TENNESSEE LOCAL DEVELOPMENT AUTHORITY
August 12, 2015

The Tennessee Local Development Authority (the "Authority" or "TLDA") met on Wednesday, August 12, 2015, at 2:00 p.m. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The Honorable David Lillard, State Treasurer, was present and presided over the meeting.

The following members were also present:

Keith Boring, proxy for The Honorable Tre Hargett, Secretary of State
Jason Mumpower, proxy for The Honorable Justin Wilson, Comptroller of the Treasury
Commissioner Larry Martin, Department of Finance and Administration

The following members participated telephonically as authorized by Tennessee Code Annotated Section 8-44-108 and as posted in the meeting notice:

Mr. Pat Wolfe, Senate Appointee
Dr. Kenneth Moore, House Appointee

The following member was absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Lillard called the meeting to order and asked Ms. Sandi Thompson, Assistant Secretary, to call roll.

Mr. Martin—Present
Mr. Boring—Present
Mr. Wolfe—Present
Dr. Moore—Present
Mr. Lillard—Present
Mr. Mumpower—Present

Mr. Lillard asked for a motion to approve the minutes of the June 23, 2015 meeting. Mr. Martin made a motion to approve the minutes, and Dr. Moore seconded the motion. Ms. Thompson performed a roll-call vote:

Mr. Martin—Yes
Mr. Boring—Yes
Mr. Wolfe—Yes
Dr. Moore—Yes
Mr. Lillard—Yes
Mr. Mumpower—Yes

The motion passed unanimously.

Mr. Lillard recognized Mr. Sherwin Smith, Director of the Tennessee Department of Environment and Conservation's (TDEC) State Revolving Fund (SRF) loan program for follow-up discussion on the Clean Water and Drinking Water priority ranking lists which were previously presented and discussed at the June 23, 2015, meeting. Mr. Smith stated that TDEC had conducted a review of the priority ranking procedures used when two projects received the same number of priority points. Mr. Smith stated that TDEC had consistently used the Ability to Pay Index (ATPI) scores to break a tie, with the priority given to the local government applicant with the lower ATPI. If the ATPI scores for two or more local government applicants were equal, TDEC placed the applicants in alphabetical order to determine the priority of ranking. After further review, TDEC determined that rather than

listing the applicants alphabetically, a better method of ranking the applicants would be to give priority to the local government applicants with the smallest populations, which would better align with the SRF program's goal of targeting and assisting smaller, less affluent communities. (A memo that documented the review and change in procedure was included in the meeting materials.) Mr. Lillard stated the Authority would review the procedural change and if there were further questions by the members, discussion could be held at the next meeting.

Mr. Lillard stated the next item of business was a request to approve Drinking Water SRF loans and asked Mr. Smith to present the loans. Mr. Smith first recognized Mr. Jon Foutch, General Manager of the DeKalb Utility District (UD), who was present at the meeting. Mr. Smith then presented the report on unobligated fund balance, which was $48,063,615 as of June 23, 2015. The fund balance increased to $48,077,240 due to a return of funds associated with the decrease of an existing loan. Upon approval of the loan requests to be presented in the amount of $12,155,435, the funds available for loan obligations would decrease to $35,921,805. He then presented each loan request:

- Cookeville Boat Dock Road UD (DG4 2015-157)—Requesting $750,000 ($562,500 loan; $187,500 principal forgiveness) for green waterline replacements; recommended interest rate of 1.22% based on the ATPI.
- DeKalb UD (DWF 2014-143)—Requesting an increase of $4,250,000 for a total loan of $7,000,000 for construction of a new water treatment plant with a new water intake, raw water transmission and finished water transmission lines to connect to the existing water distribution system; recommended interest rate of 0.60% based on the ATPI.

