the 2014 Act and does not anticipate that continued compliance will materially affect the financial condition of the Metropolitan Government.

INVESTMENT POLICY

The Metropolitan Council has approved a comprehensive Investment Policy governing the overall administration and investment management of those funds held in the Short-Term Investment Portfolio. The policy applies to all short-term financial assets of the Metropolitan Government from the time of receipt until the time the funds ultimately leave the Metropolitan Government accounts. These assets include, but are not limited to, all operating funds, bond funds, debt service reserve funds, water and sewer funds, USD and GSD funds, those pension monies not yet allocated to money managers, all float and certain school funds.

The Short-Term Investment Portfolio of the Metropolitan Government is managed to accomplish the following hierarchy of objectives:

1. Preservation of principal
2. Maintenance of liquidity
3. Maximize returns

The Cash Investment Committee meets periodically to review the position of the portfolio and to discuss investment strategies. The Committee reviews investment policy and procedures at least once each year. The Metropolitan Treasurer is responsible for the investment process, carries out the daily operational requirements, and maintains written administrative procedures for the operation of the investment program that are consistent with the Investment Policy.

The Metropolitan Investment Pool has been established to meet investment objectives in the most cost-effective way. All payments and receipts of income on pool investments are allocated on a pro rata basis among the accounts invested in the pool on the daily invested balance in each fund. Earnings are calculated and distributed on a monthly basis.

CAPITAL FINANCING AND BONDS

Capital Improvements Budget Process

The Charter requires the Metropolitan Government to annually prepare a five-year capital improvements budget. The Mayor submits to the Metropolitan Council the capital improvements budget, based on information from all officers, departments, boards, commissions and other agencies requesting funds from the Metropolitan Government for capital improvements, and recommends those projects to be undertaken during the ensuing fiscal year and the method of financing them. The Mayor's recommendation notes the impact of proposed projects on the debt structure of the Metropolitan Government and includes in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year.

The Metropolitan Council has the power to accept, with or without amendment, or reject, the proposed program and proposed means of financing. The Metropolitan Council cannot authorize an expenditure for the construction of any building, structure, work or improvement, unless the appropriation for such project is included in its capital improvements budget, except to meet a public emergency threatening the lives, health or property of the inhabitants, when passed by two-thirds vote of the membership of the Metropolitan Council.

Current Capital Improvements Budget

The following information identifies recommended capital projects in the 2020-2021 Capital Improvements Budget, which are given priority for funding by the Mayor and the Metropolitan Council for Fiscal Year 2021 and the following five fiscal years.

The water and sewer improvements listed on the following page include both water and sewer system projects and stormwater projects. Water and sewer improvements will be funded from water and sewer system revenues and/or proceeds from water and sewer system revenue bonds. Stormwater improvements would be funded with general obligation bonds but would be additionally payable from stormwater fees, which are set at rates sufficient to provide for the payment of a significant portion of stormwater-related debt service.

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
CAPITAL IMPROVEMENTS BUDGET – FINAL – BY AGENCY
FISCAL YEAR 2020-2021 TO FISCAL YEAR 2025-2026**

DEPARTMENTS	Fiscal Year 2020-2021	Total % of Fiscal Year 2020-2021	Fiscal Year 2021-22	Fiscal Year 2022-2023	Fiscal Year 2023-2024	Fiscal Year 2024-2025	Fiscal Year 2025-2026	Total	Total % of Fiscal Year 2021-2026
Agricultural Extension	\$222,000	0.005%						\$222,000	0.002%
Arts Commission	3,835,000	0.084%	\$3,560,000	\$1,550,000				8,945,000	0.067%
Council Office	1,019,104,200	22.262%	54,148,000			\$465,000		1,073,717,200	8.094%
District Attorney	6,542,300	0.143%						6,542,300	0.049%
Farmers Market	4,250,000	0.093%						4,250,000	0.032%
Finance	78,476,000	1.714%	10,192,500					88,668,500	0.668%
Fire Department	90,750,000	1.982%	30,500,000	30,500,000	\$31,000,000			182,750,000	1.378%
General Services	680,450,000	14.864%	46,000,000	36,000,000	13,000,000	13,000,000		788,450,000	5.943%
Health Department	1,000,000	0.022%						1,000,000	0.008%
Historical Commission	160,000	0.003%						160,000	0.001%
Information Technology Services	45,042,000	0.984%	2,819,000	3,751,000	4,791,000	3,177,000		59,580,000	0.449%
MDHA	60,900,000	1.330%	36,000,000	38,800,000	35,000,000	35,000,000	\$35,000,000	240,700,000	1.814%
Metro Action Commission	22,350,000	0.488%	27,742,500					50,092,500	0.378%
MNPS (Schools)	749,872,500	16.380%	613,695,400	605,956,100	694,815,300	1,002,347,300	858,646,100	4,525,332,700	34.112%
MTA	25,414,000	0.555%	26,633,000	19,431,000	79,657,000	19,100,000	2,000,000	172,235,000	1.298%
Municipal Auditorium	12,600,000	0.275%						12,600,000	0.095%
Parks & Recreation	692,170,000	15.120%	278,485,000	277,980,000	277,880,000	277,980,000	277,980,000	2,082,475,000	15.697%
Planning	3,500,000	0.076%	300,000	300,000	300,000	300,000	300,000	5,000,000	0.038%
Police	110,655,000	2.417%						110,655,000	0.834%
Public Library	108,245,400	2.365%	48,733,300	74,092,100	81,240,700	70,286,500	86,652,000	469,250,000	3.537%
Public Defender	4,907,000	0.107%						4,907,000	0.037%
Public Works - GSD / USD	237,053,300	5.178%	198,769,800	164,107,400	156,598,100	158,659,800	3,000,000	918,188,400	6.921%
Sports Authority	50,000,000	1.092%						50,000,000	0.377%
Fairgrounds Nashville (State Fair)	75,000,000	1.638%						75,000,000	0.565%
Water & Sewer - GSD	370,395,000	8.091%	171,480,000	475,705,000	327,525,000	115,735,000	74,485,000	1,535,325,000	11.573%
Water & Sewer - USD	124,950,000	2.729%	155,700,000	136,195,000	136,910,000	132,795,000	113,690,000	800,240,000	6.032%
TOTAL	\$4,577,843,700	100.000%	\$1,704,758,500	\$1,864,367,600	\$1,838,717,100	\$1,828,845,600	\$1,451,753,100	\$13,266,285,600	100.000%

Source: The Metropolitan Government of Nashville and Davidson County.

General Obligation Commercial Paper and Bonds

The Metropolitan Government typically funds general governmental capital projects through draws on its general obligation commercial paper programs, which consist of: (i) up to \$375 million of notes for which liquidity support is provided by Bank of America, N.A., and (ii) up to \$325 million of extendable notes for which there is no liquidity provider. The Metropolitan Government routinely issues long-term general obligation bonds to retire commercial paper.

