

TENNESSEE LOCAL DEVELOPMENT AUTHORITY

July 22, 2021

The Tennessee Local Development Authority (the "TLDA") met on Thursday, July 22, 2021, at 1:10 p.m. in the House Hearing Room I, First 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 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 June 15, 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 stated that the next item on the agenda was the public hearing on and approval of the TLDA Debt Management Policy. He called upon Ms. Sandi Thompson, TLDA Assistant Secretary and the Director of the Division of State Government Finance (DSGF) to present the item. Ms. Thompson stated that a review of the TLDA's Debt Management Policy was required at least annually and stated that the following revisions were being presented by staff to the board for consideration and approval. She stated that there were a couple of minor revisions for grammatical corrections to reflect division/department names and to provide clarity and/or add certain defined terms, such as cost of issuance, and narratives, such as how the state repaid its short-term debt. She stated, however, that one of the most pertinent revisions to the policy was the "Refunding Outstanding Debt" section, which had been revised to reflect how the TLDA currently, and would in the future, analyzed and considered refunding candidates for certain outstanding bond maturities. She stated that for advanced refundings, the policy preserved the requirement that refunding results be present value savings of at least 4% of the refunded bonds, and that consideration would be given to the refunding escrow efficiency when reviewing the refunding candidates. Ms. Thompson continued, saying that the requirement for current fundings be at least 2% (instead of the 4%) for a series of refunded bonds, or (instead of and), the present value savings, per series, must be equal to, or greater than, twice the cost of issuance allocable to the refunding series. She stated that a provision was added, which allowed the Comptroller, in consultation with the financial advisor, to waive refunding considerations given that the sale of the refunding bonds would still accomplish cost savings to the public, and further stated that such waivers would be reported in writing to the board at its next meeting. Ms. Thompson stated that the section on Option Value Calculation had been removed and replaced with Escrow Efficiency. She explained that this was a better measure in considering whether to refund and to evaluate the savings and the cost of conducting an advanced refunding. Ms. Thompson noted that the terms "underwriter's discount" and "evaluation of underwriter's performance" were removed from the section. She stated that on selection of the underwriting team, the professional services section now included the verification agent and an escrow bidding agent with a description of the services that they provided. She said that there was a bullet point added to the "Preparing for Bond Closing" section that stated staff would evaluate the bond sale after completion to assess the costs, which included the compensation of the underwriter, bond pricing and distribution of bonds, and sales credit. Ms. Thompson stated that as a final note, the DSGF did review these recommendations and revisions in conjunction with its financial advisor, PFM, as well as the AG's office. She then stated that she would be happy to take any questions or comments and thanked the TLDA for its consideration. Mr. Hargett

asked if there was any discussion. Hearing none, Mr. Lillard made a motion to approve the revisions to the Debt Management Policy, and Mr. Eley 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 Debt Management Policy was unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration of a request for approval of revisions to the TLDA SRF Policy and Guidance for Borrowers. He called upon Ms. Thompson to present the item. Ms. Thompson requested that Alicia West, the TLDA/SRF Program Accountant, present the item, and Mr. Hargett responded affirmatively. Ms. West stated that the DSGF had recently conducted a review of the TLDA SRF Policy and Guidance for Borrowers and that a summary of the revisions was included in the meeting materials. Ms. West first pointed out that there were some smaller grammatical revisions and a name change for the DSGF. She then stated that the special vice chair approval for requests to issue refunding debt (in the current policy) requires that refunding debt be issued subordinate to SRF loans. She stated, however, that after consulting with the AG's office, staff recommends that the vice chair also have special authority to approve requests for refunding debt issuances where the lien position remains the same or improves the lien position of the SRF loans. Ms. West stated that the next revision dealt with the issuance of refunding debt. She stated that the section titled "Approval for the Issuance of Refunding Debt," was added to address refundings in which the proceeds of debt that was issued would be used to repay the Borrower's SRF loans in full. She explained that the policy would direct these borrowers, to notify the TLDA and indicate in writing that they would repay the SRF loans simultaneously with the issuance of the debt. She stated that the "Single Audit" section was added to provide clarification on the federal single audit requirement and TDEC's additional requirement that federal and state dollars are all "federal" and subject to single audit requirements. Next, she stated that the disclosure section reflected the amendments to rule 15c2-12. Ms. West stated that guidance was added to the "Report on Debt Obligation" section for borrowers applying for SRF loans that were not in compliance with that requirement. Lastly, she stated that privately owned wastewater treatment systems were now allowed to borrow from the Clean Water SRF. Mr. Hargett inquired if there was any discussion. Hearing none, Mr. Mumpower made a motion to approve the revisions to the TLDA SRF Policy and Guidance for Borrowers, and Mr. Lillard 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 TLDA SRF Policy and Guidance for Borrowers was unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration and approval of Clean Water State Revolving Fund (CWSRF) loans and stated that, unless there was any objection, the TLDA would hear the six loan requests prior to asking for a motion to approve. Hearing none, he recognized Mr. Adeniyi Bakare, SRF Program Manager for the Tennessee Department of Environment and Conservation (TDEC), 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 \$65,001,035 as of June 15, 2021. Since that time, the unobligated balance had increased by \$150,678 with the return of previous (unused) funding from the City of Fayetteville and the Town of Jasper. Upon approval of the loan requests to be presented totaling \$15,587,000, the remaining funds available for loan obligations would be \$49,564,713. He then presented the CWSRF loan requests.

- **Alexandria (SRF 2021-456)** Requesting \$50,000 for Wastewater Treatment Plant (WWTP) improvements/advanced treatment (Modifications to the WWTP to operate in compliance with new permit limits); Planning and design loan; recommended interest rate of 0.17% based on the Ability to Pay Index (ATPI); Priority ranking 2 of 83 (FY 2019); Term: 5 years
- **Carthage (CW7 2020-445)** Requesting \$470,000 (\$235,000 (50%) loan; \$235,000 (50%) principal forgiveness) for an infiltration and inflow (I/I) correction (sanitary sewer system evaluation to reduce and eliminate sources of infiltration and inflow; planning and design; recommended interest rate of 0.18% based on the ATPI; Priority ranking 36 of 64 (FY2020); Term: 5 years
- **Waverly (SRF 2021-461)** Requesting \$580,000 for an I/I correction (replacement of approximately 2,000 linear feet (LF) of sewer lines by method of cured in place pipe (CIPP); recommended interest rate of 0.90% based on the ATPI; Priority ranking 40 of 83 (FY2019); Term: 20 years
- **Westmoreland (CW8 2021-457)** Requesting \$2,500,000 (\$2,000,000 (80%) loan; \$500,000 (20%) principal forgiveness) wastewater treatment plant (WWTP) improvement/advanced treatment (construction of a new 3 million gallons per day (MGD) WWTP to replace the existing treatment facility); recommended interest rate of 0.65% based on the ATPI; Priority ranking 64 of 64 (FY2020); Term: 20 years

- **Westmoreland (SRF 2021-458)** Requesting \$3,987,000 for a WWTP improvements/advanced treatment (construction of a new 3 MGD WWTP to replace the existing facility; recommended interest rate of 0.65% based on the ATPI; Priority ranking 64 of 64 (FY2020); Term: 20 years
- **White House (SRF 2021-449-01)** Requesting \$8,000,000 for a 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); recommended interest rate of 1.09% based on the ATPI; Term: 20 years

Mr. Hargett inquired if there was any discussion. Hearing none, Mr. Lillard made a motion to approve the loans, and Mr. Eley 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 loans were unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration and approval for a Drinking Water State Revolving Fund (DWSRF) loans. He called upon Mr. Bakare to present the loan requests. He then presented the Report on Funds Available for Loan Obligation for the DWSRF Loan Program. He stated the unobligated fund balance was \$66,869,208 as of June 15, 2021. Upon approval of the loan requests to be presented totaling \$155,000, the remaining funds available for loan obligations would be \$66,714,208. He then described the DWSRF loan requests.

- **Alexandria (DWF 2021-234)** Requesting \$20,000 for a green water meter replacement (replace approximately 900 water meters with automatic meter reading (AMR) meters); recommended interest rate of 0.17% based on the ATPI; Term: 5 years
- **Carthage (DW7 2021-223)** Requesting \$135,000 (\$108,000 (80%) loan; \$27,000 (20%) principal forgiveness) for a waterline replacement (installation of approximately 1,000 LF of 6-inch diameter waterlines; recommended interest rate of 0.86% based on the ATPI; Term: 20 years

