

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
July 20, 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 Monday, July 20, 2020, at 2:00 p.m. via WebEx Events with certain members being physically present in the Executive Conference Room, Ground Floor, State Capitol, Nashville, Tennessee. Interested members of the public were only able to observe and listen to the meeting through electronic means. 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 (participated electronically)
 Ms. Angela Scott, Proxy for Commissioner Butch Eley, Department of Finance and Administration (participated electronically)
 Mr. Pat Wolfe, Senate Appointee (participated electronically)

The following members were absent:

The Honorable Bill Lee, Governor
 Dr. Kenneth L. Moore, House Appointee

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

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

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

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

Mr. Hargett stated that the first item on the agenda was approval of the minutes from the June 25, 2020 TLDA meeting, and a correction of the minutes from the May 21, 2020 TLDA meeting. Mr. Wilson made a motion to approve the minutes, and Mr. Hargett seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on the TLDA Bond Indebtedness. He called upon Ms. Alicia West, Bond Accountant, with the DSGF. Ms. West stated that as of June 30, 2020, the TLDA had \$1,535,000 in bonds outstanding with a final maturity of March 2029. Mr. Hargett asked if that concluded the report, and Ms. West responded affirmatively. Mr. Hargett then inquired if the members had any questions about the report. Hearing none, he moved on to the next agenda item.

Mr. Hargett stated that the next item was a review of the TLDA Debt Policy. He called upon Ms. Thompson to present the item. Ms. Thompson stated that a copy of the Debt Management Policy for the TLDA was included with the meeting materials. She continued, saying that review of the Debt Management Policy was required at least annually, and that it was distributed to all staff and members of the TLDA for their review and comment. Ms. Thompson further stated that although no comments or updates were received, there was a revision made to reflect the name change, effective June 30, 2020, of the Office of State and Local Finance to the Division of State Government Finance. Mr. Hargett asked if an annual review was required. Ms. Thompson responded affirmatively. Mr. Hargett asked if there were any questions about the policy. Hearing none, and with no further action necessary, he moved on to the next agenda item.

Mr. Hargett stated that the next item was a report on the notifications received from the cities of Lawrenceburg and Spring Hill 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 TLDA had received two notices of intent from SRF borrowers to issue additional debt which were submitted to comply with the *TLDA SRF Policy and Guidance for Borrowers*. She stated that the City of Lawrenceburg planned to issue refunding bonds to pay off certain SRF loans in an approximate amount of \$7,450,000. Furthermore, she said that the refunding debt would be issued as general obligation debt and would be payable from, but not secured by, the system's revenues. She continued, saying that notification was also received from the City of Spring Hill, and stated that it planned to issue refunding bonds to pay off its SRF loans in an approximate amount of \$10,000,000. She said the debt would be issued as general obligation debt and secured by the system's revenues. Ms. West stated that the refunding indebtedness, upon issuance, would have a subordinate lien position to its SRF (which is why it was not required to seek approval from the TLDA to issue the refunding debt). Mr. Hargett asked if there were any questions. Hearing none, and with no further action necessary, he moved on to the next agenda item.

Mr. Hargett stated that the next item on the agenda was consideration of approval for a Clean Water State Revolving Fund (CWSRF) loan. He recognized Ms. Felicia Freeman, Environmental Manager for the Tennessee Department of Environment and Conservation (TDEC), to present the loan request. Ms. Freeman first presented the unobligated fund balance. She stated the balance was \$46,385,298 as of May 21, 2020. Since that time, the unobligated balance had increased by \$3,449,439 with the return of previous (unused) funding from the Town of Oakland, and the cities of Oak Ridge and Millersville. Upon approval of the loan request to be presented totaling \$6,200,000, the remaining funds available for loan obligations would be \$43,634,737. She then described the CWSRF loan request.

- **Springfield (SRF 2020-447)** Requesting \$6,200,000 for a pump station/collection system replacement (installation of approximately 10,000 linear feet (LF) of 8-inch through 18-inch diameter gravity sewer with approximately 50 new manholes; and the construction of pump stations at Locust Street and Bransford to eliminate sanitary sewer overflow SSO); recommended interest rate of 0.78% based on the Ability to Pay Index (ATPI); Priority ranking 43 of 78 (FY 2019); Term 20 years.

Mr. Hargett made a motion to approve the loan, and Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration of approval for a Drinking Water State Revolving Fund (DWSRF) loan. He called upon Ms. Freeman to present the loan request. Ms. Freeman first reviewed the report of the unobligated fund balance, which as of March 6, 2020, was \$70,213,713. She stated that funds had increased by \$103,215 with the return of previous (unused) funding from Warren County Utility District and the Town of Gainesboro. She also stated that two loans had been approved for Nashville in the amount of \$32,493,000. This brought the remaining unobligated funds for loan obligations to \$37,823,928 (instead of the previously reported \$42,823,928) as of May 21, 2020, and properly reflected the subtraction of the \$5,000,000 loan to Nashville. Since then, the unobligated balance had increased by \$43,969 with the return of previous (unused) funding from the Big Creek Utility District. Upon approval of the loan request to be presented in the amount of \$150,000, the remaining funds available for loan obligations would be \$37,717,897. She then described the DWSRF loan request.

- **Huntingdon (DWF 2020-225)** Requesting \$150,000 for a planning and design loan for distribution system improvements (replacing existing waterlines on Main Street; extending waterlines to customers along Highway 77; and replacing existing water meters with automatic meter reading (AMR) meters); recommended interest rate of 0.09% based on the ATPI; priority ranking 48 of 57 (FY 2019); Term 5 years.

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

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

The motion was unanimously approved.

Mr. Hargett stated that the next item was a presentation on the 2020 ATPI. He called upon Ms. Vena Jones, Environmental Consultant for TDEC. Ms. Jones began by stating that her presentation would include information about TDEC's newly proposed ATPI, its recommendation for principal forgiveness, and its recommended policy for new interest rate determination. She stated that TDEC was looking to expand the ATPI variables for determining affordability from four to seven variables, which would make it more precise. She stated that the previous four variables included median household income, unemployment, food stamps, and families in poverty, and the added variables would include bond rating, debt, and change in population. However, before instituting this version of its ATPI, TDEC wanted to ensure that the data was both valid and sensitive. Ms. Jones explained that along with meeting the Water Resources Reform and Development Act (WRRDA) standards, the new version would include multi-year trends on census, economic, and financial data. Furthermore, she stated that TDEC had conducted a sensitivity analysis by calculating affordability scores using seven variables instead of four. By including more variables, it was able to bring slightly more communities to subsidy and technical assistance, and it would be able to provide a more refined set of information on a community's economic position. She stated that communities were not penalized for not having the data. After mapping out these changes to the ATPI, TDEC then wanted to reevaluate where it set a threshold for principal forgiveness. In the previous year, it liberally applied a principal forgiveness threshold of 60, and pointed out that the new ATPI would bring in slightly more communities to 60, 50, and 40. She reported that TDEC calculated the principal forgiveness threshold set at 60; 50, and 40, but preferred it to be set at 50 since that allowed it to capture most communities. Next, she stated that TDEC would be using the ATPI for its new interest rate calculation and policy. Ms. Jones stated that TDEC's current interest rate policy allowed the awarded rates to be at, or near zero. She stated that the subtractive, multiplier, and fixed rate method were calculated and then compared to the current standard method. She explained the comparisons that were illustrated in the slides included with the meeting materials, and said that TDEC preferred the fixed rate reduction methodology because it allows flexibility when interest rates go higher and lower. She stated that this would be the best methodology because it protects the revolving fund and allows TDEC to provide competitive rates to its customers. Ms. Jones then inquired if the members had any questions. Mr. Hargett asked if there were any questions or discussion. Hearing none, he thanked Ms. Jones for the report. Report item – no action necessary.

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

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

The meeting was adjourned.

Approved on this 21st day of September, 2020.

Respectfully submitted,



Sandra Thompson
 Assistant Secretary