Tennessee law does not impose any limit on the amount of general obligation bonds that may be issued by Tennessee local governments, including the Metropolitan Government, and, except as follows, no voter referendum is required for a Tennessee local government to issue general obligation bonds. Tennessee law does require that a local government's issuance of general obligation bonds (other than for school projects) be preceded by the adoption and publication of a resolution evidencing the local government's intent to issue general obligation bonds. If ten percent (10%) of the voters of the local government sign a petition protesting the issuance of the general obligation bonds, the bonds may not be issued until the proposed bond issue has been approved by voter referendum.

Debt Calculations

The tables set forth on the following pages only reflect the Metropolitan Government's long-term general obligation bonded indebtedness as of June 30, 2020, including the Metropolitan Government's District Energy System Revenue and Tax Refunding Bonds, Series 2012A (the "DES Bonds"). These tables do not reflect:

- (1) the current outstanding principal amount of commercial paper;
- (2) the Metropolitan Government's obligations under any tax anticipation notes;
- (3) the Metropolitan Government's obligations to the Tennessee State School Bond Authority (the "TSSBA") with respect to approximately \$24 million of outstanding Qualified Zone Academy Bonds and Qualified School Construction Bonds issued by the TSSBA on behalf of the Metropolitan Government;
- (4) obligations of the Metropolitan Government which are payable solely from the revenues of one or more utility systems (i.e. water, sewer and electric);
- (5) obligations of the Metropolitan Government's Airport Authority, which are payable solely from revenues of airport operations;
- (6) tax increment financing obligations of the Metropolitan Development and Housing Agency and the Metropolitan Government's Industrial Development Board, which are described in further detail below; or
- (7) obligations of the Metropolitan Government's Sports Authority and Convention Center Authority, which are described in further detail below.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
COMPUTATION OF NET GENERAL OBLIGATION DEBT
(For the Fiscal Year Ended June 30, 2020)**

Gross General Obligation Debt	Amounts
General Obligation Bonds Payable	
<u>General Services District:</u>	
For School Purposes	\$ 891,833,708
For General Purposes	1,831,531,122
<u>Urban Services District:</u>	
For General Purposes	206,900,170
Total Gross General Obligation Debt	\$2,930,265,000
Less:	
Total Amount Available in Debt Service Funds	Amounts
<u>General Services District:</u>	
For School Purposes	\$16,355,178
For General Purposes	17,048,874
<u>Urban Services District:</u>	
For General Purposes	911,699
Total Amount Available in Debt Service Funds	\$ 34,315,751
Net General Obligation Debt	\$2,895,949,249

Source: The Metropolitan Government of Nashville and Davidson County Annual Comprehensive Financial Report 2020.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEBT RATIOS
(As of June 30, 2020)**

	Debt to Estimated Market Value ^(a)	Debt to Assessed Value ^(b)	Debt per capita ^(c)
TOTAL DEBT	2.36%	8.88%	\$4,138.55
NET DEBT	2.57%	9.65%	\$4,497.74

^(a) 2019 Estimated Market Value – (\$123,954,384,027).

^(b) 2019 Assessed Value – (\$33,015,682,636).

^(c) Population of Nashville and Davidson County, Tennessee, United States Census Bureau, Population Estimates Program 2020 – (694,144).

Source: The Metropolitan Government of Nashville and Davidson County Annual Comprehensive Financial Report 2020.

HISTORICAL DEBT RATIOS

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY HISTORICAL DEBT RATIOS

**For the Fiscal Years Ended June 30, 2011 through June 30, 2020
(Dollar Amounts, other than Net Debt Per Capita, Expressed in Thousands)**

The following table illustrates certain debt ratios of the Metropolitan Government for the past ten fiscal years:

Fiscal Year Ended	Metro Population	Estimated Market Valuation	Assessed Valuation	Gross Debt	Debt Service Monies Available	Net Debt	Ratio of Net Debt to Market Valuation	Ratio of Net Debt to Assessed Valuation	Net Debt Per Capita
2010-2011	626,681	63,280,838	19,208,515	1,895,530	37,955	1,857,575	2.94	9.67	2,964.15
2011-2012	635,475	63,127,519	19,104,264	1,923,680	29,168	1,894,512	3.00	9.92	2,981.25
2012-2013	648,295	63,259,449	19,160,523	2,323,100	37,330	2,285,770	3.61	11.93	3,525.82
2013-2014	658,602	65,810,055	20,209,537	2,227,730	21,554	2,206,176	3.35	10.92	3,349.79
2014-2015	668,347	66,270,673	20,376,059	2,124,090	28,090	2,096,000	3.16	10.29	3,136.10
2015-2016	678,889	67,533,296	20,742,695	2,364,890	22,283	2,342,607	3.47	11.29	3,450.65
2016-2017	684,410	78,262,509	21,314,821	2,689,195	20,675	2,668,520	3.41	12.52	3,899.01
2017-2018	691,243	99,659,583	31,144,615	2,550,045	10,851	2,539,194	2.55	8.15	4,103.65
2018-2019	692,587	102,919,516	32,220,800	3,112,175	17,953	3,094,222	3.01	9.60	4,933.86
2019-2020	708,041	123,954,384	33,015,683	2,930,265	34,316	2,895,949	2.34	8.77	4,497.74

Source: The Metropolitan Government of Nashville and Davidson County Annual Comprehensive Financial Report 2020.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
GENERAL OBLIGATION DEBT SERVICE SCHEDULE**

The following table illustrates annual debt service requirements of the Metropolitan Government on outstanding general obligation bonds secured by ad valorem taxes:

FISCAL YEAR ENDED	TOTAL DEBT SERVICE		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 190,035,000	\$ 131,223,219	\$ 321,258,219
2022	228,415,000	120,859,000	349,724,362
2023	234,945,000	115,332,236	350,277,236
2024	247,115,000	106,143,615	353,258,615
2025	247,965,000	96,685,832	344,650,832
2026	229,435,000	87,859,599	317,294,599
2027	214,940,000	79,830,759	294,770,759
2028	215,085,000	71,297,768	286,382,768
2029	175,765,000	62,953,781	238,718,781
2030	182,450,000	55,713,599	238,163,599
2031	185,700,000	47,763,870	233,463,870
2032	193,245,000	39,632,495	232,877,495
2033	200,230,000	32,035,702	232,265,702
2034	166,205,000	24,828,756	191,033,756
2035	168,530,000	18,452,866	186,982,866
2036	113,795,000	13,143,825	126,938,825
2037	117,650,000	9,286,325	126,936,325
2038	85,645,000	6,005,300	91,650,300
2039	88,410,000	3,237,200	91,647,200
2040	36,360,000	1,469,000	37,829,000
2041	37,090,000	741,800	37,831,800
TOTAL	<u>\$3,559,010,000</u>	<u>\$1,124,496,909</u>	<u>\$4,683,506,909</u>

Source: The Metropolitan Government of Nashville and Davidson County.