  Mr. Smith stated that a bid overrun necessitated the request for the loan increase. Mr. Lillard asked Mr. Foutch to address the bid overrun. Mr. Foutch stated that the original bid for the project took place about two years ago, and since that time, additional projects costs had been identified. Therefore, the UD began working on the project with approved SRF funds and began the process of assessing the additional costs and seeking a loan increase. He stated that there had been complications with the UD's water supplier, the City of Smithville. In addition, the increase request included the connection of existing waterlines which had not been included in the original bid. Mr. Mumpower asked if the UD was in good standing with the Utility Management Review Board (UMRB). Mr. Foutch responded affirmatively. There was no further discussion. Mr. Smith continued with the presentation of the loan requests.

- First UD of Tipton County (DW3 2015-165)—Requesting $843,602 ($632,701 loan; $210,901principal forgiveness) for a new 300,000 gallon elevated water storage tank; recommended interest rate of 0.73% based on the ATPI.
- First UD of Tipton County (DWF 2015-166)*—Requesting $686,833 for a new 300,000 gallon elevated water storage tank; recommended interest rate of $0.73% based on the ATPI.
- City of Lebanon (DW2 2015-161)—Requesting $904,000 ($587,600 loan; $316,400 principal forgiveness) for water distribution system improvements (waterline extensions along Franklin Road/Holloway Drive/ Legends Drive, and Briskin Lane); recommended interest rate of 1.71% based on the ATPI.
- City of Lebanon (DWF 2015-162)*—Requesting $1,271,000 for water distribution system improvements (waterline extensions along Franklin Road/Holloway Drive/ Legends Drive, and Briskin Lane); recommended interest rate of 1.71% based on the ATPI.
- City of Paris (DW4 2015-163)—Requesting $2,500,000 ($1,875,000 loan; $625,000 principal forgiveness) for water treatment plant improvements and Volunteer Drive water tank rehabilitation; recommended interest rate of 1.29% based on the ATPI.
- City of Paris (DWF 2015-164)*—Requesting $950,000 for water treatment plant improvements and Volunteer Drive water tank rehabilitation; recommended interest rate of 1.29% based on the ATPI.

  *Mr. Smith explained that DWF 2015-166, DWF 2015-162, and DWF 2015-164 were companion loans for the previously presented projects (DW3 2015-165, DW2 2015-161, and DW4 2015-163, respectively), but they were being presented separately because the amount of the loan request exceeded the remaining

amount in the capitalization grants. These companion loans (without principal forgiveness) made up the difference between the loan request and the remaining grant amounts.

Mr. Lillard asked if a public meeting was held for the DeKalb UD. Mr. Smith answered that multiple public meetings had been held including one for the original loan request and another for the increase. He stated that there were no adverse comments from the public.

Mr. Martin moved to approve the Drinking Water SRF loans, and Mr. Wolfe seconded the motion. Mr. Lillard asked if there were any other questions.

Mr. Mumpower asked Mr. Smith for an update on the 2015 SRF capitalization grant allotments which TDEC had applied for as reported at the June 23, 2015 meeting. Mr. Smith stated that since the last meeting, the Environmental Protection Agency (EPA) had notified TDEC that federal rescissions would affect the Clean Water and Drinking Water allotments and required that TDEC reapply for the grants. As a result, TDEC applied for the reduced allotments of $20,263,000 for Clean Water and $8,787,000 for Drinking Water, instead of previously reported amounts of $20,397,000 and $8,845,000. Mr. Mumpower asked if the loans being presented for approval would be funded from the 2015 capitalization grant. Mr. Smith responded that the loans would not be approved from the capitalization grants until the final award was received from EPA. Since these grants would not be awarded until later in the current fiscal year, none of the loans being considered would receive funds from the FY15 capitalization grant. There were no further questions.

Mr. Lillard stated that a motion to approve the loan requests had been properly made by Mr. Martin and seconded by Mr. Wolfe and asked Ms. Thompson to perform a roll-call vote:

Mr. Martin—Yes
Mr. Boring—Yes
Mr. Wolfe—Yes
Dr. Moore—Yes
Mr. Lillard—Yes
Mr. Mumpower—Yes

The motion passed unanimously.

Mr. Lillard asked for further business. There was none. Mr. Wolfe stated that he wanted to commend staff on their preparation for the meeting. Hearing no other matters to come before the Authority, the meeting was adjourned.

Approved on this 29th day of October, 2015.

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary