TENNESSEE LOCAL DEVELOPMENT AUTHORITY
July 21, 2025

The Tennessee Local Development Authority (TLDA) met on Monday, July 21, 2025, at 2:32 p.m., CT, in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. Secretary of State Tre Hargett was present and presided over the meeting.

The following members were also present:

The Honorable Jason E. Mumpower, Comptroller of the Treasury
Kevin Gentry, proxy for the Honorable David H. Lillard, Jr., State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration
Mayor Paige Brown, House Appointee
Mayor Rollen "Buddy" Bradshaw, Senate Appointee

The following member was absent:

The Honorable Bill Lee, Governor

Recognizing a physical quorum present, Secretary Hargett called the meeting to order.

Secretary Hargett, in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines, asked Ms. Sandra Thompson, TLDA Assistant Secretary and the Director of the Division of State Government Finance (SGF), if any requests for public comment had been received. Ms. Thompson responded that no requests for public comment had been received.

Secretary Hargett stated that the first item of business was approval of the minutes from the June 23, 2025, TLDA meeting. Mayor Brown moved approval of the minutes, and Commissioner Bryson seconded the motion. Secretary Hargett asked if there was any discussion. Hearing none, he called for a vote. All members responded affirmatively. The minutes were unanimously approved.

Secretary Hargett stated that the next item on the agenda was the consideration and approval of a Drinking Water State Revolving Fund (DWSRF) loan. Secretary Hargett recognized Ms. Vena Jones, Program Manager at the Tennessee Department of Environment and Conservation (TDEC), to present the DWSRF unobligated balance report and loan request. Ms. Jones presented the Report on Funds Available for Loan Obligation for the DWSRF Loan Program. She reported that, as of April 10, 2025, the Unobligated Fund balance was $59,064,109. Upon approval of the loan request totaling $4,407,200, the remaining funds available for loan obligations in the DWSRF would be $54,656,909. Additionally, Ms. Jones reported that as of April 10, 2025, the Unobligated Emerging Contaminants Fund balance was $5,490,347 and the Unobligated Lead Service Line Fund balance was $118,097,948. Secretary Hargett asked if there were any questions on the reports, and there were none. Ms. Jones then presented the DWSRF loan request.

- **Cedar Grove Utility District (DW9 2025-251)** Requesting $4,407,200 ($2,203,600 (50%) loan, $2,203,600 (50%) principal forgiveness), for waterline replacements: replacing approximately 83,000 linear feet of 6-inch diameter asbestos cement waterlines with PVC and associated appurtenances along Highway 220, Highway 70, Highway 70E, and Dunn Road; recommended interest rate of 1.97% based on the Ability to Pay Index (ATPI); Priority ranking 2 of 143 (2022); Term: 20 years

Comptroller Mumpower made a motion to approve the loan request. Mayor Brown seconded the motion. Secretary Hargett asked if there was any discussion. Hearing none, he called for a vote. All members responded affirmatively. The loan was unanimously approved.

Secretary Hargett stated that the next item on the agenda was a report on the TLDA's debt and loan programs. Secretary Hargett recognized Ms. Thompson to present the report. Ms. Thompson stated that a report of the TLDA's debt and loans outstanding (unaudited) as of June 30, 2025, were included in the meeting materials. She reported that the TLDA's State Loan Program Fund had $315,000 in bonds outstanding. Additionally, she stated that the amount of loans outstanding was $1,106,499 for the State Infrastructure Fund (1 loan), $887,443,753 (228 loans) for the Clean Water State Revolving Fund (CWSRF), and $169,941,581 (156 loans) for the DWSRF. Secretary Hargett asked if there were any questions regarding the report. There were none.

The next item on the agenda was the consideration and approval of the TLDA's SIF Policy and Guidance for Borrowers. Secretary Hargett stated that this item was deferred to a future meeting. Ms. Thompson confirmed the item was deferred, and no further discussion on this item took place.

Secretary Hargett stated that the next item on the agenda was discussion on the Ocoee Utility District's (the "District") requests from the June 23, 2025, meeting. Secretary Hargett first recognized Ms. Thompson, who then deferred to Comptroller Mumpower for comments. Secretary Hargett recognized Comptroller Mumpower, who asked the District's representatives to introduce themselves. The District's representatives, including General Manager Tim Lawson, consulting engineer Jason Griffin, Board President Shawn Willis, and Municipal Advisor Larry Kidwell, were present. Comptroller Mumpower stated that the District had previously submitted requests to issue debt that had been presented at the TLDA's meeting in June. He stated that the TLDA requested the District to return for further discussion of issues related to their financial distress, particularly concerning their request for approval of new debt totaling $62,500,000 (a $25,000,000 general obligation issuance and a $37,500,000 United States Department of Agriculture (USDA) issuance). He noted that, at its July 17, 2025, meeting, the Tennessee Board of Utility Regulation (TBOUR) had frozen the District's ability to borrow due to financial distress.

Comptroller Mumpower raised concerns about the high fees associated with the USDA issuance and the lack of a competitive bid process for financial advisory services. Secretary Hargett shared concerns about the USDA fees and interest rate variations. Comptroller Mumpower also questioned the District's rate structure, which could significantly increase user rates (120% or more over three years), and suggested exploring a merger with another utility. A discussion ensued in which Mr. Willis defended the financial advisory fees, stating that Mr. Kidwell's firm had consistently secured lower interest rates, saving the District money. In response to the Comptroller's concerns about issuing debt during a period of financial distress, Mr. Willis stated that the District could not ignore the many issues caused by failing decentralized septic systems. Mr. Griffin further justified the debt by highlighting the urgent need for $15,000,000 for pipe replacement and $10,000,000 to match essential American Rescue Plan Act (ARPA) funds. Regarding a competitive bidding process for financial advisory fees, Mr. Willis said it would be discussed at the District's next board meeting. Mr. Kidwell addressed the concerns about the unusually high USDA fees charged by his firm by explaining that USDA funding often required interim financing and that their approach focused on achieving higher credit ratings to reduce interest rates. Mr. Kidwell stated that the historical average for the Secured Overnight Financing Rate (SOFR) base interest rate was 4.37% over 180 days. Mr. Kidwell stated that banks providing interim funding for USDA generally charged a spread of 1.50-2.00% over the base rate. Mr. Kidwell stated that he believed that through a credit rating process and achieving the highest credit rating possible, he could attain a current interest rate of 3.75-4.00%. Mayor Brown questioned the necessity of issuing the entire amount of debt up front for the interim financing. Mr. Griffin responded, saying it was due to the three-year construction period and compared it to using an equity line without restrictions, allowing the District to pay contractors and then be reimbursed by the USDA at an estimated three percent interest rate. Mayor Brown expressed concern that the District's efforts might not result in savings. Comptroller Mumpower then referred to a report prepared by the Division of Local Government Finance that listed USDA BAN issuances by Tennessee municipal utilities over the past few years. He pointed out that there were no, or significantly lower, financial advisory fees associated with the issuances listed in comparison to the District's proposed transaction. He then cited an example from the report - a USDA BAN that was issued by Macon County earlier in 2025 in the amount of $35,000,000 in which the financial advisory fee was $62,500 and the interest rate was 4.45% He compared this information to the District's proposed transaction, and stated that the District's financial advisory fee for the proposed $37,500,000 USDA debt was an estimated $612,000.

At 3:12 p.m., Secretary Hargett departed the meeting. Commissioner Bryson assumed the role of Acting Chairman for the remainder of this discussion and the meeting.

Commissioner Bryson acknowledged Mr. Kidwell's argument about long-term savings resulting from lower interest rates. However, he questioned why other financial advisory firms had not implemented similar fee structures. Commissioner Bryson inquired if there were any other questions or comments from the board. Mayor Bradshaw responded affirmatively and was recognized by Commissioner Bryson. Mayor Bradshaw asked if the District's credit ratings had changed due to the bond issuances. Mr. Kidwell stated that the shift was due to widespread pipe degradation. Regarding the rate structure, Mr. Willis explained that a miscommunication with Jackson Thornton meant an additional $15,000,000 in necessary debt was not initially included in their rate study. He noted that Mr. Kidwell subsequently proposed a different rate-increasing structure (25% annual increases over three years) to avoid a single, substantial increase for ratepayers. Concerning a potential merger, Mr. Willis confirmed they had explored partnerships with neighboring utilities like Benton and Cleveland for wastewater treatment. However, Mr. Lawson stated that these options faced capacity issues, political constraints, as well as a failed attempt to secure ARPA funds. Mr. Griffin added that a merger would be challenging due to the District's size and amount of debt. Comptroller Mumpower concluded by stating that the TLDA was committed to helping the District and its ratepayers; however, the District's requests would be deferred indefinitely.

Comptroller Mumpower proposed a motion for the TLDA board staff to explore a policy requiring utilities to demonstrate a competitive bid process for financial advisory services when seeking approval to issue additional debt. Mayor Brown seconded the motion. Commissioner Bryson asked if there was any further discussion. Hearing none, he called for a vote. All members responded affirmatively. The motion was unanimously approved.

Commissioner Bryson inquired if there were any additional questions or comments. Mayor Brown responded affirmatively and was recognized by Commissioner Bryson. Mayor Brown stated that fees related to the USDA issuance would apply to a rating that would occur regardless of whether bonds were issued, indicating that there would be two separate ratings. Commissioner Bryson cautioned the District's representatives, emphasizing the urgency of addressing the issues discussed in the meeting. Hearing no further business, Commissioner Bryson asked for a motion to adjourn the meeting. Comptroller Mumpower motioned to adjourn the meeting, and Mayor Bradshaw seconded the motion. Commissioner Bryson asked if there was any discussion. Hearing none, Commissioner Bryson called for a vote. All members responded affirmatively.

The meeting was adjourned.

Approved on this ____ day of __________, 2025.

Respectfully submitted,

Sandra Thompson / KC

Sandra Thompson
Assistant Secretary