

**MURFREESBORO CITY COUNCIL
Special Joint Meeting
with the
Power Board
Council Chambers – City Hall – 5:45 PM
October 3, 2019**

AGENDA

1. Approval of Expenses for Professional Service Expenses
2. Resolution 19-R-22 Payment of Murfreesboro Electric Department Due Diligence Expenses
 - a. Resolution 19-R-22: Payment of Murfreesboro Electric Department Due Diligence Expenses

Adjournment

COUNCIL COMMUNICATION

Special Meeting Date: 10/03/2019

Item Title: Approval of Expenses for Professional Service Expenses

Department: Administration

Presented by: Craig Tindall, City Manager

Requested Council Action:

- Ordinance
 - Resolution
 - Motion
 - Direction
 - Information
-

Summary

Approval appropriation of funds for expenses related to the potential sale of Electric Department operations to Middle Tennessee Electric Membership Corporation.

Staff Recommendation

Approve resolution allows the expenditure of funds for expenses related to the potential sale of the Electric Department.

Background Information

As part of a comprehensive review of the efficiencies of City-provided services and the City's capital requirements over the next five years, City staff reopened discussions with MTEMC concern a potential sale of the City's Electric Department operations. In order to prepare the necessary documentation and financial information, the City must engage services of attorneys, accountants, and other professional advisors. The expenditure of funds for these services will be appropriate through budget amendments brought to Council as the services are billed.

The total amount of expenses is anticipated to be \$400,000 or less. It is estimated that approximately \$100,000 or less will be expended before a transaction is presented to Council for approval of the transaction. The remaining amount will be necessary to finalize the transaction if it is approved by Council.

Council Priorities Served

Strong and Sustainable Financial and Economic Health

Council approval of significant expenses manages the budget in a transparent manner. Additionally, exploring the sale of the Electric Department operations provides a potential alternative funding source for the City capital investment requirements.

Fiscal Impact

Funds will be provided from the contingency amount budgeted in FY20 and subject to reimbursement should the transaction be finalized.

RESOLUTION 19-R-22 approving use of Murfreesboro Electric Department contingency funds to pay for legal, accounting, and other due-diligence expenses related to the possible sale of the Murfreesboro Electric Department's operational assets to Middle Tennessee Electric Membership Corporation.

WHEREAS, Middle Tennessee Electric Membership Corporation ("MTEMC") has expressed interest in acquiring the operational assets of the City's electric department, which is commonly known as the Murfreesboro Electric Department and currently operates and is accounted for as a separate proprietary business-type operation of the City;

WHEREAS, the City Manager, on behalf of the City, has been engaged in ongoing discussions with MTEMC's leadership over the past year about the benefits of merging MED's operations into MTEMC (the "Proposed Transaction"); and

WHEREAS, the Proposed Transaction may yield significant short- and long-term benefits to the current rate payers of both MED and MTEMC and the City's citizens and businesses; and

WHEREAS, the City Manager and MTEMC's President and CEO have executed a non-binding term sheet that reflects the basic terms of the Proposed Transaction; and

WHEREAS, for the sale and merger to occur, the Proposed Transaction must be approved by both City Council and MTEMC's Board of Directors, and it is necessary to engage in a variety of due diligence activities to prepare a definitive agreement for approval by both bodies; and

WHEREAS, City Council believes completion of these due diligence activities is necessary before it can make an informed decision regarding the potential positive and negative aspects of the Proposed Transaction; and

WHEREAS, the City Manager and City Attorney have identified outside legal counsel, accountants, and financial experts to assist the City in conducting due diligence related to the Proposed Transaction; and

WHEREAS, MED's Power Board has recommended that such due diligence expenses be paid from MED's Contingency for Storms and Unanticipated Growth or MED's Cash Reserves; and

WHEREAS, City Council finds that potential benefits that might accrue to MED's current rate payers as well as the City's citizens and business were MED's operational assets sold to and merged with those of MTEMC justify the expenditure of funds for legal, accounting, and other due diligence expenses; and

WHEREAS, the City is likely to be reimbursed by MTEMC for the majority of such due diligence expenses in the event the Proposed Transaction is consummated.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MURFREESBORO, TENNESSEE, AS FOLLOWS:

SECTION 1. The City Council endorses and authorizes the expenditure of funds in an amount not to exceed Five Hundred Thousand Dollars (\$500,000.00) from MED's Contingency for Storms and Unanticipated Growth or MED's Cash Reserves to pay for due diligence expenses related to the Proposed Transaction. The City Manager and City

Attorney shall provide a summary of all such expenditures to the MED Power Board and City Council on a monthly basis.

SECTION 2. This Resolution shall be effective immediately upon its passage and adoption, the public welfare and the welfare of the City requiring it.

Passed: _____

Shane McFarland, Mayor

ATTEST:

APPROVED AS TO FORM:

Melissa B. Wright
City Recorder

Adam F. Tucker
City Attorney