TENNESSEE LOCAL DEVELOPMENT AUTHORITY
August 23, 2021

The Tennessee Local Development Authority (the "TLDA") met on Monday, August 23, 2021, at 11:20 a.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

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

Mr. Pat Wolfe, Senate Appointee
Ms. Paige Brown, House 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 July 22, 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 consideration and approval of Drinking Water State Revolving Fund (DWSRF) loans 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 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 DWSRF Loan Program. He stated the unobligated fund balance was $66,714,208 as of July 22, 2021. Upon approval of the loan requests to be presented totaling $1,275,000, the remaining funds available for loan obligations would be $65,439,208. He then presented the DWSRF loan requests.

- **Etowah (DG9 2021-241)** Requesting $1,000,000 for water meter replacement (Installation of advanced metering infrastructure (AMI) meters within the Etowah Utilities service area); recommended interest rate of 0.80% based on the Ability to Pay Index (ATPI); Priority ranking 39 of 48 (FY 2020); Term: 20 years

- **Arthur-Shawanee Utility District (DW8 2021-243)** Requesting $275,000 ($220,000 (80%) loan; $55,000 (20%) principal forgiveness) for distribution system improvements – (Construction of a new 400,000 gallon water storage tank in the Powell Valley/Speedwell Area; installation of approximately 7,500 linear feet (LF) of 10-inch diameter PVC supply waterlines; and modifications to the existing pressure reducing station); recommended interest rate of 0.66% based on the ATPI; Priority ranking 13 of 43 (FY 2019); Term: 20 years

Mr. Hargett made a motion to approve the loans, and Mr. Eley seconded the motion. Mr. Hargett inquired if there was any discussion. Hearing none, he 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 of a request for approval from the Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government" or "Metro") to issue Water and Sewer Revenue Bonds in an amount not to exceed $815,000,000 on parity with its outstanding SRF loan agreements. 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 the Metropolitan Government was requesting approval from the TLDA to issue water and sewer revenue bonds (the "Bonds") on parity with its outstanding SRF loan agreements. She further stated that the request for approval was required by provisions set forth in the SRF loan agreement and guidelines set forth in the TLDA/SRF Policy and Guidance for Borrowers. She stated that the proposed debt would be issued in an amount not to exceed $815,000,000. Ms. Thompson reported that the refunding portion of the debt would total $250 million and would generate an approximate net present value savings of $32 million, or 13.89% of the refunded bonds. She stated that Metro would retire commercial paper in the amount of $275 million, and new money bonds issued would equal $175 million, which would be used to fund the water and sewer capital projects. She stated that the Bonds would be secured by a senior lien on net revenues of Metro's Water and Sewer System (Metro's request letter stated that issuing a subordinate lien debt would be cost prohibitive). Ms. Thompson reported that Metropolitan Government was rated Aa2 by Moody's and AA by S&P. She stated that its audited financial statements were filed timely, and that its current and projected debt service coverage equaled or exceeded the 1.2 times requirement. Ms. Thompson noted that Metro was under the jurisdiction of the Water and Wastewater Financing Board (WWFB) due to financial distress. She stated, however, that the utilities staff had indicated that the water and sewer rates that had been implemented a few years ago had provided sufficient debt service coverage. She stated that based on the analysis conducted, Metro would meet the TLDA's criteria to issue the Bonds on parity with its SRF loans and said that staff recommended approval of the debt issuance. Mr. Hargett asked if there were any questions or comments, and Mr. Mumpower answered affirmatively. Mr. Mumpower first called upon Metro Nashville staff to come forward and introduce themselves. Michell Bosch introduced herself and stated that she was the Metropolitan Treasurer. Mr. Mumpower asked to what extent had Metro Nashville and the Utility System made themselves familiar with the ARP money as well as the commitment made by the state to match local ARP money for these types of projects. Ms. Bosch answered affirmatively, stating that Metro was aware that the state earmarked $1.3 billion for water projects throughout the state. She stated that just like the state, the local government had elected to hold off on designating funds because the federal government had not made the final guidelines available. She further stated that those guidelines would be available in September. Ms. Bosch stated that Metro had received only half of the (ARP) funds and reported that the mayor's office was focused on earmarking most of those for community development. She stated that Metro had discussed the ARP funds and concluded that when there was an opportunity to apply for the grant, the state would inform them of what was available to them. She stated that Metro water is under a consent decree to provide repairs and improvements to the system, which would be close to a billion dollars over the next ten years. She noted that Metro would have plenty of opportunity to access the ARP funds and other sources. Mr. Mumpower stated that the Comptroller's office worked closely with Metro Counsel and the Utility System a couple of years ago and further stated that it was under the jurisdiction of the WWFB. He asked Ms. Bosch if she was confident about Metro's rate structure and the willingness to adjust the rate structure if necessary to effectively cover the potential debt issuance. Ms. Bosch answered affirmatively. Mr. Mumpower thanked Ms. Bosch. Mr. Hargett inquired if there were any further questions, and Mr. Lillard responded affirmatively. He asked Ms. Bosch about the financial consultant's report from 2019 that stated the revenue projected to be generated from existing rates was insufficient. Ms. Bosch responded, saying that although she oversaw the finances for Metro Nashville, the water and sewer had its own financial expert, but that it had recently raised rates. Mr. Lillard inquired if the rate study of 2019 had been updated. At that time, Amanda Moyer, Chief Financial Officer for the Utility introduced herself and said that the Utility had followed the rate structure approved by the WWFB in 2019. She stated that the rate structure increased every calendar year and would continue to increase 3% in the next three years. Mr. Lillard stated his original question, asking if the rate study had been updated since the 2019 report. Ms. Moyer replied that it was not updated, but that the Utility's coverage ratios were showing exactly as the study. Mr. Lillard requested that the Comptroller bring the subject before the oversight board, and Mr. Mumpower stated that he would be happy to mention it to them. Mr. Hargett asked if there were any further questions. Hearing none, he moved approval of the request, 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 request was unanimously approved. Mr. Hargett then stated that although the TLDA had given their