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Contingent Debt and Payment Liabilities

As of the date of the Official Statement, the Metropolitan Government has the following outstanding contingent obligations payable from certain monies of the Metropolitan Government as hereinafter described.

District Energy System of the Metropolitan Government

The Metropolitan Government owns a District Energy System (“DES”), which provides steam and chilled water to approximately 40 buildings in downtown Nashville for the purposes of general heating and air conditioning. DES is managed by Constellation NewEnergy Projects (“CNE”) of Baltimore, Maryland. The Metropolitan Government is a customer of DES and purchased approximately 43.78% of the steam and 46.58% of the chilled water sold by the system for the Fiscal Year ended June 30, 2020. The Metropolitan Government has covenanted to provide funding in an amount equal to any shortage in revenues necessary to pay debt service on outstanding DES obligations and/or necessary to pay operating expenses (the “Metro Funding Amount”). There was no budgeted Metro Funding Amount for Fiscal Year 2020. The budgeted Metro Funding Amount for Fiscal Year 2021 is \$630,700. In addition to covering any DES operating shortfalls, the Metro Funding Amount also provides for the payment of debt service on the DES.

The Sports Authority of The Metropolitan Government of Nashville and Davidson County

The Sports Authority of The Metropolitan Government of Nashville and Davidson County (the “Sports Authority”) is a public non-profit corporation and instrumentality of the Metropolitan Government organized in 1995 pursuant to Chapter 67, Title 7 of Tennessee Code Annotated, as amended; it is a Component Unit of the Metropolitan Government and is included in the Metropolitan Government’s Annual Comprehensive Financial Report. The purpose of the Sports Authority is to plan, promote, finance, construct, and acquire sports complexes, stadiums, arenas, and facilities for public participation and enjoyment of professional and amateur sports activities for the people in the State of Tennessee. The Sports Authority has no taxing power. The Sports Authority owns, and has provided financing for, four facilities in the Metropolitan Government. Below are descriptions of each of the financings and associated debt liabilities of the Metropolitan Government.

Nissan Stadium. The Sports Authority owns Nissan Stadium, which is the home of the National Football League’s Tennessee Titans and the home stadium of Tennessee State University. The Sports Authority has financed (or refinanced) a portion of the construction and improvement of Nissan Stadium through the issuance of its Series 2021A Bonds, however, a portion of the Series 2012A Bonds and Series 2014 Bonds currently remain outstanding.

Aggregate debt service on the Sports Authority’s Nissan Stadium debt approximates \$5.2 million per year and is payable through 2033. This debt is payable primarily from dedicated revenue streams (consisting of a payment in lieu of tax from the Water and Sewerage Department, parking revenues, lease payments from Tennessee State University, and a ticket tax at Nissan Stadium). In the event of a deficiency in such revenues to pay debt service, the Nissan Stadium debt (other than the 2015 bank loan) is payable from the Metropolitan Government’s non-tax General Services District General Fund revenues (the “GSD Non-Tax Revenues”).

The Sports Authority is currently studying the current condition of Nissan Stadium for the purpose of forecasting repairs and future capital needs.

Ford Ice Center. The Sports Authority owns the Ford Ice Center, a two-sheet ice skating and hockey facility located in the southeastern part of the Metropolitan Government. The Ford Ice Center is leased to, and operated by, Mid-Ice, LLC, an affiliate of the National Hockey League's Nashville Predators. The Sports Authority financed the construction of the Ford Ice Center with its Series 2013A Bonds. Debt service on the Ford Ice Center debt is approximately \$1.1 million per year and is payable through 2033.

This debt is payable primarily from Predators lease payments and surcharges levied on patrons of the Sports Authority's Bridgestone Arena, which is the home of the Nashville Predators and is the primary large-scale concert venue in the Metropolitan Government. In the event of a deficiency, the debt is payable from GSD Non-Tax Revenues.

First Horizon Ballpark. The Sports Authority owns the First Horizon Ballpark, the downtown baseball park that is the home of the Nashville Sounds, the AAA affiliate of Major League Baseball's Oakland Athletics. The Sports Authority has financed (or refinanced) a portion of the construction and improvement of the Ballpark through the issuance of its Series 2021C, however, a portion of the Series 2013A Bonds and Series 2013B Bonds currently remain outstanding. Debt service on the Ballpark Bonds is approximately \$3.9 million annually and is payable through 2043. Debt service on the Ballpark Bonds is primarily payable by incremental Ballpark sales tax revenues, tax increment financing payments from development adjacent to the Ballpark, and (in the case of the Series 2013B Bonds only) Sounds lease payments. Any deficiency is payable from the Metropolitan Government's non-tax Urban Services District General Fund revenues ("USD Non-Tax Revenues").

The obligation of the Metropolitan Government to make the payments on the Sports Authority's debt is not a general obligation of the Metropolitan Government but rather is required to be paid solely from GSD Non-Tax Revenues or USD Non-Tax Revenues, as applicable, pledged by the Metropolitan Government for such payments.

Major League Soccer Stadium. The Sports Authority is in the process of constructing a Major League Soccer ("MLS") stadium, which is expected to be completed in the second quarter of 2022, will include approximately 30,000 seats and a MLS regulation-size natural grass playing surface, and is expected to be LEED Silver certified (the "MLS Stadium"). The MLS Stadium will be the home of MLS's Nashville Soccer Club, which commenced MLS play in 2020 at Nissan Stadium. On December 17, 2020, the Metropolitan Government issued \$225 million of Sports Authority revenue bonds to finance the construction the MLS Stadium. These bonds are payable primarily from MLS team rents, sales taxes resulting from ticket, concession and merchandise sales at the MLS Stadium events, and ticket taxes levied on MLS Stadium patrons. Any deficiency is payable from GSD Non-Tax Revenues.

As of the date of the Official Statement, the Metropolitan Government has not been called upon to make a payment under the outstanding Sports Authority debt except with respect to Ballpark Bonds, where the Metropolitan Government has been required to contribute between \$600,000 and \$1,415,000 for Fiscal Year 2016, Fiscal Year 2017, Fiscal Year 2018, Fiscal Year 2019 and Fiscal Year 2020 to fund annual debt service. The Metropolitan Government can offer no assurance as to whether annual contributions with respect to the Ballpark Bonds will remain in this range or whether or not there will be future calls on the Metropolitan Government to make a payment under other Sports Authority debt obligations. As described in the Official Statement under "INVESTMENT CONSIDERATIONS – Coronavirus Disease 2019," events scheduled for Nissan Stadium, Ford Ice Center and First Horizon Ballpark have been cancelled or postponed as a result of the COVID-19 pandemic. This will reduce the primary revenue streams that are available to pay debt service on the Sports Authority bonds and increase the likelihood that the Metropolitan Government's GSD Non-Tax Revenues or USD Non-Tax Revenues will be called upon for the payment of debt service.

