



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
FEBRUARY 15, 2023
AGENDA

1. Call meeting to order
2. Approval of minutes from the TLDA meeting of November 28, 2022
3. Consider for approval the following Clean Water Loan:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term
Smyrna, SRF 2023-481	\$ 1,300,000	\$ -	\$ 1,300,000	2.95%	20

4. Consider for approval the following Drinking Water Loan:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term
Kingsport, DWF 2023-254	\$ 7,000,000	\$ -	\$ 7,000,000	2.13%	20

5. TDEC's presentation on Asset Management Planning Grants
6. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
November 28, 2022

The Tennessee Local Development Authority (the “TLDA”) met on Monday, November 28, 2022, at 2:00 p.m. in the Volunteer Conference Center, Second Floor, Cordell Hull Building, 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 Jim Bryson, Department of Finance and Administration
Mayor Paige Brown, House Appointee

The following member was absentⁱ:

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 October 19, 2022, TLDA meeting. Mr. Bryson made a motion to approve the minutes, 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 5 – 0, the motion carried, and the minutes were unanimously approved.

Mr. Hargett stated that the next item on the agenda was the consideration and approval of Clean Water State Revolving Fund (CWSRF) loan requests, and stated that, unless there was any objection, the TLDA would hear the two loan requests prior to asking for a motion to approve. Hearing none, he recognized Mr. Adeniyi Bakare, SRF Program Manager with the Tennessee Department of Environment and Conservation, to present the loan requests. Mr. Bakare first presented the Report on Funds Available for Loan Obligation for the CWSRF Loan Program. He stated the unobligated fund balance was \$182,330,810 as of October 19, 2022. Upon approval of the loan requests to be presented totaling \$9,078,445, the remaining funds available for loan obligations would be \$173,252,365. He then presented the CWSRF loan requests.

- **Dyersburg (CG20 2023-479)** Requesting \$7,982,000 (\$6,385,600 (80%) loan; \$1,596,400 (20%) principal forgiveness) green project – infiltration and inflow correction (Rehabilitation of approximately 40,100 linear feet of 6-inch through 36-inch diameter sewer lines by methods of cured in place pipe and/or pipe bursting; and the lining of approximately 3,000 vertical feet of manholes) and pump station improvements (Replacement of two pumps and the installation of a generator at the Public Works PS; recommended interest rate of 1.87% based on the Ability to Pay Index (ATPI); Priority ranking 35 and 36 of 53 (FY2021); Term: 20 years

- **Westmoreland (CW9 2023-335)** Requesting \$1,096,445 (\$877,156 (80%) loan; \$219,289 (20%) principal forgiveness) Wastewater Treatment Plant (WWTP) improvements/advanced treatment (Construction of a new 3 million gallons per day WWTP to replace the existing treatment facility); recommended interest rate of 2.66% based on the ATPI; Priority ranking 64 of 64 (FY2020); Term: 20 years

Mr. Hargett inquired if there was any discussion. Hearing none, Mr. Mumpower made a motion to approve the loans, and Mr. Bryson seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 5 – 0, the motion carried, and the loans were unanimously approved.

ⁱ The senate appointee position was vacant at the time of this meeting.

Mr. Hargett stated that the next item on the agenda was consideration and approval of a Drinking Water State Revolving Fund (DWSRF) loan. He called upon Mr. Bakare to present the loan request. Mr. Bakare first presented the Report on Funds Available for Loan Obligation for the DWSRF Loan Program. He stated the unobligated fund balance was \$67,389,667 as of October 19, 2022. Upon approval of the loan request to be presented totaling \$2,250,000, the remaining funds available for loan obligations would be \$65,139,667. He then presented the DWSRF loan request.