approval, he would like the concerns expressed by Treasurer Lillard to be communicated to the WWFB. Mr. Mumpower stated that he would do it shortly after the meeting.

Mr. Hargett stated that the next item on the agenda was consideration of a request for approval from the Paris Utility Authority (the "Authority") to issue a USDA Waterworks Revenue Bond in an amount not to exceed $7,200,000 on parity with its outstanding SRF loan agreements. He called upon Ms. Thompson to present the request. Ms. Thompson stated that the Authority was requesting approval from the TLDA to issue a USDA Waterworks Revenue Bond (the new "Bond") on parity with its outstanding SRF loan agreements and said that the request for approval was required by provisions set forth in the SRF loan agreements and guidelines set forth in the TLDA/SRF Policy and Guidance for Borrowers. She stated that the proposed debt would be issued in an amount not to exceed $7,200,000. Ms. Thompson stated that the Bond would be issued by the Authority to the USDA in exchange for cancellation of the $7,200,000 Water Revenue and Tax Bond, dated June 4, 2020, issued by the City of Paris. She explained that the City had previously owned the Water and Sewer System while the Paris Utilities Board had operated the System. She said that the TLDA had approved transfer of the City's SRF loans, assets, and the assignment of other debt from the City to the Authority in June of 2020. She further stated that the Authority had agreed to assume the USDA Bond by issuing a new Bond to the USDA with terms identical to the prior USDA Bond with the City. She stated, however, that the new Bond would be secured solely by a pledge of the revenues of the System. She stated that by issuing the new USDA Bond on parity with its SRF loans, the Authority would preserve its ability to issue senior lien debt which would result in lower cost for the System and its users. She stated that the Authority had a history of timely repayments on its SRF loans, had timely filed its FY2020 audit report, and that it had a security deposit in place in the amount of $430,966. Ms. Thompson reported that the Authority's revenues would be sufficient to cover its debt service, and that its current and projected debt service coverage ratios met or exceeded the required 1.2 times coverage. She stated that based on analysis conducted, the Authority would meet the TLDA's criteria to issue its USDA loan on parity with its SRF loans and that staff recommended approval of the issuance. Mr. Lillard made a motion to approve the request, and Mr. Mumpower seconded the motion. Mr. Hargett inquired if there was any discussion. Hearing none, he asked all in favor to say aye and all opposed to say no. By a vote of 6 – 0, the motion carried, and the request was unanimously approved.

Mr. Hargett stated that the next item of business was the report on the notification from the City of Morristown (the "City") submitted to comply with TLDA SRF Policy and Guidance for Borrowers. He called upon Ms. Thompson to present the request. Ms. Thompson stated a notice was received from the City to comply with the TLDA's SRF Policy and Guidance for Borrowers. She further stated that the notice showed that the City intended to issue additional bond indebtedness (the "Refunding Indebtedness") to pay off certain of its existing SRF loans. Ms. Thompson stated that the City had passed a resolution that authorized the issuance of the Refunding Indebtedness as general obligation indebtedness and additionally payable by revenues from its water and sewer system. She stated that pursuant to the Policy, the City acknowledged that the Refunding Indebtedness would not impact the security of the SRF loan's lien on net revenues from the City's water and sewer system due to the Refunding Indebtedness being secured only by the general obligation pledge. 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. This report was for information only. No board action was needed.

Hearing no other business, Mr. Mumpower made a motion to adjourn the meeting, and Mr. Hargett 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 25th day of October, 2021.

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary