

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
June 9, 2020

Pursuant to the provisions of Executive Order 16, as amended by Executive Order 34, the Tennessee Local Development Authority (the Authority or TLDA) met on Tuesday, June 9, 2020, at 2:00 p.m. via WebEx with certain members being physically present 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
 Kevin Bradley, Proxy for the Honorable David H. Lillard, Jr., State Treasurer
 Angela Scott, Proxy for Commissioner Butch Eley, Department of Finance and Administration
 Dr. Kenneth L. Moore, House Appointee
 Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Lee, Governor

Mr. Hargett called the meeting to order, and asked Ms. Sandi Thompson, TLDA Assistant Secretary and the Director of the Office of State and Local Finance (OSLF) to conduct a roll-call:

Mr. Wilson—Present
 Mr. Bradley—Present
 Mr. Hargett—Present
 Ms. Scott—Present
 Dr. Moore—Present
 Mr. Wolfe--Present

Recognizing a quorum present, Mr. Hargett read the following statement:

“Governor Bill Lee, a member of this entity, has previously declared a state of emergency to facilitate Tennessee’s response to Coronavirus Disease 2019 (COVID-19). His Executive Order No. 16, as amended by Executive Order No. 34, allows governing bodies to meet electronically regarding essential business in light of COVID-19, so long as they provided electronic access to the public and met certain safeguards established in that Order to ensure the openness and transparency of the proceedings. In the Notice for this meeting, we indicated that the meeting would be held in the Executive Conference Room of the State Capitol, which is currently closed to the public as well as conducted through WebEx Events and provided information and the steps for public electronic participation. At this time we need a motion to make a determination pursuant to the provisions of Executive Order 16, as amended, that meeting electronically and electronic access is necessary to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak and the matters listed on the agenda for this meeting relate to the essential business of this board and the necessary safe guards have been taken.”

Mr. Wilson made a motion to approve the necessity pursuant to Executive Order 16 , and Mr. Bradley seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Wilson— Aye
 Mr. Bradley— Aye
 Mr. Hargett— Aye

Ms. Scott—Aye
Dr. Moore—Aye
Mr. Wolfe—Aye

The motion carried to conduct the TLDA meeting in this manner.

Mr. Hargett stated that the next item of business was a report on the notification from the City of Paris submitted to comply with *TLDA SRF Policy and Guidance for Borrowers*. He called upon Ms. Thompson to present the report. Ms. Thompson stated that the City of Paris had submitted notification to the TLDA as required by the *TLDA/SRF Policy and Guidance for Borrowers*. She stated that the City intended to issue United States Department of Agriculture (USDA) debt in the form of interim financing with local financial institutions. Ms. Thompson explained that there would be two separate USDA interim financings. One to finance water system improvements in an amount not to exceed \$7,200,000, and that it would be secured by a pledge of revenues subordinate to the pledge of revenues in favor of the City's four DWSRF loans, and the other would finance sewer system improvements in an amount not to exceed \$11,900,000, which would be secured by a pledge of sewer revenues subordinate to the pledge of revenues in favor of the City's two CWSRF loans. She stated that this was notification only and no action was required. Mr. Hargett asked if there were any questions or comments 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 approval from the City of Paris to transfer, through issuance of new SRF loans with the same terms, the City's SRF loans to the Paris Utilities Authority (the "Authority"). He then stated that agenda items three and four would have a lengthy description, but were necessary for the record. Ms. Thompson responded affirmatively, and stated that items three and four would be presented together. She reported that the City of Paris had proposed to establish the Paris Utility Authority pursuant to the Municipal Energy Authority Act and to transfer the assets and liabilities of the City's water and sewer system (the "System") to the Authority. Furthermore, she stated that pursuant to the Act, the Authority must retire, defease, or assume, (in this case, it was assuming), the outstanding debt of the City related to its System as a condition of the transfer of the System from the City to the Authority. Ms. Thompson stated that the City and the Authority were also requesting approval from the TLDA to assign the City's six SRF loan agreements from the City to the Authority. In addition, she stated that since the SRF loans would need to be payable from and secured by a pledge of a shared senior lien on the revenues of the System, the City was requesting that the TLDA consent to each of the SRF loan agreements being payable from and secured by a pledge of revenues of the System as a whole instead of each respective water or sewer system. She noted that the City had additional debt (three capital outlay notes with an outstanding balance of \$1,500,000) related to the System which it intended to transfer to the Authority. Furthermore, she explained that the Authority intended to issue three bonds with terms matching the notes for the purpose of retiring the notes and that it was requesting TLDA approval to issue the bonds on parity with the SRF loans with a shared senior lien position on the revenues of the System. She continued, saying that the Authority intended to issue an additional \$200,000 in Water and Sewer Revenue Bonds for capital improvements and was requesting TLDA approval to issue the debt with the same parity lien position with the SRF loans with a shared senior lien position on the revenues of the System. She stated that upon approval of the transfer of the City's SRF loan obligations to the Authority, the Authority would be required to obtain approval from the TLDA to issue any future debt. Ms. Thompson stated the the OSLF had conducted its due diligence on the requests and stated that the City had adopted a resolution that would permit it to take the necessary steps to form the Authority and to transfer all of the City's utility assets to the Authority on the condition that the Authority assume all liabilities of the City's utility debt. She further stated that the execution of new loan documents in the name of the Authority and an Assignment, Assumption, and Termination agreement was required. She noted that the outstanding balance of the six SRF loans obligations totaled approximately \$8,000,000 and that five of those loans are in repayment and current with one loan not in repayment since the project was still under construction. She continued, saying that upon approval, the Authority would be required to fund a security deposit equal to MADS for each loan totaling \$430,966. She then said that the Authority had timely filed its audited financial statements through fiscal year 2019 and had a debt service coverage ratio that exceeded the required 1.2 times. Ms. Thompson stated that based on the analysis

conducted by the OSLF and considering the Authority would assume the operations of the City's water and sewer system, the Authority should have the capacity to assume the City's SRF loans and to meet its other debt obligations. Furthermore, the Authority appeared to meet the TLDA's requirements for approval to issue debt to retire the City's outstanding system debt on parity with the SRF loans; therefore, TLDA staff recommended approval of these requests contingent upon proper execution of the appropriate required documents. Mr. Wilson inquired if this would impede the ability of the TLDA to collect on the SRF loans. Ms. Thompson responded that it would not. Mr. Hargett stated that although agenda items three and four were presented together, he would request a motion to approve separately. He then restated item three, saying that it was a request for approval from the City of Paris to transfer (through issuance of new SRF loans with the same terms) the City's SRF loans to the Paris Utilities Authority.

Mr. Hargett asked if there was any discussion. Hearing none, Ms. Scott made a motion to approve, and Mr. Wolfe seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item was a request for approval from the Paris Utilities Authority to issue on parity with its SRF loans, three new bonds with the same terms as three existing capital outlay notes issued by the City of Paris and a Water/Sewer Revenue Bond. He noted that the item had already been described and recommended by staff.

Mr. Hargett asked if there was any discussion. Hearing none, Dr. Moore made a motion to approve, and Mr. Wolfe seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett then stated that the next item on the agenda was a request from the City of Portland to issue Water and Sewer Revenue Bonds in an amount not to exceed \$19,000,000 on parity with its outstanding SRF loan agreements. He called upon Ms. Thompson to present the request. Ms. Thompson stated the City of Portland was requesting approval from the TLDA to issue Water and Sewer Revenue Bonds on parity with its outstanding SRF loan agreements. She said 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 continued, saying that the proposed new money debt would be issued in an amount not to exceed \$19,000,000 and would be secured by revenues of the water and wastewater system. She stated that the OSLF had conducted its due diligence on the request and noted that the outstanding balance for its SRF loan obligations totaled approximately \$800,000 (in repayment and current), that the City had timely filed its audited financial statements for fiscal year 2019, and its debt service coverage ratio either met or exceeded the required 1.2 times. Ms. Thompson continued, saying that the City's projected debt service coverage through fiscal year 2023 ranged from 1.3 times to 1.44 times. She stated that

based on the analysis conducted by the OSLF, the City would have enough cash and revenues to meet its obligations, and it appeared to meet the TLDA's guidelines for approval to issue bonds with a parity lien position to its outstanding SRF loan agreements.

Mr. Hargett asked if there was any discussion. Hearing none, Mr. Wilson made a motion to approve, and Mr. Bradley seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

- Mr. Wilson— Aye
- Mr. Bradley— Aye
- Mr. Hargett— Aye
- Ms. Scott—Aye
- Dr. Moore—Aye
- Mr. Wolfe—Aye

The motion was unanimously approved.

Hearing no other business, Mr. Hargett asked for a motion to adjourn. Mr. Wilson made a motion to adjourn, and Dr. Moore seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

- Mr. Wilson— Aye
- Mr. Bradley— Aye
- Mr. Hargett— Aye
- Ms. Scott—Aye
- Dr. Moore—Aye
- Mr. Wolfe—Aye

The meeting was adjourned.

Approved on this 25th day of June, 2020.

Respectfully submitted,



Sandra Thompson
Assistant Secretary