Convention Center Authority of the Metropolitan Government of Nashville and Davidson County

The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County (“CCA”) is a nonprofit public corporation created in 2009 by the Metropolitan Government pursuant Chapter 89 of Title 7 of the Tennessee Code Annotated, as amended (the “Act”), for the purposes set forth in the Act, including, without limitation, owning, operating and financing a convention center in order to promote economic development and to stimulate business and commercial activity in the Metropolitan Government. The Metropolitan Council approved the creation of the CCA, its charter and the appointment by the Metropolitan Mayor of its Board members.

On April 21, 2010, the CCA issued \$51,730,000 of its Tourism Tax Revenue Bonds, Series 2010A-1 and \$152,395,000 Tourism Tax Revenue Bonds Federally Taxable, Series 2010A-2 (Build America Bonds-Direct Payment) (together, the “CCA Series 2010A Bonds”), and \$419,090,000 Subordinate Tourism Tax Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds-Direct Payment) (the “CCA Series 2010B Bonds”), to finance the development, construction, equipping, furnishing, repair, refurbishment and opening of a new downtown convention center facility (the “Convention Center” or “Music City Center”). For more information on the Convention Center and the Omni Hotel discussed below, see “Tourism” herein.

The CCA Series 2010A Bonds are payable solely from certain hotel/motel tax revenues, incremental sales tax revenues and certain other designated tourism tax revenues (the “Tourism Tax Revenues”). The CCA Series 2010B Bonds are payable from Tourism Tax Revenues, subordinate to the payment of the CCA Series 2010A Bonds, and from Convention Center operating income. If those funds are insufficient to pay debt service when due on the CCA Series 2010B Bonds, the Metropolitan Government has pledged its GSD Non-Tax Revenues (as it has with respect to the Sports Authority bonds described above) to the payment of debt service on the CCA Series 2010B Bonds. The maximum annual debt service on the CCA Series 2010B Bonds is approximately \$27.1 million, net of direct payment subsidies payable by the federal government as a result of the CCA Series 2010B Bonds being issued as Build America Bonds. The CCA has established a debt service reserve equal to \$26.5 million.

Omni Hotels & Resorts (“Omni”) operates an 800-room hotel adjacent to the Convention Center that serves as the Center’s headquarters hotel. The hotel opened on October 1, 2013. The CCA has entered into a development agreement with Omni, under which the CCA has agreed to pay approximately \$100 million in present value financial incentives for Omni to develop the hotel, which incentives are payable over the course of approximately 20 years from Omni’s completion of the hotel. The Metropolitan Government has pledged its GSD Non-Tax Revenues (as it has with respect to the Sports Authority bonds and the CCA Series 2010B Bonds described above) to the payment of these incentives, in the event the CCA is unable to make payment. The maximum annual incentive payment is approximately \$15 million. The incentive payments are conditioned upon Omni’s continued operation of the hotel.

The obligation of the Metropolitan Government to make the payments on the above debt is not a general obligation of the Metropolitan Government but rather is required to be paid solely from GSD Non-Tax Revenues pledged by the Metropolitan Government for such payments.

As of the date of the Official Statement, the Metropolitan Government has not been called upon to make a payment under the outstanding CCA debt. However, the Metropolitan Government can offer no assurance as to whether there will be future calls on the Metropolitan Government to make a payment under these debt obligations. As described in the Official Statement under “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Coronavirus Disease 2019,” events scheduled for the Convention Center have been largely canceled or postponed as a result of the COVID-19 pandemic, and decreased tourism has significantly impacted Tourism Tax Revenues. Should this situation continue, there will be

an increased likelihood that the Metropolitan Government's GSD Non-Tax Revenues will be called upon for the payment of debt service on outstanding CCA debt and incentives.

Metropolitan Development and Housing Agency

In December 2014, the Metropolitan Development and Housing Agency ("MDHA") entered into a lease arrangement pursuant to which MDHA constructed and operates an approximately 1,000-space parking facility in downtown Nashville. The lease arrangements obligate MDHA to annual lease payments of approximately \$2.9 million through 2044. The lease payments are payable primarily from parking revenues generated by the parking facility, which are projected by MDHA to be sufficient therefor, and in the event of a deficiency, from a subordinate pledge of USD Non-Tax Revenues. The obligation of the Metropolitan Government to make the payments on the above debt is not a general obligation of the Metropolitan Government but rather is required to be paid solely from USD Non-Tax Revenues appropriated by the Metropolitan Government for such payments.

As of the date of the Official Statement, the Metropolitan Government has not been called upon to make a payment under the outstanding debt. However, the Metropolitan Government can offer no assurance as to whether there will be future calls on the Metropolitan Government to make a payment under these debt obligations. As described in the Official Statement under "RISK FACTORS AND INVESTMENT CONSIDERATIONS – Coronavirus Disease 2019," downtown commuter and tourism traffic has been significantly reduced, which has also impacted the performance of downtown parking assets. Should this situation continue, there will be an increased likelihood that the Metropolitan Government's USD Non-Tax Revenues will be called upon for the payment of debt service on these outstanding MDHA bonds.

Additional Contingent Obligations

The Metropolitan Government may fund, from time to time, additional projects payable from specific dedicated revenues. To the extent the Metropolitan Government elects to fund all or a portion of such projects, the Metropolitan Government may incur additional debt supported by certain of its revenues, including but not limited to its GSD Non-Tax Revenues and USD Non-Tax Revenues.

Tax Increment Financing

The Metropolitan Government routinely participates in tax increment financings ("TIFs") related to redevelopment projects. In a TIF, an instrumentality of the Metropolitan Government (e.g. the Metropolitan Development and Housing Agency ("MDHA") or the Industrial Development Board (the "IDB")) will issue its tax increment financing bonds or notes and grant the proceeds to a developer to incentivize the completion of a redevelopment project. To secure payment of the TIF bonds or notes, the Metropolitan Government agrees to divert all, or a portion of the incremental real and personal property tax revenues related to the project to the payment of debt service on the tax increment financing bonds. As of the date of the Official Statement, Nashville is obligated to divert certain incremental real and personal property taxes to the payment of debt service on the following TIFs:

MDHA TIFs: As of the end of its September 30, 2019 fiscal year, MDHA had outstanding approximately \$135.2 million of TIF bonds and notes to finance redevelopment projects in and around the downtown Nashville area. The Metropolitan Government funded approximately \$17.4 million of debt service payments on these bonds and notes during MDHA's 2019 fiscal year.

IDB TIFs: In 2015, the IDB issued its \$21,935,000 TIF Bond to finance the redevelopment of the Bellevue Mall. This TIF Bond matures in 2038 and the maximum annual debt service is approximately \$2.5 million. The Metropolitan Government funded approximately \$1.2 million of debt service payments on these bonds in Fiscal Year 2020.

DEMOGRAPHIC AND STATISTICAL INFORMATION

Population Growth

The following table illustrates information regarding the population growth in the Metropolitan Government. A comparison with the Nashville Metropolitan Statistical Area (“MSA”), the State of Tennessee and the United States serves to illustrate relative growth:

DEMOGRAPHIC STATISTICS – POPULATION GROWTH (For the Calendar Years 2010-2019 Estimates)

Geographical Area	2010	2019 Estimates	Changes 2010 – 2019 Estimates
Nashville/Davidson	626,681	694,144	10.8%
MSA	1,670,900	1,934,317	15.8%
State of Tennessee	6,346,105	6,829,174	7.6%
United States	308,745,538	328,239,523	6.3%

Source: United States Census Bureau (www.bea.gov).

The following table illustrates the per capita personal income growth within the MSA that has occurred to the greatest extent in surrounding communities; notwithstanding, the suburbs of Nashville are in themselves residential, manufacturing and agricultural communities:

PER CAPITA PERSONAL INCOME (For the Calendar Years 2010- 2019)

Geographical Area	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nashville/Davidson	\$47,041	\$48,989	\$50,332	\$49,727	\$53,586	\$56,061	\$59,072	\$63,101	\$68,958	\$71,252
MSA	41,763	43,975	46,437	46,603	49,204	51,865	53,648	55,729	58,779	60,680
State of Tennessee	35,653	37,616	39,296	39,421	40,799	42,626	43,626	45,233	47,210	48,684
United States	40,547	42,739	44,605	44,860	47,071	49,019	50,015	52,118	54,606	56,490

Source: United States Bureau of Economic Analysis (www.bea.gov).

Economy of the Metropolitan Statistical Area

Nashville has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, healthcare, music, tourism, manufacturing and distribution are all mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

Employment

The following table illustrates the labor force segments of the eight-county Nashville Metropolitan Statistical Area for the Calendar Years 2016 through 2020:

METROPOLITAN STATISTICAL AREA EMPLOYMENT BY INDUSTRY (For the Calendar Years 2016 through 2020)

Employment Industries	2016	2017	2018	2019	2020
Total Employed – All Industries ⁽¹⁾	951	984	1,016	1,046	1,000
<i>(In Percentages):</i>					
Education & Health Services	15.41%	15.26%	15.10%	14.83%	15.19%
Financial Activities	6.60%	6.73%	6.73%	6.79%	7.05%
Government	12.07%	11.86%	11.67%	11.50%	11.97%
Information	2.40%	2.38%	2.30%	2.37%	2.39%
Leisure & Hospitality	11.09%	11.26%	11.47%	11.62%	9.74%
Manufacturing	8.65%	8.59%	8.30%	8.10%	7.86%
Professional & Business Services	16.33%	16.38%	16.63%	16.71%	16.95%
Trade, Transportation, Utilities	19.09%	19.02%	19.10%	19.31%	19.87%
Other	8.35%	8.52%	8.68%	8.75%	9.00%

⁽¹⁾ Total Nonfarm Employment in Thousands.

Source: United States Bureau of Labor Statistics (www.bls.gov)

The following table illustrates the unemployment percentage rates in Davidson County, the MSA, the State of Tennessee and the United States for the Calendar Years 2011-2020:

UNEMPLOYMENT RATES (For the Calendar Years 2011-2020)

Geographical Area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nashville/Davidson	7.6%	6.3%	5.9%	5.0%	4.3%	3.6%	2.8%	2.6%	2.5%	8.0%
MSA	7.9	6.6	6.2	5.2	4.5	3.8	2.9	2.7	2.6	6.9
State of Tennessee	9.1	8.0	7.8	6.6	5.6	4.7	3.7	3.5	3.4	7.5
United States	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	3.7	8.1

Source: United States Bureau of Labor Statistics (www.bls.gov)

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PRINCIPAL EMPLOYERS
(For the Fiscal Year Ended June 30, 2020)

PRINCIPAL EMPLOYERS	NUMBER OF EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT
Vanderbilt University/VUMC	33,146	3.54%
State of Tennessee	26,833	2.86
Metro Nashville-Davidson County Government and Public Schools	19,152	2.04
United States Government	13,518	1.44
Nissan North America Inc.	11,000	1.17
Healthcare Corporation of America	10,600	1.13
Saint Thomas Health	8,335	0.89
Community Health Systems Inc.	3,925	0.42
Randstad	4,550	0.49
Asurion	4,400	0.47
TOTAL	135,459	14.45%

Source: *Nashville Business Journal*: Book of Lists 2020-2021 – Principal Employers and Number of Employees.

Private-Sector Investment and Job Creation

Since July 1, 2020, the Nashville Area Chamber of Commerce announced 18 business relocations or expansions into Davidson County, collectively bringing 1,752 new jobs into Metro Davidson County. Continued expansion has occurred in recent years in corporate and regional headquarters, the technology industry, manufacturing, health care management and many areas where the local economy has established strength and growth potential.

Over the past several years, many sizable headquarters, shared service operations, and manufacturing operations have relocated and/or expanded in Nashville or announced their intention to do so. Amazon and Oracle are in the process of constructing business operations hubs in Nashville that would involve 5,000 and 8,500 jobs, respectively. In addition, in the 2020-2021 Fiscal Year, California tech-company SocialSurvey tripled its headcount at its Nashville location; EV Biologics announced it will develop a new biotechnology laboratory in Nashville in order to advance its state-of-the-art cell culture, EV isolation and nano-scale bio-analytical methods; and UK-based retirement fintech company Smart Pension chose to open its first North American office in Nashville, creating 130 new jobs. Botox alternative and therapeutic company, Revance Therapeutics, announced the relocation of its corporate headquarters from Newark, California to Nashville, creating approximately 150 jobs.

Other successes in Davidson County include August Bioservices significantly expanding its HQ operations in Davidson County. The expansion includes 180 jobs over the next five years. The project also includes updates and expansions in the company's existing facility as well as the construction of a new, state-of drug development and manufacturing facility. Fresh pet food company, The Farmer's Dog, announced the opening of its Davidson County location, creating 332 new jobs in Davidson County. In addition, NTT Data, a global IT services company, announced the establishment of a digital innovation center in Nashville. NTT will invest nearly \$10 million and create 350 jobs in Nashville.

Manufacturing

As of December 2020, an average of 78,600 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products. Nashville MSA's largest manufacturing employers include Nissan North America, Bridgestone Americas, Electrolux Home Products, A.O. Smith Water Products and Vought Aircraft Industries.

Trade

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with consumer spending by Nashville MSA residents exceeding \$32.0 billion. Nashville is one of the top 50 retail markets in the country. In the Nashville region, there are 245 shopping centers with 37.3 million square feet of gross leasable area. Nine of these centers are super-regional and 15 are regional.

Agriculture

Nashville is surrounded by agricultural-based economies. The area encompassing middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco.

Transportation

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air services, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Customs Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials. A commuter rail service from Lebanon, Tennessee to Nashville, approximately 32 miles, known as the Music City Star, commenced transportation services in the September of 2006. It is operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price includes Metropolitan Transportation Authority bus service on circulator routes in the downtown area.

In 1973, the Metropolitan Government acquired the net assets of the Nashville Transit Company, and the Metropolitan Transit Authority ("MTA") was established. MTA provides a comprehensive public

transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates bus service in the downtown area for shoppers, tourists and downtown workers. The revenues derived from the transit system are not sufficient to pay the expenses incurred in the operation of the System. The Metropolitan Government and the State of Tennessee contributed, in the Fiscal Year ending June 30, 2020, approximately \$48.636 million and \$5.264 million, respectively, to pay approximately 63.1% of the Authority's operating expenses. The State of Tennessee directs revenues from a two cent per gallon gasoline tax, which it imposes on local governments that may be applied to mass transit. The contribution of the Metropolitan Government was paid from its general revenues.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International Airport and John C. Tune Airport. Funding for the Airport Authority's capital and operating expenses is provided exclusively from Airport Authority revenues. Nashville International Airport (BNA) is situated approximately eight miles from downtown Nashville. For the Fiscal Year ended June 30, 2020, the Nashville International Airport served more than 13.7 million passengers on 14 airlines with 225 average daily flights to 88 nonstop destinations.

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial Area west of Nashville. The John C. Tune Airport serves the needs of regional corporate and private aircraft and allows Nashville International Airport's air carrier traffic to flow with fewer constraints. John C. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

Construction

Construction in Nashville is illustrated by the table on the following page describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government.

The first quarter of 2021 reported Nashville's office vacancy to be 15.5%. This increase is largely due to new construction deliveries that have hit the market vacant and a few large tenant moveouts/downsizings. Overall market rent has begun to plateau, showing a 0.2% decrease from the previous quarter but up 1.7% year-over-year with \$33.44psf class-A rental rate. Nashville office sales totaled \$151 million the first half of the year. The largest sale year-to-date is the sale of Lifeway Christian's Downtown headquarters for \$95 million (\$343psf). Construction completions in the first quarter totaled 1.2msf, with the highly anticipated first Amazon BTS high-rise among the projects delivered. At the end of the first quarter, the Nashville office market had 2.3msf under construction, of which 35% was preleased. The urban core continues to see the most development activity, with numerous additional proposed projects in the Central Business District and Midtown expected to break ground in coming months, potentially adding an estimated 500,000 sf to current construction totals in the area. Despite the COVID-19 pandemic, companies continue to relocate to and construct in Nashville, as described above under the section "Private-Sector Investment and Job Creation."

In the industrial sector, overall industrial vacancy ended the first quarter of 2021 at 3.2%. Industrial rent growth continued to accelerate at a rapid pace over the last year, with overall asking rents rising 104 basis points. Nashville is experiencing its largest industrial growth cycle on record, with over 10.0 million square feet (msf) currently under construction, with 46% preleasing in place. Construction completions in the first quarter totaled 690,000 sf with no preleasing in place. Another 8.8msf expected to deliver by the end of the year. Nashville's industrial sales totaled \$193 million in the first quarter. Soaring demand for warehouse and logistics space across the market has largely kept up with a record amount of supply coming up over the past few years. The Nashville industrial market recorded over 1.6msf in year-to-date net absorption at the end of the first quarter.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NUMBER AND VALUE OF BUILDING PERMITS
(For the Calendar Years 2011-2020)

Calendar Year	RESIDENTIAL CONSTRUCTION		NON-RESIDENTIAL CONSTRUCTION		REPAIRS, ALTERATIONS, AND INSTALLATIONS		OTHER ⁽¹⁾		Total Number of Permits	Total Permit Value
	Number of Permits	Permit Value	Number of Permits	Permit Value	Number of Permits	Permit Value	Number of Permits	Permit Value		
2011	2,166	372,440,931	444	382,483,854	3,163	377,053,306	1,840	18,738,180	7,613	1,150,716,271
2012	2,656	526,206,509	735	621,590,087	4,850	431,579,639	2,047	34,340,897	10,288	1,613,717,132
2013	3,406	737,396,336	762	493,330,146	3,405	455,745,450	2,135	23,344,644	9,708	1,709,816,576
2014	4,579	1,163,334,572	696	692,801,880	3,244	397,757,642	2,522	23,934,719	11,041	2,277,828,813
2015	5,774	1,428,091,853	762	937,747,113	2,988	441,598,956	2,862	38,771,613	12,386	2,846,209,535
2016	5,858	1,751,681,098	1,136	1,607,184,808	2,737	562,151,606	2,694	21,911,674	12,425	3,942,929,186
2017	5,537	1,084,398,438	1,196	1,996,276,985	2,342	572,053,980	2,642	24,394,733	11,717	3,677,124,136
2018	5,536	989,334,771	866	1,931,789,059	2,458	639,160,352	2,771	15,622,773	11,431	3,575,906,955
2019	5,195	968,600,069	1,056	2,598,254,537	2,374	607,178,804	2,388	26,243,063	11,013	4,200,276,473
2020	5,065	1,087,364,258	1,262	2,849,430,768	2,245	637,530,427	2,893	48,416,444	11,465	4,658,741,897

⁽¹⁾ Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and signs & billboard permits.

Source: The Metropolitan Government of Nashville and Davidson County Department of Code Administration.

Healthcare

Nashville is one of the nation's leaders in the healthcare field. HCA Healthcare has its headquarters and operates several hospitals in the surrounding area. Vanderbilt University Medical Center and St. Thomas Hospital are Nashville's other primary hospitals.

The Metropolitan Government relocated the city-owned hospital, the Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to the Metropolitan Nashville General Hospital. The arrangement provides Nashville with a renovated facility staffed with residents from Meharry Medical College.

Higher Education

The Nashville Metropolitan Statistical Area (the "Nashville MSA") has 15 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 65,000 students annually.

Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and with Meharry Medical College specializing in healthcare delivery.

Professional Sports

The Metropolitan Government is home to four professional sports franchises, all of which are located in or near downtown Nashville. The National Hockey League's ("NHL") Nashville Predators has played their hockey games in the Bridgestone Arena for the past 21 years. Nashville hosted the NHL All-Star game in 2017. The National Football League's ("NFL") Tennessee Titans have played their football games in Nissan Stadium since 1999. Nashville hosted the NFL Draft in 2019. The Nashville Sounds – the AAA affiliate of the Oakland Athletics – play their baseball games in First Horizon Ballpark. Nashville Soccer Club became a member of the MLS and currently plays its games at Nissan Stadium until the new MLS Stadium is completed.

Cultural Facilities

Library System

The Nashville Public Library system includes a 300,000 square feet downtown main library and 20 community branches located across the Davidson County. In addition, an extensive online offering of books and resources has extended its reach beyond the traditional branch system. The library facilities host numerous in-house programs and community events throughout the year. In the Fall of 2019, the State of Tennessee completed the construction in downtown Nashville of a 165,000 square foot library and archives.

Performing Arts

The Tennessee Performing Arts Center (the "Arts Center") is the first state-funded facility of its kind in the United States and is home to the Nashville Ballet, the Nashville Opera Association, and the Tennessee Repertory Theatre. The Arts Center occupies an entire city block, and its venues include Andrew Jackson Hall, which contains 2,472 seats, the James Polk Theater, which contains 1,075 seats,

the Andrew Jackson Theater, which contains 256 seats, and the War Memorial Auditorium, which contains 1,661 seats. The Arts Center hosts numerous events each year, including an annual series of Broadway plays. The Nashville Children's Theater is home to the oldest professional theater for children in Davidson County. Thousands of school age children and adults are treated to a variety of productions each year. The Schermerhorn Symphony Center is an 1,844-seat concert hall located in downtown Nashville, which hosts the Nashville Symphony.

Museums and Visual Arts

The Frist Art Museum occupies the former Nashville's historic downtown former post office building. A public-private partnership between the Metropolitan Government, the Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Frist Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions.

The Parthenon, located in Nashville's Centennial Park, is a full-scale replica of the original building in Athens, Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building serves as Nashville's permanent art museum, holding a collection of paintings by 19th and 20th century American artists.

Cheekwood Botanical Garden and Art Museum is a 55-acre site that includes the original Cheek gardens, with pools, fountains, statuary, extensive boxwood plantings and breathtaking views of the rolling Tennessee hills. The Museum of Art is housed in a 30,000-square foot Georgian-style mansion and contains world-class collections of American and contemporary paintings and sculptures, English and American decorative arts and traveling exhibitions. Collections also include silver, and the most comprehensive collection of Worcester porcelain in America.

Vanderbilt University's Fine Arts Gallery showcases six exhibitions each year that represent Eastern and Western art and an international collection of works. The Van Vechten Gallery at Fisk University houses more than 100 pieces from artists like Picasso, Renoir, and O'Keeffe. For religious art, there's a wooden 8-foot-by-17-foot carving of "The Last Supper" based on Leonardo da Vinci's masterpiece at The Upper Room Chapel along with a striking 9,000-mosaic stained glass World Christian Fellowship Window. The museum at the Upper Room also has outstanding religious works, besides two annual displays of nearly 70 Ukrainian Easter eggs in April and more than 100 Nativity scenes in December.

The Country Music Hall of Fame and Museum is one of the world's largest and most active popular music research centers and the world's largest repository of country music artifacts. In May 2001, the Country Music Hall of Fame and Museum moved to a new 130,000 square foot facility in downtown Nashville. In 2014, this venue expanded to 350,000 square feet to connect to the new Omni headquarters hotel.

The Adventure Science Center features a state-of-the-art planetarium as well as exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo at Grassmere is a zoological garden and historic plantation farmhouse located six miles from downtown. The Nashville Zoo contains over 6,000 individual animals and attracts approximately 950,000 visitors annually.

A new Tennessee State Museum located in downtown Nashville opened to the public in October 2018, and includes six exhibitions, a children's gallery, interactive tables and screens, and documentary films.

The National Museum of African American Music opened in the Fall of 2020 in downtown Nashville, directly across Broadway from the Bridgestone Arena.

Music Concert Venues

The Metropolitan Government hosts large concert events at both Bridgestone Arena and Nissan Stadium. Smaller indoor venues include the Ryman Auditorium, the 2,362-seat original home of the Grand Ole Opry – and the new Grand Ole Opry, the 4,372-seat theater venue located near Gaylord Opryland Resort & Convention Center that hosts America’s longest running live radio show. The Metropolitan Government opened the Ascend Amphitheater in 2015, which maintains capacity of 6,800 and is located downtown, adjacent to the Cumberland River. The 4,500-seat Woods Amphitheatre at Fontanel is located nine miles north of downtown Nashville.

Tourism

Tourism is a major industry in Nashville, as this industry consistently ranks in the top three producers. The Nashville Convention and Visitors Corporation (NCVC) and United States Travel Data Center estimate more than 16.1 million tourists came to Nashville in 2019 and spent an estimated \$6.9 billion.

As of July 2021, the Nashville MSA has 459 hotels operating with more than 53,464 rooms. The table below illustrates the Nashville MSA’s available hotel rooms and occupancy rates for the calendar years 2011 through 2020:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
MSA HOTEL AND MOTEL ROOMS / OCCUPANCY RATE
(For the Calendar Years 2011-2020)**

Calendar Year	Rooms Available	Occupancy Rate
2011	35,727	63.50%
2012	36,263	66.80%
2013	37,124	69.80%
2014	37,824	72.50%
2015	38,721	73.70%
2016	40,558	75.10%
2017	41,733	74.10%
2018	44,335	73.30%
2019	47,676	73.50%
2020	50,654	40.88%

Source: The Metropolitan Nashville and Davidson County Conventions and Visitors Corporation.

Conventions and Corporate Meetings

Nashville’s Music City Convention Center (the “Music City Convention Center”) opened in May 2013, and features a 350,000 square foot exhibit hall, 75,000 square feet of ballroom space (consisting of a 57,000 square foot grand ballroom and an 18,000 square foot junior ballroom), 90,000 square feet of meeting rooms, 31 loading docks and a parking garage with 1,800 spaces. The Music City Convention

Center's location created a high demand for hotel rooms, particularly full-service properties. An 800-room full-service Omni headquarters hotel opened in September 2013 next to the Music City Convention Center. In the Fall of 2016, a 454-room full-service Westin Hotel opened adjacent to the Music City Convention Center. Also, a 533-room J W Marriott Hotel opened in 2018. Several smaller hotels have also opened near the Music City Convention Center. The Music City Convention Center and its adjacent hotels are located within walking distance of Nashville's downtown entertainment district.

Located approximately ten miles from downtown Nashville is the Gaylord Opryland Resort & Convention Center, the third largest hotel/convention center under one roof in the United States. The complex features 2,881 hotel rooms, 263,000 square feet of exhibit space and 300,000 square feet of meeting space. SoundWaves, a half-indoor-half-outdoor water park at Gaylord Opryland opened in May of 2019. SoundWaves spans four acres and contains 111,000 square feet of indoor attractions, dining and amenities, as well as 106,000 square feet of outdoor water attractions. Adjacent to the Gaylord Opryland Resort & Convention Center is the Grand Ole Opry, and Opry Mills Mall, which is a 1.1 million square foot megamall that opened in May of 2000. The Opry Mills Mall contains 200 stores, theme restaurants, a 20 screen multi-theater complex and an IMAX theater.

Downtown Entertainment District

Nashville's downtown entertainment district encompasses approximately 20 square blocks centered around the historic Lower Broadway. Lower Broadway consists primarily of historic brick restaurants and bars that feature live music with no cover charge. Many of the restaurants and bars are owned and/or sponsored by current and past music artists. Lower Broadway is a short walk to the Music City Center and its adjacent hotels, Nissan Stadium, Bridgestone Arena, the Ryman, the Country Music Hall of Fame and Museum and most other downtown Nashville attractions.

The Convention Center, Omni Hotel, Westin Hotel and J W Marriott Hotel are located downtown in the Metropolitan Government's Central Business District, and are within walking distance of many notable attractions, including, the Bridgestone Arena, the Ryman Auditorium, Frist Center for the Visual Arts, Schermerhorn Symphony Center, Musicians Hall of Fame and Museum and the Johnny Cash Museum.

Seasonal, Festival and Sporting Events

Downtown Nashville annually hosts several seasonal, festival and sporting events. Downtown Nashville hosts one of the nation's largest New Year's Eve parties each year, with approximately 100,000 people coming to downtown for fireworks and live music. Nashville also hosts a four-day music festival each June known as CMA Music Fest. This event includes performances by more than 100 entertainers and groups, autograph sessions and activities directed at the attendees. Nissan Stadium hosts the college football Music City Bowl each December, and the Bridgestone Arena is a regular host for Southeastern Conference and NCAA Men's and Women's basketball tournaments.

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Education

As described above, the Nashville public schools make up the second largest school system in Tennessee. The following table illustrates the school system's enrollment and attendance trends:

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PUBLIC SCHOOLS ENROLLMENT AND ATTENDANCE
(For the School Years 2011-2012 through 2020-2021)**

School Year	Total Enrollment	Average Attendance
2011-2012	79,117	75,072
2012-2013	81,077	76,946
2013-2014	82,863	75,190
2014-2015	84,500	76,252
2015-2016	85,797	77,791
2016-2017	86,633	78,098
2017-2018	85,379	77,117
2018-2019	86,292	77,218
2019-2020	84,358	77,474
2020-2021	81,684	74,577

Source: The Metropolitan Government of Nashville and Davidson County.

Metro Nashville Public Schools, as Tennessee's second largest school district (the "District"), announced on January 12, 2021, that it will receive an additional \$123 million of the more than \$1.1 billion COVID-19 relief funding to be received by the Tennessee Department of Education ("TDOE") as a part of the U.S. Congress latest COVID-19 relief package. The District and TDOE are currently engaged in ongoing discussions related to the District's requests for reimbursement of grant funds. TDOE has stated that additional grant funding may be delayed. The District has vowed to timely comply with the requirements of the TDOE and is now putting together a plan, including how it will expend the one-time supplemental relief funding. The funds can be used to address the needs of special student populations, purchasing technology, summer programs, supplemental after-school programs, mental health services and staffing needs. The District anticipates prioritizing the use of the funds to directly address COVID-19 needs through hiring nurses and partnering with healthcare facilities, including Meharry Medical College, to make rapid testing available to students and staff. These COVID-19 relief funds could also be applied toward facility improvements. The District must fully expend the COVID-19 relief funds by the Summer of 2023.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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[Form of Opinion of Bond Counsel]

Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, Tennessee 37201

October 14, 2021

We have acted as bond counsel to The Metropolitan Government of Nashville and Davidson County (the “Issuer”) in connection with the issuance of \$377,520,000 Water and Sewer Revenue Bonds, Series 2021A (Green Bonds) (the “Series 2021A Bonds”) and \$232,075,000 Federally Taxable Water and Sewer Revenue Refunding Bonds, Series 2021B (Green Bonds), dated the date hereof (the “Series 2021B Bonds” and collectively, the “Bonds”). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Metropolitan County Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of, premium, if any, and interest on the Bonds are payable solely from, and secured solely by, a pledge of the revenues of the Issuer’s water and sewer system (the “System”), subject to the costs of operating the System, on a parity and equality of lien with the Issuer’s Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds – Direct Payment), Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds), Water and Sewer Revenue Bonds, Series 2013, Water and Sewer Revenue Bonds, Series 2017A (Green Bonds), Water and Sewer Revenue Bonds, Series 2017B, Water and Sewer Revenue Bonds, Series 2020A, Water and Sewer Revenue Bonds, Series 2020B and State Revolving Fund Loans Nos. 2020-223, 2020-224 and 2020-446. We express no opinion as to the sufficiency of any of such revenues for the payment of principal of, premium, if any, or interest on the Bonds.

4. Interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2021A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2021A Bonds to be so included in gross income retroactive to the date of issuance of the Series 2021A Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Series 2021A Bonds and the Series 2021B Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Yours truly,

BASS, BERRY & SIMS PLC

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

**\$377,520,000
WATER AND SEWER
REVENUE BONDS,
SERIES 2021A (GREEN BONDS)**

**\$232,075,000
FEDERALLY TAXABLE
WATER AND SEWER
REVENUE REFUNDING BONDS,
SERIES 2021B (GREEN BONDS)**

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this 14th day of October 2021 by The Metropolitan Government of Nashville and Davidson County (the “Issuer”) in connection with the issuance of its \$377,520,000 Water and Sewer Revenue Bonds, Series 2021A (Green Bonds) and \$232,075,000 Federally Taxable Water and Sewer Revenue Refunding Bonds, Series 2021B (Green Bonds) (together, the “Bonds”). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”). This Disclosure Agreement is being executed and delivered by the Issuer under the authority of the Resolutions.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Fiscal Year*” shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” shall mean the Official Statement of the Issuer, dated October 6, 2021, relating to the Bonds.

“*Participating Underwriters*” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Registered Owner*” means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

“*Resolution*” shall mean the bond resolutions adopted by the Metropolitan Council of the Issuer on September 21, 2021.

“State” shall mean the State of Tennessee.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule.

“System” shall mean the water and wastewater system of the Issuer.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees to provide or cause to be provided the information set forth below:

(a) Annual Financial Information. For Fiscal Years ending on or after June 30, 2021, the Issuer shall provide annual financial information and operating data within 12 months after the end of the Fiscal Year. The annual financial information and operating data shall include:

(i) The audited financial statements for the System, prepared in accordance with generally accepted accounting principles, or, if the audited financial statements for the System are not available, then the unaudited financial statements for the System; and

(ii) To the extent not included in the audited financial statements, operating data of the type included within **APPENDIX C** and **APPENDIX D** attached to the Official Statement, which data may be presented in a manner other than as set in the Official Statement.

(b) Audited Financial Statements. For Fiscal Years ending on or after June 30, 2021, the Issuer shall provide audited financial statements, prepared in accordance with generally accepted accounting principles, if and when available, if such audited financial statements are not included with the annual financial information described in subsection (a) above.

(c) Event Notices. The Issuer will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten (10) business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);

- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information.* The Issuer will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement.* The Issuer will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System (“EMMA”) or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

(a) This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolutions at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or Section 3(b), as applicable, shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to

comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolutions, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

[Signatures on Following Page]

[Signature Page for the Continuing Disclosure Agreement for the Series 2021 Bonds]

**THE METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY**

By: _____
John Cooper
Metropolitan Mayor

ATTEST:

Elizabeth Waites, Esquire
Metropolitan Clerk

**APPROVED AS TO FORM AND
LEGALITY:**

Wallace W. Dietz, Esquire
Director of Law



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