- **Hartsville-Trousdale County Government (DW8 2021-239)** Requesting \$2,250,000 for distribution system improvements (Construction of a new two-million-gallon water storage tank, a booster pumping station, and associated appurtenances); recommended interest rate of 2.78% based on the ATPI; Priority ranking 6 of 48 (FY2020); Term: 20 years

Mr. Hargett inquired if there was any discussion. Hearing none, Mr. Bryson made a motion to approve the loan, 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 5 – 0, the motion carried, and the loan was unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration for approval of an amendment to the financial advisor contract with PFM Financial Advisors, LLC. He called upon Ms. Sandra Thompson, TLDA Assistant Secretary and the Director of the Division of State Government Finance (DSGF), to present the item. Ms. Thompson stated that PFM Financial Advisors, LLC, was the financial advisor to the Comptroller on financial issues of the State of Tennessee, the Tennessee State Funding Board, the Tennessee State School Bond Authority, and the Tennessee Local Development Authority. She stated that PFM and the Comptroller's office had a three-year contract term, which commenced on January 1, 2020, with a termination date of December 31, 2022. She further stated that the amendment would provide for a one-year extension contract term to begin on January 1, 2023, and expire on December 31, 2023. Ms. Thompson said that PFM had continued to provide excellent service to the TLDA and its staff. Therefore, staff recommended approval of the amendment to extend the contract term for one year. Mr. Hargett inquired if there was any discussion. Hearing none, Mr. Bryson made a motion to approve the amendment, 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 5 – 0, the motion carried, and the amendment was unanimously approved.

Mr. Hargett stated that the next item of business was the re-consideration of a request from the City of Chattanooga to issue an EPA WIFIA loan in an amount not to exceed, \$186,080,000 on parity with its outstanding SRF loan agreements. He stated that the request would revise the amount of the loan requested and approved at the TLDA meeting on October 19, 2022, from \$186,000,000 to \$186,080,000. He called upon Ms. Thompson to present the item. Ms. Thompson stated that the City's loan was approved by the TLDA, in an amount not to exceed \$186,000,000, at its meeting on October 19, 2022. She explained that while compiling documents for closing, it was noticed that the amount of the WIFIA loan should be \$186,080,000 instead of the \$186,000,000. She stated that the City subsequently requested approval for the corrected amount of \$186,080,000. Mr. Hargett inquired if there was any discussion. Hearing none, Mr. Bryson made a motion to approve the loan, 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 5 – 0, the motion carried, and the correction to the loan was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on the notification from the Metropolitan Government of Nashville and Davidson County (Metro) submitted to comply with TLDA SRF Policy and Guidance for Borrowers. He called upon Ms. Thompson to present the report. Ms. Thompson stated that Metro had provided notice to the TLDA of its intent to issue notes to provide interim financing for water and sewer system improvements. She said the notes would also replace its current commercial paper program, which would expire in January. She stated that this was a notification and would not require action by the TLDA board. Mr. Hargett asked if there were any questions about the report. There were no questions. No board action was needed.

Hearing no other business, Mr. Hargett asked for a motion to adjourn the meeting. Mr. Mumpower made a motion to adjourn, and Mr. Bryson seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 5 – 0, the motion carried, and the meeting was adjourned.

Approved on this _____ day of _____, 2022.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
February 15, 2023

Unobligated Balance as of November 28, 2022			\$ 173,252,365
<u>Increases:</u>		<u>Loan Number</u>	<u>Amount</u>
Humboldt Utilities		SRF 2019-433-01	\$ 192,398
Town of Springfield		SRF 2020-447	\$ 858,905
			\$ 1,051,303
Unobligated Balance as of February 15, 2023			\$ 174,303,668
<u>Decreases:</u>		<u>Loan Number</u>	<u>Amount</u>
Town of Smyrna		SRF 2023-481	\$1,300,000
			\$ (1,300,000)
Remaining Funds Available for Loan Obligations as of February 15, 2023			\$ 173,003,668

FACT SHEET
February 15, 2023

Borrower: Town of Smyrna
Project Number: SRF 2023-481
Requested SRF Funding: \$1,300,000
Term: 20 years
Rate: 2.95% = 2.95% X 100% (Tier 4)

Project:

Green - I/I Correction (Rehabilitation of approximately 5,000 LF of existing 6-inch to 10-inch diameter sewer lines using the pipe bursting, CIPP, and open cut methods; replace 23 existing manholes; and install 6 new manholes).

Total Project Cost:	\$2,100,000
Project Funding:	
SRF Loan Principal	\$1,300,000
Local Funds	\$ -0-
Other Funds (CG20 2022-474)	\$ 800,000

County:	Rutherford County
Consulting Engineer:	Thomas & Hutton
Priority Ranking List:	2020
Priority Ranking:	39 of 64 ¹
Public Meeting:	04/12/2022

Financial Information:

Operating Revenues:	\$24,042,453
Current Rate:	\$32.36
Financial Review Rate:	\$32.36
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	17,783
Audit Report Filed:	12/28/2022 (Timely)
Initial Financial Sufficiency Review:	10/26/2022
Updated Financial Sufficiency Review:	01/09/2023

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

¹ The project is ranked #39 of 64 on the 2020 Priority Ranking List (PRL).

FACT SHEET
February 15, 2023

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: \$8,256,801

MADS:	Prior Obligations:	\$ 2,440,348
	Proposed loan(s):	
	SRF 2023-481	<u>\$ 86,127</u>
	Totals	<u>\$ 2,526,475</u>

MADS as a percentage of SSTs: 30.59%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
TOWN OF SMYRNA
SRF 2023-481**

As security for payments due under a State Revolving Fund (SRF) Loan Agreement, a local government pledges user fees, 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 \$8,256,801.

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	CGA 2009-234	\$3,450,000	\$2,300,000	\$212,191
SRF/Sewer	CG0 2010-258	\$344,426	\$86,106	\$20,796
SRF/Sewer	CW4 2014-343	\$190,683	\$14,352	\$7,620
SRF/Water	DW4 2015-154	\$83,376	\$27,792	\$4,602
SRF/Sewer	CG7 2019-423	\$2,700,000	\$300,000	\$115,116
SRF/Sewer	SRF 2020-438	\$18,000,000	\$0	\$724,908
SRF/Water	DG9 2021-231	\$2,687,373	\$0	\$143,412
SRF/Sewer	SRF 2020-438-01	\$17,200,000	\$0	\$654,420
SRF/Water	DWF 2022-246	\$2,500,000	\$0	\$146,148
SRF/Sewer	SRF 2022-472	\$1,760,000	\$0	\$362,933
SRF/Sewer	CG20 2022-474	\$800,000	\$0	\$48,202

* 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 \$2,440,348.

(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 \$2,440,348.

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 2023-481	2.95%	\$1,300,000	\$0	\$86,127

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$86,127.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$5,730,326.

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 10th day of January, 2023.

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

LOCAL GOVERNMENT

BY:



Mary Esther Reed, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
TOWN OF SMYRNA
SRF 2023-481

Pursuant to Tenn. Code Ann. § 9-21-134, 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. § 9-21-134 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 it 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 Smyrna, attests that it is in compliance with Tenn. Code Ann. § 9-21-134 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 to this rule.



Mary Esther Reed, Mayor

January 10, 2023

Date

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
February 15, 2023

Unobligated Balance as of November 28, 2022			\$ 65,139,667
<u>Increases:</u>	<u>Loan Number</u>	<u>Amount</u>	
Arthur-Shawanee UD	DW8 2021-243	\$ 43,147	
City of Lebanon	DWF 2018-203	\$ 169,115	
			\$ 212,262
Unobligated Balance as of February 15, 2023			\$ 65,351,929
<u>Decreases:</u>	<u>Loan Number</u>	<u>Loan Amount</u>	
City of Kingsport	DWF 2023-254	\$7,000,000	
			\$ (7,000,000)
Remaining Funds Available for Loan Obligations as of February 15, 2023			\$ 58,351,929

FACT SHEET
February 15, 2023

Borrower: City of Kingsport
Project Number: DWF 2023-254
Requested SRF Funding: \$7,000,000
Term: 20 years
Rate: 2.13% = 3.55% X 60% (Tier 2)

Project:

WTP Improvements (Upgrades to the High Service Pump Station).

Total Project Cost:	\$7,000,000
Project Funding:	
SRF Loan Principal	\$7,000,000
Local Funds	\$ -0-
Other Funds	\$ -0-

County:	Sullivan and Hawkins Counties
Consulting Engineer:	CDM Smith Inc.
Priority Ranking List:	2020
Priority Ranking:	47 of 48 ¹
Public Meeting:	07/07/2022

Financial Information:

Operating Revenues:	\$14,551,652
Current Rate:	\$20.63
Financial Review Rate:	\$20.63
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	23,470
Audit Report Filed:	12/31/2022 (Timely)
Initial Financial Sufficiency Review:	05/31/2022
Updated Financial Sufficiency Review:	01/23/2023

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

¹ The project is ranked #47 of 48 on the 2020 Priority Ranking List (PRL).

FACT SHEET
February 15, 2023

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: \$8,939,103

MADS:	Prior Obligations:	\$1,055,726.83
	Proposed loan(s):	
	DWF 2023-254	<u>\$ 430,133.00</u>
	Totals	<u>\$1,485,859.83</u>

MADS as a percentage of SSTs: 16.62%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF KINGSPORT
DWF 2023-254**

As security for payments due under a State Revolving Fund (SRF) Loan Agreement, a local government pledges user fees, 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 \$8,939,103.00.

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	DWF 2014-140	\$13,556,601.00	\$0.00	\$806,484.00
SRF/Water	DG8 2022-249	\$1,300,000.00	\$0.00	\$72,162.00

* 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 \$878,646.00.

(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
QSCB	BFC07000	\$1,240,000.00	\$0.00	\$177,080.83
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$177,080.83.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$1,055,726.83.

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 2023-254	2.13%	\$7,000,000.00	\$0.00	\$430,133.00

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$430,133.00.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$7,453,243.17.

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 4th day of January, 2022.

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

ATTEST:

DEPUTY CITY RECORDER


LOCAL GOVERNMENT

BY: 
Patrick Shull, Mayor

APPROVED AS TO FORM:

CITY ATTORNEY

REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
CITY OF KINGSPORT
DWF 2023-254

Pursuant to Tenn. Code Ann. § 9-21-134, 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. § 9-21-134 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 it 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 Kingsport, attests that it is in compliance with Tenn. Code Ann. § 9-21-134 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 to this rule.

Patrick W. Shull

Patrick Shull, Mayor

January 4, 2023

Date

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



APPROVED AS TO FORM:

Rodney B. ...
CITY ATTORNEY

Feb. 1, 2023

Asset Management Plan Grants

BACKGROUND

Asset management plans are a critical component of effectively managing water, wastewater, and stormwater infrastructure. Without a proper AMP, utilities can struggle to maintain compliance with state and federal regulations, secure adequate funding for capital improvements, and address customer needs. A proper AMP strongly supports a utility's technical, managerial, and financial (TMF) capacity to continuously provide safe, reliable drinking water, wastewater, or stormwater services.

PROBLEM

In 2012, EPA published a study that showed 44 of 50 states had well-established AMP Programs and most included some level of funding assistance. Tennessee was not among the 44 states with a program. In 2021, data collected by the Division of Water Resources (DWR) highlighted 76% of the drinking water and wastewater systems throughout the state lacked a comprehensive AMP that met the minimum elements of a plan established by EPA. DWR immediately responded to this critical lack of AMP by providing funding through our statewide, non-competitive American Rescue Plan grants. However, that funding was not enough.

SOLUTION

The SRF program solicited for AMP projects in January of 2022. In February of 2022, the office of the Comptroller of Treasury raised concerns over issuing debt for AMP. Over the next 12 months TDEC engaged with the COT attorneys, auditors, State Government Finance, and Local Government Finance to evaluate our proposed AMP guidance, whether the COT believed these projects would reasonably lead to a capital project, and if grants could be an alternative funding vehicle.

TDEC's authority (as the state agency for the SRF program) to issue loans for AMP is clearly outlined in the EPA guidance and eligibility handbooks. However, based on COT staff feedback, we resolved to issue funding assistance through grants sourcing State Revolving Fund dollars. Therefore, to meet customer demand and acknowledge the COT's interests, DWR quickly pivoted and agreed to develop a grant program even though doing so would cause a significant workload burden on grant staff currently executing American Rescue Plan grants.

CONCLUSION

The SWIG program, in collaboration with SRF, intend to offer Asset Management Plan Grants to systems that requested funding and appear on the 2022 DWSRF and CWSRF PRL. These grants would be AMP only grants.

We intend to issue grants to publicly owned utility systems with the same conditions as outlined in the SRF Solicitation and Intended Use Plan for 2022. Subsidy (principal forgiveness) from DWSRF and CWSRF will be used to fund AMP projects. Utilities will be eligible to receive grants with a 25-50% match, based on the entity's ATPI. TDEC will provide this grant program for a minimum of five (5) years or until most of the AMP need has been resolved. Systems that requested AMP funding connected to a capital project listed on the FY22 PRLs will be encouraged to seek an SRF loan.

Asset Management Plan Grant Structure

Eligibility: Any publicly owned or operated drinking water or wastewater utility

Funding: Up to \$375,000 per grant

Match: 50% match for entities with an ATPI of 60 or more
 25% match for entities with an ATPI of 50 or less

Total Project Cost: Total project cost, including match can be no greater than \$500,000

Established Need: SRF: Sixty (60) requests; 20 wastewater systems and 40 drinking water systems

Estimated Cost: \$ 10,623,610

Estimated Need: American Rescue Plan requests; 39 wastewater, 76 drinking water, 9 stormwater systems

Estimated Cost: \$ 21,058,982

Total Funding Need: \$ 31,682,592

Award Dates: Summer 2023 -2028

Term: 2 years

We anticipate operating this grant funding program for no more than five (5) years or as demand requires.

Table 1: Percentage of Clean Water and Drinking Water Fund Balance Needed to Cover 2022 AMP Requests

Current Clean Water Fund Balance	AMP Funding Requests	Percent (%) of Fund Balance
\$ 173,003,668	\$ 5,810,900	3.36%
Current Drinking Water Fund Balance		
\$ 58,351,929	\$ 4,812,710	8.25%

The 2022 AMP requests for funding represents a small percentage of the overall current SRF fund balance for both Clean and Drinking Water programs.

Table 2: Percentage of Current and Pending Clean Water Fund Balance Needed to Cover 2022 AMP Requests

Current Clean Water Fund Balance	Additional Funding Sources	Federal Award (including State Match)	Totals	AMP Funding Requests	% of Fund Balance
\$ 173,003,668	FFY 2022 CWSRF Cap Grant	\$ 20,169,600	\$ 193,173,268	\$ 5,810,900	3.36%
	FFY 2022 CWSRF Supplemental Cap Grant	\$ 28,440,500	\$ 28,440,500		
Pending Clean Water Fund Balance			\$ 221,613,768	\$ 5,810,900	2.62%

Table 3: Percentage of Current and Pending Drinking Water Fund Needed to Cover 2022 AMP Request

Current Drinking Water Fund Balance	Additional Funding Sources	Federal Award (including State Match)	Totals	AMP Funding Requests	% of Fund Balance
\$ 58,351,929	FFY 2022 DWSRF Cap Grant	\$ 14,606,400	\$ 72,958,329	\$ 4,812,710	8.25%
	FFY 2022 DWSRF Supplemental Cap Grant	\$ 37,503,600	\$ 37,503,600		
Pending Drinking Water Fund Balance			\$ 110,461,929	\$ 4,812,710	4.36%