



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
JULY 22, 2021
AGENDA

1. Call meeting to order
2. Approval of minutes from the TLDA meeting of June 15, 2021
3. Public hearing on and approval of the TLDA Debt Management Policy
4. Consideration of a request for approval of revisions to the TLDA SRF Policy and Guidance for Borrowers
5. Consider for approval the following Clean Water Loans:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term
Alexandria, SRF 2021-456	\$ 50,000	\$ -	\$ 50,000	0.17%	5
Carthage, CW7 2020-445	\$ 235,000	\$235,000	\$ 470,000	0.18%	5
Waverly, SRF 2021-461	\$ 580,000	\$ -	\$ 580,000	0.90%	20
Westmoreland, CW8 2021-457	\$2,000,000	\$500,000	\$2,500,000	0.65%	20
Westmoreland, SRF 2021-458	\$3,987,000	\$ -	\$3,987,000	0.65%	20
White House, SRF 2021-449-01	\$8,000,000	\$ -	\$8,000,000	1.09%	20

6. Consider for approval the following Drinking Water Loans:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term
Alexandria, DWF 2021-234	\$ 20,000	\$ -	\$ 20,000	0.17%	5
Carthage, DW7 2021-223	\$ 108,000	\$ 27,000	\$ 135,000	0.86%	20

7. Report on the American Rescue Plan funding
8. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY

June 15, 2021

The Tennessee Local Development Authority (the “TLDA”) met on Tuesday, June 15, 2021, at 2:45 p.m. in the Executive Conference Room, Ground Floor, State Capitol, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

The Honorable Jason E. Mumpower, Comptroller of the Treasury
The Honorable David H. Lillard, Jr., State Treasurer
Commissioner Butch Eley, Department of Finance and Administration
Ms. Paige Brown, House Appointee

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

Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Lee, Governor

Recognizing a quorum present, Mr. Hargett called the meeting to order.

Mr. Hargett stated that the first item on the agenda was approval of the minutes from the May 24, 2021, TLDA meeting. Mr. Hargett asked for a motion to approve the minutes. Mr. Mumpower made a motion to approve the minutes, and Ms. Brown seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 6 – 0, the motion carried, and the minutes were unanimously approved.

Mr. Hargett called upon Ms. Sandi Thompson, TLDA Assistant Secretary and the Director of the Division of State Government Finance (DSGF) to present the next item on the agenda. Ms. Thompson stated that the next item was listed as a request for approval, but was actually a notification by the Water Authority of Dickson County (the “Authority”) submitted to comply with TLDA SRF Policy and Guidance for Borrowers. Ms. Thompson stated that the Authority had submitted notification to the TLDA that it was proposing to issue Water and Wastewater Revenue Refunding Bonds in an amount not to exceed \$23,000,000 and that it would use the funds to simultaneously repay all its outstanding SRF loans. She noted that the letter from the Authority was for notification and not a request for approval since it would be paying off its SRF debt. No further action was required by the board. Mr. Hargett asked if there was any discussion. Hearing none, and with no further action necessary, he moved on to the next agenda item.

Mr. Hargett called upon Ms. Thompson to present the next item on the agenda. Ms. Thompson stated that the next item on the agenda was a request for approval from the City of Franklin (the “City”) to issue Water and Sewer System Revenue Bonds with a senior lien position to its outstanding SRF loan agreements in an amount not to exceed \$22,000,000. She stated that the request for approval was required by the provisions set forth in the SRF loan agreements and the guidelines set forth in the TLDA SRF Policy and Guidance for Borrowers. She stated that the City planned to issue the 2021 Water Sewer Revenue Bonds at competitive, public sale as a single series, and that the issuance would be in accordance with its Debt Management Policy. She stated that in 2015, the City had begun preparing for the need to renovate/expand the treatment capacity of its Wastewater Treatment Plant (WTP). She reported that its WTP cost approximately \$152,000,000, which had been funded with certain SRF borrowings. She explained that the City knew it would have to borrow an additional \$32,000,000 in order to complete the project. She further stated that the City had requested additional SRF funds, but was only able to secure another \$10,000,000

in SRF funding. In order to complete the project, she stated that the City planned to issue bonds for the remaining \$22,000,000 in the capital markets. She noted that the City is Aa3 rated by Moodys. Ms. Thompson reported that the City had timely repayments on its current SRF loans, had timely filed its audited financial statements, and that its debt service coverage ratio had met or exceeded the 1.2 times requirement. She stated that the City was not under the jurisdiction of the Utility Management Review Board (UMRB) or the Water and Wastewater Financing Board (WWFB). She concluded by saying, based on the analysis conducted by the DSGF, the City would have sufficient revenues to meet its obligations, and it appeared to meet TLDA's criteria to issue the bonds with a senior lien position to its SRF loans. Therefore, she stated that staff recommended approval of the request. Mr. Hargett then recognized representatives from the City of Franklin and asked if they had anything to add. Mr. Eric Stuckey responded by saying he would be happy to answer any questions. There were no questions. Mr. Hargett asked if there was any discussion. Hearing none, Mr. Lillard made a motion to approve the request, and Mr. Mumpower seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By vote of 6 – 0, the motion carried and the request was unanimously approved.

Mr. Hargett called upon Ms. Thompson to present the next item on the agenda. Ms. Thompson stated that the next item on the agenda was a consideration of a request for approval from the Smith Utility District (the "District") to issue a USDA Waterworks Revenue Bond in an amount not to exceed \$1,200,000 subordinate to its outstanding SRF loans. She stated that this request for approval was required by the provisions set forth in the SRF loan agreements and the guidelines set forth in the TLDA SRF Policy and Guidance for Borrowers. Ms. Thompson stated that the borrower was not requesting modification of lien position and that the proposed debt was a new money issuance. She stated that the District had a history of timely repayments and that it had a security deposit in place as well. Ms. Thompson reported that the District had not filed its audited financial statements for fiscal year end on December 31, 2019 with the Division of Local Government Audit and explained that the delay in filing was due to the timing of the release of the TCRS report and the District's year-end financials. She stated that the District would have sufficient revenues to cover its debt service and that its debt service coverage ratios would equal or exceed the 1.2 times requirement. She stated that the District was not under the jurisdiction of the UMRB or the WWFB. Ms. Thompson concluded saying, that based on analysis conducted by DSGF, the District appeared to meet the TLDA's requirements to issue the bonds subordinate to its SRF loans. Mr. Hargett inquired if staff from Smith UD was present. They were not present. Mr. Hargett asked if there was any discussion. Hearing none, Mr. Hargett made a motion to approve the request, and Mr. Lillard seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By vote of 6 – 0, the motion carried and the request was unanimously approved.

Mr. Hargett called upon Ms. Thompson to present the next item on the agenda. Ms. Thompson stated that the next two items on the agenda were similar in that both Utility Districts were borrowing \$300,000 from a local bank in order to refund some current debt for cost savings. She stated that Big Creek Utility District (the "District") was requesting approval from the TLDA to issue Waterworks Revenue and Refunding Bonds in an amount not to exceed \$300,000 subordinate to its outstanding SRF loans. Ms. Thompson stated that this refunding had an estimated net present value savings of \$132,481 or 29%. She stated that the proposed debt was not structured in a manner that constitutes balloon indebtedness. She stated that although the District did not have a debt rating, it did have a history of timely repayments on its current outstanding SRF loans, and it had a security deposit in place as well. She reported that the District had not filed its audited financial statements timely due to its fiscal year end (February 28, 2020) and the release of the TCRS report. Ms. Thompson stated that the District's revenues would be sufficient to cover the debt service and the debt service ratios either equaled or exceeded the 1.2 times requirement. However, she stated that the reports showed the District debt service coverage ratios for the past two years were 0.52 times and 0.53 times for fiscal year 2020 and 2021. She further stated that the projected debt service coverage ratios were similar at 0.53 times to 0.55 times for fiscal years 2022 through 2024. She noted that the District was not under the jurisdiction of the UMRB or WWFB. Ms. Thompson concluded saying, that although it appeared that due to insufficient debt service coverage ratios, the District would not meet the TLDA's criteria to issue the refunding bonds subordinate to its SRF loans, the District had significant unrestricted cash reserves which would cover at least two years worth of debt service payments. Therefore, she stated that staff recommended the TLDA approve the District to issue refunding bonds subordinate to its outstanding SRF loan agreements. Mr. Hargett asked if there was any discussion. Hearing none, Mr. Mumpower made a motion to approve the request, and Ms. Brown seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By vote of 6 – 0, the motion carried and the request was unanimously approved.

Mr. Hargett called upon Ms. Thompson to present the next item on the agenda. Ms. Thompson said that similar to the Big Creek request, Griffith Creek Utility District (the "District") was requesting to issue Waterworks Revenue Refunding Bonds in an amount not to exceed \$300,000 subordinate to its outstanding SRF loan. She stated that the proposed debt was not structured in a manner that constitutes balloon indebtedness. She stated that although the District did not have a debt rating, it did have a history of timely repayments on its current outstanding SRF loan, and it had a security deposit in place as well. She reported that the District had filed its audited financial statements timely and that it would have sufficient revenues to cover its debt service. Ms. Thompson stated that its debt service coverage ratio either met or exceeded the 1.2 times requirement. In addition, she stated that the District's past two years of debt service coverage had been sufficient and that its debt service coverage for the next five years would be sufficient as well. She reported that the District was under the jurisdiction of the UMRB due to financial distress. However, she stated, that per discussions with Local Government Finance and UMRB staff, the DSGF understood that there were corrective action orders submitted and that the District had made satisfactory progress on those orders. She stated that UMRB staff also noted the interest savings on the proposed issuance would be beneficial to the District. Ms. Thompson concluded saying, based on analysis conducted by the DSGF, the District would meet the TLDA's criteria to issue the refunding bonds subordinate to its SRF loans. Mr. Hargett asked if there was any discussion. Hearing none, Ms. Brown made a motion to approve the request, and Mr. Lillard seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By vote of 6 – 0, the motion carried and the request was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on SRF fund balance to reflect addition of the capitalization grants. He recognized Mr. Adeniyi Bakare, SRF Program Manager for the Tennessee Department of Environment and Conservation (TDEC), to present the report. Mr. Bakare stated that as of May 24, 2021, the Clean Water State Revolving Fund Loan Program (CWSRF) had an unobligated balance of \$49,267,235. He further stated that there were two increases to the fund. The first increase was the FY2020 EPA Capitalization Grant in the amount of \$13,111,500, and the second increase was the state match funds in the amount of \$2,622,300. Mr. Bakare concluded the CWSRF report by stating that the remaining funds available for loan obligations was \$65,001,035. He continued with the report on the Drinking Water State Revolving Fund (DWSRF), stating that the unobligated balance as of March 22, 2021, was \$66,613,776. He reported two increases to the fund, and stated that the first increase was for the Town of Brighton in the amount of \$27,832, and the second was for the City of Oak Ridge in the amount of \$227,600. Mr. Bakare concluded with the DWSRF saying, the funds remaining for loan obligations would be \$66,869,208. Mr. Hargett asked if there were any questions about the reports. Mr. Eley answered affirmatively and stated that he knew all were aware of the American Rescue Plan (ARP) and the substantial funds that would be coming to the state for water purposes. He asked what the impact would be on the SRF program moving forward. Mr. Hargett recognized Mr. Mumpower to respond. Mr. Mumpower stated that the ARP, and the fact that the funds could be used for water sewer investments, was clearly in line to assist with the same types of projects funded by the SRF. Mr. Mumpower stated that local governments were receiving and using the money in that way. He stated that there had been initial discussions about possibly partnering communities and state dollars to enhance what was being done. The ARP funds are overly restrictive in many ways, however, he stated that the door was wide open for spending on water and sewer. He stated that any thoughts were welcome. Mr. Bakare responded by explaining that the SRF was experiencing a response from communities that were deciding not to proceed with SRF loans because they could potentially use the stimulus money to fund their projects. Mr. Mumpower stated that less demand would make sense with the amount of money that would be available from the stimulus. Mr. Eley asked Mr. Bakare if TDEC thought another group of interested entities that may be lower on the priority ranking list would get an opportunity for SRF funding, or if the overall demand would go down. Mr. Bakare responded affirmatively, saying he thought the overall demand would go down, but stated that he did not think all entities would decide to leave the SRF program. He stated that he thought TDEC would have opportunities to fund projects for other communities that may not normally have an opportunity to be funded. Mr. Mumpower stated that it could be expensive water and sewer projects, and although communities may not want to use all of their ARP money on water and sewer projects, it was possible that communities would use it as seed money for some portion of a project, and that they may need SRF assistance for the remaining portion of that project. He stated that he agreed with Mr. Bakare that demand may decline, but thought it could also pick back up at some point in time with communities wanting SRF to finish the second half of a project. Mr. Mumpower noted that the first half of the money was coming now and the second half would come a year from now. However, he stated, that they

would have until December 31, 2021 to obligate the money and then by the end of 2026, they would spend to see the project to completion. Mr. Lillard asked if there was any way under this program to prioritize those water districts that had the highest percentage of water loss out of their system. He inquired if TDEC could re-evaluate its requirements to put these higher risk entities in a position to use the funds to supplement other funds, or in some other way prioritize getting their system up to what we consider acceptable standard. He asked about creating a higher risk band. Mr. Hargett said that was a great point and asked TDEC to come back to the TLDA with some recommendations about what could be done to incentivize that kind of activity. Mr. Lillard then asked if there were any records to show which systems had the most water loss and how they rank across the state. Mr. Mumpower responded by introducing the Chairman of the WWFB and UMRB, Betsy Knotts, to answer the question. She stated that an annual report was issued that summarized all the water loss percentages for all utilities across the state. She noted that the data on the report was unaudited but it was available. Mr. Lillard stated that was acceptable. Mr. Mumpower stated in regards to Mr. Lillard's point, that communities that had the greatest percentage of water loss were also the most financially distressed. He stated that for the purpose of these loans, potentially creating a higher risk band that may or may not have the debt coverage would have to be analyzed individually. He further stated that it may be the only way to ever get them out of their financially distressed situation. Mr. Lillard responded and said that he talked about creating a higher risk band because if we go through all the money from the federal government plus what we have and still do not end up dealing with these systems, then problems could impact communities in the future for centuries. Mr. Hargett responded that it would be a missed opportunity to not focus on the most distressed systems, and Mr. Mumpower agreed. Mr. Lillard stated that it was time to get these systems straightened out. Ms. Brown asked what might be the core at approving the additional taps. She stated that there were a lot of small districts in her area thinking about being able to afford some kind of infrastructure. She stated that the health of a small system was always challenging. Mr. Hargett responded affirmatively. He then asked if there was any further discussion. There was no further discussion.

Hearing no other business, Mr. Hargett asked for a motion to adjourn. Mr. Lillard made a motion, and Mr. Mumpower seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 6 – 0, the meeting was adjourned.

Approved on this ____ day of _____, 2021.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Tennessee Local Development Authority



DEBT MANAGEMENT POLICY

Prepared by:

Division of State Government Finance

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Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by governments, the issuance process for such debt, and the management of the debt portfolio. A debt management policy tailored to the needs of the Tennessee Local Development Authority (the "Authority"): (1) identifies policy goals and demonstrates a commitment to long-term financial planning; (2) improves the quality of decisions concerning debt issuance; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the Authority is well-managed and able to meet its obligations in a timely manner.

Debt levels and their related annual costs are important financial considerations that impact the use of current resources. An effective debt management policy provides guidelines for the Authority to manage its debt program in line with those resources.

In 1978, the General Assembly created the Authority [Sections 4-31-101 et seq., Tennessee Code Annotated]. The Authority is a corporate governmental agency and instrumentality of the State of Tennessee (the "State"). The Authority is comprised of the Governor, the Secretary of the State, the State Comptroller of the Treasury, the State Treasurer, the Commissioner of Finance and Administration, a Senate appointee and a House appointee.

The Authority is authorized to issue debt to (i) loan funds to local governments for sewage treatment and waterworks (the "State Loan Programs"), capital projects, firefighting equipment, and airport facilities; (ii) loan funds to certain small business concerns for pollution control equipment; (iii) make funds available for loans for agricultural enterprises; (iv) make loans to not-for-profit organizations providing certain mental health, mental retardation, and alcohol and drug services (the Community Provider Pooled Loan Program or the "CP Program"); (v) make loans to local government units to finance construction of capital outlay projects for K-12 educational facilities; (vi) make payment on covered claims against insurers operating in this state which have been deemed insolvent as the result of a natural disaster; and (vii) make the proceeds available to petroleum underground storage tank board for purposes of providing for the reimbursement of reasonable and safe cleanup of petroleum sites. The aggregate amounts outstanding for certain programs are limited as follows: \$10,000,000 for firefighting equipment; \$200,000,000 for airport facilities; \$50,000,000 for pollution control equipment; \$50,000,000 for mental health, mental retardation, and alcohol and drugs services; \$30,000,000 for agricultural enterprises; \$15,000,000 for petroleum underground storage tank cleanup costs; and \$75,000,000 for capital outlay projects for K-12 educational facilities.

The Authority issues debt only pursuant to the provisions of the TLDA State Loan Programs General Bond Resolution adopted by the Authority on August 3, 1982 as amended and supplemented and restated and readopted on March 14, 1985 and as amended on May 17, 1989. This Policy applies only to that program. The TLDA has oversight for the State Revolving Fund and State Infrastructure Loan Programs; however, since debt is not issued for these programs, they are not included in this policy.

The Division of State Government Finance (SGF) serves as staff to the Authority. The Director of SGF serves as the Assistant Secretary to the Authority.

Goals and Objectives

The Authority is establishing this debt policy as a tool to ensure that financial resources are adequate to meet the Authority's long-term debt program and financial planning. In addition, this Debt Management Policy (the "Policy") helps to ensure that financings undertaken by the Authority satisfy certain clear objective standards designed to protect the Authority's financial resources and to meet its long-term capital needs.

A. The Goals of this Policy

- To document responsibility for the oversight and management of debt related transactions;
- To define the criteria for the issuance of debt;
- To define the types of debt approved for use within the constraints established by the General Assembly;
- To define the appropriate uses of debt;
- To define the criteria for evaluating refunding candidates or alternative debt structures; and
- To minimize the cost of issuing and servicing debt.

B. The Objectives of this Policy

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
- To identify legal and administrative limitations on the issuance of debt;
- To ensure the legal use of the Authority's debt issuance authority;
- To maintain appropriate resources and funding capacity for present and future capital needs;
- To protect and enhance the Authority's credit rating;
- To evaluate debt issuance options;
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
- To manage interest rate exposure and other risks; and
- To comply with federal Regulations and generally accepted accounting principles ("GAAP").

Debt Management/General

A. Purpose and Use of Debt Issuance

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State (including Title 4, Chapter 31, and Title 68, Chapter 221, Parts 2 and 5, Tennessee Code Annotated), pursuant to resolutions adopted by the Authority.

- Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs of projects as authorized by the bond authorization and a resolution of the Authority.
- Bonds may be issued to refund outstanding debt.

B. Debt Capacity Assessment

The dollar amount of debt that the Authority may issue and that may be outstanding for the State Loan Programs is not limited by statute; however, debt issued for this program shall be “limited special obligations” of the Authority payable solely from and secured by payments made by local government units, or state-shared taxes withheld, pursuant to loan program agreements.

C. Federal Tax Status

- **Tax-Exempt Debt** - The Authority will use its best efforts to maximize the amount of debt sold under this Policy using tax-exempt financing based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints.
- **Taxable Debt** - The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt.
- Legal Limitations on the Use of Debt
- No debt obligation shall be sold to fund the current operation of any state service or program.
- The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized and applied to fund loan program agreements only when the ratio of unobligated state-shared taxes complies with state statutes, including any pledge of the statutory reserve fund.
- Notes may be issued only when the Comptroller has filed a certificate as required by TCA Section 4-31-108(f), including the certification that loan program agreements are in place that will utilize at least 75% of the note proceeds.

Types of Debt

A. Bonds

The Authority may issue limited special revenue bonds, backed by payment pursuant to loan program agreements. These bonds may be structured as:

- **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond.
 - Serial Bonds
 - Term Bonds
- **Variable Interest Rate Bonds** – Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.

B. Short-Term Debt

Pending the issuance of the definite bonds authorized by the bond authorizations, the Authority may issue short-term debt. Such debt shall be authorized by resolution of the Authority. Typically, short-term debt is issued during the construction period to take advantage of the lower short-term interest rates. Short-term debt will be subsequently repaid with proceeds from the sale of long-term debt or fees and charges from the borrowers. Short-term debt may include:

- **Bond Anticipation Notes ("BANs")** – BANs are short-term interest-bearing securities generally issued to finance a capital project during construction.
- **Fixed Rate Notes** – Notes issued for a period of time less than eight years at a fixed interest rate.
- **Variable Rate Notes** – Notes which bear variable interest rates until redeemed. Provisions as to the calculation or change of variable interest rates shall be included in the authorizing resolution.
- **Commercial Paper ("CP")** – CP is a form of bond anticipation note that has a maturity up to 270 days, may be rolled to a subsequent maturity date and is commonly used to finance a capital project during construction. It can be issued incrementally as funds are needed.
- **Revolving Credit Facility** – A form of bond anticipation note involving the extension of a line of credit from a bank. The bank agrees that the revolving credit facility can be drawn upon incrementally as funds are needed. The draws upon the line of credit may bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing credit agreement.

Debt Management Structure

The Authority shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Authority's authorizing resolution and the State's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. The final maturity of the bond debt should be limited to thirty (30) years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier.

The final maturity of notes and any renewals is limited to eight years from the date of issue of the original notes unless the Authority has begun repayment of principal and the ultimate maturity of the notes will not exceed thirty (30) years from the date of first issuance or the date the project is deemed complete or placed in service, whichever is earlier.

B. Debt Service Structure

Debt issuance shall be planned to achieve level debt service unless otherwise determined by the Authority. The Authority shall avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements.

No debt shall be structured with other than at least level debt service unless such structure is specifically approved by a majority vote of the members of the Authority.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call provisions should be structured to provide the maximum flexibility relative to cost. The Authority will avoid the sale of long-term non-callable bonds absent careful evaluation by the SGF and consultation with the Financial Advisor with respect to the value of the call option.

D. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Authority.

Refunding Outstanding Debt

The Authority may refund outstanding bonds by issuing new bonds. Authority staff with assistance from the Authority's financial advisor ("Financial Advisor") shall have the responsibility to analyze outstanding bond issues for refunding opportunities, whether for economic, tax-status, or project reasons.

A. Refunding Opportunities

The bonds may be considered for refunding when:

- Advance Refunding:
 - The refunding results in present value savings of at least 4.0% per series of refunded bonds. Consideration will be given to escrow efficiency when reviewing refunding candidates.
- Current Refunding:
 - The refunding results in present value savings of at least 2% per series of refunded bonds; or the present value savings per series must be equal to or greater than twice the cost of issuance allocable to the refunding series.
- Refunding for Other Purposes:
 - The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the bonds; or
 - The project is sold or no longer in service while still in its amortization period; or
 - Restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.

After consultation with the Financial Advisor, the Comptroller may waive the foregoing refunding considerations given that the sale of refunding bonds will still accomplish cost savings to the public. Such waiver shall be reported in writing to the Authority at its next meeting.

B. Term of Refunding Issues

The Authority will refund bonds within the same fiscal year of the term of the originally issued debt. No backloading of debt will be permitted.

C. Escrow Structuring

The Authority shall structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Authority will take competitive bids on any selected portfolio of securities and will award to the lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Series securities ("SLGS") are purchased directly from the federal Government. The provider must guarantee the delivery of securities except for SLGs. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Authority from its own account.

D. Arbitrage

The Authority shall take all reasonable steps to optimize escrows and to avoid negative arbitrage in its refunding subject to the State's investment policy subject to Section 4-31-104(6) of the TCA. Any positive arbitrage will be rebated as necessary according to federal guidelines (see also "Federal Regulatory Compliance and Continuing Disclosure – A. Arbitrage").

E. Cost of Issuance

Costs of issuance includes fees paid for professional services provided to the Board in the debt issuance process, including underwriting fees.

Methods of Sale

A. Competitive

In a competitive sale, the Authority's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. The competitive sale is the Authority's preferred method of sale.

B. Negotiated

While the Authority prefers the use of a competitive process, the Authority recognizes that some securities are best sold through negotiation. The underwriting team will be chosen and the underwriter's fees negotiated prior to the sale. See section below titled "Selection of Underwriting Team (Negotiated Transaction)." In its consideration of a negotiated sale, the Authority will assess the following factors:

- A structure which may require a strong pre-marketing effort such as a complex transaction;
- Volatility of market conditions and whether the Authority would be better served by flexibility in timing a sale;
- Size of the bond sale may limit the number of potential bidders;
- Credit strength of the Authority and that of its borrowers;
- Whether or not the bonds are issued as variable rate demand obligations;
- Tax status of the bonds; and

- If legal or disclosure issues make it advisable in marking bonds

C. Private Placement

From time to time, the Authority may need to consider privately placing its debt. Such placement shall only be considered for debt transactions where the size is too small or the structure is too complicated for public debt issuance, the market of purchasers is limited, and/or will result in a cost savings to the Authority relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Authority shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals (“RFP”) or in promotional materials provided to the Authority or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Authority with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm’s-length commercial transaction and that it has financial and other interests that differ from those of the Authority. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Authority or its designated official in advance of the pricing of the debt.

A. Senior Manager

The Authority with assistance from its staff and financial advisor shall select the senior manager(s) for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Authority;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Authority’s engagement;
- Financing ideas presented; and
- Underwriting fees.

B. Co-Manager

Co-managers will be selected on the same basis as the senior manager (s). The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Authority’s bonds. The Secretary or Assistant Secretary to the Authority will, at his or her discretion, affirmatively determine the designation policy for each bond issue.

C. Selling Groups

The Authority may use selling groups in certain transactions to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group, should either have a public finance department or pricing desk located within the boundaries of the State. To the extent that selling groups are used, the Secretary or Assistant Secretary of the Authority at his or her discretion may make appointments to selling groups as the transaction dictates.

D. Underwriter's Counsel

In any negotiated sale of the Authority's debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager

Credit Quality

The Authority's debt management activities will be conducted to receive the highest credit ratings possible, consistent with Authority's financing objectives.

The Office of the Comptroller of the Treasury through the Division of State Government Finance will be responsible for the communication of information to the rating agencies and keeping them informed of significant developments throughout the year. The Office of the Comptroller of the Treasury through the SGF will schedule rating agency calls and/or visits prior to the issuance of bonds.

The Office of the Comptroller of the Treasury through the SGF, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority, with the assistance of the Financial Advisor, shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

Security for the TLDA Bond Program

The Security for bonds and notes of the TLDA is the pledge of revenue received by the Authority from the borrowers and the statutory reserve fund. The moneys and securities on deposit in the Statutory Fund may only be withdrawn at the request of the Authority. If there has been a withdrawal from the Statutory Fund in any bond year, the Authority shall deposit in the Statutory Fund an amount equal to the withdrawal and interest thereon from moneys on deposit in the State Loan Program Fund or the General Fund.

For the State Loan Program, the security is the pledge of the system revenues, a general obligation pledge of the borrowing local government, the debt service reserve fund, and the intercept of state-shared taxes. The debt service reserve fund contains a deposit from the borrower equal to one year of the maximum annual debt service. State-shared taxes may be taken if the borrower is delinquent in payments. The intercept of state-shared taxes will be tested periodically.

Credit Enhancements

The Authority will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The Authority may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when such purchase by the Authority is deemed prudent and advantageous. The primary consideration shall be based on whether such insurance is less costly. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used and will be included in the bid for the bonds and will be paid for by the purchaser of the bonds. If the Authority decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, the Authority will select a provider whose bid is most cost effective and will consider the

credit quality of the insurer and that the terms and conditions governing the guarantee are satisfactory to the Authority.

B. Letters of Credit

The Authority may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous. The Authority will prepare and distribute an RFP to qualified banks or other qualified financial institutions, which includes terms and conditions that are acceptable to the Authority. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the Authority.

C. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Authority will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self-liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the Authority.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless the Authority has established a policy defining the use of such products before the transaction is considered.

Risk Assessment

The SGF will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The SGF will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Change in Public/Private Use

The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.

B. Default Risk

The risk that debt service payments cannot be made by the due date.

C. Liquidity Risk

The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing of short-term debt.

D. Interest Rate Risk

The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issue had been fixed.

E. Rollover Risk

The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period

F. Market Risk

The risk that in the event of failed remarketing of short-term debt, the liquidity provider fails.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. All costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. Additionally, the Authority will provide certain financial information and operating data by specified dates, and to provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure undertakings requirements of the U.S. Securities and Exchange Commission ("SOC") Rule 15c2-12. The Authority intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Authority's website within two weeks of the closing of such sale;
- Preparing and filing with the Division of Local Government Finance (LGF) a copy of the costs related to the issuance of a bond and other information as required by Section 9-21-151, of the TCA, within 45 days of the closing of such sale, and presenting the original of such document to the Authority at its next meeting (see also "Debt Administration – B. Post Sale"); and
- Electronically submitting through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website the information necessary to satisfy the Authority's continuing disclosure requirements for the bonds in a timely matter (see also "Federal Regulatory Compliance and Continuing Disclosure").

Professional Services

The Authority requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Authority. This includes "soft" costs or compensations in lieu of direct payments.

A. Issuer's Counsel

The Authority will enter into an engagement letter agreement with each lawyer or law firm representing the Authority in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of Attorney General and Reporter for the State of

Tennessee who serves as counsel to the Authority or of the Office of General Counsel, Office of the Comptroller of the Treasury, which serves as counsel to the SGF regarding Authority matters.

B. Bond Counsel

Bond counsel shall be engaged through the SGF and serves to assist the Authority in all its general obligation debt issues under a written agreement.

C. Financial Advisor

The Financial Advisor shall be engaged through the SGF and serves and assists the Authority on financial matters under a written agreement. However, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which it is or has been providing advisory services. The Financial Advisor has a fiduciary duty including a duty of loyalty and a duty of care.

D. Refunding Trustee

The Refunding Trustee shall be appointed by resolution of the Authority adopted prior to the issuance of any of refunding bonds. The Refunding Trustee will be a bank, trust company or national banking association that provides Paying Agent and Registrar services.

E. Dealer

The Authority will enter into a Dealer Agreement with the appointed CP dealer. The Dealer agrees to offer and sell the CP, on behalf of the Authority, to investors and other entities and individuals who would normally purchase commercial paper.

F. Issuing and Paying Agent

The Authority covenants to maintain and provide an Issuing and Paying Agent at all times while the CP is outstanding. The Authority will enter into an Issuing and Paying Agency Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company or national banking association that has trust powers.

G. Credit/Liquidity Provider

The Authority shall enter into a Credit Agreement with the appointed credit provider. A credit provider shall be a bank or lending institution that extends credit to the Authority in the form of a revolving credit facility, a line of credit, a loan or a similar credit product or as a liquidity facility for CP.

H. Verification Agent

The Verification Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. The Verification Agent primarily verifies the cash flow sufficiency to the call date of the escrowed securities to pay the principal and interest due on refunded bonds.

I. Escrow Bidding Agent

The Escrow Bidding Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. With regards to structuring the refunding escrow with investment securities, the Escrow Bidding Agent will prepare bidding specifications, solicit bids for investment securities, review and evaluate responses to the bids, accept and award bids, and provide final certification as to completion of requirements.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Authority shall be required to disclose to the Authority existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. This disclosure shall include such information that is reasonably sufficient to allow the Authority to appreciate the significance of the relationships.

Professionals who become involved in a debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

Before the issuance of bonds, the procedures outlined below will be followed:

- Prior to submitting a bond resolution for approval, the Director of the SGF (the “Director”), with the assistance of the Financial Advisor, will present to staff of the members of the Authority information concerning the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing, and;
- In addition, in the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.
- The Director (with the assistance of staff in the SGF) with the advice of Bond Counsel, the Financial Advisor, and other members of the financing team, will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Preparing for Bond Closing

In preparation for the bond closing, the procedures outlined below will be followed:

- The Director (with the assistance of staff in the SGF), Bond Counsel, and the Financial Advisor, along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds.
- The Authority’s staff, with assistance from the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter’s compensation, pricing of the bonds in terms of the

overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit, if applicable.

- The Director will present a post-sale report to the members of the Authority describing the transaction and setting forth all the costs associated with the transaction.
- Within 45 days from closing, the Director will prepare a Form CT-0253 - "Report on Debt Obligation" outlining costs related to the issuance and other information set forth in Section 9-21-151 of the TCA, and also present the original at the next meeting of the Authority and file a copy with the LGF.
- The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the Internal Revenue Service all arbitrage earnings associated with the financing and any tax liability that may be owed.
- The Post-Issuance Compliance ("PIC") team will meet annually to review matters related to compliance and complete the PIC checklist.
- As a part of the PIC procedures, the Director (with the assistance of staff in the SGF) will, no less than annually, request confirmation from the responsible department that there has been no change in use of tax-exempt financed facilities.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The SGF will comply with arbitrage requirements on invested tax-exempt bond funds. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Authority will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Authority currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Authority will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available for investment by the Authority must be invested per Section 4-31-104(6) of the TCA, subject to any restrictions required pursuant to the next sentence or pursuant to any applicable bond issuance authorization. Compliance with federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained. Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained.

Proceeds used to refund outstanding long-term debt shall be placed in an irrevocable refunding trust fund with the Refunding Trustee. The investments (i) shall not include mutual funds or unit investment trusts holding such obligations, (ii) are rated not lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard & Poor's Global rating services and (iii) shall mature and bear interest at such

times and such amounts as will be sufficient, together with other moneys to pay the remaining defeasance requirements of the bonds to be redeemed.

C. Disclosure

The Authority will disclose on EMMA the State's and the Authority's audited Comprehensive Annual Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings for the outstanding bonds no later than January 31st of each year. The Authority will also, in accordance with the continuing disclosure undertakings, disclose on EMMA within ten business days after the occurrence of the following events relating to the bonds to which the continuing disclosure undertakings apply:

- Principal and interest payment delinquencies.
- Nonpayment-related defaults, if material.
- Unscheduled draws on debt service reserves reflecting financial difficulties.
- Unscheduled draws on credit enhancements reflecting financial difficulties.
- Substitution of credit or liquidity providers or their failure to perform.
- 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 such bonds or other material events affecting the tax status of such bonds.
- Modifications to rights of bondholders, if material.
- Bond calls, if material, and tender offers.
- Defeasances.
- Release, substitution or sale of property securing the repayment of the bonds, if material.
- Rating changes
- Bankruptcy, insolvency, receivership, or similar event of the State.
- Consummation of a merger, consolidation, or acquisition involving the Authority or sale of all or substantially all of the assets of the Authority, other than in the course of ordinary 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.
- Appointment of successor trustee or the change of name of a trustee, if material.

The Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into on or after February 27, 2019:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other

similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

D. Generally Accepted Accounting Principles (GAAP)

The Authority will comply and prepare its financial reports in accordance with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the Department of Finance and Administration when applicable.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Authority maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Authority's goals.

This policy will be reviewed by the Authority no less frequently than annually. At that time, the Director will present any recommendations for any amendments, deletions, additions, improvement, or clarification.

Adoption of the Policy

After a public hearing on December 7, 2011, the Authority adopted this Policy, effective December 7, 2011.

After a public hearing on May 11, 2017, the Board adopted the amended Policy on May 11, 2017, effective May 11, 2017.

After a public hearing on June 27, 2019, the Board adopted the amended Policy on June 27, 2019. Effective June 27, 2019.

Vice-Chair

Tennessee Local Development Authority

APPENDIX A

Annual Review

The Authority has reviewed and accepted the Debt Management Policy on:

October 8, 2014

November 19, 2015

July 20, 2020

Tennessee Local Development Authority



DEBT MANAGEMENT POLICY

Prepared by:

Division of State Government Finance

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Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by governments, the issuance process for such debt, and the management of the debt portfolio. A debt management policy tailored to the needs of the Tennessee Local Development Authority (the "Authority"): (1) identifies policy goals and demonstrates a commitment to long-term financial planning; (2) improves the quality of decisions concerning debt issuance; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the Authority is well-managed and able to meet its obligations in a timely manner.

Debt levels and their related annual costs are important financial considerations that impact the use of current resources. An effective debt management policy provides guidelines for the Authority to manage its debt program in line with those resources.

In 1978, the General Assembly created the Authority [Sections 4-31-101 et seq., Tennessee Code Annotated]. The Authority is a corporate governmental agency and instrumentality of the State of Tennessee (the "State"). The Authority is comprised of the Governor, the Secretary of the State, the State Comptroller of the Treasury, the State Treasurer, the Commissioner of Finance and Administration, a Senate appointee and a House appointee.

The Authority is authorized to issue debt to (i) loan funds to local governments for sewage treatment and waterworks (the "State Loan Programs"), capital projects, firefighting equipment, and airport facilities; (ii) loan funds to certain small business concerns for pollution control equipment; (iii) make funds available for loans for agricultural enterprises; (iv) make loans to not-for-profit organizations providing certain mental health, mental retardation, and alcohol and drug services (the Community Provider Pooled Loan Program or the "CP Program"); (v) make loans to local government units to finance construction of capital outlay projects for K-12 educational facilities; (vi) make payment on covered claims against insurers operating in this state which have been deemed insolvent as the result of a natural disaster; and (vii) make the proceeds available to petroleum underground storage tank board for purposes of providing for the reimbursement of reasonable and safe cleanup of petroleum sites. The aggregate amounts outstanding for certain programs are limited as follows: \$10,000,000 for firefighting equipment; \$200,000,000 for airport facilities; \$50,000,000 for pollution control equipment; \$50,000,000 for mental health, mental retardation, and alcohol and drugs services; \$30,000,000 for agricultural enterprises; \$15,000,000 for petroleum underground storage tank cleanup costs; and \$75,000,000 for capital outlay projects for K-12 educational facilities.

The Authority issues debt only pursuant to the provisions of the TLDA State Loan Programs General Bond Resolution adopted by the Authority on August 3, 1982 as amended and supplemented and restated and readopted on March 14, 1985 and as amended on May 17, 1989. This Policy applies only to that program. The TLDA has oversight for the State Revolving Fund and State Infrastructure Loan Programs; however, since debt is not issued for these programs, they are not included in this policy.

The Division of State Government Finance (SGF) serves as staff to the Authority. The Director of SGF ~~and the Assistant to the Comptroller for Public Finance~~ serves as the Assistant Secretary to the Authority.

Goals and Objectives

The Authority is establishing this debt policy as a tool to ensure that financial resources are adequate to meet the Authority's long-term debt program and financial planning. In addition, this Debt Management Policy (the "Policy") helps to ensure that financings undertaken by the Authority satisfy certain clear objective standards designed to protect the Authority's financial resources and to meet its long-term capital needs.

A. The Goals of this Policy

- To document responsibility for the oversight and management of debt related transactions;
- To define the criteria for the issuance of debt;
- To define the types of debt approved for use within the constraints established by the General Assembly;
- To define the appropriate uses of debt;
- To define the criteria for evaluating refunding candidates or alternative debt structures; and
- To minimize the cost of issuing and servicing debt.

B. The Objectives of this Policy

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
- To identify legal and administrative limitations on the issuance of debt;
- To ensure the legal use of the Authority's debt issuance authority;
- To maintain appropriate resources and funding capacity for present and future capital needs;
- To protect and enhance the Authority's credit rating;
- To evaluate debt issuance options;
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
- To manage interest rate exposure and other risks; and
- To comply with Federal Regulations and generally accepted accounting principles ("GAAP").

Debt Management/General

A. Purpose and Use of Debt Issuance

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State (including Title 4, Chapter 31, and Title 68, Chapter 221, Parts 2 and 5, Tennessee Code Annotated), pursuant to resolutions adopted by the Authority.

- Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs of projects as authorized by the bond authorization and a resolution of the Authority.
- Bonds may be issued to ~~refinance~~refund outstanding debt.

B. Debt Capacity Assessment

The dollar amount of debt that the Authority may issue and that may be outstanding for the State Loan Programs is not limited by statute; however, debt issued for this program shall be “limited special obligations” of the Authority payable solely from and secured by payments made by local government units, or state-shared taxes withheld, pursuant to loan program agreements.

C. Federal Tax Status

- **Tax-Exempt Debt** - The Authority will use its best efforts to maximize the amount of debt sold under this Policy using tax-exempt financing based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints.
- **Taxable Debt** - The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt.
- Legal Limitations on the Use of Debt
- No debt obligation shall be sold to fund the current operation of any state service or program.
- The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized and applied to fund loan program agreements only when the ratio of unobligated state-shared taxes complies with state statutes, including any pledge of the statutory reserve fund.
- Notes may be issued only when the Comptroller has filed a certificate as required by TCA Section 4-31-108(f), including the certification that loan program agreements are in place that will utilize at least 75% of the note proceeds.

Types of Debt

A. Bonds

The Authority may issue limited special revenue bonds, backed by payment pursuant to loan program agreements. These bonds may be structured as:

- **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond.
 - Serial Bonds
 - Term Bonds
- **Variable Interest Rate Bonds** – Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.

B. Short-Term Debt

Pending the issuance of the definite bonds authorized by the bond authorizations, the Authority may issue short-term debt ~~in the form of Bond Anticipation Notes ("BANs").~~ Such debt shall be authorized by resolution of the Authority. ~~These BANs may be used to fund projects during their construction period to take advantage of lower short-term interest rates. Typically, short-term debt is issued during the construction period to take advantage of the lower short-term interest rates. Short-term debt will be subsequently repaid with proceeds~~ from the sale of long-term debt or fees and charges from the borrowers. Short-term debt may include:

- **Bond Anticipation Notes ("BANs")** – BANs are short-term interest-bearing securities generally issued to finance a capital project during construction.
- **Fixed Rate Notes** – Notes issued for a period of time less than eight years at a fixed interest rate.
- **Variable Rate Notes** – Notes which bear variable interest rates until redeemed. Provisions as to the calculation or change of variable interest rates shall be included in the authorizing resolution.
- **Commercial Paper ("CP")** – CP is a form of bond anticipation note that has a maturity up to 270 days, may be rolled to a subsequent maturity date and is commonly used to finance a capital project during construction. It can be issued incrementally as funds are needed.
- **Revolving Credit Facility** – A form of bond anticipation note involving the extension of a line of credit from a bank. The bank agrees that the revolving credit facility can be drawn upon incrementally as funds are needed. The draws upon the line of credit may bear variable interest rates until redeemed. Provisions as to the calculation or change of variable interest rates shall be included in the authorizing credit agreement.

Debt Management Structure

The Authority shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Authority's authorizing resolution and the State's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. The final maturity of the bond debt should be limited to thirty (30) years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier.

The final maturity of notes and any renewals is limited to eight years from the date of issue of the original notes unless the Authority has begun repayment of principal and the ultimate maturity of the notes will not exceed thirty (30) years from the date of first issuance or the date the project is deemed complete or placed in service, whichever is earlier.

B. Debt Service Structure

Debt issuance shall be planned to achieve level debt service unless otherwise determined by the Authority. The Authority shall avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements.

No debt shall be structured with other than at least level debt service unless such structure is specifically approved by a majority vote of the members of the Authority.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call ~~features-provisions~~ should be structured to provide the maximum flexibility relative to cost. The Authority will avoid the sale of long-term non-callable bonds absent careful evaluation by the SGF and consultation with the Financial Advisor ~~the Authority~~ with respect to the value of the call option.

D. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Authority.

Refunding Outstanding Debt

The Authority may ~~refinance~~ refund outstanding bonds by issuing new bonds. Authority staff with assistance from the Authority's financial advisor ("Financial Advisor") shall have the responsibility to analyze outstanding bond issues for refunding opportunities, whether for economic, tax-status, or project reasons. ~~Consideration shall be given to anticipated costs and administrative implementation and management.~~

A. Refunding ~~Proposals~~ Opportunities

The bonds may be considered for refunding when:

- Advance Refunding:
 - ~~The refunding results in~~ The bonds may be considered for refunding when:
Refunding opportunities shall be reported to the Authority when:
 - ~~The sale of refunding bonds produces an~~ Aggregate present value savings of at least 4.0% per series of the par value of the bonds to be (refunded?) of refunded bonds; Consideration will be given to escrow efficiency when reviewing refunding candidates. ~~or Individual maturities must have at least a 3% net present value savings and an option value about 70%; and~~
 - The efficiency of the escrow as determined by dividing the net present value saving by the negative arbitrage on the escrow should be over 50%;
- Aggregate present value savings must be equal to or greater than twice the cost of issuance allocable to the refunding series
- The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the Bonds; or

- ~~The project is sold or no longer in service while still in its amortization period; or~~
- ~~Restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.~~
- Advance Current Refunding:
 - The refunding results in present value savings of at least 2% per series of refunded bonds; or the present value savings per series must be equal to or greater than twice the cost of issuance allocable to the refunding series.
- Refunding for Other Purposes:
 - The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the bonds; or
 - The project is sold or no longer in service while still in its amortization period; or
 - Restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.

After consultation with the Financial Advisor, the Comptroller may waive the foregoing refunding considerations given that the sale of refunding bonds will still accomplish cost savings to the public. Such waiver shall be reported in writing to the Authority at its next meeting.

A.B. Term of Refunding Issues

The Authority will refund bonds within the same fiscal year of the term of the originally issued debt. No backloading of debt will be permitted. ~~Bond Structuring~~

B.C. Escrow Structuring

The Authority shall structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Authority will take competitive bids on any selected portfolio of securities and will award to the lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Series securities ("SLGS") are purchased directly from the ~~F~~ederal Government. The provider must guarantee the delivery of securities except for SLGs. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Authority from its own account.

C.D. Arbitrage

The Authority shall take all reasonable steps to optimize escrows and to avoid negative arbitrage in its refunding, subject to the State's investment policy subject to Section 4-31-104(6) of the TCA. Any positive arbitrage will be rebated as necessary according to ~~F~~ederal guidelines (see also "Federal Regulatory Compliance and Continuing Disclosure - A. Arbitrage").

E. Cost of Issuance

Costs of issuance includes fees paid for professional services provided to the Board in the debt issuance process, including underwriting fees.

Methods of Sale

A. Competitive

In a competitive sale, the Authority's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. The competitive sale is the Authority's preferred method of sale.

B. Negotiated

While the Authority prefers the use of a competitive process, the Authority recognizes that some securities are best sold through negotiation. The underwriting team will be chosen and the underwriter's fees negotiated prior to the sale. See section below titled "Selection of Underwriting Team (Negotiated Transaction)." In its consideration of a negotiated sale, the Authority will assess the following factors:

- A structure which may require a strong pre-marketing effort such as a complex transaction;
- Volatility of market conditions and whether the Authority would be better served by flexibility in timing a sale;
- Size of the bond sale ~~which~~ may limit the number of potential bidders;
- Credit strength of the Authority and that of its borrowers;
- Whether or not the bonds are issued as variable rate demand obligations;
- Tax status of the bonds; and
- If legal or disclosure issues make it advisable in marketing bonds

C. Private Placement

From time to time, the Authority may need to consider privately placing its debt. Such placement shall only be considered for debt transactions where the size is too small or the structure is too complicated for public debt issuance, the market of purchasers is limited, and/or will result in a cost savings to the Authority relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Authority shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals ("RFP") or in promotional materials provided to the Authority or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Authority with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Authority. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Authority or its designated official in advance of the pricing of the debt.

A. Senior Manager

The Authority with assistance from its staff and financial advisor shall select the senior manager(s) for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Authority;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Authority's engagement;
- Financing ideas presented; and
- Underwriting fees.

B. Co-Manager

Co-managers will be selected on the same basis as the senior manager(s). The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Authority's bonds. The Secretary or Assistant Secretary to the Authority will, at his or her discretion, affirmatively determine the designation policy for each bond issue.

C. Selling Groups

The Authority may use selling groups in certain transactions to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group, should either have a public finance department or pricing desk located within the boundaries of the State. To the extent that selling groups are used, the Secretary or Assistant Secretary of the Authority at his or her discretion may make appointments to selling groups as the transaction dictates.

D. Underwriter's Counsel

In any negotiated sale of the Authority's debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager

~~C. Underwriter's Discount~~

~~The Authority will evaluate the proposed underwriter's discount in comparison to other issues in the market. If there are multiple underwriters in the transaction, the Authority will determine the allocation of fees with respect to the management fee, if any. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined prior to the sale date. A cap on management fee, expenses and underwriter's counsel fee will be established and communicated to all parties by the Authority. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.~~

~~D.A. Evaluation of Underwriter Performance~~

~~The Authority's staff with the assistance of the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's~~

~~compensation, pricing of the bonds in terms of the overall interest cost and on a maturity by maturity basis, and the distribution of bonds and sales credit.~~

~~Following each sale, the Authority's staff shall provide a report (including the information contained in the paragraph above) to the Authority on the results of the sale.~~

Credit Quality

The Authority's debt management activities will be conducted to receive the highest credit ratings possible, consistent with Authority's financing objectives.

The Office of the Comptroller of the Treasury through the Division of State Government Finance will be responsible for the communication of information to the rating agencies and keeping them informed of significant developments throughout the year. The Office of the Comptroller of the Treasury through the SGF will schedule rating agency calls and/or visits prior to the issuance of bonds.

The Office of the Comptroller of the Treasury through the SGF, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority, with the assistance of the Financial Advisor, shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

Security for the TLDA Bond Program

The Security for bonds and notes of the TLDA is the pledge of revenue received by the Authority from the borrowers and the statutory reserve fund. The moneys and securities on deposit in the Statutory Fund may only be withdrawn at the request of the Authority. If there has been a withdrawal from the Statutory Fund in any bond year, the Authority shall deposit in the Statutory Fund an amount equal to the withdrawal and interest thereon from moneys on deposit in the State Loan Program Fund or the General Fund.

For the State Loan Program, the security is the pledge of the system revenues, a general obligation pledge of the borrowing local government, the debt service reserve fund, and the intercept of state-shared taxes. The debt service reserve fund contains a deposit from the borrower equal to one year of the maximum annual debt service. State-shared taxes may be taken if the borrower is delinquent in payments. The intercept of state-shared taxes will be tested periodically.

Credit Enhancements

The Authority will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The Authority may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when such purchase by the Authority is deemed prudent and advantageous. The primary consideration shall be based on whether such

insurance is less costly. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used and will be included in the bid for the bonds and will be paid for by the purchaser of the bonds. If the Authority decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, the Authority will select a provider whose bid is most cost effective and will consider the credit quality of the insurer and that the terms and conditions governing the guarantee are satisfactory to the Authority.

B. Letters of Credit

The Authority may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous. The Authority will prepare and distribute an RFP to qualified banks or other qualified financial institutions, which includes terms and conditions that are acceptable to the Authority. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the Authority.

C. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Authority will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self-liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the Authority.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless the Authority has established a policy defining the use of such products before the transaction is considered.

Risk Assessment

The SGF will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The SGF will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Change in Public/Private Use

The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.

B. Default Risk

The risk that debt service payments cannot be made by the due date.

C. Liquidity Risk

The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing of short-term debt.

D. Interest Rate Risk

The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issue had been fixed.

E. Rollover Risk

The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period

F. Market Risk

The risk that in the event of failed remarketing of short-term debt, the liquidity provider fails.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. All costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. Additionally, the Authority will provide certain financial information and operating data by specified dates, and to provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure undertakings requirements of the U.S. Securities and Exchange Commission ("SOC") Rule 15c2-12. The Authority intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Authority's website within two weeks of the closing of such sale;
- Preparing and filing with the Division of Local Government Finance (LGF) a copy of the costs related to the issuance of a bond and other information as required by Section 9-21-151, of the TCA, within 45 days of the closing of such sale, and presenting the original of such document to the Authority at its next meeting (see also "Debt Administration – B. Post Sale"); and
- Electronically submitting through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website the information necessary to satisfy the Authority's continuing disclosure requirements for the bonds in a timely matter (see also "Federal Regulatory Compliance and Continuing Disclosure").

Professional Services

The Authority requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Authority. This includes "soft" costs or compensations in lieu of direct payments.

A. Issuer's Counsel

The Authority will enter into an engagement letter agreement with each lawyer or law firm representing the Authority in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of Attorney General and Reporter for the State of Tennessee who serves as counsel to the Authority or of the Office of General Counsel, Office of the Comptroller of the Treasury, which serves as counsel to the SGF regarding Authority matters.

B. Bond Counsel

Bond counsel shall be engaged through the SGF and serves to assist the Authority in all its general obligation debt issues under a written agreement.

C. Financial Advisor

The Financial Advisor shall be engaged through the SGF and serves and assists the Authority on financial matters under a written agreement. However, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which it is or has been providing advisory services. The Financial Advisor has a fiduciary duty including a duty of loyalty and a duty of care.

D. Refunding Trustee

The Refunding Trustee shall be appointed by resolution of the Authority adopted prior to the issuance of any of refunding bonds. The Refunding Trustee will be a bank, trust company or national banking association that provides Paying Agent and Registrar services.

E. Dealer

The Authority will enter into a Dealer Agreement with the appointed CP dealer. The Dealer agrees to offer and sell the CP, on behalf of the Authority, to investors and other entities and individuals who would normally purchase commercial paper.

F. Issuing and Paying Agent

The Authority covenants to maintain and provide an Issuing and Paying Agent at all times while the CP is outstanding. The Authority will enter into an Issuing and Paying Agency Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company or national banking association that has trust powers.

G. Credit/Liquidity Provider

The Authority shall enter into a Credit Agreement with the appointed credit provider. A credit provider shall be a bank or lending institution that extends credit to the Authority in the form of a revolving credit facility, a line of credit, a loan or a similar credit product or as a liquidity facility for CP.

H. Verification Agent

The Verification Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. The Verification Agent primarily verifies the cash flow sufficiency to the call date of the escrowed securities to pay the principal and interest due on refunded bonds.

I. Escrow Bidding Agent

The Escrow Bidding Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. With regards to structuring the refunding escrow with investment securities, the Escrow Bidding Agent will prepare bidding specifications, solicit bids for investment securities, review and evaluate responses to the bids, accept and award bids, and provide final certification as to completion of requirements.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Authority shall be required to disclose to the Authority existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. This disclosure shall include such information that is reasonably sufficient to allow the Authority to appreciate the significance of the relationships.

Professionals who become involved in a debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

Before the issuance of bonds, the procedures outlined below will be followed:

- Prior to submitting a bond resolution for approval, the Director of the SGF (the "Director"), with the assistance of the Financial Advisor, will present to staff of the members of the Authority information concerning the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing, and;
- In addition, in the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.
- The Director (with the assistance of staff in the SGF) with the advice of Bond Counsel, the Financial Advisor, and other members of the financing team, will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post-Sale Preparing for Bond Closing

In preparation for the bond closing, the procedures outlined below will be followed:

- The Director (with the assistance of staff in the SGF), Bond Counsel, and the Financial Advisor, along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds.
- The Authority's staff, with assistance from the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit, if applicable.
- The Director will present a post-sale report to the members of the Authority describing the transaction and setting forth all the costs associated with the transaction.
- Within 45 days from closing, the Director will prepare a Form CT-0253 - "Report on Debt Obligation" outlining costs related to the issuance and other information set forth in Section 9-21-151 of the TCA, and also present the original at the next meeting of the Authority and file a copy with the LGF.
- The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the Internal Revenue Service all arbitrage earnings associated with the financing and any tax liability that may be owed.
- The Post-Issuance Compliance ("PIC") team will meet annually to review matters related to compliance and complete the PIC checklist.
- As a part of the PIC procedures, the Director (with the assistance of staff in the SGF) will, no less than annually, request confirmation from the responsible department that there has been no change in use of tax-exempt financed facilities.

Evaluation of Underwriter Performance

The Authority's staff with the assistance of the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit.

Following each sale, the Authority's staff shall provide a report (including the information contained in the paragraph above) to the Authority on the results of the sale.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The SGF will comply with arbitrage requirements on invested tax-exempt bond funds. Proceeds that are to be used to finance construction expenditures are exempted from the

filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Authority will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Authority currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Authority will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available for investment by the Authority must be invested per Section 4-31-104(6) of the TCA, subject to any restrictions required pursuant to the next sentence or pursuant to any applicable bond issuance authorization. Compliance with ~~F~~ederal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained. Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained.

Proceeds used to ~~refinance-refund~~ outstanding long-term debt shall be placed in an irrevocable refunding trust fund with the Refunding Trustee. The investments (i) shall not include mutual funds or unit investment trusts holding such obligations, (ii) are rated not lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard & Poor's Global rating services and (iii) shall mature and bear interest at such times and such amounts as will be sufficient, together with other moneys to pay the remaining defeasance requirements of the bonds to be redeemed.

C. Disclosure

The Authority will disclose on EMMA the State's and the Authority's audited Comprehensive Annual Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings for the outstanding bonds no later than January 31st of each year. The Authority will also, in accordance with the continuing disclosure undertakings, disclose on EMMA within ten business days after the occurrence of the following events relating to the bonds to which the continuing disclosure undertakings apply:

- Principal and interest payment delinquencies.
- Nonpayment-related defaults, if material.
- Unscheduled draws on debt service reserves reflecting financial difficulties.
- Unscheduled draws on credit enhancements reflecting financial difficulties.
- Substitution of credit or liquidity providers or their failure to perform.
- 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 such bonds - or other material events affecting the tax status of such bonds.
- Modifications to rights of bondholders, if material.
- Bond calls, if material, and tender offers.
- Defeasances.

- Release, substitution or sale of property securing the repayment of the bonds, if material.
- Rating changes
- Bankruptcy, insolvency, receivership, or similar event of the State.
- Consummation of a merger, consolidation, or acquisition involving the Authority or sale of all or substantially all of the assets of the Authority, other than in the course of ordinary 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.
- Appointment of successor trustee or the change of name of a trustee, if material.

The Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into on or after February 27, 2019:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

D. Generally Accepted Accounting Principles (GAAP)

The Authority will comply and prepare its financial reports in accordance with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the Department of Finance and Administration when applicable.

~~will comply with the standard accounting practices adopted by the Governmental Accounting Standards Board when applicable.~~

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Authority maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Authority's goals.

This policy will be reviewed by the Authority no less frequently than annually. At that time, the Director will present any recommendations for any amendments, deletions, additions, improvement, or clarification.

Adoption of the Policy

After a public hearing on December 7, 2011, the Authority adopted this Policy, effective December 7, 2011.

After a public hearing on May 11, 2017, the Board adopted the amended Policy on May 11, 2017, effective May 11, 2017.

After a public hearing on June 27, 2019, the Board adopted the amended Policy on June 27, 2019. Effective June 27, 2019.

Vice-Chair

Tennessee Local Development Authority

APPENDIX A

Annual Review

The Board has reviewed and accepted the Debt Management Policy on:

October 8, 2014

November 19, 2015

July 20, 2020

**Tennessee Local Development Authority
State Revolving Fund
Policy & Guidance for Borrowers**

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Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers

Introduction

The purpose of the Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs (together, the “SRF program”) is to provide financial assistance to address federal and state health, safety, and environmental requirements for clean water and safe drinking water. Through the SRF program, local governments and water systems are eligible to apply for below market rate loans to finance the infrastructure to meet these requirements. The purpose of this Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers (“Policy and Guidance”) is to provide guidance to SRF program borrowers.

- Over the years, the Tennessee Local Development Authority (the “TLDA”) has established policies and other guidance to assist program borrowers. The TLDA has conducted a review of these documents with regards to their clarity and efficacy for SRF program borrowers, alignment with SRF program goals, and compliance with SRF program requirements. This resulting Policy and Guidance supersedes any policy or guidance previously approved by the TLDA.

The Tennessee General Assembly passed legislation in 2015 and 2021 to allow privately owned for-profit community public water systems and wastewater treatment systems (“Private Systems”) to borrow and access funding from the Drinking and Clean Water SRF program Is. Refer to the section titled Privately Owned For-Profit Community Public Water and Wastewater Systems for more information on the enacted legislation. At the time of the approval of this Policy and Guidance, no loans had been made to Private Systems nor had any applications been received.

Definitions

For purposes of this Policy and Guidance, terms defined in Tenn. Code Ann. Title 68, Chapter 221, Parts 10 and 12, shall have the same meaning as defined in those parts unless the context otherwise requires. Any subsequent amendment to definitions in those parts or statutes cited in the definitions below is hereby incorporated by this Policy and Guidance.

“Borrower” means any municipality, system, or utility district for which a SRF program loan has received final approval by the TLDA in accordance with Tenn. Code Ann. § 68-221-1005(c) or Tenn. Code Ann. § 68-221-1205(g) unless such loan has been paid in full.

“Municipality” means a county, incorporated town or city, or metropolitan government.

“State-shared taxes” means taxes imposed and collected by the state pursuant to law and allocated by law to local government units, whether allocated for a particular purpose or for the general use of such local government units as defined in Tenn. Code Ann. § 4-31-102(20).

“System” means:

(1) A water/wastewater authority or an energy authority; or

(2) Any instrumentality of government created by one or both of the entities described in this definition; a municipality; or by an act of the General Assembly but does not mean a utility district.

“Utility district” or “UD” means a utility district formed pursuant to the Utility District Law, compiled in Title 7, Chapter 82.

“Privately-owned for-profit community public water system or wastewater treatment system” or “Private System” means a system eligible to apply for Drinking Water SRF Loans pursuant to Code of Federal Regulations (“CFR”) Part 35 and Tenn. Code Ann. § 68-221-1203(6) or a system eligible to apply for Clean Water SRF loans pursuant to Tenn. Code Ann. § 68-221-1003(7)

“Tennessee Local Development Authority” or “TLDA” means the entity created by Tenn. Code Ann. Title 4, Chapter 31.

“Tennessee Department of Environment and Conservation” or “TDEC” means the department created by Tenn. Code Ann. § 4-3-501.

Issuance of Additional Debt

Purpose

The SRF program provides Borrowers with low-cost loans to fund water and wastewater projects; however, the SRF program may not be able to meet all the financing needs of all Borrowers or potential borrowers. Rapidly growing local governments, systems, and UD's may also need to issue additional debt to address their project funding needs. By blending a below market interest rate SRF program loan ("SRF Loan") with a higher rate debt sold in the public market, a Borrower may be able to incur lower overall costs and as a result, provide service to their customers at lower average user fees than would be available if such Borrowers relied solely upon the issuance of capital markets debt. While recognizing a Borrower's need for additional funding outside of the SRF program, the TLDA has a responsibility to ensure the financial stability and integrity of the SRF program, through the repayment of monies from its borrowers. Therefore, the TLDA must carefully consider a request from a Borrower to issue additional debt that could impair the security of the Borrower's SRF Loan. This also includes a Borrower's request to modify the lien position of its SRF Loan relative to the new debt.

This section provides guidance to Borrowers that plan to issue additional debt, clarifies the TLDA's position with respect to requests from Borrowers to modify the TLDA's lien position on a SRF Loan, and outlines factors the TLDA should contemplate when considering a Borrower's request to modify such lien position.

UDs and Systems

Requests from UD's and Systems to Issue Additional Revenue Debt

UD's and Systems are not allowed to issue general obligation debt because they do not have taxing authority, . Therefore, any additional debt issued by a UD or System that is a Borrower, would be payable from the same revenues that are pledged to repay the Borrower's SRF Loan), and must first meet all representations and covenants in the Borrower's SRF Loan agreement. All requests to issue such additional revenue debt must be approved by the TLDA prior to the issuance of such debt. (See section Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position)

In order to allow adequate time for such consideration, all written requests should be submitted to the TLDA at least 45 days or additional time as necessary prior to the anticipated sale date.

A Borrower that seeks either a parity or senior lien position for its new revenue debt must submit a written request to the TLDA for approval and the TLDA must approve any modification of the SRF program's lien position prior to the sale of any new debt. (See section titled Lien Position.)

For revenue debt that is being issued solely to refund previously outstanding debt, approval may be granted by the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

Borrowers should always consult their bond or disclosure counsel to obtain advice on the appropriate disclosure to be made in offering documents for any new debt issued relative to the lien position of the SRF program.

Security and Representations and Covenants Required for Consideration of a UD or System's Request to Issue Additional Revenue Debt

UDs and Systems do not have State-shared or ad valorem taxes to pledge as security for their SRF Loans which means, that in most cases, there are no state funds to be intercepted in the event of a SRF Loan payment default; therefore, these entities are required to secure their SRF Loans with user fees and other revenues collected by the Borrowers. To secure these loans, procedures and loan covenants relating to these entities have been established to the effect that a UD or System Borrower is required to pledge and assign any funds that are payable to it from various sources.

The requirements summarized below are stipulated in the representations and covenants of the SRF Loan agreements for UD and Systems. Upon entering into a SRF Loan agreement, a UD and System is required:

- To do, file or cause to be done or filed any action or statement required to perfect or continue the lien(s) or pledge(s) granted or created under the loan agreement;
- To establish and collect, and to increase user fees and charges sufficient to meet a 1.20x debt service coverage to net revenues. Net revenues are gross earnings, fees and charges, less current expenses. Current expenses are those incurred in the operation of the system, determined in accordance with generally accepted accounting principles ("GAAP"), including the reasonable and necessary costs of operating, maintaining, repairing, and insuring the system, salaries, wages, cost of material and supplies, and insurance premiums, but specifically excluding depreciation and debt service payments; and
- To ensure that no additional debt payable from the revenues of the system will be issued or entered into unless:
 - (1) Prior approval is received from the TLDA;
 - (2) The annual audit required by the terms of the loan agreement for the most recent fiscal year has been delivered not later than six months after the end of such fiscal year [See section titled Filing of Annual Audit Report];
 - (3) The covenant that requires 1.20x debt service coverage to net revenues has been met for the most recent fiscal year;
 - (4) The net revenues of the system for the next three fiscal years ending after the issuance of the additional debt shall be sufficient to meet a 1.20x debt service coverage to net revenues; and

- (5) The UD or System has adopted a revised schedule of rates and fees and taken action to put such revisions in effect at or prior to the issuance of the additional debt.

As additional security for a SRF Loan, prior to the first disbursement of funds under a SRF Loan agreement, a UD or System must deposit with the TLDA an amount of cash equal to the maximum annual debt service on such SRF Loan (or a portion of such amount, to be paid in up to four equal installments in accordance with the section titled Incremental Funding of Security Deposit). The security deposit must be funded from cash available to a UD or System meaning that no portion of a security deposit may be funded with proceeds from the SRF Loan.

Municipalities

Requests from Municipalities to Issue General Obligation Debt

Municipal Borrowers are not required to seek approval from, or provide notification to, the TLDA to issue general obligation debt unless the general obligation debt is also secured by a pledge of revenues derived from the water/wastewater system with a security lien on parity with or senior to the SRF Loan(s). In such case, see section titled Requests from Municipalities to Issue Revenue Debt.

Requests from Municipalities to Issue Revenue Debt

Municipal Borrowers are not required to seek approval from, or provide notification to, the TLDA to issue revenue debt that will be secured by a source of revenue other than the revenues of its water/wastewater system. If the revenue debt is to be secured by the revenues of the water/wastewater system, but the Borrower is not requesting a parity or senior lien position of the debt to be issued, the Borrower must only provide a written notification to the TLDA at least 45 days prior to the sale of the debt. No approval is required from the TLDA, and the notice must include a statement that the Borrower acknowledges that the debt will be issued subordinate to its outstanding SRF Loan(s). If a Borrower seeks a parity or senior lien position for the revenue debt (new money or refunding), the Borrower must submit a written request for approval from the TLDA to modify the SRF program's lien position at least 45 days prior to the sale date of any revenue debt (new money or refunding). (See sections titled Lien Position Please refer to section titled Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position for information used to analyze requests.

Note that:

To recognize the time sensitivity in issuing refunding debt, if the additional revenue debt is being issued to refund previously outstanding debt, a Borrower may seek approval from the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

Borrowers are required by state law and the loan agreement to file an annual audit report with the Comptroller of the Treasury. (See section titled Filing of Annual Audit Report.)

Borrowers should always consult bond or disclosure counsel when issuing revenue debt to obtain advice on the appropriate disclosure to be made in offering documents concerning the lien position of the SRF program.

Encumbrance of State-shared Taxes

If the additional debt is to be secured by a pledge of State-shared taxes, the Borrower must submit a written request for approval from the TLDA to encumber the Borrower's State-shared taxes, and the TLDA must approve any encumbrance of the Borrower's State-shared taxes prior to the issuance of any such new debt. Such request should be submitted at least 45 days in advance of the proposed sale date of such debt or as soon as possible.

Approval for the Issuance of Refunding Debt

The issuance of refunding debt usually progresses through an accelerated timetable to take advantage of market conditions to achieve certain savings. In the event that a meeting of the TLDA cannot be scheduled during this timeframe, , the Vice-Chairman of the TLDA is authorized to approve the issuance of refunding debt by a Borrower under the following conditions:

- The refunding does not extend the life of the debt;
- The refunding debt is structured to generate debt service savings of at least 3 percent net present value savings of the refunded debt;
- Documentation is provided to the Vice-Chairman, in the form of a projected savings report certified by a financial advisor or underwriter, demonstrating such savings can be achieved;
- The refunding debt will be issued subordinate to SRF debt or the lien position of the existing SRF debt will remain the same or be improved.
- Staff has analyzed the transaction and has concluded that any prerequisites for TLDA approval of the issuance of additional debt have been met; and,
- The Borrower agrees to provide a final savings report to the Vice-Chairman, that shows the actual savings achieved by the refunding.

A written request must be submitted to the TLDA at the same time that the plan of finance for the issuance of refunding debt is submitted to the Director of the Division of Local Government Finance pursuant to Tenn. Code Ann. § 7-82-501. The Vice-Chairman will report any such approvals at the next meeting of the TLDA. At that time, or as soon as it is available, the Vice-Chairman will provide the final savings report to all members of the TLDA for review. Please refer to section titled Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position for information used to analyze requests.

Note: If the refunding debt will be issued to extinguish all SRF debt and the Borrower will have no other SRF Loan authorizations upon which funds can be drawn, then the Borrower should provide written notification to the TLDA of its intent to payoff its SRF Loans in full. The repayment should occur simultaneously with the issuance/closing of the bonds.

Lien Position

Requests from UD, Systems, or Municipalities to Modify Lien Position

Generally, lien position, or lien priority, is determined by the effective date the debt. The date of any SRF Loan shall be the date that the TLDA approves the loan request (as evidenced on the SRF Loan agreement).

Following the general rule of lien priority, a new SRF Loan would be issued with a subordinate lien position to a lien position of existing debt. Likewise, any debt issued after the approval of a SRF Loan would be subordinate to the SRF Loan. However, a Borrower may request a modification of such standard lien position. For example, a Borrower may have outstanding debt in the capital markets and plans to obtain a SRF Loan. The TLDA would consider a request to issue a new SRF Loan on parity with such existing debt. In another instance, a Borrower with an existing SRF Loan agreement plans to issue additional debt in the capital market. If a Borrower requests a modification of the TLDA's lien position to the new debt, the TLDA will only consider a modification upon demonstration from a Borrower of good cause, sufficient resources to repay the SRF Loan, and ability to satisfy any other such requirements as set forth by the TLDA at the time of the request. The TLDA must give careful consideration to a request for subordination of the lien position of the SRF debt to a Borrower's debt because it poses more risk to the SRF Loan program than a request for parity lien. The TLDA may approve a request for subordination under limited circumstances if a Borrower demonstrates a substantial need, meets all requirements set forth by the TLDA, and the TLDA deems such request to be in the best interest of the Borrower and the users of the UD, System, or Municipal system.

Written requests to modify a SRF program lien position must be submitted for approval by the TLDA prior to the issuance of any such debt (new money or refunding). In order to allow adequate time for such consideration, all written requests should be submitted to the TLDA at least 45 days prior (or as soon as possible) to the anticipated sale date of such new debt. (See section Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position)

Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position

The TLDA will analyze several factors, as appropriate, when considering requests to issue additional debt and to modify the SRF program's lien position. These factors shall include but are not limited to:

- The Borrower's compliance with the covenants and representations set forth in its SRF Loan agreement ;
- The Borrower's amount of authorized and outstanding SRF program debt;
- Borrower's history of timely SRF Loan repayments;
- Borrower's timely filing of financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury (See section titled Filing of Annual Audit Report);
- Amount and purpose of proposed debt issuance;

- Borrower's credit rating (if applicable);
- Borrower's current and pro-forma (projected) debt service coverage;
- Borrower's amount of unobligated state-shared taxes (if applicable);
- Percentage of the system's total revenues generated by its largest user(s);
- The lien position of existing SRF debt; and
- The impact the health, safety, and well-being of the citizens of the state of Tennessee.

Consent to Modify Lien Position

Any consent by the TLDA to modify its SRF program lien position applies only to revenues pledged to serve the SRF Loan. Consent to modify the SRF lien position does not affect any pledge of State-shared taxes or any rights to security deposits held by the TLDA (if applicable).

Consent of the TLDA to modify the SRF program's lien position is subject to the condition that the documentation authorizing the new debt: 1) clearly states that debtholders have no rights to any security deposits required by, and securing, the SRF Loan agreement(s) and 2) does not provide debtholders acceleration rights that are superior to, or more generous than, those provided under the SRF Loan agreement(s). Neither the TLDA nor the TDEC shall have any rights to any debt service reserve fund established in favor of the new debt.

The Borrower will be responsible for ensuring completeness and accuracy of all documents. The TLDA makes no representation that the issuance of additional debt by the Borrower complies with all applicable laws, or that such issuance is in the best interest of the Borrower. The TLDA is not a municipal financial advisor and offers no financial advice to Borrowers concerning such requests.

Report on Debt Obligation

A Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Division of Local Government Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information on the debt to members of the governing or legislative body that authorized and is responsible for the debt issued.

A Local Government that applies for a SRF Loan but is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF Loan program to proceed with its loan application. Furthermore, a Report is required to be filed once a SRF Loan has been approved by the TLDA and the agreement has been executed by the borrower.

Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

Disclosure

The Electronic Municipal Market Access (EMMA) website was created by the Municipal Rulemaking Securities Board (MSRB) to provide municipal market information, such as official statements, continuing disclosure documents, advanced refunding documents, and trade data for all municipal securities in the United States. All local government issuers are required to perform continuing disclosure undertakings related to Securities and Exchange Commission Rule 15c2-12 via EMMA.

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties. A local government may need to disclose information concerning its SRF Loan on the MSRB's EMMA website. The local government should consult with bond and/or disclosure counsel to determine the appropriate disclosures. More information about EMMA can be found on the MSRB's website.

Forgiveness of Principal

Purpose

Small, economically-disadvantaged communities may be eligible for some level of principal forgiveness on a SRF Loan, which can significantly reduce the repayable amount. These loans are subsidized with an annual EPA capitalization grant that requires the SRF program to set aside a portion of the funds to subsidize loans to eligible borrowers.

Pursuant to Tenn. Code Ann. § 68-221-1005(I)(1), "[t]he department and the authority may use any federal funds allocated to the state to make loans and to subsidize loans made through the program authorized by this part, through such mechanisms as forgiveness of principal and negative interest rates." The Intended Use Plan ("IUP") prepared by TDEC is a required part of TDEC's annual application for the EPA Capitalization Grants. The IUP outlines the percent of principal forgiveness that will be given for each loan made from that EPA Capitalization Grant. No principal shall be forgiven except as allowed by the IUP and specified in the SRF Loan agreements. Furthermore, privately owned for-profit community public water systems that qualify for SRF

Loans pursuant to 40 CFR Part 35 are not eligible for loans with principal forgiveness pursuant to Tenn. Code Ann. § 68-221-1206(f)(11)(A).

Terms and Conditions

SRF Loan agreements that provide for principal forgiveness shall specify the amount of principal to be forgiven. The amount of principal forgiveness funds shall be disbursed pro rata with the amount of the loan. If a Borrower submits requests for reimbursement that in total are less than the amount of SRF program funding awarded, then pro rata shares of principal forgiveness and loan shall be deemed to have been disbursed. For example:

Project A

Total SRF Funding Awarded:	\$1,000,000
Total Principal Forgiveness Awarded:	\$ 150,000 (15%)
Total Loan Awarded:	\$ 850,000 (85%)
Reimbursement Request #1:	\$ 350,000
Principal Forgiveness:	\$ 52,500 (15%)
Loan Amount to be Repaid:	\$ 297,500 (85%)
Reimbursement Request #2:	\$ 300,000
Principal Forgiveness:	\$ 45,000 (15%)
Loan Amount to be Repaid:	\$ 255,000 (85%)
Reimbursement Request #3 (Final):	\$ 300,000
Principal Forgiveness:	\$ 45,000 (15%)
Loan Amount to be Repaid:	\$ 255,000 (85%)
Total Disbursements to Borrower:	\$ 950,000
Total Principal Forgiveness:	\$ 142,500 (15%)
Total Loan Amount to be Repaid:	\$ 807,500 (85%)

Incremental Funding of Security Deposit for UD's and Systems

Purpose

Pursuant to Section 8 of the loan agreement, UD's and Systems are required to fund a security deposit in an amount equal to the maximum annual debt service of the SRF Loan.

Section 8 of the loan agreement states, in part:

Prior to the first disbursement of funds under this Agreement, the Local Government will deposit with the Authority an amount of funds equal to the maximum annual debt service (the “security deposit”). The amount of the security deposit will be adjusted to reflect adjustments in the payment schedule.

The amount of the security deposit is calculated based on the total approved loan amount. It is important to note that the Borrower shall not use loan proceeds to fund the security deposit. A Borrower must fund the required deposit from its own resources prior to any disbursement of loan proceeds. The TLDA recognizes that, although a Borrower may have increased its user rates and fees to generate necessary cash flow needed for a project, sufficient cash flow might not be available at the beginning of a project to fully fund an upfront security deposit, since completion of the project could take one to three years. Consequently, the TLDA has authorized its Assistant Secretary, upon the concurrence of TDEC, to approve Borrower requests for incremental funding of security deposits.

Upon approval of incremental funding by the Assistant Secretary, a Borrower would be allowed to deposit with the TLDA its security deposit in up to four equal installments (see Exhibit A). The Assistant Secretary shall determine the number of installments that will be allowed, based upon the amount of the required security deposit. Upon the concurrence of TDEC with such recommendation, the Assistant Secretary will notify the Borrower of the required incremental amounts to be deposited. When the first incremental deposit is made, a pro rata share of project reimbursement requests may be disbursed. . Pro rata project reimbursement disbursements will continue to be made as long as, and until, the required incremental funding is received and deposited.

Terms and Conditions

Incremental funding of a security deposit is subject to the following:

- The Borrower has submitted a written request for approval to the TLDA and has received written approval from the Assistant Secretary;
- The Borrower has provided financial statements that demonstrate the Borrower's ability to make the approved incremental installments from current and/or projected cash flows; and
- The construction completion date for the project, as outlined in the loan conditions section of the SRF Loan agreement, must be at least two (2) years after the date that the loan was approved by the TLDA.

The Borrower may request disbursements in any amount and any frequency within the conditions listed above.

A Borrower who has been granted approval for incremental funding of the security deposit:

- Has no right to additional reimbursements of project costs under the SRF Loan agreement until the required increment of the security deposit has been received and deposited by TLDA staff; and
- Is eligible to earn and receive interest only on the amount of the security deposit held by the TLDA.

Exhibit A

This example illustrates an example of incremental funding in which the funding for the security deposit is divided into four equal installments.

Loan Amount	\$	20,000,000
Term		20 years
Interest Rate		2.50%
Maximum Annual Debt Service	\$	1,271,767

Required Security Deposit	Reimbursement Request		
\$ 317,942	\$ 1	to	\$ 5,000,000
\$ 635,883	\$ 5,000,001	to	\$ 10,000,000
\$ 953,825	\$ 10,000,001	to	\$ 15,000,000
\$ 1,271,767	\$ 15,000,001	to	\$ 20,000,000

Modification of SRF Loan Repayment Schedules for Financially Distressed Borrowers

Purpose

The TLDA has a responsibility to ensure the integrity and financial strength of the SRF program, which relies on the borrower's repayment of monies to fund future loans. However, the TLDA recognizes that if a Borrower experiences financial distress it may seek assistance from the TLDA through payment relief. As such, the TLDA must carefully consider any request from a Borrower that may impact the SRF program, including Borrower requests to modify loan repayment schedules. The Borrower must provide a written request to the TLDA for approval to modify a SRF Loan repayment schedule.

Terms and Conditions

The TLDA may consider modification of a SRF Loan repayment schedule under the following conditions:

- The Comptroller has filed a copy of the Borrower's audited financial statements with the Utility Management Review Board pursuant to Tenn. Code Ann. §7-82-

703(a), or the Borrower's audit report with the Water and Wastewater Financing Board, pursuant to Tenn. Code Ann. § 68-221-1010(a); or

- A significant event beyond the control of the Borrower occurs and impacts the Borrower's ability to repay the SRF Loan, such as:
 - (1) A natural disaster; or
 - (2) Loss (or reduction in capacity) of a large customer (commercial, industrial, governmental); or
 - (3) Similar unforeseen event beyond the control of the Borrower and despite prudent action taken; or
- The TLDA deems such action to be for the benefit of the citizens of the state in the performance of essential public functions and that such action serves a public purpose in improving and otherwise promoting the health, welfare, and prosperity of the citizens of the state.

In considering a request to modify a SRF Loan repayment schedule, the TLDA will take into account whether or not the Borrower has:

- Implemented or is about to implement a plan to adopt a multi-year rate increase schedule to address its financial difficulties;
- Established rates sufficient to cover debt service on a new debt issuance for capital improvements necessary to bring the Borrower into compliance with any TDEC administrative orders, including, but not limited to: Agreed Orders, Commissioner's Orders, Director's Orders, or Consent Decrees;
- A history of timely debt service payments on its SRF Loan in accordance with the current payment schedule;
- A plan to attract new customers or to expand the existing customer base;
- A plan to reduce expenses or make efficiency improvements to the system; and
- A debt management policy in compliance with the State Funding Board's directive under Tenn. Code Ann. § 9-21-151 that addresses actions to be taken to avoid default or to provide adequate rates to service debt (rates will be set to provide at least a 1.20x debt service coverage).

Payment Relief

A Borrower may request payment relief from the TLDA through a reduction or waiver of the interest due on the loan for a specified time period. The TLDA may consider additional measures on a case-by-case basis, however, no principal will be forgiven except as originally contemplated under federal directives and approved by the TLDA in the loan agreement.

A Borrower in financial distress with outstanding capital market securities may be required to disclose the financial distress as an event pursuant to SEC Rule 15c2-12. Borrowers should seek the advice of bond or disclosure counsel in determining what disclosure is appropriate.

Filing of Annual Audit Report

Tennessee state law¹ requires local governments to file an annual audit report with the Office of the Comptroller of the Treasury. Furthermore, SRF program Borrowers agree to make such annual filing as a condition of the loan agreement. Failure to file such report in compliance with statutory or contractual requirements may cause a delay in the approval process for SRF funding, and in certain cases may result in disapproval. SRF Loan applicants and Borrowers that have not met the filing deadline, or anticipate a delay, should provide written notification to the TLDA prior to the applicable deadline and provide the reason for the delinquent filing and the expected filing date.

In accordance with the provisions of the SRF Loan agreement, UDs and Systems are prohibited from issuing or entering into additional debt payable from the revenues of the system unless the annual audit for the most recent fiscal year has been delivered within six months after the end of such fiscal year. See section titled Requests from UDs and Systems to Issue Additional Revenue Debt. A Borrower who has not met this requirement and plans to issue such debt must request a waiver of the enforcement of the requirement. The potential borrower needs to submit a written request to the TLDA and include the reason for the delinquent filing and the expected filing date. Once the delinquent report has been filed, a separate waiver request will not be required for subsequent requests related to that fiscal year-end audit unless the TLDA deems otherwise. The TLDA does not require a waiver request if a borrower is applying for additional SRF Loan funding. However, the Department of Environment and Conservation may, at its discretion, require additional information related to a delinquent filing during the SRF Loan application process.

A Municipality, UD, or System seeking modification of lien position that has failed to timely file its report should include in its modification request the reason for the delinquent filing and the expected filing date. See section titled Lien Position.

A Borrower may be required to disclose audited financial information pursuant to federal law or other contractual agreements, including, but not limited to, the Federal Single Audit Act and the Securities and Exchange Commission's Rule 15c2-12 for continuing disclosure. Other such requirements do not supersede a Borrower's audit filing responsibility under Tennessee state law or covenants contained in the SRF Loan agreement. Also, a Borrower's notification to the TLDA of a delinquent filing does not relieve it of any responsibilities related to other state contracts or contracts with federal or other agencies. The Borrower should notify other interested parties of a delinquent filing, including, but not limited to, lenders, grantors, bond counsel, regulatory boards, and federal or other state agencies and should contact other parties to determine if any additional action is necessary pursuant to other agreements.

¹ Tenn. Code Ann. §§ 6-56-105, 7-82-401, 9-3-212, and 4-3-304(4)

Single Audit Requirement

The clean water and drinking water SRF programs are established in each State with capitalization grants from the Environmental Protection Agency (EPA). States use these grant funds, in addition to state funds and borrower repayments, to provide SRF Loans and other types of financial assistance to qualified local governments. Local governments receiving SRF Loans are considered subrecipients.

2 CRF 200 Subpart F requires a single audit to be performed for any assistance recipient expending \$750,000 in federal financial assistance from any source, not just the SRF Loan program. For the SRF Loan program, certain federal requirements apply to “an amount made available by the capitalization grant.” The EPA has interpreted this language to mean that requirements apply only to assistance agreements equaling the amount of the federal capitalization grant, rather than all loans funded by the SRF programs. The Tennessee Department of Environment and Conservation (TDEC) is required by the Federal Funding Accountability and Transparency Act of 2010 (FFATA) to report to the federal government “equivalency projects” which will thereafter be considered “federal projects” and subject to federal Single Audit requirements. Pursuant to EPA guidance, loans selected to comply with the federal requirements do not actually need to receive a federal dollar.

Although federal guidance does not require that all SRF Loan funding be subject to single audit requirements, TDEC requires that SRF Borrowers report all funding received as “federal” for purposes of the single audit threshold.

Any questions regarding sources of funds and/or federal and state audit and compliance requirements under OMB’s Administrative Requirements, Cost Principles, and TDEC Loan/Grant Agreements, should be directed to TDEC at ask.srf@tn.gov.

Privately Owned For-Profit Community Public Water and Wastewater Systems

On April 20, 2015, Tenn. Code Ann. § 68-221-1203(6) was amended by Public Chapter No. 207 to allow privately owned for-profit community public water systems to borrow from the Drinking Water State Revolving Fund program. On March 18, 2021, Tenn. Code Ann. § 68-221-1003(7) was amended by Public Chapter No. 99 to allow privately owned for-profit community public wastewater treatment systems to borrow from the Clean Water State Revolving Fund program.

Conditions and Requirements

Tennessee state law includes conditions and requirements for Private Systems that seek to borrow from the Drinking Water and Clean Water SRF Loan programs.

Tenn. Code Ann. § 68-221-1206(f)(11) and § 68-221-1006(a) stipulate that loans may be made to Private Systems pursuant to 40 C.F.R Part 35; provided, that:

- No Private System shall be considered for loans with principal forgiveness under this program;
- Private Systems shall be categorized as one hundred percent (100%) ability to pay on the index established pursuant to § 68-221-1205 and § 68-221-1005;
- A Private System borrower shall have a debt service coverage ratio of at least 1.25;
- Private Systems shall provide security determined by the TLDA to be acceptable to secure a loan under this part; and
- The TLDA has the authority to direct a Private System to the water and wastewater financing board for compliance as set forth in § 68-221-1009 and § 68-221-1010, and by the Comptroller of the Treasury.

At the time of the approval of this Policy and Guidance, no loans have been made to Private Systems nor have any applications been received.

Adoption of Policy and Guidance

The Authority adopted this Policy and Guidance at its publicly held meeting on September 21, 2016, effective September 21, 2016. The Authority adopted revisions at its publicly held meetings on May 5, 2018, and July 22, 2021.

Vice Chair

Tennessee Local Development Authority

TLDA SRF Policy & Guidance for Borrowers summary of revisions :

- Approval for the Issuance of Refunding Debt section:
 - Current policy only allows for special Vice Chair approval under certain conditions including that the refunding debt must be issued subordinate to existing SRF debt. The requirement for subordination has prevented every recent inquiry that we have received from qualifying and may be overly restrictive or impractical.
 - Note: Currently, only UD and Authorities are eligible for this special approval since municipalities do not need permission to issue debt that will be subordinate to SRF.
 - Recommendation: Allow Vice Chair to approve if the refunding debt will be issued subordinate to the current SRF loans or if the current position of SRF debt will remain the same or be improved.
 - Note: Municipalities would now qualify for special approval and the Approval for the Issuance of Refunding Debt section would need to be relocated in the document.
- Approval for the Issuance of Refunding Debt section: guidance was added to address refundings in which all SRF loans will be repaid—borrower is exiting the program completely.
- Single Audit: section added to provide clarification on the federal single audit requirement and TDEC's requirement that federal and state dollars are all "federal"
- Disclosure section: Amendments to Rule 15c2-12 added
- Report on Debt Obligation: Guidance added for borrowers applying for SRF loans that are not in compliance with requirement
- Privately Owned For-Profit Systems: Privately owned wastewater treatment systems are now allowed to borrow from the Clean Water SRF

**Tennessee Local Development Authority
State Revolving Fund
Policy & Guidance for Borrowers**

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Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers

Introduction

The purpose of the Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs (together, the “SRF program”) is to provide financial assistance to address federal and state health, safety, and environmental requirements for clean water and safe drinking water. Through the SRF program, local governments and water systems are eligible to apply for below market rate loans to finance the infrastructure to meet these requirements. The purpose of this Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers (“Policy and Guidance”) is to provide guidance to SRF program borrowers.

Over the years, the Tennessee Local Development Authority (the “TLDA”) has established policies and other guidance to assist program borrowers. The TLDA has conducted a review of these documents with regards to their clarity and efficacy for SRF program borrowers, alignment with SRF program goals, and compliance with SRF program requirements. This resulting Policy and Guidance supersedes any policy or guidance previously approved by the TLDA, ~~including but not limited to:~~

- ~~• Incremental Funding Policy approved on August 26, 2008.~~
- ~~• Policy on Approval of Refundings Proposed by Utility Districts/Water and Wastewater Authorities approved on October 15, 2010.~~
- ~~• Policy on Subordination approved on January 13, 2012.~~
- ~~• Intent on Parity Status document approved on June 8, 2012.~~
- ~~Loan Modification Policy approved on October 24, 2013.~~

~~Please note that~~ The Tennessee General Assembly passed legislation in 2015 and 2021 to allow ~~ing~~ privately owned for-profit community public water systems and wastewater treatment systems (“Private Systems”) to borrow and access funding from ~~access to~~ the Drinking and Clean Water SRF program loan programs. ~~Please~~ Refer to the section titled Privately Owned For-Profit Community Public Water and Wastewater Systems for more information on the enacted legislation. At the time of the approval of this Policy and Guidance, no loans ~~had~~ have been made to Private Systems nor had ~~ve~~ any applications been received. ~~As such, the policies and guidance included in this document are not at this time applicable to Private Systems. Please refer to the section titled Privately Owned For-Profit Community Public Water Systems for more information on the enacted legislation.~~

Definitions

For purposes of this Policy and Guidance, terms defined in Tenn. Code Ann. Title 68, Chapter 221, Parts 10 and 12, shall have the same meaning as defined in those parts unless the context otherwise requires. Any subsequent amendment to definitions in those parts or statutes cited in the definitions below is hereby incorporated by this Policy and Guidance.

“Borrower” means any municipality, system, or utility district for which a SRF program loan has received final approval by the TLDA in accordance with Tenn. Code Ann. § 68-221-1005(c) or Tenn. Code Ann. § 68-221-1205(g) unless such loan has been paid in full.

“Municipality” means a county, incorporated town or city, or metropolitan government.

“State-shared taxes” means taxes imposed and collected by the state pursuant to law and allocated by law to local government units, whether allocated for a particular purpose or for the general use of such local government units ~~has the same meaning~~ as defined in Tenn. Code Ann. § 4-31-102(20).

“System” means:

(1) A water/wastewater authority or an energy authority; or

(2) Any instrumentality of government created by one or both of the entities described in this definition; a municipality; or by an act of the General Assembly; but does not mean a utility district.

“Utility district” or “UD” means a utility district formed pursuant to the Utility District Law, compiled in Title 7, Chapter 82.

“Privately ~~owned~~ for-profit community public water system or wastewater treatment system” or “Private System” means a system eligible to apply for Drinking Water SRF ~~program~~ Loans pursuant to Code of Federal Regulations (“CFR”) Part 35 and Tenn. Code Ann. § 68-221-1203(6) or a system eligible to apply for Clean Water SRF loans pursuant to Tenn. Code Ann. § 68-221-1003(7);

“Tennessee Local Development Authority” or “TLDA” means the entity created by Tenn. Code Ann. Title 4, Chapter 31.

“Tennessee Department of Environment and Conservation” or “TDEC” means the department created by Tenn. Code Ann. § 4-3-501.

Issuance of Additional Debt

Purpose

The SRF program provides Borrowers with low-cost loans ~~in order~~ to fund water and wastewater projects; however, the SRF program may not be able to meet all ~~of~~ the financing needs of all Borrowers or potential borrowers. Rapidly growing local governments, systems, and UD's may also need to issue additional debt ~~in order~~ to address their project funding needs. By blending a below market interest rate SRF program loan ("SRF Loan") with ~~a~~ the higher rate debt sold in the public market, ~~these~~ Borrowers may be able to incur lower overall costs and as a result, provide service to their customers at lower average user fees than would be available if such Borrowers relied solely upon ~~the issuance of capital markets directly issued public~~ debt. While recognizing ~~a Borrower's that there may be a~~ need for additional funding borrowing outside of the SRF program, the TLDA has a responsibility to ensure the financial stability and integrity of the SRF program, ~~through which relies on~~ the repayment of monies ~~from its borrowers borrowed to fund future loans.~~ ~~Therefore, As such,~~ the TLDA must carefully consider ~~any a~~ request from a Borrower to issue additional debt that which could might impair the security ~~off for a the~~ Borrower's SRF program Loan(s). This also includes ~~including a Borrower's~~ requests to modify the lien position of its SRF Loan relative to ~~with respect to the~~ new debt.

This section provides guidance to Borrowers that plan wish to issue additional debt, clarifies the TLDA's position with respect to requests from by Borrowers to modify the TLDA's lien position on a SRF Loans, and outlines factors ~~to be analyzed by~~ the TLDA should contemplate when considering a Borrower's requests to modify such lien position.

Utility District UD's and Systems

Requests from UD's and Systems to Issue Additional Revenue Debt

~~Since~~ UD's and Systems are not allowed to issue general obligation debt because they do not have taxing authority, ~~they cannot issue general obligation debt.~~ Therefore, any additional debt issued by a UD or System that is a Borrower, would be payable from the same revenues that are pledged to repay the Borrower's SRF Loan program loan ("SRF Loan"), and must first meet all representations and covenants in the Borrower's SRF Loan agreement. All requests to issue such additional revenue debt must be approved by the TLDA prior to the issuance of such debt. (See section Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position)

-In order to allow adequate time for such consideration, all written requests should be submitted to the TLDA ~~in writing~~ at least 45 days or additional time as necessary prior to the anticipated ~~issuance sale~~ date.

A ~~Any request for which the~~ Borrower that seeks either a parity or ~~a~~ senior lien position for ~~its the~~ new revenue debt must specifically submit a written request ~~such position in writing, to and~~ the TLDA for approval and the TLDA must approve any modification of the SRF program's lien position prior to the issuance sale of any new debt. (See section titled Lien Position.)

~~For~~If the additional revenue debt that is being issued solely to refund previously outstanding debt, approval may be granted by the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

Borrowers should always consult their bond or disclosure counsel ~~in order~~ to obtain advice on the appropriate disclosure to be made in offering documents for any new debt issued relative to~~concerning~~ the lien position of~~held by~~ the SRF program.

Approval for the Issuance of Refunding Debt

~~Due to short time frames required to take advantage of market conditions to achieve savings through the issuance of refunding debt, the Vice Chairman of the TLDA is authorized to approve refunding debt proposed to be issued by a Borrower when:~~

- ~~• The refunding does not extend the life of the debt;~~
- ~~• The refunding debt is structured to generate debt service savings of at least 3 percent net present value savings of the refunded debt;~~
- ~~• Documentation is provided to the Vice Chairman, in the form of a projected savings report certified by a financial advisor or underwriter, demonstrating such savings can be achieved;~~
- ~~• The Borrower is not requesting parity or senior lien position for the refunding debt~~
- ~~• Staff has analyzed the transaction and has concluded that any prerequisites for TLDA approval of the issuance of additional debt have been met; and,~~
- ~~• The Borrower agrees to provide a final savings report to the Vice Chairman, which shows the actual savings achieved by the refunding.~~

~~All requests should be submitted to the TLDA in writing at the same time that the plan of finance for the issuance of refunding debt is submitted to the Director of the Office of State and Local Finance pursuant to Tenn. Code Ann. § 7-82-501. The Vice Chairman will report any such approvals at the next meeting of the TLDA. At that time, or as soon as it is available, the Vice Chairman will provide the final savings report to all members of the TLDA for review.~~

Security and Representations and Covenants Required for Consideration of a UD or System's Request to Issue Additional Revenue Debt

~~SRF loans to Utility Districts and Systems are secured by user fees and other revenues collected by the Borrowers. Utility Districts and Systems do not have State-shared or ad valorem taxes to pledge as security for their SRF L~~oans which means, that in most cases, there are no state funds to be intercepted in the event of a SRF Loan payment default; therefore, these entities are required to secure their SRF Loans with user fees and other revenues collected by the Borrowers. In order To secure these loans, ~~alternative~~ procedures and loan covenants relating to these entities have been established. to the effect that By statute, a UD or System Borrower is required to pledges and assigns any funds that are payable due to it from various sources~~the State.~~ ~~However, in most cases, there are no state funds due to a UD or System to intercept in the event of a delinquency.~~

The requirements summarized below are ~~stipulated~~~~included~~ in the representations and covenants ~~made in of~~ the SRF ~~L~~oan agreements for ~~Utility Districts~~ and Systems. Upon entering into a SRF ~~L~~oan agreement, a UD and System is required:

- To do, file or cause to be done or filed any action or statement required to perfect or continue the lien(s) or pledge(s) granted or created under the loan agreement;
- To establish and collect, and to increase user fees and charges sufficient to meet a 1.20x debt service coverage to net revenues. Net revenues are gross earnings, fees and charges, less current expenses. Current expenses are those incurred in the operation of the system, determined in accordance with generally accepted accounting principles ("GAAP"), including the reasonable and necessary costs of operating, maintaining, repairing, and insuring the system, salaries, wages, cost of material and supplies, and insurance premiums, but specifically excluding depreciation and debt service payments; and
- To ensure that n~~No~~ additional debt payable from the revenues of the system will be issued or entered into unless:
 - (1) Prior approval is received from the TLDA;
 - (2) The annual audit required by the terms of the loan agreement for the most recent fiscal year has been delivered not later than~~within~~ six months after the end of such fiscal year [See section titled Filing of Annual Audit Report];
 - (3) The covenant that requires~~requiring~~ 1.20x debt service coverage to net revenues has been~~was~~ met for the most recent fiscal year;
 - (4) The net revenues of the system for the next three fiscal years ending after the issuance of the additional debt shall be sufficient ~~to comply with the covenant to establish and collect user fees and charges sufficient~~ to meet a 1.20x debt service coverage to net revenues; and
 - (5) The UD or System has adopted a revised schedule of rates and fees and taken action to put such revisions in effect at or prior to the issuance of the additional debt.

As additional security for a SRF Loan, prior to the first disbursement of funds under a SRF ~~L~~oan agreement, a ~~Utility District~~ or System must deposit with the TLDA an amount of cash equal to the maximum annual debt service on such SRF Loan (or a portion of such amount, to be paid in up to four equal installments in accordance with the section titled Incremental Funding of Security Deposit). ~~The~~is security deposit must be funded from cash available to a UD or System meaning ~~that and~~ no portion of a security deposit may be funded with proceeds ~~from the of a~~ SRF Loan.

Municipalities

Requests from Municipalities to Issue General Obligation Debt

Municipal Borrowers ~~are not required~~~~do not need~~ to seek approval from, or provide notification to, the TLDA to issue general obligation debt unless ~~the such~~ general obligation debt is also secured by a pledge of revenues derived from the water/wastewater system with a security lien that is to be on parity with or senior to the SRF Loan(s). In such case, see section titled Requests from Municipalities to Issue Revenue Debt.

Requests from Municipalities to Issue Revenue Debt

Municipal Borrowers ~~are not required~~~~do not need~~ to seek approval from, or provide notification to, the TLDA to issue revenue debt, ~~that which~~ will be secured by a source of revenue other than the revenues of its water/wastewater system. If the revenue debt is to will be secured by the revenues of the water/wastewater system, but the Borrower is not requesting asking for parity or senior lien position of the debt to be issued, the Borrower must only should provide a written notification to the TLDA in writing at least 45 days prior to the issuance sale of ~~the such~~ debt. No approval is required from the TLDA, and the notice must and should include a statement that the Borrower acknowledges understands that ~~the such~~ debt will be issued subordinate to its the outstanding SRF Loan(s). ~~The written communication should be made at least 45 days in advance of the sale date (or as soon as possible), but no approval is required from the TLDA.~~

If a Borrower seeks a parity or senior lien position for the revenue debt (new money or refunding), ~~the Borrower must submit a written request for approval in writing from the approval of the TLDA.~~ A the -Borrower must submit a written request for approval from the TLDA to modify modification of the SRF program's lien position at least 45 days prior to the issuance sale date of any revenue debt (new money or refunding). (See section titled Lien Position Please refer to section titled Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position for information used to analyze requests.

The TLDA must approve any Note that:

To recognize the time sensitivity in issuing refunding debt, if the additional revenue debt is being issued solely to refund previously outstanding debt, a Borrower may seek approval from may be granted by the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

Borrowers are required by pursuant to state law and the loan agreement to file an annual audit report with the Comptroller of the Treasury. (See section titled Filing of Annual Audit Report.)

Borrowers should always consult bond or disclosure counsel when issuing revenue debt in order to obtain advice on the appropriate disclosure to be made in offering documents ~~for any revenue debt~~ concerning the lien position held by of the SRF program.

Encumbrance of State-s Shared Taxes

If the additional debt is to be secured by involves a pledge of State-shared taxes, the Borrower must submit a written request for in writing approval from the TLDA to encumber the Borrower's State-shared taxes, and the TLDA must approve any encumbrance of the Borrower's State-shared taxes prior to the issuance of any such new debt. Such request should be submitted at least 45 days in advance of the proposed issuance sale date of such debt or as soon as possible.

Approval for the Issuance of Refunding Debt

The issuance of refunding debt usually progresses through an accelerated timetable to take advantage of market conditions to achieve certain savings. In the event that a meeting of the TLDA cannot be scheduled during this timeframe, ~~Due to short time frames required to take advantage of market conditions to achieve savings through the issuance of refunding debt,~~ the Vice-Chairman of the TLDA is authorized to approve the issuance of refunding debt ~~proposed to be issued by a Borrower~~ under the following conditions~~when~~:

- The refunding does not extend the life of the debt;
- The refunding debt is structured to generate debt service savings of at least 3 percent net present value savings of the refunded debt;
- Documentation is provided to the Vice-Chairman, in the form of a projected savings report certified by a financial advisor or underwriter, demonstrating such savings can be achieved;
- The refunding debt will be issued subordinate to SRF debt or the lien position of the existing SRF debt will remain the same or be improved.
- Staff has analyzed the transaction and has concluded that any prerequisites for TLDA approval of the issuance of additional debt have been met; and,
- The Borrower agrees to provide a final savings report to the Vice-Chairman, ~~that~~which shows the actual savings achieved by the refunding.

A written ~~if~~ requests ~~must~~should be submitted to the TLDA ~~in writing~~ at the same time that the plan of finance for the issuance of refunding debt is submitted to the Director of the Division of Local Government Finance pursuant to Tenn. Code Ann. § 7-82-501. The Vice-Chairman will report any such approvals at the next meeting of the TLDA. At that time, or as soon as it is available, the Vice-Chairman will provide the final savings report to all members of the TLDA for review. Please refer to section titled Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position for information used to analyze requests.

Note: If the refunding debt will be issued to extinguish all SRF debt and the Borrower will have no other SRF Loan authorizations upon which funds can be drawn, then the Borrower should provide written notification to the TLDA of its intent to payoff its SRF Loans in full. The repayment should occur simultaneously with the ~~issuance~~/closing of the bonds.

Lien Position

Requests from UD²s, Systems, or Municipalities to Modify Lien Position

Generally, lien position, or lien priority, is determined by the effective date ~~of~~ the debt. The date of any SRF Loan shall be the date that the TLDA approves ~~the~~such loan request (as evidenced on the SRF Loan agreement).

Following the general rule of lien priority, a new SRF Loan ~~would~~will be issued with a subordinate lien position to a lien position of existing debt. Likewise, any debt issued after the approval of a SRF Loan would be subordinate to ~~such the~~ SRF Loan. However, a Borrower may request a modification of such standard lien position. For example, a Borrower may have outstanding debt in the capital markets and plans~~wish~~ to obtain a SRF Loan~~(s)~~. The TLDA would consider a request to issue a new SRF Loan~~(s)~~ on parity with such existing debt. In another instance, a Borrower ~~with may have already entered into an existing~~ SRF Loan agreement~~(s)~~ and plans~~wish~~ to issue additional debt in the capital market. If a Borrower requests a modification of the TLDA's lien position to the new debt, the TLDA will only consider a modification upon demonstration from a Borrower of good cause, sufficient resources to repay the SRF Loan~~(s)~~, and ability to satisfy any other such requirements as set forth by the TLDA at the time of the request.

~~Because~~The TLDA must give careful consideration to a request for subordination of the lien position of the SRF debt to a Borrower's debt ~~because it may~~ poses more risk to the SRF Loan program than a request for parity lien.~~, such a request warrants very careful consideration by the TLDA.~~ The TLDA may approve a request for subordination under limited circumstances if a Borrower demonstrates a reasonable~~substantial~~ need, meets all requirements set forth by the TLDA, and the TLDA deems such request to be in the best interest of the Borrower and the users of the UD, System, or Municipal system.

Written~~All~~ requests to modify a SRF program lien position must be submitted for approval~~ed~~ by the TLDA prior to the issuance of any such debt (new money or refunding). In order to allow adequate time for such consideration, all written~~all~~ requests should be submitted in writing to the TLDA at least 45 days prior (or as soon as possible) to the anticipated issuance~~sale~~ date of such new debt. (See section Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position)

Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position

The TLDA shall~~will~~ analyze several factors, as appropriate, when considering requests to issue additional debt payable, which would and also requests to modify the SRF program's lien position. These factors shall include but are not limited to:

- ~~Compliance of~~The Borrower's compliance with the covenants and representations set forth in its SRF Loan agreement~~(s) and covenants and representations set forth in the loan agreement;~~
- The Borrower's Amount of authorized and outstanding SRF program debt~~of the Borrower;~~
- Borrower's history of timely SRF Loan repayments~~of SRF loans;~~
- Borrower's timely filing of financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury (See section titled Filing of Annual Audit Report);
- ~~Purpose and a~~Amount and purpose of proposed debt issuance;

- Borrower's credit rating (if applicable);
- Borrower's ~~C~~current and pro-forma (projected) debt service coverage;
- Borrower's ~~A~~amount of unobligated state-shared taxes (if applicable);
- Percentage of ~~T~~he system's total revenues ~~reliance on revenues~~ generated by from its largest user(s) ~~as a percentage of total system revenues~~;
- The lien position of existing SRF debt ~~remains the same or is improved~~; and
- ~~I~~The impact ~~on~~ the health, safety, and well-being of the citizens ~~people~~ of the state of Tennessee.

Consent to Modify Lien Position

Any consent by the TLDA to modify its SRF program lien position applies only to revenues pledged to serve the SRF Lloan. Consent to modify the SRF lien position does not affect any pledge of State-shared taxes or any rights to security deposits held by the TLDA (if applicable).

Consent of the TLDA to modify the SRF program's lien position is subject to the condition that the documentation authorizing the new debt: 1) clearly states that debtholders have no rights to any security deposits required by, and securing, the SRF Lloan agreement(s) and 2) does not provide debtholders acceleration rights that are superior to, or more generous than, those provided under the SRF Lloan agreement(s). Neither the TLDA nor the TDEC shall have any rights to any debt service reserve fund established in favor of the new debt.

The Borrower will be responsible for ensuring completeness and accuracy ~~correctness~~ of all documents. The TLDA makes no representation that the issuance of additional debt by the Borrower complies ~~is in compliance~~ with all applicable laws, or that such issuance is in the best interest of the Borrower. The TLDA is not a municipal financial advisor, and offers no financial advice to Borrowers concerning such requests.

Report on Debt Obligation

A Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance ~~Division of Local State Government Finance~~/Comptroller of the Treasury for the State of Tennessee. The purpose offer the Report is to provide clear and concise information on the debt to members of the governing or legislative body that authorized and is responsible for the debt issued. More information on this Report is included as a resource for local governments on the Comptroller's Office of State and Local Finance website.

A Local Government that is applying for a SRF Loan but and is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF Loan program to so that it may proceed with its the loan application. Furthermore, a Report is required

to be filed once a SRF Loan has been approved by the ~~Tennessee Local Development Authority~~ and the agreement has been executed by the borrower.

Instructions on how to file the Report are located in the “Debt” category for “Local Finance” on the website of the Tennessee Comptroller of the Treasury.

Disclosure

The Electronic Municipal Market Access (EMMA) website was created by the Municipal Rulemaking Securities Board (MSRB) to provide municipal market information, such as official statements, continuing disclosure documents, advanced refunding documents, and trade data for all municipal securities in the United States. All local government issuers are required to perform continuing disclosure undertakings related to Securities and Exchange Commission Rule 15c2-12 via EMMA.

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer’s financial condition or security holder’s rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

A local government may need to disclose information concerning its SRF ~~program loan~~ Loan on the MSRB’s EMMA website. The local government should consult with bond and/or disclosure counsel to determine ~~what~~ the appropriate disclosures ~~should be~~. More information about EMMA can be found on the MSRB’s website.

Forgiveness of Principal

Purpose

Small, economically ~~disadvantaged~~ communities may be eligible for some level of principal forgiveness on a SRF Loan, which can significantly reduce the repayable amount. ~~These~~ ~~Loans~~ are subsidized with an annual EPA ~~capitalization~~ grant that requires the SRF program to set aside a portion of the funds to subsidize loans to eligible borrowers.

Pursuant to Tenn. Code Ann. § 68-221-1005(l)(1), “[t]he department and the authority may use any federal funds allocated to the state to make loans and to subsidize loans made through the program authorized by this part, through such mechanisms as forgiveness of principal and negative interest rates.” The Intended Use Plan (“IUP”) prepared by TDEC is a required part of TDEC’s annual application for the EPA Capitalization Grants. ~~The IUP document~~ outlines the percent of principal forgiveness that will be given for each loan made from that EPA Capitalization Grant. No principal shall be forgiven except as ~~allowed~~~~required~~ by the IUP and specified in the SRF ~~L~~oan agreements. Furthermore, privately owned for-profit community public water systems ~~eligible that qualify~~ for SRF ~~L~~oans pursuant to 40 CFR Part 35 ~~shall not be considered~~~~are not eligible~~ for loans with principal forgiveness pursuant to Tenn. Code Ann. § 68-221-1206(f)(11)(A).

Terms and Conditions

SRF ~~L~~oan agreements that provide for principal forgiveness shall specify the amount of principal to be forgiven. ~~The amount of principal forgiveness~~ Funds ~~disbursed to a Borrower that has been awarded principal forgiveness,~~ shall be disbursed pro rata ~~with the~~~~as principal forgiveness and amount of the~~ loan. If a Borrower submits requests for reimbursement that ~~in~~ total ~~an amount~~~~are~~ less than the ~~amount of total~~ SRF program funding ~~that the Borrower was~~ awarded, then pro rata shares of principal forgiveness and loan shall be deemed to have been disbursed. For example:

Project A

Total SRF Funding Awarded:	\$1,000,000
Total Principal Forgiveness Awarded:	\$ 150,000 (15%)
Total Loan Awarded:	\$ 850,000 (85%)
Reimbursement Request #1:	\$ 350,000
Principal Forgiveness:	\$ 52,500 (15%)
Loan Amount to be Repaid:	\$ 297,500 (85%)
Reimbursement Request #2:	\$ 300,000
Principal Forgiveness:	\$ 45,000 (15%)
Loan Amount to be Repaid:	\$ 255,000 (85%)
Reimbursement Request #3 (Final):	\$ 300,000
Principal Forgiveness:	\$ 45,000 (15%)
Loan Amount to be Repaid:	\$ 255,000 (85%)
Total Disbursements to Borrower:	\$ 950,000
Total Principal Forgiveness:	\$ 142,500 (15%)

Total Loan Amount to be Repaid:

\$ 807,500 (85%)

Incremental Funding of Security Deposit for ~~Utility District~~UDs and Systems

Purpose

Pursuant to Section 8 of the loan agreement, ~~for Utility District~~UDs and Systems, are required to fund a security deposit ~~is required~~ in an amount ~~of funds~~ equal to the maximum annual debt service of the SRF Loan.

Section 8 of the loan agreement states, in part:

Prior to the first disbursement of funds under this Agreement, the Local Government will deposit with the Authority an amount of funds equal to the maximum annual debt service (the “security deposit”). The amount of the security deposit will be adjusted to reflect adjustments in the payment schedule.

The amount of the security deposit is calculated based on the total approved loan amount. It is important to note that the ~~SRF program operates on a reimbursement basis, but~~ basis but will not reimburse a Borrower shall not use with loan proceeds to fund the security deposit. A Borrower must fund the required deposit from its own resources prior to any disbursement of loan proceeds. The TLDA recognizes that, although a Borrower may have increased its user rates and fees to generate necessary cash flow needed for a project, sufficient cash flow might not be available at the beginning of a project to fully fund an the upfront security deposit ~~up front~~, since completion of the project ~~the construction period during which loan proceeds are disbursed~~ could take one to three years. Consequently, the TLDA has authorized ~~ds~~ its Assistant Secretary, upon the concurrence of TDEC, to approve Borrower requests for incremental funding of security deposits.

Upon approval of incremental funding by the Assistant Secretary, a Borrower would be allowed to deposit with the TLDA its security deposit in up to four equal installments (see Exhibit A). The Assistant Secretary shall ~~use his/her discretion to recommend~~ determine the number of installments that will be allowed, based upon the amount of the required security deposit. Upon the concurrence of TDEC with such recommendation, the Assistant Secretary will notify the Borrower of the required incremental amount s to be deposited. When the first incremental deposit is made, Then a pro rata share of project ~~-reimbursement requests may be disbursed. upon the deposit of the first increment.~~ Pro rata pProject reimbursement disbursements will continue to be made requests as long as, and until, the in excess of the amount supported by the then current security deposit will not be honored until the next required incremental al of funding is received and deposited.

Terms and Conditions

~~Such allowance for i~~Incremental funding of a security deposit is subject to the following:

- The Borrower has submitted a written request ~~in writing for approval~~ to the TLDA and has received written approval from the Assistant Secretary;

- The Borrower has provided ~~staff with~~ financial statements that demonstrate the Borrower's ability to make the approved incremental installments from current ~~and~~/or projected cash flows; and
- The construction completion date for the project, as outlined in the ~~L~~loan ~~C~~conditions section of the SRF ~~L~~loan agreement, must be at least two (2) years after the date that the loan was approved by the TLDA.

The Borrower may request disbursements in any amount and ~~at~~ any frequency within the conditions listed above.

A Borrower who has been granted approval for incremental funding of the security deposit:

- Has no right to additional reimbursements of project costs under the SRF ~~L~~loan agreement until the required increment of the security deposit has been received and deposited by TLDA staff; and
- Is eligible to earn and receive interest only on the amount of the security deposit held by the TLDA.

Exhibit A

This example illustrates ~~an example~~~~the concept~~ of incremental funding ~~in which~~ ~~the~~ funding for the security deposit is divided into four equal installments.

Loan Amount \$ 20,000,000
Term 20 years
Interest Rate 2.50%
Maximum Annual Debt Service \$ 1,271,767

Required Security Deposit	Reimbursement Request		
\$ 317,942	\$ 1	to	\$ 5,000,000
\$ 635,883	\$ 5,000,001	to	\$ 10,000,000
\$ 953,825	\$ 10,000,001	to	\$ 15,000,000
\$ 1,271,767	\$ 15,000,001	to	\$ 20,000,000

Loan Amount \$ 20,000,000
Term 20 years
Interest Rate 2.50%
Annual Debt Service \$ 1,271,767

Required Security Deposit	Amount Supported		
\$ 317,942	\$ 1	to	\$ 5,000,000
\$ 635,883	\$ 5,000,001	to	\$ 10,000,000
\$ 953,825	\$ 10,000,001	to	\$ 15,000,000
\$ 1,271,767	\$ 15,000,001	to	\$ 20,000,000

Modification of SRF ~~Program~~ Loan Repayment Schedules for Financially Distressed Borrowers

Purpose

~~The TLDA wants to be responsive to Borrowers who may be in financially difficult situations.~~
 However, ~~t~~the TLDA has a responsibility to ensure the integrity and financial strength of the SRF program, which relies on the borrower's repayment of monies ~~borrowed~~ to fund future loans. However, the TLDA recognizes that wants to be responsive to if a Borrowers who may experiences be in financially distress difficult situations it may seek assistance from the TLDA through payment relief. As such, the TLDA must carefully consider any request from a Borrower that may impact the SRF program, ~~which that may impact the SRF program,~~ including Borrower requests to modify loan repayment schedules. The Borrower must provide a written request to the TLDA for approval to modify a SRF Loan repayment schedule.

Terms and Conditions

The TLDA ~~may will~~ consider modification of a SRF ~~L~~loan repayment schedules under the following conditions only if:

- The Comptroller has filed a copy of the Borrower's audited financial statements with the Utility Management Review Board pursuant to Tenn. Code Ann. §7-82-703(a), or the Borrower's audit report with the Water and Wastewater Financing Board, pursuant to Tenn. Code Ann. § 68-221-1010(a); or
- A significant event beyond the control of the Borrower occurs and impacts the Borrower's ability to repay the SRF Loan, such as:
 - (1) A natural disaster; or
 - (2) Loss (or reduction in capacity) of a large customer (commercial, industrial, governmental); or
 - (3) Similar unforeseen event beyond the control of the Borrower and despite prudent action ~~having been~~ taken; or
- The TLDA deems such action to be for the benefit of the ~~citizens~~ people of the state in the performance of essential public functions and that such action serves a public purpose in improving and otherwise promoting the health, welfare, and prosperity of the ~~citizens~~ people of the state.

In considering a request to modify a SRF Loan repayment schedule, the TLDA will take into account whether or not the Borrower has:

- Implemented or is about to implement a plan to adopt a multi-year rate increase schedule to address its financial difficulties;
- ~~Established r~~ Rates sufficient to cover debt service on a new debt issuance for capital improvements necessary to bring the Borrower into compliance with any TDEC administrative orders, including, but not limited to: Agreed Orders, Commissioner's Orders, Director's Orders, or Consent Decrees;
- A history of timely debt service payments on ~~its the SRF program L~~ loan ~~to the SRF program~~ in accordance with the current payment schedule;
- A plan to attract new customers or to expand the existing customer base;
- A plan to reduce expenses or make efficiency improvements to the system; and
- A debt management policy in compliance ~~compliant~~ with the State Funding Board's directive under Tenn. Code Ann. § 9-21-151 that addresses actions to be taken to avoid default or to provide adequate rates to service debt (rates will be set to provide at least a 1.20x debt service coverage).

~~Such requests for modification of a SRF Loan repayment schedule should be made in writing to the TLDA.~~

Payment Relief

~~A Borrower may request The TLDA may offer as payment relief from the TLDA through a reduction or waiver of the interest due on the loan for a specified time period-of time. In the event of a disaster or catastrophic loss, The TLDA may consider additional measures may be considered on a case-by-case basis-by the TLDA.-~~ However, no principal will be forgiven except as originally contemplated under federal directives and approved by the TLDA in the loan agreement.

A Borrower in financial distress with outstanding capital market securities may be required to disclose the financial distress as an event pursuant to SEC Rule 15c2-12. Borrowers should seek the advice of bond or disclosure counsel in determining what disclosure is appropriate.

Filing of Annual Audit Report

Tennessee state law¹ requires local governments to file an annual audit report with the Office of the Comptroller of the Treasury. Furthermore, SRF program Borrowers agree to make such annual filing as a condition of the loan agreement. Failure to file such report in compliance with statutory or contractual requirements may cause a delay in the approval process for SRF funding, and in certain cases may result in disapproval. SRF Loan applicants and Borrowers ~~that who~~ have not met the filing deadline, or anticipate a delay, should provide written notification ~~to~~ the TLDA ~~in writing~~ prior to the applicable deadline and provide the reason for the delinquent filing and the expected filing date.

In accordance with the provisions of the SRF Loan agreement, ~~Utility District~~ UDs and Systems are prohibited from issuing or entering into additional debt payable from the revenues of the system unless the annual audit for the most recent fiscal year has been delivered within six months after the end of such fiscal year~~-end~~. See section titled Requests from UD-s and Systems to Issue Additional Revenue Debt. A Borrower who has not met this requirement and plans to issue such debt must request a waiver of the enforcement of the requirement. The potential borrower needs to submit a written~~make the~~ request ~~in writing~~ to the TLDA and include the reason for the delinquent filing and the expected filing date. Once the delinquent report has been filed, a separate waiver request will not be required for subsequent requests related to that fiscal year-end audit unless the TLDA deems otherwise. The TLDA does not require a waiver request if a borrower is applying for additional SRF Loan funding. However, the Department of Environment and Conservation may, at its discretion, require additional information related to a delinquent filing during the SRF Loan application process.

A Municipality, ~~Utility District~~ UD, or System seeking modification of lien position that has failed to timely file its report should include in its modification request the reason for the delinquent filing and the expected filing date. See section titled Lien Position.

A Borrower may be required to disclose audited financial information pursuant to federal law or other contractual agreements, including, but not limited to, the Federal Single Audit Act and the Securities and Exchange Commission's Rule 15c2-12 for continuing disclosure. Other such requirements do not supersede a Borrower's audit filing responsibility under Tennessee state law

¹ Tenn. Code Ann. § 6-56-105, § 7-82-401, § 9-3-212, and § 4-3-304(4)

or ~~covenants contained in the required by a~~ SRF ~~L~~ loan agreement. Also, a ~~Borrower's~~ notification to the TLDA of a delinquent filing does not relieve ~~ita Borrower~~ of any responsibilities related to other state contracts or contracts with federal or other agencies. ~~The Borrower should notify o~~ Other interested parties ~~should be notified~~ of a delinquent filing, including, but not limited to, lenders, grantors, bond counsel, regulatory boards, and federal or other state agencies- ~~and should contact o~~ Other parties ~~should be contacted~~ to determine if any additional action is necessary pursuant to other agreements.

Single Audit Requirement

The clean water and drinking water SRF programs are established in each State ~~with by~~ capitalization grants from the Environmental Protection Agency (EPA). States ~~then~~ use these grant funds, in addition to state funds and borrower repayments, to provide SRF Loans and other types of financial assistance to qualified local governments. Local governments receiving SRF Loans are considered subrecipients.

2 CRF 200 Subpart F requires a single audit to be ~~performed for obtained by~~ any assistance recipient expending \$750,000 in federal financial assistance from any source, not just the SRF ~~L~~ loan program. For the SRF Loan program, certain federal requirements apply to “an amount made available by the capitalization grant.” The EPA ~~has interpreted s~~ this language to mean that requirements apply only to assistance agreements equaling the amount of the federal capitalization grant, rather than all loans funded by the SRF programs. The Tennessee Department of Environment and Conservation (TDEC) is required by the Federal Funding Accountability and Transparency Act of 2010 (FFATA) to report to the federal government “equivalency projects” which will thereafter be considered “federal projects” and subject to federal Single Audit requirements. Pursuant to EPA guidance, loans selected to comply with the federal requirements do not actually need to receive a federal dollar.

Although federal guidance does not require that all SRF Loan funding be subject to single audit requirements, TDEC requires that SRF ~~B~~orrowers report all funding received as “federal” for purposes of the single audit threshold.

Any questions regarding sources of funds and/or federal and state audit and compliance requirements under OMB’s Administrative Requirements, Cost Principles, and TDEC Loan/Grant Agreements, should be directed to TDEC at ask.srf@tn.gov.

Privately Owned For-Profit Community Public Water and Wastewater Systems

On April 20, 2015, ~~Public Chapter No. 207 amended~~ Tenn. Code Ann. § 68-221-1203(6) ~~was amended by Public Chapter No. 207~~ to allow privately owned for-profit community public water systems-~~access~~ to ~~borrow from~~ the Drinking Water State Revolving Fund ~~program~~. ~~On March 18, 2021, Tenn. Code Ann. § 68-221-1003(7) was amended by Public Chapter No. 99 to allow privately owned for-profit community public wastewater treatment systems to borrow from the~~

Clean Water State Revolving Fund program. ~~However, Private Systems are not eligible for loans from the Clean Water State Revolving Fund.~~

Terms and Conditions and Requirements

Tennessee state law includes ~~terms and~~ conditions and requirements for Private Systems that seek to borrow from the Drinking Water and Clean Water SRF Loan programs ~~funding~~.

Tenn. Code Ann. § 68-221-1206(f)(11) and § 68-221-1006(a) stipulates that loans may be made to Private Systems pursuant to 40 C.F.R Part 35; provided, that:

- No Private System shall be considered for loans with principal forgiveness under this program;
- Private Systems shall be categorized as one hundred percent (100%) ability to pay on the index established pursuant to § 68-221-1205 and § 68-221-1005;
- A Private System borrower shall have ~~at least~~ a debt ~~/~~ service coverage ratio of at least 1.25;
- Private Systems shall provide security determined by the TLDA to be acceptable to secure a loan under this part; and
- The TLDA has the authority to direct a Private System to the water and wastewater financing board for compliance as set forth in § 68-221-1009 and § 68-221-1010, and by the Comptroller of the Treasury.

At the time of the approval of this Policy and Guidance, no loans have been made to Private Systems nor have any applications been received. ~~Therefore, the policies and guidance included in this document are not at this time applicable to Private Systems.~~

Adoption of Policy and Guidance

The Authority adopted this Policy and Guidance at its publicly held meeting on September 21, 2016, effective September 21, 2016. The Authority adopted revisions at its publicly held meetings on May 5, 2018, and July 22, 2021. The Authority adopted this Policy and Guidance on May 16, 2018, effective May 16, 2018.

Vice Chair

Tennessee Local Development Authority

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
July 22, 2021

Unobligated Balance as of June 15, 2021 **\$ 65,001,035**

Increases:

	<u>Loan Number</u>	<u>Amount</u>
City of Fayetteville	SRF 2018-408	\$ 149
Town of Jasper	SRF 2018-401 *	\$ 150,529
		\$ 150,678

Unobligated Balance as of July 22, 2021 **\$ 65,151,713**

Decreases:

	<u>Loan Number</u>	<u>Amount</u>
Town of Alexandria	SRF 2021-456	50,000
Town of Carthage (Principal Amount)	CW7 2020-445	235,000
Town of Carthage (Principal Forgiveness)	CW7 2020-445	235,000
City of Waverly	SRF 2021-461	580,000
City of Westmoreland (Principal Amount)	CW8 2021-457	2,000,000
City of Westmoreland (Principal Forgiveness)	CW8 2021-457	500,000
City of Westmoreland	SRF 2021-458	3,987,000
City of White House	SRF 2021-449-01	8,000,000
		\$ (15,587,000)

Remaining Funds Available for Loan Obligations **\$ 49,564,713**

*Town of Jasper project termination and loan balance returned to SRF.

FACT SHEET

July 22, 2021

Borrower: Town of Alexandria
Project Number: SRF 2021-456
Requested SRF Funding: \$50,000
Term: 5 years
Rate: 0.17% = 0.21 x 80% (Tier3)

Project:

WWTP Improvements/Advanced treatment (Modifications to the WWTP to operate in compliance with new permit limits) Planning and Design Loan.

Total Project Cost:	\$ 50,000
Project Funding:	
SRF Loan Principal	\$ 50,000
Principal Forgiveness	\$ -0-
Local Funds	\$ -0-
Other Funds	\$ -0-

County:	Dekalb County
Consulting Engineer:	Warren & Assoc. Engineering, PLLC Consulting Svcs.
Priority Ranking List:	FY 2019
Priority Ranking:	2 of 83 ¹
Public Meeting:	4/01/2021

Financial Information:

Operating Revenues:	\$ 829,413
Current Rate:	\$ 55.76
Financial Review Rate:	\$ 55.76
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	425
Audit Report Filed:	12/24/2020 (Timely)
Initial Financial Sufficiency Review:	1/28/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹ The Project #2 out of 83 ranked on the Fiscal Year 2019 Priority Ranking List (PRL).

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$ 126,267.

MADS:	Prior Obligations:	\$ -0-
	Proposed loan(s):	
	SRF 2021-456	\$ 10,043
	DWF 2021-234	<u>\$ 4,017</u>
	Total:	<u>\$ 14,060</u>

MADS as a percentage of SSTs: 11.14%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
TOWN OF ALEXANDRIA
SRF 2021-456**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$126,267.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer				

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$0.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$0.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	SRF 2021-456	0.17%	\$50,000	\$0	\$10,043
SRF/Water	DWF 2021-234	0.17%	\$20,000	\$0	\$4,017

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$14,060.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$112,207.

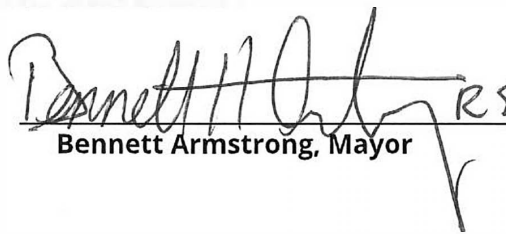
The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this June 10, 2021.

This is the Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY:


Bennett Armstrong, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION

(FORM CT-0253)

TOWN OF ALEXANDRIA

SRF 2021-456

Pursuant to Tenn. Code Ann. § 9-21-151, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued. Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, Town of Alexandria, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.


Bennett Armstrong, Mayor

June 10, 2021
Date

FACT SHEET

July 22, 2021

Borrower: Town of Carthage
Project Number: CW7 2020-445
Requested SRF Funding: \$470,000
Term: 5 years
Rate: 0.18% = 0.23% x 80% (Tier 3)

Project:

I/I Correction (Sanitary Sewer system evaluation to reduce and eliminate sources of infiltration and inflow) Planning and Design.

Total Project Cost:	\$ 470,000
Project Funding:	
SRF Loan Principal (50%)	\$ 235,000
Principal Forgiveness (50%)	\$ 235,000
Local Funds	\$ -0-
Other Funds	\$ -0-

County:	Smith County
Consulting Engineer:	Water Management Services, LLC.
Priority Ranking List:	FY 2020
Priority Ranking:	36 of 64 ¹
Public Meeting:	2/24/2021

Financial Information:

Operating Revenues:	\$ 1,376,944
Current Rate:	\$ 37.50
Financial Review Rate:	\$ 37.50
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	900
Audit Report Filed:	12/24/2020 (Timely)
Initial Financial Sufficiency Review:	1/28/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹ The Project ranked #36 of 64 on the Fiscal Year 2020 Priority Ranking List (PRL).

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$ 311,789.

MADS:	Prior Obligations:	\$ 119,028
	Proposed loan(s):	
	SRF CW7 2020-445	\$ 47,215
	SRF DW7 2021-223	<u>\$ 5,880</u>
	Total:	<u>\$ 172,123</u>

MADS as a percentage of SSTs: 55.20%

**REPRESENTATION OF
TOWN OF CARTHAGE
CW7 2020-445**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$311,789.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	CW3 2014-344	\$593,498	\$31,236	\$32,220
SRF/Water	DG3 2016-169	\$273,775	\$91,258	\$15,756
SRF/Water	DW4 2016-170	\$1,170,930	\$390,310	\$67,380
SRF/Water	DWF 2018-199	\$65,000	\$0	\$3,672

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$119,028.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$119,028.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	CW7 2020-445	0.18%	\$235,000	\$235,000	\$47,215
SRF/Water	DW7 2021-223	0.86%	\$108,000	\$27,000	\$5,880

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$53,095.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$139,666.

The Local Government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by the authorized representative of the Local Government on this 6th day of July 2021.

This is Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY:



Sarah Marie Smith, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
TOWN OF CARTHAGE
CW7 2020-445

Pursuant to Tenn. Code Ann. § 9-21-151, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.


Municipal Securities Rulemaking Board (MSRB) – Required Disclosure


Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant Town of Carthage, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.


Sarah Marie Smith, Mayor


Date

FACT SHEET

July 22, 2021

Borrower: City of Waverly
Project Number: SRF 2021-461
Requested SRF Funding: \$580,000
Term: 20 years
Rate: 0.90% = 1.12 x 80% (Tier 3)

Project:

I/I Correction (Replacement of approximately 2,000 LF of sewer lines and manholes; and rehabilitation of approximately 3,400 LF of sewer lines by method of CIPP).

Total Project Cost:	\$1,406,000
Project Funding:	
SRF Loan Principal	\$ 580,000
Principal Forgiveness	\$ -0-
Local Funds	\$ 86,000
Other Funds (CW7 2019-436) ¹	\$ 740,000

County:	Humphreys County
Consulting Engineer:	Jacobs Engineering Group Inc.
Priority Ranking List:	FY 2019
Priority Ranking:	40 of 83 ²
Public Meeting:	5/17/2021

Financial Information:

Operating Revenues:	\$2,819,702
Current Rate:	\$47.31
Financial Review Rate:	\$45.04
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	1,538
Audit Report Filed:	02/26/2021 ³ (Late)
Initial Financial Sufficiency Review:	4/20/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹ This is a companion loan to CW7 2019-436.

² The Project ranked #40 out of 83 on the Fiscal Year 2019 Priority Ranking List (PRL).

³ Fiscal Year 2020 Audit Report due 12/31/2020 and filed 02/26/2021 (late).

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$ 569,554.

MADS:	Prior Obligations:	\$ 49,056
	Proposed loan(s):	
	SRF 2021-461	<u>\$ 31,699</u>
	Totals	\$ 80,755

MADS as a percentage of SSTs: 14.18%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF WAVERLY
SRF 2021-461**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$569,554.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Water	DG6 2018-208	\$218,700	\$54,675	\$12,408
SRF/Sewer	CW7 2019-436	\$666,000	\$74,000	\$36,648

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$49,056.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$49,056.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	SRF 2021-461	0.90%	\$580,000	\$0	\$31,699

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$31,699.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$488,799.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 15th day of June, 2021.

This is the Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY:

W. B. Frazier
Wallace B. Frazier, Mayor

**REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
CITY OF WAVERLY
SRF 2021-461**

Pursuant to Tenn. Code Ann. § 9-21-151, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.


Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, City of Waverly, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.


Wallace B. Frazier, Mayor

June 15, 2021
Date

CITY OF WAVERLY

W. B. (BUDDY) FRAZIER, MAYOR

P.O. BOX 70
WAVERLY, TENNESSEE 37185

PHONE: (931) 296-2101

FAX: (931) 296-1434

June 18, 2021

Ms. Felicia Freeman
Department of Environment and Conservation
State Revolving Fund Loan Program
12th Floor, William R. Snodgrass Tennessee Tower Building
312 Rosa L. Parks Avenue
Nashville, Tennessee 37243

RE: Audit Submission Delay

Dear Ms. Freeman,

Waverly's Fiscal Year 2020 Annual Audit was submitted to the State Comptroller on February 26, 2021, fifty-seven (57) days after the date the report was due. We were still recovering from and correcting issues discovered upon the departure of our last Accountant in the winter of 2019. COVID-19 presented additional obstacles in traditional auditing procedures performed in-person. Sadly, one of the auditors unexpectedly passed away in December, understandably delaying the firm further.

Over the past year and a half, we have worked diligently to restore our internal processes and systems that will also aid in the efficiency of our future audits. My staff and I will continue our commitment to improve our systems and recover the City's previously good rapport with the auditors as well as the Comptroller. Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,


W.B. Frazier
Mayor

FACT SHEET

July 22, 2021

Borrower: City of Westmoreland
Project Number: CW8 2021-457
Requested SRF Funding: \$2,500,000
Term: 20 years
Rate: 0.65% = 1.09% x 60% (Tier 2)

Project:

WWTP Improvements/Advanced Treatment (Construction of a new 3MGD WWTP to replace the existing treatment facility)

Total Project Cost:	\$6,487,000
Project Funding:	
SRF Loan Principal (80%)	\$2,000,000
Principal Forgiveness (20%)	\$ 500,000
Local Funds	\$ -0-
Other Funds (SRF 2021-458) ¹	\$3,987,000
County:	Sumner County
Consulting Engineer:	Goodwyn, Mills and Cawood, Inc.
Priority Ranking List:	FY 2020
Priority Ranking:	64 of 64 ²
Public Meeting:	4/06/2021

Financial Information:

Operating Revenues:	\$2,244,812
Current Rate:	\$74.23 ³
Financial Review Rate:	\$71.33
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	895
Audit Report Filed	12/24/2020 (Timely)
Financial Sufficiency Review:	3/19/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹This is a companion loan to CW8 2021-457.

² The Project ranked #64 out of 64 on the Fiscal Year 2020 Priority Ranking List (PRL).

³ The current user rates from Ordinance #052019-3 adopted 2019.

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$403,176.

MADS:	Prior Obligations:	\$ 35,280
	Proposed loan(s):	
	CW8 2021-457	\$106,668
	SRF 2021-458	<u>\$212,642</u>
	Total:	<u>\$354,590</u>

MADS as a percentage of SSTs: 87.95%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
FOR
CITY OF WESTMORELAND
CW8 2021-457**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$403,176.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	SRF 2018-403	\$189,000	\$0	\$35,280

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$35,280.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$35,280.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	CW8 2021-457	0.65%	\$2,000,000	\$500,000	\$106,668
SRF/Sewer	SRF 2021-458	0.65%	\$3,987,000	\$0	\$212,642

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$319,310.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$48,586.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 18th day of June, 2021.

This is the Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY: 
Jerry Kirkman, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
CITY OF WESTMORELAND
CW8 2021-457

Pursuant to Tenn. Code Ann. § 9-21-151, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

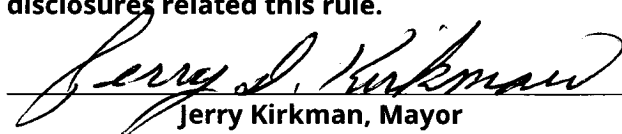
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, City of Westmoreland, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.


Jerry Kirkman, Mayor


Date

FACT SHEET

July 22, 2021

Borrower: City of Westmoreland
Project Number: SRF 2021-458¹
Requested SRF Funding: \$3,987,000
Term: 20 years
Rate: 0.65% = 1.09% x 60% (Tier 2)

Project:

WWTP Improvements/Advanced Treatment (Construction of a new 3MGD WWTP to replace the existing treatment facility).

Total Project Cost:	\$6,487,000
Project Funding:	
SRF Loan Principal	\$3,987,000
Principal Forgiveness	\$ -0-
Local Funds	\$ -0-
Other Funds (CW8 2021-457)	\$2,500,000
County:	Sumner County
Consulting Engineer:	Goodwyn, Mills and Cawood, Inc.
Priority Ranking List:	FY 2020
Priority Ranking:	64 of 64 ²
Public Meeting:	4/06/2021

Financial Information:

Operating Revenues:	\$2,244,812
Current Rate:	\$74.23
Financial Review Rate:	\$71.33
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	895
Audit Report Filed	12/24/2020 (Timely)
Initial Financial Sufficiency Review:	3/19/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹ This is a companion loan to CW8 2021-457.

² The Project ranked 64 out of 64 on the Fiscal Year 2020 Priority Ranking List (PRL).

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$403,176.

MADS:	Prior Obligations:	\$ 35,280
	Proposed loan(s):	
	SRF 2021-458	\$212,642
	CW8 2021-457	<u>\$106,668</u>
	Totals:	<u>\$354,590</u>

MADS as a percentage of SSTs: 87.95%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF WESTMORELAND
SRF 2021-458**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$403,176.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	SRF 2018-403	\$189,000	\$0	\$35,280

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$35,280.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$35,280.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	SRF 2021-458	0.65%	\$3,987,000	\$0	\$212,642
SRF/Sewer	CW8 2021-457	0.65%	\$2,000,000	\$500,000	\$106,668

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$319,310.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$48,586.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 18th day of June, 2021.

This is the Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY:


Jerry Kirkman, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION

(FORM CT-0253)

CITY OF WESTMORELAND

SRF 2021-458

Pursuant to Tenn. Code Ann. § 9-21-151, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

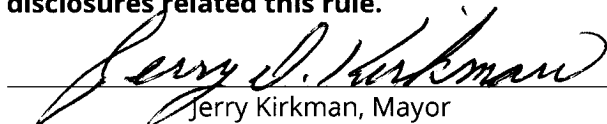
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, City of Westmoreland, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.


Jerry Kirkman, Mayor


Date

FACT SHEET

July 22, 2021

Borrower: City of White House
Project Number: SRF 2021-449-01¹
Requested SRF Funding: \$8,000,000
Term: 20 years
Rate: 1.09% = 1.09 x 100% (Tier 4)

Project:

WWTP Upgrade/Expansion- Advanced Treatment (Expansion from 1.4 MGD to 2 MGD to include expanding the Oxidation Ditch and clarifiers, installation of a nutrient removal system, new disc filters, UV disinfection, and drip disposal system).

Total Project Cost:	\$ 20,990,000
Project Funding:	
SRF Loan Principal	\$ 8,000,000
Principal Forgiveness	\$ -0-
Local Funds	\$ 542,000
Other Funds (SRF 2021-449)	\$ 12,448,000
County:	Robertson and Sumner Counties
Consulting Engineer:	Jacobs Engineering Group Inc.
Priority Ranking List:	FY 2018
Priority Ranking:	2 of 72 ²
Public Meeting:	08/19/2020

Financial Information:

Operating Revenues:	\$ 4,363,980
Current Rate:	\$ 63.81
Financial Review Rate:	\$ 60.14
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	4,410
Audit Report Filed:	12/29/2020 (Timely)
Initial Financial Sufficiency Review:	4/30/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹ This loan is a supplemental loan to SRF 2021-449.

² The Project ranked #2 of 72 on the Fiscal Year 2018 Priority Ranking List (PRL).

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$1,599,808.

MADS:	Prior Obligations:	\$1,088,384
	Proposed loan(s):	
	SRF 2021-449-01	<u>\$ 445,364</u>
	Total:	<u>\$1,533,748</u>

MADS as a percentage of SSTs: 95.87%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF WHITE HOUSE
SRF 2021-449-01**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$1,599,808.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	CWA 2009-246	\$600,000	\$400,000	\$35,645
SRF/Sewer	SRF 2010-256	\$360,000	\$0	\$21,324
SRF/Sewer	SRF 2012-308	\$386,393	\$0	\$21,180
SRF/Sewer	CG1 2012-302	\$3,596,400	\$399,600	\$198,444
SRF/Sewer	CG2 2013-326	\$1,599,867	\$399,966	\$86,172
SRF/Sewer	SRF 2016-364	\$800,000	\$0	\$44,628
SRF/Sewer	SRF 2021-449	\$12,448,000	\$0	\$680,991

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$1,088,384.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$1,088,384.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	SRF 2021-449-01	1.09%	\$8,000,000	\$0	\$445,364

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$445,364.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$66,060.

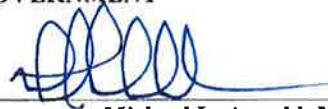
The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 17th day of June, 2021.

This is the Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY:

A handwritten signature in blue ink, appearing to read "Michael L. Arnold", is written over a horizontal line.

Michael L. Arnold, Mayor

**REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
CITY OF WHITE HOUSE
SRF 2021-449-01**

Pursuant to Tenn. Code Ann. § 9-21-151, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

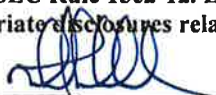
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, City of White House, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.



Michael L. Arnold, Mayor

6/17/2021

Date

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
July 22, 2021

Unobligated Balance as of June 15, 2021			\$ 66,869,208
<u>Increases:</u>	<u>Loan Number</u>	<u>Amount</u>	
Unobligated Balance as of July 22, 2021			<u>\$ 66,869,208</u>
<u>Decreases:</u>	<u>Loan Number</u>	<u>Loan Amount</u>	
Town of Alexandria	DWF 2021-234	\$ 20,000	
Town of Carthage (Principal Amount)	DW7 2021-223	\$ 108,000	
Town of Carthage (Principal Forgiveness)	DW7 2021-223	\$ 27,000	
			<u>\$ (155,000)</u>
Remaining Funds Available for Loan Obligations			<u><u>\$ 66,714,208</u></u>

FACT SHEET

July 22, 2021

Borrower: Town of Alexandria
Project Number: DWF 2021-234
Requested SRF Funding: \$20,000
Term: 5 years
Rate: 0.17% = 0.21 x 80% (Tier3)

Project:

GREEN - Water Meter Replacement (Replace approximately 900 water meters with AMR meters) Planning and Design.

Total Project Cost:	\$ 20,000
Project Funding:	
SRF Loan Principal	\$ 20,000
Principal Forgiveness	\$ -0-
Local Funds	\$ -0-
Other Funds	\$ -0-

County:	Dekalb County
Consulting Engineer:	Warren & Assoc. Engineering, PLLC Consulting Svcs.
Priority Ranking List:	FY 2019
Priority Ranking:	39 of 62 ¹
Public Meeting:	4/1/2021

Financial Information:

Operating Revenues:	\$ 829,413
Current Rate:	\$ 61.21
Financial Review Rate:	\$ 61.21
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	975
Audit Report Filed:	12/24/2020 (Timely)
Initial Financial Sufficiency Review:	1/28/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹ The Project ranked #39 out of 62 on the Fiscal Year 2019 Priority Ranking List (PRL).

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$ 126,267.

MADS:	Prior Obligations:	\$ -0-
	Proposed loan(s):	
	DWF 2021-234	\$ 4,017
	SRF 2021-456	<u>\$ 10,043</u>
	Total:	<u>\$14,060</u>

MADS as a percentage of SSTs: 11.14%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
TOWN OF ALEXANDRIA
DWF 2021-234**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$126,267.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer				

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$0.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$0.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Water	DWF 2021-234	0.17%	\$20,000	\$0	\$4,017
SRF/Sewer	SRF 2021-456	0.17%	\$50,000	\$0	\$10,043

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$14,060.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$112,207.

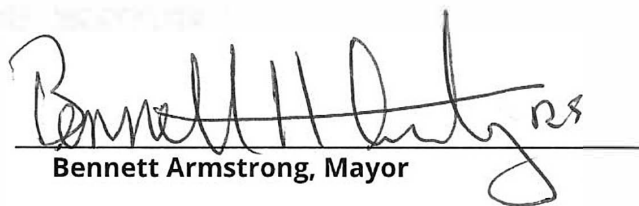
The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this June 10, 2021.

This is the Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY:


Bennett Armstrong, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
TOWN OF ALEXANDRIA
DWF 2021-234

Pursuant to Tenn. Code Ann. § 9-21-151, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued. Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

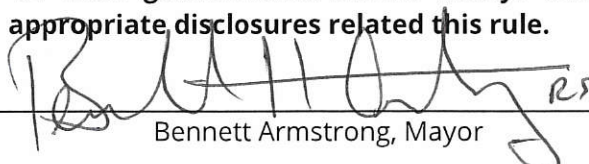
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

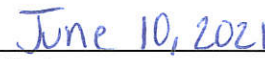
Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, Town of Alexandria, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.


Bennett Armstrong, Mayor


Date

FACT SHEET

July 22, 2021

Borrower: Town of Carthage
Project Number: DW7 2021-223
Requested SRF Funding: \$135,000
Term: 20 years
Rate: 0.86% = 1.07% x 80% (Tier 3)

Project:

Waterline Replacement (Installation of approximately 1,000 LF of 6-inch diameter waterlines).

Total Project Cost:	\$ 135,000
Project Funding:	
SRF Loan Principal (80%)	\$ 108,000
Principal Forgiveness (20%)	\$ 27,000
Local Funds	\$ -0-
Other Funds	\$ -0-
County:	Smith County
Consulting Engineer:	Water Management Service, LLC
Priority Ranking List:	FY 2020
Priority Ranking:	16 of 48 ¹
Public Meeting:	2/24/2021

Financial Information:

Operating Revenues:	\$ 1,376,944
Current Rate:	\$ 37.50
Financial Review Rate:	\$ 37.50
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	1,000
Audit Report Filed :	12/24/2020 (Timely)
Initial Financial Sufficiency Review:	1/28/2021

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

¹ The Project ranked #16 out of 48 on the Fiscal Year 2020 Priority Ranking List (PRL).

FACT SHEET

July 22, 2021

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$ 311,789.

MADS:	Prior Obligations:	\$ 119,028
	Proposed loan(s):	
	DW7 2021-223	\$ 5,880
	CW7 2020-445	<u>\$ 47,215</u>
	Total:	<u>\$ 172,123</u>

MADS as a percentage of SSTs: 55.20%

REPRESENTATION OF LOANS AND STATE-SHARED TAXES FOR TOWN OF CARTHAGE DW7 2021-223

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$311,789.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	CW3 2014-344	\$593,498	\$31,236	\$32,220
SRF/Water	DG3 2016-169	\$273,775	\$91,258	\$15,756
SRF/Water	DW4 2016-170	\$1,170,930	\$390,310	\$67,380
SRF/Water	DWF 2018-199	\$65,000	\$0	\$3,672

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$119,028.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$119,028.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Water	DW7 2021-223	0.86%	\$108,000	\$27,000	\$5,880
SRF/Sewer	CW7 2020-445	0.18%	\$235,000	\$235,000	\$47,215

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$53,095.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$139,666.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this July, 06, 2021.

This is the Comptroller's certificate as required by TCA 4-31-108

LOCAL GOVERNMENT

BY:

Sarah Marie Smith, Mayor

**REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
TOWN OF CARTHAGE
DW7 2021-223**

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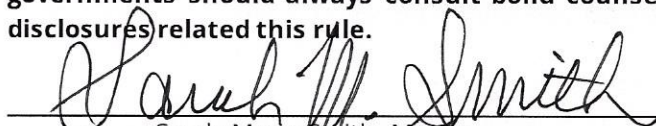
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The applicant, Town of Carthage, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.


Sarah Marie Smith, Mayor

7-6-2021
Date