



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
JUNE 9, 2020
AGENDA

1. Call Meeting to Order
2. Report on the notification from the City of Paris submitted to comply with TLDA SRF Policy and Guidance for Borrowers
3. Request for approval from the City of Paris to transfer (through issuance of new SRF loans with same terms) the City's SRF loans to the Paris Utilities Authority
4. Request for approval from the Paris Utilities Authority to issue on parity with its SRF loans:
 - i. Three new bonds with same terms as three existing capital outlay notes issued by the City of Paris and
 - ii. A Water/Sewer Revenue Bond
5. Request from the City of Portland to issue Water and Sewer Revenue Bonds in an amount not to exceed \$19,000,000 on parity with its outstanding SRF loan agreements
6. Adjourn



Office of the Mayor
www.paristn.gov

Carlton Gerrell, Mayor
cgerrell@cityofparistn.gov
Phone: 731-641-1402

100 N. Caldwell St.
P. O. Box 970
Paris, TN 38242

May 26, 2020

[Via Email \(sandi.thompson@cot.tn.gov and Alicia.west@cot.tn.gov\)](mailto:sandi.thompson@cot.tn.gov)

Ms. Sandra Thompson, Assistant Secretary
Tennessee Local Development Authority
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

RE: City of Paris, Tennessee (the "City") – \$7,200,000 Water Revenue and Tax Bond, Series 2018 (the "Bond")

Dear Ms. Thompson:

The City proposes to issue the Bond to the United States Department of Agriculture in order to finance water system improvements and extensions. The Bond will be secured by a pledge of water revenues subordinate to the pledge of revenues in favor of the City's State Revolving Fund Loans DW4 15-163, DWF 15-164, DWF 16-178 and DWF 17-195. Please consider this letter notice of the issuance of the Bond, as required by the TLDA's SRF Policy & Guidance for Borrowers.

Sincerely,

Carlton Gerrell
Mayor of Paris



Office of the Mayor
www.paristn.gov

Carlton Gerrell, Mayor
cgerrell@cityofparistn.gov
Phone: 731-641-1402

100 N. Caldwell St.
P. O. Box 970
Paris, TN 38242

June 01, 2020

VIA E-MAIL (sandi.thompson@cot.tn.gov)

Ms. Sandra Thompson, Assistant Secretary
Tennessee Local Development Authority
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

RE: City of Paris, Tennessee (the "City") – Sewer Revenue and Tax Bond, Series 2019 (the "Bond")

Dear Ms. Thompson:

The City proposes to issue the Bond to the United States Department of Agriculture in order to finance sewer system improvements and extensions. The Bond will be secured by a pledge of sewer revenues subordinate to the pledge of revenues in favor of the City's State Revolving Fund Loans CW5 17-381 and DWF 17-382. Please consider this letter notice of the issuance of the Bond, as required by the TLDA's SRF Policy & Guidance for Borrowers.

Sincerely,

Carlton Gerrell
Mayor of Paris
26550716.1



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

June 3, 2020

**CITY OF PARIS and PARIS UTILITIES AUTHORITY
Request for TLDA Approval of Assignment of SRF Loans,
Approval to Issue Debt, and Modification of Lien Position**

The City of Paris is requesting approval from the Tennessee Local Development Authority (the "TLDA") to transfer its outstanding SRF loans to the newly created Paris Utilities Authority (the "Authority"). The Municipal Energy Authority Act, T.C.A. § 7-36-101, et seq., permits the City to create the Authority as a public corporation and political subdivision of the State of Tennessee from its utilities. Pursuant to the Act, the Authority must retire, defease or assume the outstanding debt of the City related to its utilities as a condition of the transfer of the utilities from the City to the Authority.

The City has additional outstanding indebtedness related to the System that it intends to transfer to the Authority, namely three capital outlay notes (the "Notes"). The balance of the Notes outstanding at June 30, 2019 was approximately \$1.5 million. The Authority plans to issue three bonds, with terms matching the Notes, for the purpose of retiring the Notes, and is requesting approval to issue these bonds on parity with the SRF loans. In addition, the Authority intends to issue an additional \$200,000 Water and Sewer Revenue Bonds for the purpose of capital improvements and is also requesting approval to issue this debt with a parity lien position.

Request for approval is required by provisions set forth in the State Revolving Fund (SRF) loan agreement and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*.

Note: The City subsequently plans to issue two USDA bonds (the "USDA Bonds") which have yet to be issued but which are currently in interim financing with local banking institutions. The USDA has agreed that the USDA Bonds may simply be assigned by the City to the Authority on their current terms, provided that following their assignment, the Notes and USDA Bonds will be payable from and secured by a pledge of a shared senior lien on the revenues of the System. Upon the transfer of these loans from the City to the Authority, a request for approval of lien modification will be required to be submitted to the TLDA for approval.

1. The requestor is a/an:

X Utility District or Water/Wastewater Authority

Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? ___ Yes X No

Upon transfer of the loans from the City to the Authority, the Authority must request permission to issue debt and modify lien position

Municipality (town/city/county) requesting to transfer its SRF loans to the newly created Paris Utilities Authority:

N/A General Obligation Debt

Revenue Debt – Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? Yes No

2. Lien Position:

The borrower is requesting that the TLDA’s lien on revenues be on parity with the bonds which will be secured by a shared senior lien on the revenues of the System

The borrower is requesting to subordinate its outstanding SRF debt to the proposed debt issuance.

The borrower is not requesting a modification of lien position and the proposed debt will be issued subordinate to the SRF debt.

3. The purpose of the proposed debt issuance is:

Refunding

New Money

4. Additional Information:

The City believes that the TLDA's consent to these requests is in the public interest insofar as it will facilitate the transfer of the System from the City to the Authority, which the City has determined to be in the best interest of its citizens. The City also believes that the TLDA's consent to these requests is in the public interest insofar as it will preserve the Authority's ability to incur future debt on a shared senior lien basis, thereby minimizing interest costs payable by System ratepayers. The Authority understands that under applicable State guidelines, all future debt of the Authority must be first approved by the TLDA.

5. The debt rating of the borrower is:

Please indicate N/R if not rated.

N/R Moody’s

N/R Standard and Poor’s

N/R Fitch

6. The following SRF loans are currently authorized/outstanding:

Borrower	Paris - Paris Board of Public Utilities						
Date	4/24/2020						
Loan Type	Loan #	Status	Disbursements	Available to Draw	% Principal Forgiveness	Edison Balance @4/24/2020	MADS*
Water	DW4 15-163	Repayment	2,500,000.00	-	25%	1,651,863.00	106,416.00
Water	DWF 15-164	Repayment	950,000.00	-	-	822,544.00	53,916.00
Water	DWF 16-178	Repayment	499,654.00		-	478,540.00	27,180.00
Water	DWF 17-195	Repayment	750,000.00		-	679,815.00	42,120.00
Sewer	CW5 17-381	Repayment	1,500,000.00		15%	1,194,786.00	52,656.00
Sewer	SRF 17-382	Construction	3,216,846.00	383,154.00	-	3,216,846.00	148,678.00
							430,966.00

7. Compliance with SRF Loan Agreement (by the Town):

a. Timely repayments [4.(a)]

Yes No

b. Security Deposit (UDs and Authorities) [8.]

Yes No The Authority will make a deposit upon the TLDA's approval of the Authority's request considered herein.

Amount to be deposited: \$430,966

c. GAAP Accounting and Audited Annual Financial Statement Requirement [7.(g) and (m)(2)]

The Authority's first year of operations will be fiscal year 2021. The Town's Board of Public Utilities has timely filed its audited financial statements with the Division of Local Government Audit through the fiscal year ended June 30, 2019. The audit was filed within six months after the Town's fiscal year end.

d. Sufficient Revenues [7.(k)]

Yes No

For the fiscal year ended June 30, 2019, the City's audited financial statements reflected operating income of \$1,119,453, and a positive change in net position of \$1,102,963 for the water and sewer funds combined. The City's statement of cash flows reflected debt service payments of \$639,395, consisting of principal payments of \$482,969 and interest payments of \$156,426 for the water and sewer funds combined. At June 30, 2019, the City reported \$681,259 in unrestricted cash and investments in the water and sewer funds combined.

e. Debt Service Coverage Ratios [7.(l) and (m)(3) & (4)]

The current and projected Debt Service Coverage Ratio meets or exceeds 1.2 times.

Yes No

If no, include a schedule of revised rates and fees. Included N/A

Most Recent Fiscal Year (m)(3):

The City’s combined water and sewer debt service coverage ratio was 2.49x for fiscal year ending June 30, 2019, and therefore, has met the debt service coverage requirement for fiscal year 2019. This information was obtained from the debt service coverage ratio calculation worksheet prepared by the City.

Next Three Fiscal Years After Debt Issuance (m)(4):

The City prepared forecasted debt service coverage ratios and projects that it will meet the combined water and sewer debt service coverage requirement after the debt is issued with the estimated ratio of net revenues to debt service ranging from 1.38x to 2.63x for fiscal years 2020 through 2022.

f. Is the entity currently under the jurisdiction of the Utility Management Review Board (UMRB) or the Water and Wastewater Financing Board (WWFB)?

[7.(n)]

Yes No

If yes, reason for referral: Water Loss Financial Distress N/A

If the reason is for financial distress, include a schedule of revised rates and fees along with a copy of the corrective action order from the respective board. Included N/A

8. State-Shared Taxes (SST): (Towns, Cities, Counties): N/A

\$ _____	Received in prior fiscal year
\$ _____	Total Maximum Annual Debt Service (with SST pledge)*
\$ _____	Unobligated SSTs

9. Conclusion

Based upon our analysis and considering the Authority will assume the operations of the City’s board of public utilities, the Authority will have the capacity to assume the City’s SRF loans and to meet its other debt obligations. A security deposit of \$430,966 will be required upon the TLDA’s approval of the Authority’s request.

Furthermore, the Authority appears to meet the requirements to the proposed additional debt on parity with its SRF loans.

Attachment:

Debt Service Coverage and Financial Projections

Paris BPU
Water and Wastewater Coverage Calculations

	<u>2022</u>			<u>2021</u>		
	Water	Sewer	Total	Water	Sewer	Total
<i>Proposed Revenue Increase>></i>	<i>0.00%</i>	<i>4.52%</i>		<i>0.00%</i>	<i>4.73%</i>	
Total Operating Revenues:	2,684,467	2,884,758	5,569,225	2,684,467	2,760,108	5,444,575
<i>Anticipated effective increase from CPI</i>	<i>3.00%</i>	<i>2.00%</i>		<i>2.00%</i>	<i>2.00%</i>	
Treatment	706,571	779,579	1,486,150	685,991	764,293	1,450,284
Distribution	646,091	437,990	1,084,081	627,273	429,402	1,056,675
Administration	408,984	359,763	768,747	397,072	352,709	749,781
Taxes	-	45,057	45,057	-	44,173	44,173
Other Expenses		2,960	2,960		2,902	2,902
Depreciation	668,811	483,895	1,152,706	460,931	483,895	944,826
Total Operating Expenses:	\$ 2,430,457	\$ 2,109,244	\$ 4,539,701	\$ 2,171,267	\$ 2,077,374	\$ 4,248,641
Total Operating Income:	\$ 254,010	\$ 775,514	\$ 1,029,524	\$ 513,200	\$ 682,734	\$ 1,195,934
Operating Income (Loss)						
<u>Non-Operating Income (Expenses)</u>						
Interest income	-	-	-	-	-	-
Interest expense on existing debt	(52,633)	(356,368)	(409,001)	(59,969)	(65,382)	(125,351)
Interest expense on new debt	(167,195)	-	(167,195)	(169,817)	-	(169,817)
Capital Contributions	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Other expense	(10,301)	-	(10,301)	(10,301)	-	(10,301)
Transfer out - tax equivalents	-	-	-	-	-	-
Total Other Income (Expenses)	(\$ 230,129)	(\$ 356,368)	(\$ 586,497)	(\$ 240,087)	(\$ 65,382)	(\$ 305,469)
Change in Net Position	\$ 23,881	\$ 419,146	\$ 443,027	\$ 273,113	\$ 617,352	\$ 890,465
Add back:						
PILOT Payments	-	45,057	45,057	-	44,173	44,173
Depreciation	668,811	483,895	1,152,706	460,931	483,895	944,826
Interest Expense	219,828	356,368	576,196	229,786	65,382	295,168
Total Additions	\$ 888,639	\$ 885,320	\$ 1,773,959	\$ 690,717	\$ 593,450	\$ 1,284,167
Available for Debt Service	\$ 912,520	\$ 1,304,466	\$ 2,216,986	\$ 963,830	\$ 1,210,802	\$ 2,174,632
MADS*	711,472	867,973	1,579,445	711,472	867,973	1,579,445
Debt Coverage Ratio	128.26%	150.29%	140.36%	135.47%	139.50%	137.68%

* MADS in the Years 2021 and 2022 includes projected debt service payments on two USDA Loans that have yet to be finalized. Projected debt service on the Water Loan is \$288,576. Projected Debt Service on the Wastewater Loan is \$485,096. Both are in drawn-down mode and will be finalized in 2021.

Estimated Wastewater SRF Debt Service Reserve = \$187,575 as of 6/30/2019

Estimated Water SRF Debt Service Reserve = \$259,277 as of 6/30/2019

Paris BPU
Water and Wastewater Coverage Calculations

	<u>2020</u>			<u>2019</u>		
	Water	Sewer	Total	Water	Sewer	Total
<i>Proposed Revenue Increase>></i>	<i>0.00%</i>	<i>25.40%</i>				
Total Operating Revenues:	2,684,467	2,635,458	5,319,925	2,609,023	2,324,344	4,933,367
Anticipated effective increase from CPI	2.00%	2.00%				
Treatment	672,540	749,307	1,421,847	659,353	734,615	1,393,968
Distribution	614,973	420,983	1,035,956	602,915	412,728	1,015,643
Administration	389,286	345,793	735,079	381,653	339,013	720,666
Taxes	-	43,307	43,307	-	42,458	42,458
Other Expenses	-	2,845	2,845	-	2,789	2,789
Depreciation	460,931	483,895	944,826	329,051	354,586	683,637
Total Operating Expenses:	\$ 2,137,730	\$ 2,046,130	\$ 4,183,860	\$ 1,972,972	\$ 1,886,189	\$ 3,859,161
Total Operating Income:	\$ 546,737	\$ 589,328	\$ 1,136,065	\$ 636,051	\$ 438,155	\$ 1,074,206
Operating Income (Loss)						
Non-Operating Income (Expenses)						
Interest income	-	-	-	1,272	10,270	-
Interest expense on existing debt	(67,270)	(73,113)	(140,383)	(68,947)	(76,555)	(125,351)
Interest expense on new debt	-	-	-	-	-	(169,817)
Capital Contributions	-	-	-	-	162,717	-
Other revenue	-	-	-	1,272	-	-
Other expense	(10,301)	-	(10,301)	(10,301)	-	(10,301)
Transfer out - tax equivalents	-	-	-	-	-	-
Total Other Income (Expenses)	(\$ 77,571)	(\$ 73,113)	(\$ 150,684)	(\$ 76,704)	\$ 96,432	(\$ 305,469)
Change in Net Position	\$ 469,166	\$ 516,215	\$ 985,381	\$ 559,347	\$ 534,587	\$ 768,737
Add back:						
PILOT Payments	-	43,307	43,307	-	42,458	352,709
Depreciation	460,931	483,895	944,826	329,051	354,586	463,833
Interest Expense	67,270	73,113	140,383	68,947	76,555	295,168
Total Additions	\$ 528,201	\$ 600,315	\$ 1,128,516	\$ 397,998	\$ 473,599	\$ 1,111,710
Available for Debt Service	\$ 997,367	\$ 1,116,530	\$ 2,113,897	\$ 957,345	\$ 1,008,186	\$ 1,880,447
MADS*	422,896	381,877	804,773	234,472	281,488	804,773
Debt Coverage Ratio	235.84%	292.38%	262.67%	408.30%	358.16%	248.79%

Paris BPU
Water and Wastewater Coverage Calculations

	<u>2018</u>			<u>2017</u>		
	Water	Sewer	Total	Water	Sewer	Total
Proposed Revenue Increase>>						
Total Operating Revenues:	2,375,913	2,216,376	4,592,289	2,222,825	2,101,697	4,324,522
Anticipated effective increase from CPI						
Treatment	638,978	704,644	1,343,622	636,402	663,232	1,299,634
Distribution	516,222	351,398	867,620	460,534	354,739	815,273
Administration	376,685	318,023	694,708	376,300	327,914	704,214
Taxes	7,789	35,102	42,891	-	44,318	44,318
Other Expenses		1,844	1,844		4,521	4,521
Depreciation	321,955	345,967	667,922	310,496	341,855	652,351
Total Operating Expenses:	\$ 1,861,629	\$ 1,756,978	\$ 3,618,607	\$ 1,783,732	\$ 1,736,579	\$ 3,520,311
Total Operating Income:	\$ 514,284	\$ 459,398	\$ 973,682	\$ 439,093	\$ 365,118	\$ 804,211
Operating Income (Loss)						
Non-Operating Income (Expenses)						
Interest income	241	10,735	-	623	15,788	16,411
Interest expense on existing debt	(89,337)	(52,917)	(125,351)	(64,107)	(39,651)	(103,758)
Interest expense on new debt	-	-	(169,817)	-	-	-
Capital Contributions	133,177	370,443	-	759,997	210,464	970,461
Other revenue	11,332	-	-	5,483	-	5,483
Other expense	(12,483)	-	(10,301)	(10,161)	-	(10,161)
Transfer out - tax equivalents	(7,789)	-	-	-	-	-
Total Other Income (Expenses)	\$ 35,141	\$ 328,261	(\$ 305,469)	\$ 691,835	\$ 186,601	\$ 878,436
Change in Net Position	\$ 549,425	\$ 787,659	\$ 668,213	\$ 1,130,928	\$ 551,719	\$ 1,682,647
Add back:						
PILOT Payments	7,789	35,102	352,709	-	44,318	44,318
Depreciation	321,955	345,967	463,833	310,496	341,855	652,351
Interest Expense	89,337	52,917	295,168	64,107	39,651	103,758
Total Additions	\$ 419,081	\$ 433,986	\$ 1,111,710	\$ 374,603	\$ 425,824	\$ 800,427
Available for Debt Service	\$ 968,506	\$ 1,221,645	\$ 1,779,923	\$ 1,505,531	\$ 977,543	\$ 2,483,074
MADS*	254,862	220,617	804,773	101,640	204,126	804,773
Debt Coverage Ratio	380.01%	553.74%	221.17%	1481.24%	478.89%	308.54%



www.paristn.gov

Carlton Gerrell, Mayor
www.paristn.gov
Phone: 731-641-1402

100 N. Caldwell St.
P. O. Box 970
Paris, TN 38242

April 24, 2020

VIA E-MAIL (sandi.thompson@cot.tn.gov and alicia.west@cot.tn.gov)

Ms. Sandra Thompson, Assistant Secretary
Tennessee Local Development Authority
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

RE: City of Paris – Assignment of SRF Loans to the Paris Utility Authority

Dear Sandi:

The City of Paris (the “City”) proposes to establish the Paris Utility Authority (the “Authority”) pursuant to the Municipal Energy Authority Act, Sections 7-36-101 et seq., Tennessee Code Annotated, and to transfer the assets and liabilities of the City’s water and sewer system (the “System”) to the Authority. The City is party to four State Revolving Fund Loan Agreements that are payable from the City’s water system, and two State Revolving Fund Loan Agreements that are payable from the City’s sewer system (the “SRF Loan Agreements”). The City and the Authority wish to assign these SRF Loan Agreements from the City to the Authority, and hereby request your approval thereof. The City and the Authority are prepared to provide the TLDA any information it needs to assess this request, and to approve and execute any documents required by the TLDA to effectuate the assignment of the SRF Loan Agreements to the Authority.

The City has additional outstanding indebtedness related to the System that it intends to transfer to the Authority, namely three capital outlay notes (the “Notes”) and two USDA bonds (the “USDA Bonds”) which have yet to be issued but which are currently in interim financing with local banking institutions. The USDA and the holders of the Notes have agreed that the Notes and the USDA Bonds may simply be assigned by the City to the Authority on their current terms, provided that following their assignment, the Note and USDA Bonds will be payable from and secured by a pledge of a shared senior lien on the revenues of the System.

In order to accommodate the requirements of the holders of the Notes and the USDA, the SRF Loans Agreements would likewise need to be payable from and secured by a shared senior lien on the revenues of the System. To that end, we hereby request:

- (1) that the TLDA consent to each of the SRF Loan Agreements being payable from and secured by a pledge of the revenues of the System as a whole, as opposed to a pledge of the revenues of only the water system or only the sewer system; and
- (2) that the TLDA agree that its lien on the revenues of the combined System be on parity with the liens in favor of the Notes and the USDA Bonds.

We believe that the TLDA's consent to these requests is in the public interest insofar as it will facilitate the transfer of the System from the City to the Authority, which the City has determined to be in the best interest of its citizens. We also believe that the TLDA's consent to these requests is in the public interest insofar as it will preserve the Authority's ability to incur future debt on a shared senior lien basis, thereby minimizing interest costs payable by System ratepayers. (We understand that under applicable State guidelines, all future debt of the Authority must be first approved by the TLDA.)

The City cites the following factors in favor of this request:

1. The City is in compliance with the terms of the SRF Loan Agreements.
2. The City has never failed to timely repay its SRF debt.
3. The City has filed its audited financial statements with the Division of Local Government Audit in a timely manner.
4. Current and pro forma debt service coverage is attached as Exhibit A.

I am happy to answer any questions you may have.

Thanks for your help.

Yours truly,



Kim Foster
City Manager

cc: Jeff Oldham (joldham@bassberry.com)

June 1, 2020

VIA E-MAIL (sandi.thompson@cot.tn.gov and
alicia.west@cot.tn.gov)

Ms. Sandra Thompson, Assistant Secretary
Tennessee Local Development Authority
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

RE: Paris Utility Authority – Request TLDA Consent to Issuance of \$200,000 Water and Sewer Revenue Bond, Series 2020D on Parity with SRF Loan Agreements

Dear Sandi:

This letter is an update to our previous letter of April 24, 2020. As described in that letter, the City of Paris (the “City”) has established the Paris Utility Authority (the “Authority”) pursuant to the Municipal Energy Authority Act, Sections 7-36-101 et seq., Tennessee Code Annotated, and is in the process of transferring the assets and liabilities of the City’s water and sewer system (the “System”) to the Authority.

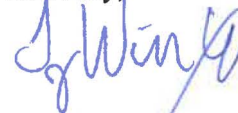
Our prior letter requested that the TLDA consent to the Authority issuing three bonds on parity with its State Revolving Fund Loan Agreements for the purpose of retiring three capital outlay notes previously issued by the City. The Authority has determined that it is prudent for the Authority to borrow an additional \$200,000 to fund capital improvements to the System, and accordingly proposes to issue a fourth bond for that purpose.

The Authority would like to update its previous request to ask that the TLDA also approve the issuance of this fourth bond on parity with the SRF Loan Agreements. We have included with this letter updated debt service and debt service coverage schedules that reflect the terms of this fourth bond.

I am happy to answer any questions you may have.

Thanks for your help.

Yours truly,



Terry Wimberley
Paris Utility Authority
President and CEO

City of Paris – Current Water/Sewer Debt

Year	Instrument
2011	Capital Outlay Note, Series 2011A
2011	Capital Outlay Note, Series 2011B
2013	Capital Outlay Note, Series 2013
2015-2017	SRF Loans
2019	\$7.2MM – USDA (interim financing)
2019	\$11.9MM – USDA (interim financing)

Proposed Transfer to Paris Utility Authority

New Instrument	Notes
2020A Bond	Terms matching Capital Outlay Note, Series 2011A – holder of 2011A Note will purchase 2020A Bond
2020B Bond	Terms matching Capital Outlay Note, Series 2011B – holder of 2011B Note will purchase 2020B Bond
2020C Bond	Terms matching Capital Outlay Note, Series 2013 – holder of 2013 Note will purchase 2020C Bond
2020D Bond*	New \$200,000 Water/Sewer Revenue Bond for capital projects*
New SRF Loans	Match Current SRF Loans
1Q 2021 (expected)	Authority issues \$7.2MM USDA Water/Sewer Revenue Bond
3Q-4Q 2021 (expected)	Authority issues \$11.9MM USDA Water/Sewer Revenue Bond

** Just determined in last week – existing TLDA request can be updated to incorporate the 2020D Bond.*

Proposed Lien Structure

Parity senior lien on water and sewer revenues for all debt instruments.

Consents

The USDA and the holders of the existing capital outlay notes have consented to these arrangements. The Authority is asking that the TLDA consent as well.

Outstanding Water and Wastewater (System) Debt
Outstanding Debt Included

Issue Description	Amount Issued	Interest Rate	Date of Issue	Final Maturity	Outstanding as of 6/30/2019
Capital Outlay Note, Series 2011 - Water & Wastewater*	1,550,000	3.29%	6-May-11	6-May-23	702,781
Capital Outlay Note, Series 2011 - Water & Wastewater*	1,100,000	3.29%	6-May-11	6-May-23	386,518
Capital Outlay Note, Series 2013 - Water*	920,000	2.49%	5-Apr-13	1-Mar-25	470,000
SRF DWF 2015-164 - Water	950,000	1.29%	1-Apr-17	1-Apr-37	858,514
SRF DWF 2015-163 - Water	1,875,000	1.29%	1-Aug-17	1-Aug-37	1,722,536
SRF CW5 2017-381 Wastewater	1,275,000	1.48%	1-Dec-17	1-Dec-47	1,223,784
SRF DWF 2017-195 - Water	750,000	1.18%	1-Mar-18	1-Mar-38	708,123
SRF DWF 2016-178 - Water	499,654	0.85%	1-Jun-19	1-May-39	497,743
SRF DWF 2017-382 - Wastewater	2,674,410	0.85%	30-Jun-19	30-Jun-39	<u>2,674,410</u>
Total Bonds and Notes Payable	\$ 12,334,064				\$ 9,537,287
	Debt to be Added*				
USDA loan - Water Project	7,200,000	2.375%			
USDA Loan - Wastewater Project	11,914,000	2.50%			
Total Bonds and Notes Payable	\$ 19,114,000				

Notes:

All debt is being assigned from the City and assumed by the Authority. All such debt will be solely secured by the net revenue of the System. Debt will carry debt service reserve funds equal to maximum annual debt service as required by TLDA State Revolving Loan programs and USDA Loan programs secured exclusively with the net revenues of the System

*Draw-down Bond Anticipation Notes are currently in place pending final take-out with permanent USDA committed funding

PARIS UTILITY AUTHORITY
ASSIGNMENT, ASSUMPTION, AND TERMINATION AGREEMENT

This is an Assignment, Assumption, and Termination Agreement (this “Agreement”) by and among the City of Paris (the “City”), Paris Utility Authority (“PUA”), the Tennessee Department of Environment and Conservation (the “Department”) and the Tennessee Local Development Authority (the “Authority”).

WHEREAS, the City borrowed funds from the water revolving loan fund created by the Drinking Water Revolving Loan Fund Act of 1997, as amended, (the “Water Revolving Loan Fund”) which loan is evidenced by a loan agreement, DWF 2017-195, (the “Original Agreement A”) in the original principal amount of seven hundred fifty thousand dollars (\$750,000) entered into on or about August 17, 2017, by and among the City, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness A" (See Exhibit A, new loan agreement); and

WHEREAS, the City borrowed funds from the Water Revolving Loan Fund, which loan is evidenced by a loan agreement, DWF 2016-178, (the “Original Agreement B”) in the original principal amount of five hundred thousand dollars (\$500,000) entered into on or about August 11, 2016, by and among the City, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness B" (See Exhibit B, new loan agreement); and

WHEREAS, the City borrowed funds from the Water Revolving Loan Fund, which loan is evidenced by a loan agreement, DWF 2015-164, (the “Original Agreement C”) in the original principal amount of nine hundred fifty thousand dollars (\$950,000) entered into on or about August 12, 2015, by and among the City, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness C" (See Exhibit C, new loan agreement); and

WHEREAS, the City borrowed funds from the Water Revolving Loan Fund, which loan is evidenced by a loan agreement, DW4 2015-163, (the “Original Agreement D”) in the original principal amount of two million five hundred thousand dollars (\$2,500,000), which includes six hundred twenty-five thousand dollars (\$625,000) in loan forgiveness, entered into on or about August 12, 2015, by and among the City, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness D" (See Exhibit D, new loan agreement); and

WHEREAS, the City borrowed funds from the wastewater revolving loan fund created by the Tennessee Wastewater Facilities Act of 1987, as amended, (the “Wastewater Revolving Loan Fund”) which loan is evidenced by a loan agreement, SRF 2017-382, (the “Original

Agreement E”) in the original principal amount of three million six hundred thousand dollars (\$3,600,000), entered into on or about April 10, 2017, by and among the City, the Department, and the Authority and the outstanding balance of which is referred to as the “Outstanding Indebtedness E” (See Exhibit E, new loan agreement); and

WHEREAS, the City borrowed funds from the Wastewater Revolving Loan Fund, which loan is evidenced by a loan agreement, CW5 2017-381, (the “Original Agreement F”) in the original principal amount of one million five hundred thousand dollars (\$1,500,000), which includes two hundred twenty-five thousand dollars (\$225,000) in principal forgiveness, entered into on or about April 10, 2017, by and among the City, the Department, and the Authority and the outstanding balance of which is referred to as the “Outstanding Indebtedness F” (See Exhibit F, new loan agreement); and

WHEREAS, the City has determined to transfer its water and wastewater treatment and distribution and collection facilities to PUA (a municipal energy authority created pursuant to the Municipal Energy Authority Act, Tenn. Code Ann. §§ 7-36-101 to -132) subject to satisfaction of conditions precedent to closing; and

WHEREAS, PUA assumes each of the Outstanding Indebtedness A through F (collectively, the “Total Outstanding Indebtedness”) and the Department and the Authority are willing to agree to such assumption on the conditions that the Original Agreements A through F be terminated and that PUA enter into new loan agreements (the “New Loan Agreements”) with the Department and the Authority to replace the Original Agreements A through F;

NOW THEREFORE, in consideration of the previous, the parties agree as follows:

1. The City hereby assigns all of its rights, title, and interest in the Total Outstanding Indebtedness to PUA.
2. PUA hereby assumes the Total Outstanding Indebtedness of the City and, as a condition thereof, PUA agrees that it will enter into the New Loan Agreements and that the terms and conditions of the New Loan Agreements shall be the same as those contained in the draft loan agreements attached hereto as Exhibits A through F.
3. PUA agrees to be subject to the jurisdiction of the Utility Management Review Board created pursuant to Tennessee Code Annotated Title 7, Chapter 82.
4. The Department and the Authority hereby release the City from liability for the Total Outstanding Indebtedness and terminate the Original Agreements A through F.
5. This Agreement shall not be effective until such time as each of the following events shall

have occurred:

- i. This Agreement has been executed by all parties hereto.
 - ii. PUA has furnished evidence satisfactory to the Department and to the Authority that the Town's water and wastewater systems have been transferred to PUA.
 - iii. PUA has complied with all terms and conditions of the New Loan Agreements and the New Loan Agreements have been executed by all parties thereto.
6. This Agreement may be executed in one or more counterparts, each of which shall be treated as an original.

CITY OF PARIS

By:

Its:

Date:

PARIS UTILITY AUTHORITY

By:

Its:

Date:

TENNESSEE LOCAL DEVELOPMENT AUTHORITY

By:

Its:

Date:

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

By:

Its:

Date:



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

June 3, 2020
City of Portland
Request for Approval of Additional Debt on Parity with SRF

The City of Portland (the “City”) is requesting approval from the Tennessee Local Development Authority (TLDA) to issue Water and Sewer Revenue Bonds (the “Bonds”) on parity with its outstanding State Revolving Fund (SRF) loan agreements. Request for approval is required by provisions set forth in the State Revolving Fund (SRF) loan agreement and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*. The proposed debt will be issued in an amount not to exceed \$19,000,000.

1. The requestor is a:

- Utility District or Water/Wastewater Authority planning to issue Revenue Debt
 Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? Yes No
- Municipality (town/city/county) planning to issue:
 General Obligation Debt
 Revenue Debt – Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? Yes No

2. Lien Position:

- The borrower is requesting to issue the Bonds on parity with its outstanding SRF loan(s).
 The borrower is requesting to subordinate its outstanding SRF debt to the proposed debt issuance.
 The borrower is not requesting a modification of lien position and the proposed debt will be issued subordinate to the SRF debt.

3. The purpose of the proposed debt issuance is:

- Refunding
 New Money

4. Description and Additional Information:

The City plans to issue up to \$19,000,000 of water and sewer system revenue bonds for the purposes set forth below. The Bonds would be payable solely from and secured solely by a senior lien on the net revenues of the City’s water and sewer system, on parity with the City’s outstanding SRF Loan #2006-192 and the City’s Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016. The Bonds would be sold through negotiated sale with Wiley Bros.—Aintree Capital, the underwriting firm, that was selected through a request for proposal process.

- to fund the final portion of upgrades to the City’s System in order to gain compliance with mandates from the Tennessee Department of Environment and Conservation,
- to fund other System improvements and expansions related to water and stormwater,
- to fund a debt service reserve fund and pay costs of issuing the Bonds.

5. The debt rating of the borrower is:

Please indicate N/R if not rated.

N/R Moody’s
AA-/Stable Standard and Poor’s (General Obligation)
A-/Stable Standard and Poor’s (Series 2016 Bonds)
N/R Fitch

6. The following SRF loans are currently authorized/outstanding:

Borrower	Portland						
Date	3/4/2020						
Loan Type	Loan #	Status	Disbursements	Available to Draw	% Principal Forgiveness	Edison Balance @3/4/2020	MADS*
Sewer	SRF 06-192	Repayment	1,341,491.00	0.00	0%	832,829.00	78,744.00
							78,744.00

7. Compliance with SRF Loan Agreement:

- **Timely repayments [4.(a)]**

Yes No

- **Security Deposit (UDs and Authorities) [8.]**

Amount on deposit: N/A

- **GAAP Accounting and Audited Annual Financial Statement Requirement [7.(g) and (m)(2)]**

The City timely filed its FY2019 audit report within six months of its fiscal year end.

Sufficient Revenues [7.(k)]

Yes No

For the fiscal year ended June 30, 2019, the City's audited financial statements reflected operating income of \$1,057,284, and a positive change in net position of \$539,614 for the Water and Sewer Fund. The statement of cash flows reflected debt service payments of \$1,346,837, consisting of principal payments of \$878,441 and interest payments of \$468,396 for the Water and Sewer Fund. At June 30, 2019, the Water and Sewer Fund reported \$4,895,872 in unrestricted cash and investments.

- **Debt Service Coverage Ratios [7.(l) and (m)(3) &(4)]**

The current and projected Debt Service Coverage Ratio meets or exceeds 1.2 times.

Yes No

If no, include a schedule of revised rates and fees. Included N/A

Most Recent Fiscal Year (m)(3):

The City's water and sewer debt service coverage ratio was 1.77x for fiscal year ending June 30, 2019, and therefore, the City met the debt service coverage requirement for fiscal year 2019.

Next Three Fiscal Years After Debt Issuance (m)(4):

The City projects that it will meet the debt service coverage requirement for its water and sewer fund after the debt is issued with the estimated ratio of net revenues to debt service ranging from 1.30x to 1.44x for fiscal years 2021 through 2023.

Is the entity currently under the jurisdiction of the Utility Management Review Board (UMRB) or the Water and Wastewater Financing Board (WWFB)? [7.(n)]

Yes (Water Loss Financial Distress) No

8. State-Shared Taxes (SST): (Towns, Cities, Counties): N/A

<u>\$ 1,641,516</u>	Received in prior fiscal year
<u>\$ 78,744</u>	Total Maximum Annual Debt Service (with SST pledge)
<u>\$ 1,562,772</u>	Unobligated SSTs

9. Conclusion

Based upon our analysis, the City will have sufficient cash and revenues to meet its obligations. The City appears to meet TLDA's guidelines for approval to issue bonds with a parity lien position to its outstanding State Revolving Fund (SRF) loan agreements.

Attachments:

Debt Service Coverage & Three-year Financial Projection



100 South Russell Street, Portland, Tennessee 37148
615-325-6776

May 12, 2020

via electronic mail (sandi.thompson@cot.tn.gov and alicia.west@cot.tn.gov)

Ms. Sandra Thompson, Assistant Secretary
Tennessee Local Development Authority
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

RE: City of Portland, Tennessee – Water and Sewer Revenue Bonds – Request for Parity
Status with SRF Loans

Dear Sandi:

The City of Portland, Tennessee (the “City”) wishes to consider the issuance of up to \$19,000,000 of water and sewer system revenue bonds (the “Bonds”) for the purposes set forth below. The Bonds would be payable solely from and secured solely by a senior lien on the net revenues of the City’s water and sewer system (the “System”), on parity with the City’s outstanding SRF Loan #2006-192 (the “SRF Loan”) and the City’s Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016. Pursuant to the TLDA’s guidelines, we hereby request that the TLDA consent to the issuance of the Bonds on parity with the City’s outstanding SRF Loan.

The Bonds would be sold by negotiated sale to Wiley Bros.—Aintree Capital, selected by a request for proposal process. The Bonds would be structured as set forth in the financial reports included herewith as Exhibit A. The proceeds of the Bonds would be used to fund the final portion of upgrades to the City’s System in order to gain compliance with mandates from the Tennessee Department of Environment and Conservation, other System improvements and expansions related to water and stormwater, fund a debt service reserve fund and pay costs of issuing the Bonds. An estimated sources and uses table is included in Exhibit A.

The Bonds would not be general obligations of the City. As such, it is important that the Bonds be issued on a senior lien basis relative to System revenues – on parity with the SRF Loan. The City believes that the additional interest expense payable on subordinate lien debt obligations would be cost-prohibitive.

The City cites the following factors in favor of this request:

1. The City is in compliance with the terms of the SRF Loan Agreement.

2. The City's authorized and outstanding SRF debt is attached as Exhibit B along with the Series 2016 parity bonds and the proposed Series 2020 Bonds.
3. The City has never failed to timely repay its SRF debt.
4. The City has filed its audited financial statements with the Division of Local Government Audit in a timely manner.
5. Current and pro forma debt service coverage is attached as Exhibit C.
6. The rights and lien position of the TLDA relative to the SRF Loan will not be affected.
7. The capital improvement projects being financed with the proceeds of the Bonds are long-term projects that are vitally important to the health and welfare of the citizens of the City and satisfy TDEC mandates.

If you have additional questions or require further information, please do not hesitate to contact any of the following individuals who have assisted the City in connection with the preparation of this request.

City of Portland

Doug Yoeckel, Finance Director
dyeckel@cityofportlandtn.gov
615.325.6776

Mike Callis, Mayor
mikecallis@cityofportlandtn.gov
615.325.6776

Oakdale Municipal Advisors

Julianne Graham
julianne@oakdale-ma.com
615.351.4409

Bass, Berry & Sims

Jeff Oldham
joldham@bassberry.com
615.742.7704

Thank you for considering our request.

Yours truly,



**CITY OF PORTLAND, TENNESSEE
CURRENT AND PRO FORMA DEBT SERVICE COVERAGE**

	2017	2018	2019	Pro Forma 2020	Pro Forma 2021	Pro Forma 2022	Pro Forma 2023	Pro Forma 2024
Operating Revenues								
Water Sales	\$3,501,366	\$3,451,063	\$3,595,230	\$3,725,000	\$3,725,000	\$3,762,250	\$3,837,495	\$3,914,245
Sewer Service	3,362,175	3,308,767	3,406,919	3,755,000	3,755,000	3,792,550	3,868,401	3,945,769
Other Operating Revenues	425,035	471,543	424,789	417,050	425,000	425,000	425,000	425,000
Tap Fees	228,815	301,625	295,869	220,000	250,000	250,000	250,000	250,000
Interest Income	28,860	42,324	44,197	38,000	38,000	38,380	39,148	39,931
Total Operating Revenues	<u>\$7,546,251</u>	<u>\$7,575,322</u>	<u>\$7,767,004</u>	<u>\$8,155,050</u>	<u>\$8,193,000</u>	<u>\$8,268,180</u>	<u>\$8,420,044</u>	<u>\$8,574,944</u>
Operating Expenses								
Total Operating Expenses	<u>\$4,851,182</u>	<u>\$4,762,415</u>	<u>\$5,386,300</u>	<u>\$5,315,448</u>	<u>\$5,421,757</u>	<u>\$5,530,192</u>	<u>\$5,640,796</u>	<u>\$5,753,612</u>
Net Revenue Available for Debt Service	\$2,695,069	\$2,812,907	\$2,380,704	\$2,839,602	\$2,771,243	\$2,737,988	\$2,779,248	\$2,821,333
Current Annual Debt Service	\$1,298,280	\$1,489,970	\$1,346,837	\$1,222,625	\$1,227,588	\$1,076,588	\$944,488	\$950,838
Debt Service Coverage	2.08 X	1.89 X	1.77 X	2.32 X	2.26 X	2.54 X	2.94 X	2.97 X

Assumptions:

Expenses increase by 2% in Pro Forma years 2021-2024. Water/Sewer revenues and interest income remain static in 2021 based on 2020 expectations. 1% growth in these revenues is assumed in 2023 and 2% is assumed in 2024. FY2017 includes a sewer rate increase of 30% implemented on 7/1/2016. FY2020 includes a sewer rate increase of 15% implemented on 7/1/2019.

**Does not include capital outlay notes.*

**CITY OF PORTLAND, TENNESSEE
CURRENT AND PRO FORMA DEBT SERVICE COVERAGE AFTER THE ISSUANCE OF SERIES 2020**

	2017	2018	2019	Pro Forma 2020	Pro Forma 2021	Pro Forma 2022	Pro Forma 2023	Pro Forma 2024
Operating Revenues								
Water Sales	\$3,501,366	\$3,451,063	\$3,595,230	\$3,725,000	\$3,725,000	\$3,762,250	\$3,837,495	\$3,914,245
Sewer Service	3,362,175	3,308,767	3,406,919	3,755,000	3,755,000	3,792,550	3,868,401	3,945,769
Other Operating Revenues	425,035	471,543	424,789	417,050	425,000	425,000	425,000	425,000
Tap Fees	228,815	301,625	295,869	220,000	250,000	250,000	250,000	250,000
Interest Income	28,860	42,324	44,197	38,000	38,000	38,380	39,148	39,931
Total Operating Revenues	\$7,546,251	\$7,575,322	\$7,767,004	\$8,155,050	\$8,193,000	\$8,268,180	\$8,420,044	\$8,574,944
Operating Expenses								
Total Operating Expenses	\$4,851,182	\$4,762,415	\$5,386,300	\$5,315,448	\$5,421,757	\$5,530,192	\$5,640,796	\$5,753,612
Net Revenue Available for Debt Service	\$2,695,069	\$2,812,907	\$2,380,704	\$2,839,602	\$2,771,243	\$2,737,988	\$2,779,248	\$2,821,333
Current Annual Debt Service	\$1,298,280	\$1,489,970	\$1,346,837	\$1,275,075	\$1,227,588	\$1,076,588	\$944,488	\$950,838
Debt Service Coverage	2.08 X	1.89 X	1.77 X	2.23 X	2.26 X	2.54 X	2.94 X	2.97 X
Annual Debt Service after Series 2020*					\$2,131,910	\$2,061,338	\$1,929,738	\$1,935,838
New Debt Service Coverage					1.30 X	1.33 X	1.44 X	1.46 X

Assumptions:

Expenses increase by 2% in Pro Forma years 2021-2024. Water/Sewer revenues and interest income remain static in 2021 based on 2020 expectations. 1% growth in these revenues is assumed in 2023 and 2% is assumed in 2024. FY2017 includes a sewer rate increase of 30% implemented on 7/1/2016. FY2020 includes a sewer rate increase of 15% implemented on 7/1/2019.

*Preliminary. Does not include capital outlay notes.

SOURCES AND USES OF FUNDS

City of Portland, Tennessee
 Water and Sewer Revenue Bonds, Series 2020

Sources:

Bond Proceeds:	
Par Amount	16,995,000.00
Premium	2,166,471.55
	19,161,471.55

Uses:

Project Fund Deposits:	
Construction Fund	18,000,000.00
Other Fund Deposits:	
Debt Service Reserve Requirement	986,500.00
Delivery Date Expenses:	
Cost of Issuance	79,950.00
Underwriter's Discount:	
Other Underwriter's Discount	93,472.50
Other Uses of Funds:	
Additional Proceeds	1,549.05
	19,161,471.55

BOND SUMMARY STATISTICS

City of Portland, Tennessee
Water and Sewer Revenue Bonds, Series 2020

Dated Date	07/30/2020
Delivery Date	07/30/2020
First Coupon	04/01/2021
Last Maturity	04/01/2050
Arbitrage Yield	2.492774%
True Interest Cost (TIC)	3.141882%
Net Interest Cost (NIC)	3.387043%
All-In TIC	3.175271%
Average Coupon	4.063406%
Average Life (years)	18.034
Duration of Issue (years)	12.795
Par Amount	16,995,000.00
Bond Proceeds	19,161,471.55
Total Interest	12,454,022.22
Net Interest	10,381,023.17
Total Debt Service	29,449,022.22
Maximum Annual Debt Service	986,500.00
Average Annual Debt Service	992,570.73
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	5.500000
	<hr/>
Total Underwriter's Discount	5.500000
Bid Price	112.197700

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	16,995,000.00	112.748	4.063%	18.034
	16,995,000.00			18.034

	TIC	All-In TIC	Arbitrage Yield
Par Value	16,995,000.00	16,995,000.00	16,995,000.00
+ Accrued Interest			
+ Premium (Discount)	2,166,471.55	2,166,471.55	2,166,471.55
- Underwriter's Discount	-93,472.50	-93,472.50	
- Cost of Issuance Expense		-79,950.00	
- Other Amounts			
Target Value	19,067,999.05	18,988,049.05	19,161,471.55
Target Date	07/30/2020	07/30/2020	07/30/2020
Yield	3.141882%	3.175271%	2.492774%