

TENNESSEE LOCAL DEVELOPMENT AUTHORITY

March 6, 2020

The Tennessee Local Development Authority (the Authority or TLDA) met on Friday, March 6, 2020, at 11:30 a.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 Justin P. Wilson, Comptroller of the Treasury
The Honorable David H. Lillard, Jr., State Treasurer
Angela Scott, Proxy for Commissioner Stuart C. McWhorter, Department of Finance and Administration

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

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

The following member was absent:

The Honorable Bill Lee, Governor

Recognizing a physical quorum present, Mr. Hargett called the meeting to order, and then proceeded to perform a roll-call:

Ms. Scott—Present
Mr. Hargett—Present
Mr. Wilson—Present
Mr. Lillard—Present
Mr. Wolfe—Present
Dr. Moore—Present

Mr. Hargett asked for a motion to approve the minutes of the January 21, 2020, TLDA meeting. Mr. Lillard made a motion to approve the minutes, and Mr. Wilson seconded the motion. Mr. Hargett conducted a roll-call vote:

Mr. Lillard—Aye
Mr. Wilson— Aye
Ms. Scott— Aye
Dr. Moore— Aye
Mr. Wolfe— Aye
Mr. Hargett—Aye

The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was a request from the Bloomingdale Utility District (the “District”) to issue a United States Department of Agriculture (USDA) Waterworks Revenue Bond on parity with its outstanding SRF loan agreements and a bond anticipation note, subordinate to its SRF loans. The proposed debt would be issued in an amount not to exceed \$1,000,000. He then recognized Ms. Alicia West, Program Accountant with the Office of State and Local Finance (OSLF), to present the item. Ms. West stated that as required by the provisions set forth in the SRF loan agreements and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*, the District was requesting approval to issue a USDA Waterworks Revenue Bond on parity with its SRF loan agreements and a bond anticipation note subordinate to its State Revolving Fund (SRF) loans. She

reported that the proposed debt would be issued in an amount not to exceed \$1,000,000 and that proceeds would be used to finance project costs until completion, at which time, the USDA bond would then be issued. She stated that the request letter states that the District was requesting the parity lien position to preserve its ability to issue future debt on a parity-senior-lien basis and that this would minimize cost to its rate payers. She further stated that per the District's Bond Counsel, Jeff Oldham, with Bass Berry & Sims, if the USDA bond was issued with a lien position subordinate to the SRF lien position, any future debt must also be issued on a subordinate basis. She continued, saying that it was important to note that pursuant to the TLDA/SRF Policy & Guidance and loan agreements, the District would still be required to seek approval to issue any additional debt secured by revenues of the system and/or modification of lien position. She stated that there was a fully-funded security deposit in place and that the District's most recent financial statements reflected a positive change in net position with an operating income of \$532,081. Ms. West stated that based on the analysis conducted by the OSLF, the District had timely filed its audited financial statements, had a history of timely repayment of its current SRF loans, and its current and projected debt service coverage ratio either met or exceeded the 1.20 times requirement through fiscal year 2022. Furthermore, she stated that the District should have sufficient cash and revenues to meet its obligations, and that it appeared to meet TLDA's guidelines for approval to issue the additional debt with a parity lien position.

Mr. Hargett asked if the TLDA had any comments or questions. Hearing none, Mr. Lillard made a motion to approve, and Mr. Wilson seconded the motion. Mr. Hargett conducted a roll-call vote:

Dr. Moore—Aye
 Mr. Wolfe—Aye
 Ms. Scott—Aye
 Mr. Wilson—Aye
 Mr. Lillard—Aye
 Mr. Hargett—Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a request from the Minor Hill Utility District ("MHUD") to issue Waterworks Revenue Bonds in an amount not to exceed \$1,500,000 with a subordinate lien position to its outstanding SRF loan agreements. He recognized Ms. Sandi Thompson, TLDA Assistant Secretary and the Director of the OSLF, to present the request. Ms. Thompson stated that as required by the provisions set forth in the SRF loan agreements and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*, the MHUD had submitted a request for approval to issue revenue refunding bonds in an amount not to exceed \$1,500,000 with a lien position subordinate to its outstanding SRF loans. In addition, she stated that because the proposed refunding bonds constituted balloon indebtedness, the MHUD was required, pursuant to Tenn. Code Ann. 9-21-134, to submit a request for approval to issue balloon debt to the Director of Local Government Finance. She stated that the request was received by the Division of Local Government Finance on January 27th, and the balloon debt approval was provided in a letter, dated January 30, 2020. Ms. Thompson continued, saying that the proposed debt was a refunding of existing debt and that would be secured by revenues of the system. She said that bond proceeds would be used to refund the MHUD's 2003 USDA bonds, as well as fund a debt service reserve fund and pay costs of issuance. She reported that the MHUD expects a net present value savings of almost \$250,000. Ms. Thompson then stated that the MHUD did not have a debt rating, but that it had a history of timely repayments on its SRF debt, had timely filed its audited financial statements, and that there was a fully-funded security deposit in place in the amount of \$78,741. She stated that its current debt service coverage ratio met or exceeded the required 1.20 times, and that it was projected to meet that requirement for the next three fiscal years. Ms. Thompson noted that the MHUD was currently under the jurisdiction of the Utility Management Review Board (UMRB) for financial distress and was ordered by the board to conduct a rate and fee study, which was due by April 30, 2020. She concluded, saying that based on the analysis conducted by the OSLF, the MHUD should have sufficient cash and revenues to meet its obligations, and it appeared to meet the TLDA's guidelines for approval to issue refunding bonds with a lien position subordinate to its outstanding SRF loan agreements. Mr. Hargett inquired if there was any discussion. Mr. Wilson responded affirmatively and asked if the MHUD had extended the maturity of its debt. Ms. Thompson responded, saying that it had not extended its maturity, and that the new debt had a repayment schedule that was within the

same footprint of the refunded debt. Mr. Wilson commented that the MHUD's total indebtedness would not increase, and Ms. Thompson responded affirmatively.

Mr. Hargett asked if there was any further discussion. Hearing none, Mr. Wilson made a motion to approve, and Mr. Lillard seconded the motion. Mr. Hargett conducted a roll-call vote:

Dr. Moore—Aye
 Mr. Wolfe—Aye
 Ms. Scott—Aye
 Mr. Lillard—Aye
 Mr. Wilson—Aye
 Mr. Hargett—Aye

The motion was unanimously approved.

Mr. Hargett then thanked Mr. Oldham for attending today's meeting.

Mr. Hargett then stated that the next item on the agenda was a report on the notification from the City of Wartburg ("City") submitted to comply with *TLDA/SRF Policy and Guidance for Borrowers*. He called upon Ms. West to present the report. Ms. West stated that the City had submitted notification to the TLDA as required by the *TLDA/SRF Policy and Guidance for Borrowers*. She stated that it had proposed to issue USDA bonds in an amount not to exceed \$1,276,000 and that the bond proceeds would be used to finance sewer system improvements and extensions. She stated that the bond would be secured by a pledge of sewer revenues subordinate to the pledge of revenues in favor of the City's 2005 SRF loan. Ms. West then stated that this was a notification only and no action was required. Mr. Hargett asked if there were any comments or discussion about the report. Hearing none, he moved on to the next agenda item.

Mr. Hargett stated that the next item on the agenda was a request for consideration of approval for Clean Water State Revolving Fund (CWSRF) loans and stated that, unless there was any objection, the TLDA would hear the three loan requests prior to asking for a motion to approve. Hearing none, he recognized Dr. Leslie Gillespie-Marthaler, Director of the State Revolving Fund (SRF) program for the Tennessee Department of Environment and Conservation (TDEC), to present the loan requests. Dr. Gillespie-Marthaler first presented the unobligated fund balance. She stated the balance was \$85,423,369 as of January 21, 2020. Since that time, the unobligated balance had increased by \$126,030 due to a return of unused loan funds from the Trenton Light and Water Department. Upon approval of the loan requests to be presented totaling \$23,540,000, the funds available for loan obligations would be \$62,009,399. Dr. Gillespie-Marthaler said that TDEC believed it would have sufficient funds through the state budget to meet its state match in time for the fourth quarter of this year, which meant they would be in compliance with the requirements of its capitalization agreements with EPA. She then described the CWSRF loan requests.

- **Waverly (CW7 2019-436)** Requesting \$740,000 (\$666,000 (90%) loan; \$74,000 (10%) principal forgiveness) for infiltration and inflow corrections (replacement of approximately 2,000 linear feet (LF) of sewer lines and manholes; and rehabilitation of approximately 3,400 LF of sewer lines by method of cured in place pipe (CIPP)); letter submitted for late audit filing; recommended interest rate of 0.97% based on the Ability to Pay Index (ATPI); Priority ranking 40 of 78 (FY 2019); Term 20 years.
- **Smyrna (SRF 2020-438)** Requesting \$18,000,000 for wastewater treatment plant (WWTP) expansions (expansion of the existing wastewater treatment plant from 5.85 million gallons per day (MGD) to 9.0 MGD); recommended interest rate of 1.30% based on the ATPI; Priority ranking list 11 of 67 (FY2017); Term 30 years.
- **Humboldt (SRF 2019-433-01)** Requesting \$4,800,000 for WWTP expansion (construction of a new 5 MGD sequencing batch reactors (SBR), grit removal system, and disinfection basin; replace influent

pumps; conversion of anaerobic digesters to aerobic digesters; and sludge disposal improvements); recommended interest rate of 0.48% based on the ATPI; Priority ranking list 55 of 72 (FY2018); Term 20 years.

Mr. Hargett made a motion to approve the loans, and Mr. Lillard seconded the motion. Mr. Hargett conducted a roll-call vote:

Dr. Moore—Aye
Mr. Wolfe—Aye
Ms. Scott—Aye
Mr. Lillard— Aye
Mr. Wilson— Aye
Mr. Hargett— Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration of approval for Drinking Water State Revolving Fund (DWSRF) loans. He stated that the TLDA would hear the two loan requests prior to asking for a motion to approve. He then called upon Dr. Leslie Gillespie-Marthaler to present the loan requests. Dr. Gillespie-Marthaler stated the DWSRF unobligated balance was \$72,723,713 as of January 21, 2020. Upon approval of the loan requests to be presented totaling \$2,510,000, the funds available for loan obligations would be \$70,213,713. She then described the DWSRF loan requests.

- **Erwin Utilities Authority (DG7 2020-222)** Requesting \$2,000,000 for Green-water meter replacement (installation of automatic meter reading (AMR) meters and leak detection equipment within the Erwin Utilities service area; recommended interest rate of 0.07% based on the ATPI; Priority ranking 31 of 43 (FY2019); Term 20 years.

Dr. Gillespie-Marthaler explained that Erwin's 0.07% interest rate was due to its green project status. She stated that other subsidies were available within the SRF program, including green projects that were eligible under EPA criteria. She further stated that she had been communicating with Ms. Thompson about the need to rework the calculations for SRF interest rates in order to establish floors and prevent depletion of the revolving bases. She said that this should take place within the next couple of weeks and planned to come back to the TLDA with a recommendation and updated policies by June. Mr. Hargett then inquired if the next TLDA meeting would not be scheduled until June, or if other loans would be affected between now and then. Dr. Gillespie-Marthaler replied, saying that TDEC would keep the current policy in place until it could make the changes and present the updated policies to the TLDA.

- **Humboldt (DWF 2019-215-01)** Requesting \$510,000 for water treatment plant and water distribution system improvements; recommended interest rate of 0.48% based on the ATPI; Priority ranking list 8 of 21 (FY2018); Term 20 years.

Mr. Hargett inquired if there was any discussion. Hearing none, he made a motion to approve the loans, and Mr. Lillard seconded the motion. Mr. Hargett conducted a roll-call vote:

Dr. Moore—Aye
Mr. Wolfe—Aye
Ms. Scott—Aye
Mr. Wilson— Aye
Mr. Lillard— Aye
Mr. Hargett— Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was an update on the DWSRF priority ranking list (DWPR). He asked Dr. Gillespie-Marthaler to present the item. Dr. Gillespie-Marthaler began by informing the TLDA that the CWSRF priority ranking list was not included on the agenda because TDEC believed it had identified 100% of project funding in terms of obligation. She said potential borrowers were now being asked to reapply with funding requests after TDEC received its next capitalization grant. She stated that there was still funding capacity with DW and proceeded to present a list of all entities currently on the DWPR. She stated that all entities had been contacted, and reported that there were six projects, including Camden Utility District, Smyrna, three projects for Nashville Metro, and the Utility District of Hawkins County, totaling \$41,193,000, that TDEC believed were good candidates for funding before the end of the fiscal year. She stated that the other communities were in different stages of the SRF loan process and that it was difficult to say when those would come forward. Dr. Gillespie-Marthaler stated that some of the entities they contacted had not yet responded to their follow-up calls, and some entities had responded and stated that they would be looking for grant funding as opposed to a SRF loan. Dr. Gillespie-Marthaler said that TDEC believed it would get much closer to obligating the balance of DW this year. She stated that TDEC was actively pursuing the individuals and entities on the DWPR. No further action was required. Mr. Hargett asked if there were any questions or comments. Hearing none, he moved on to the next agenda item.

Mr. Hargett stated that the next item on the agenda was a report on SRF borrowers that have not submitted requests for project expense reimbursement. He called upon Dr. Gillespie-Marthaler to present the report. She began by saying that TDEC had contacted all borrowers listed on the SRF report to inquire about the inactivity on previously approved SRF loans. She stated that those currently in compliance with construction and completion dates included Cleveland, Dyersburg, Franklin, Hamilton County, and Oak Ridge. She then said that TDEC was closely monitoring the situation with the City of Jasper since it was now approaching one year, and the City had not executed its loans. She reported that the City was working with its lawyers due to its non-responsive contractor. Dr. Gillespie-Marthaler stated that TDEC and its Office of General Counsel (OGC) would be talking more about the situation with the City and its lawyers. She noted that it might be in the City's best interest to return the funds and reapply later for a loan when they were ready to move forward with the project. Mr. Hargett asked if the TLDA had any questions about the report. No questions were presented, and no further action was required.

Mr. Hargett then stated that before the meeting adjourned, he wanted to make sure everyone understood that staff was in the process of updating the *TLDA/SRF Policy and Guidance for Borrowers*. He said that it would be presented for approval at a future TLDA meeting once it had been finalized with staff comments.

Hearing no other business, Mr. Hargett moved to adjourn. Mr. Lillard seconded the motion. Mr. Hargett conducted a roll-call vote:

Ms. Scott—Aye
 Mr. Wilson— Aye
 Mr. Lillard— Aye
 Dr. Moore—Aye
 Mr. Wolfe—Aye
 Mr. Hargett— Aye

The meeting was adjourned.

Approved on this 21st day of May, 2020.

Respectfully submitted,


 Sandra Thompson
 Assistant Secretary