Mr. Hargett inquired if there was any discussion. Hearing none, Mr. Mumpower made a motion to approve the loans, 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 loans were unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on the American Rescue Plan (ARP) funding. He called upon Mr. David W. Salyers, P.E., Commissioner for the TDEC, to present the report. Mr. Salyers introduced TDEC's Chief of Staff, Karen Simo, and the Director of the Office of Policy and Sustainable Practices, Dr. Kendra Abkowitz. He stated that he would proceed with presenting the report and welcomed questions from the TLDA during his presentation. He stated that the ARP was a great opportunity for Tennessee to make some incredible investments in its drinking water and clean water infrastructure. He further stated that currently there were \$5 billion in needs, and by 2023 – 2040, \$15 billion in needs were anticipated. Mr. Salyers stated that the first slide showed the ARP State and Local Funding for Tennessee. He said for planning purposes, it was assumed that about \$1 billion out of the \$3.725 billion for water and wastewater would be used. Next, he stated that slide three showed the statutory limitations. He stated that half of the funds (\$3.7 billion) would be distributed to the state during the first year, and the second half would come one year later. He continued, saying that the funds would have to be obligated by December 31, 2024, and expended by December 31, 2026. Mr. Salyers stated that the program development was ARP dollars to the state and that local governments would be subject to the same rules and would fall in the same expenditure buckets. He stated that the anticipated grants to the communities across Tennessee would require some level of local match and said that the specific grantee pool and allocation formula would still need to be determined. He noted that TDEC was going through the process of finalizing details to present to the Financial Stimulus Accountability Group (FSAG) and stated that the required local government match would be based on the ATPI and would fall somewhere in the 10% - 40% range. He further stated that the local ARP funding could be utilized for that match. He stated that slide five laid out the eligibility based on the Treasury's Interim Final Rule. Mr. Salyers stated that Tennessee had requested a timeline extension and expanded eligibility. On the eligibility side, he stated that TDEC would consider allowing more of the regional water supply assessment, and potentially dams and reservoir maintenance, as well as some streambed maintenance and restoration. With respect to the timeline and due to the magnitude of projects, he stated that TDEC would possibly look for a two-year extension, beyond December 31, 2026. He moved on to slide six, saying that it outlined TDEC's proposed disbursement strategies, which consisted of formula-based grants, set-asides for state/strategic projects, and competitive grants. Also on slide six, he stated that the priorities emphasized would be used to evaluate the funding strategies but reported that TDEC would be focusing on asset management planning and infrastructure and water loss and infiltration/inflow reductions due to the

\$350 million in revenue lost through the pipe each year. He stated that TDEC would then consider the SRF set-a-side incentive (grants) to help communities afford/qualify for SRF loans and that grant dollars would also help incentivize certain types of projects. As for the timeline, he stated that on August 4, 2021, TDEC would be presenting its proposed framework for water/wastewater infrastructure investment plan to the FSAG, and that he anticipated the release of the Treasury's ARP Final Rule on September 10, 2021. At that point, he stated that TDEC would publish a draft of its Water/Wastewater Infrastructure Investment Plan, which would close around October or November 2021. TDEC's final Water/Wastewater Infrastructure Investment Plan would then be published in January 2022. Following that, he stated that TDEC would engage in very robust outreach to ensure that local communities were aware of funding, approach, eligibility, requirements, and other critical elements. He stated that the process for the non-competitive grant letter of acceptance and project proposals would begin in March 2022. Mr. Salyers concluded, saying that TDEC would be working concurrently on the set-a-sides, and stated that as he noted earlier, once the non-competitives and set-a-sides were awarded, TDEC would then go back out with the competitive grants cycle with whatever (funding) was left over. Mr. Hargett thanked him for the report and asked if the TLDA had any questions. Mr. Mumpower answered affirmatively. Mr. Mumpower thanked the Commissioner for his presentation and stated that he was excited about the ARP funding. He stated that the need for utility improvements existed across the state, and that when it came to local governments, the greatest risk for financial peril was in utilities. He stated that in his presentations to local governments, he promoted the idea of using local ARP money for water and sewer investments. Mr. Mumpower then said he had three issues regarding the Commissioner's presentation. First, he stated that in terms of the formula that would be used to determine how much local match would be necessary, he asked TDEC to add an incentive that would encourage local governments to use their money for utility rehabilitation and expansion. He stated that he thought utility rehabilitation was especially important, even more so than the local government's ability to pay. His second issue was regarding to extend TDEC's timeline. He stated that it was not unreasonable, but that it was important to make it happen as quickly as possible. With the time it took to complete major utility rehab projects, and then considering they had to be contractually obligated by December 31, 2024, and have money spent by December 31, 2026, local government officials had a sense of urgency to begin spending their money in this way (utility rehabilitation, construction, or expansion). Mr. Mumpower stated that the third issue he would like to comment on, and welcome any thoughts on, was the supply chain issues. He stated that he was very concerned about supply chain issues and the availability of pipe and other necessary components used for utility rehabilitation. He then mentioned that he was on FSAG and looked forward to their meeting on August 4th. Mr. Salyers commented that those were all great suggestions and that he would be looking at those. Mr. Mumpower stated that this was one of the most fundamentally important opportunities for the state and hoped all communities would use their money in this way, which would benefit Tennesseans as a result. Mr. Hargett stated that it would be beneficial to future generations of Tennesseans as well. He then asked if there were any other observations or questions about the Commissioner's report. Hearing none, he stated that he looked forward to more details as the information became available.

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 23rd day of August, 2021.

Respectfully submitted,


Sandra Thompson
Assistant Secretary