

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
OCTOBER 29, 2015
AGENDA

1. Call Meeting to Order
2. Approval of Minutes from the TLDA meeting of August 12, 2015
3. Update on QECB projects
4. Report on delayed SRF projects and revisions to SRF loan agreements
5. Consider for approval the following CWSRF loans:

	SRF Base Loan	Principal Forgiveness	Total SRF Funding	Interest Rate
Gordonsville CW4 2016-358	\$ 565,905	\$ 42,595	\$ 608,500	2.15%
Gordonsville SRF 2016-359	\$ 61,500	\$ -	\$ 61,500	2.15%
Jackson Energy Authority CG2 2016-363	\$ 2,000,000	\$ -	\$ 2,000,000	1.43%
Springfield SRF 2016-360	\$ 19,250,000	\$ -	\$ 19,250,000	1.35%

6. Consider for approval the following DWSRF loans:

	SRF Base Loan	Principal Forgiveness	Total SRF Funding	Interest Rate
Hohenwald DW4 2016-167	\$ 195,000	\$ 65,000	\$ 260,000	0.71%
Troy DWF 2016-156	\$ 981,000	\$ -	\$ 981,000	0.47%
Troy DWF 2016-168	\$ 156,000	\$ -	\$ 156,000	0.47%

7. Annual review of the TLDA Debt Management Policy
8. Consideration of a request from Minor Hill Utility District to issue debt (USDA) in an amount not to exceed \$1,042,000
9. Consideration of a request from the City of Franklin to amend the TLDA subordination policy for municipalities
10. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
August 12, 2015

The Tennessee Local Development Authority (the "Authority" or "TLDA") met on Wednesday, August 12, 2015, at 2:00 p.m. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The Honorable David Lillard, State Treasurer, was present and presided over the meeting.

The following members were also present:

Keith Boring, proxy for The Honorable Tre Hargett, Secretary of State
Jason Mumpower, proxy for The Honorable Justin Wilson, Comptroller of the Treasury
Commissioner Larry Martin, Department of Finance and Administration

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

Mr. Pat Wolfe, Senate Appointee
Dr. Kenneth Moore, House Appointee

The following member was absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Lillard called the meeting to order and asked Ms. Sandi Thompson, Assistant Secretary, to call roll.

Mr. Martin—Present
Mr. Boring—Present
Mr. Wolfe—Present
Dr. Moore—Present
Mr. Lillard—Present
Mr. Mumpower—Present

Mr. Lillard asked for a motion to approve the minutes of the June 23, 2015 meeting. Mr. Martin made a motion to approve the minutes, and Dr. Moore seconded the motion. Ms. Thompson performed a roll-call vote:

Mr. Martin—Yes
Mr. Boring—Yes
Mr. Wolfe—Yes
Dr. Moore—Yes
Mr. Lillard—Yes
Mr. Mumpower—Yes

The motion passed unanimously.

Mr. Lillard recognized Mr. Sherwin Smith, Director of the Tennessee Department of Environment and Conservation's (TDEC) State Revolving Fund (SRF) loan program for follow-up discussion on the Clean Water and Drinking Water priority ranking lists which were previously presented and discussed at the June 23, 2015 meeting. Mr. Smith stated that TDEC had conducted a review of the priority ranking procedures used when two projects received the same number of priority points. Mr. Smith stated that TDEC had consistently used the Ability to Pay Index (ATPI) scores to break a tie, with the priority given to the local government applicant with the lower ATPI. If the ATPI was equal, TDEC had been using alphabetical order to determine the order of ranking. After the review, TDEC determined that rather than listing the projects alphabetically, a better means of breaking these ties would be to use the population of the local government applicant with priority given to those applicants with smaller populations. This would better align with the SRF program's goal of targeting and assisting smaller, less

affluent communities. (A memo that documented the review and change in procedure was included in the meeting materials.) Mr. Lillard stated the Authority would review the procedural change and if there were further questions by the members, discussion could be held at the next meeting.

Mr. Lillard stated the next item of business was a request to approve Drinking Water SRF loans and asked Mr. Smith to present the loans. Mr. Smith first introduced Mr. Jon Foutch, General Manager of the DeKalb Utility District (UD), who was present at the meeting. Mr. Smith then presented the unobligated fund balance. He stated the balance was \$48,063,615 as of June 23, 2015. The fund balance increased to \$48,077,240 due to a return of funds associated with the decrease of a prior loan. Upon approval of the loan requests to be presented, the funds available for loan obligations would decrease to \$35,921,805. He then described each loan request:

- Cookeville Boat Dock Road UD (DG4 2015-157)—Requesting \$750,000 (\$562,500 loan; \$187,500 principal forgiveness) for green waterline replacements; recommended interest rate of 1.22% based on the ATPI.
- DeKalb UD (DWF 2014-143)—Requesting an increase of \$4,250,000 for a total loan of \$7,000,000 for construction of a new water treatment plant with a new water intake, raw water transmission and finished water transmission lines to connect to the existing water distribution system; recommended interest rate of 0.60% based on the ATPI.

Mr. Smith stated that a bid overrun necessitated the request for the loan increase. Mr. Lillard asked Mr. Foutch to address the bid overrun. Mr. Foutch stated that there had been a 2-year delay from the time of the initial bid. He stated that some complications had arisen with the UD's water supplier, the City of Smithville, which contributed to the delay. In addition, the requested amount included the connection of existing waterlines which was not included in the original bid. Mr. Mumpower asked if the UD was in good standing with the Utility Management Review Board (UMRB). Mr. Foutch responded affirmatively. There was no further discussion. Mr. Smith continued with the loan requests.

- First UD of Tipton County (DW3 2015-165)—Requesting \$843,602 (\$632,701 loan; \$210,901 principal forgiveness) for a new 300,000 gallon elevated water storage tank; recommended interest rate of 0.73% based on the ATPI.
- First UD of Tipton County (DWF 2015-166)*—Requesting \$686,000 for a new \$300,000 gallon elevated water storage tank; recommended interest rate of 0.73% based on the ATPI.
- City of Lebanon (DW2 2015-161)—Requesting \$904,000 (\$587,600 loan; \$316,400 principal forgiveness) for water distribution system improvements (waterline extensions along Franklin Road/Holloway Drive/Legends Drive, and Briskin Lane); recommended interest rate of 1.71% based on the ATPI.
- City of Lebanon (DWF 2015-162)*—Requesting \$1,271,000 for water distribution system improvements (waterline extensions along Franklin Road/Holloway Drive/Legends Drive, and Briskin Lane); recommended interest rate of 1.71% based on the ATPI.
- City of Paris (DW4 2015-163)—Requesting \$2,500,000 (\$1,875,000 loan; \$625,000 principal forgiveness) for water treatment plant improvements and Volunteer Drive water tank rehabilitation; recommended interest rate of 1.29% based on the ATPI.
- City of Paris (DWF 2015-164)*—Requesting \$950,000 for water treatment plant improvements and Volunteer Drive water tank rehabilitation; recommended interest rate of 1.29% based on the ATPI.

*Mr. Smith explained that DWF 2015-166, DWF 2015-162, and DWF 2015-164 were companion loans for the previously presented projects (DW3 2015-165, DW2 2015-161, and DW4 2015-163, respectively), but they were being presented separately because the amount of the loan request exceeded the remaining amount in the capitalization grants. These companion loans (without principal forgiveness) made up the difference between the loan request and the remaining grant amounts.

Mr. Lillard asked if a public meeting was held for the DeKalb UD. Mr. Smith answered that multiple public meetings had been held including one for the original loan request and another for the increase. He stated that there were no adverse comments from the public.

Mr. Martin moved to approve the Drinking Water SRF loans, and Mr. Wolfe seconded the motion. Mr. Lillard asked if there were any other questions.

Mr. Mumpower asked Mr. Smith for an update on the 2015 SRF capitalization grant allotments which TDEC had applied for as reported at the June 23, 2015 meeting. Mr. Smith stated that since the last meeting, the Environmental Protection Agency (EPA) had notified TDEC that federal rescissions would affect the Clean Water and Drinking Water allotments and required that TDEC reapply for the grants. As a result, TDEC applied for the reduced allotments of \$20,263,000 for Clean Water and \$8,787,000 for Drinking Water, instead of previously reported amounts of \$20,397,000 and \$8,845,000. Mr. Mumpower asked if the loans being presented for approval would be funded from the 2015 capitalization grant Mr. Smith responded that no loans would be approved from the capitalization grants until the final award from EPA. Since these grants would not be awarded until later in the current fiscal year, none of the loans being considered would receive funds from the FY15 capitalization grant. There were no further questions.

Mr. Lillard stated that a motion to approve the loan requests had been properly made by Mr. Martin and seconded by Mr. Wolfe and asked Ms. Thompson to perform a roll-call vote:

- Mr. Martin—Yes
- Mr. Boring—Yes
- Mr. Wolfe—Yes
- Dr. Moore—Yes
- Mr. Lillard—Yes
- Mr. Mumpower—Yes

The motion passed unanimously.

Mr. Lillard asked for further business. There was none. Mr. Wolfe stated that he wanted to commend staff on their preparation for the meeting. Hearing no other matters to come before the Authority, the meeting was adjourned.

Approved on this ____ day of _____, 2015.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Memphis Green Communities Program

The Crosstown Concourse issuance of \$8,316,000 closed on February 18, 2015. The Self Tucker/Universal Life and Knowledge Quest issuances, which had allocations of \$3.8 million and \$350,000 respectively, closed on April 29th, 2015.

Crosstown Concourse:

Following a requisition workflow process established by involved city agencies Housing and Community Development, Office of Sustainability, and Division of Finance, Crosstown has successfully drawn down \$2,995,815.40 in QECB proceeds to date. The first draw of \$1,472,392.62 was completed on June 30, 2015. Draw requests are accompanied by a Buy American certification and statement of energy conservation to ensure compliance. Davis Bacon was determined not to apply to the Crosstown Concourse project. Office of Sustainability conducted Portfolio Manager initial training with the Crosstown development team in order to prepare them for reporting energy savings over a five-year period once the project is completed.

Knowledge Quest:

A pre-construction meeting with Knowledge Quest, the selected contractor, Housing and Community Development, and Office of Sustainability was conducted on August 26, 2015 in order to begin the QECB activities in October 2015. Once the project begins, it is expected to take eight (8) months to complete. Once Knowledge Quest submits its first draw request, Office of Sustainability will schedule a Portfolio Manager training to instruct the Knowledge Quest team on process for reporting energy data.

Universal Life Insurance Building:

A requisition workflow meeting was held on August 25, 2015 with Self Tucker Properties, Housing and Community Development, and Office of Sustainability to finalize details associated with the QECB project preparation. A groundbreaking event for the Universal Life Insurance Building project is scheduled for September 29, 2015 and QECB activities will begin in October 2015. Once Self Tucker Properties submits its first draw request, Office of Sustainability will schedule a Portfolio Manager training to instruct the Self Tucker team on process for reporting energy data.

Knox County

OEP recommended and TLDA approved a \$12.5M suballocation for the installation of solar PV on 13 targeted sites across the county, notably public school rooftops. The project was given an initial 180 day issuance to May 19, 2015. A 60-day request for extension was approved by OEP on April 2, 2015.

The suballocation project for Knox County (\$12,450,000), which will fund the installation of solar PV on 13 targeted sites across the county, closed on June 30, 2015. Currently, all sites are expected to be operational by December 31st, 2015.

City of Lebanon

OEP recommended and TLDA approved a \$3.5M suballocation for the construction and installation of a waste-to-energy gasification unit. The project was given an initial 180 day issuance to April 6, 2015. A 60-day request for extension was approved by OEP on April 2, 2015. Issuance on this project closed on April 24th, 2015. The City of Lebanon is working with PHG Energy, which has a five to seven member team in place.

Air Quality permits were issued on July 1st, 2015, and will remain effective through June 30th, 2016.

LLJ Allocations: Clarkesville, Chattanooga and Hamilton County

The City of Clarksville is still working to finalize details for the bond issuance associated with the city's Large Local Jurisdiction (LLJ) allocation of \$1,241,344 to be used for a street lighting improvement project.

Clarkesville has signed the relevant contracts with the bidder. Bond issuance is expected in late 2015 or early 2016.

Chattanooga and Hamilton County are evaluating projects for which they will use their QECB allocations.

3rd RFP

There have been no formal proposals submitted under the third RFP to date, but OEP continues to receive inquiries from potential applicants.

**QECB Update – Total State Allocation
August 2015**

Total State Allocation	64,676,000	
Allocation for Large Local Jurisdictions		35,998,072
Allocation to State		28,677,928
	Utilized/Retained	Reallocated
Allocation for Large Local Jurisdictions	35,998,072	
Chattanooga ¹	1,767,919	
Clarksville ³	1,241,344	
Hamilton County ⁴	1,668,015	
Memphis ²	7,014,356	
Metro Nashville/Davidson County ⁵	6,441,971	
Other LLJs' Reallocations to State		17,864,467
	18,133,605	17,864,467
Amount Available for Suballocation / RFP (State Allocation plus Reallocations)		46,542,395
Pending Bond Issuances (Proposals Approved)		
Knox County ⁶		12,450,000
Closed Issuances		
Memphis ²		3,657,644
City of Lebanon ⁷		3,500,000
Total Allocation Remaining		26,934,751

¹Chattanooga is currently evaluating projects for which it will use QECBs.

²Memphis combined its initial \$7,014,356 QECB allocation and its RFP suballocation of \$3,657,644 to support energy improvement projects under its Green Communities Program.

Bond issuance closed for one project, Sears Crosstown (\$8,316,000), on February 18, 2015. Bond issuance for two other projects, Universal Life Insurance Building / Self Tucker (\$2,015,300) and Knowledge Quest (\$340,700), closed on April 29, 2015.

³Clarksville issued an RFP for a streetlight improvement project. Bond issuance is expected in late 2015 or early 2016.

⁴Hamilton County has not yet identified a project for which they will use QECBs.

⁵Metropolitan Nashville issued its QECB allocation (\$6,440,000) in August 2012 for energy improvements to its arena.

⁶The suballocation project for Knox County (\$12,450,000), which will fund the installation of solar PV on 13 targeted sites across the county, closed on June 30, 2015.

⁷Lebanon's suballocation project (\$3,500,000), to construct and install a waste-to-energy gasification unit, closed on April 24, 2015.

Projects with Delays

<u>Project Name & Number</u>	<u>Approval Date</u>	<u>Loan Amount</u>
White House CG2 13-326	6/25/2013	\$2,000,000=\$1,600,000 base, \$400,000 PrinForgive
Hamilton Cty WWTA CG1 13-323	6/25/2013	\$4,000,000 = \$3,600,000 base, \$400,000 PrinForgive
Hamilton Cty WWTA SRF 14-330*	3/26/2014	\$6,000,000
Jellico DG2 13-134**	3/26/2014	\$750,000 = \$600,000 base, \$150,000 PrinForgive

* Loan was cancelled

**First reimbursement request in process

LOAN CONDITIONS
GENERAL LOAN CONDITIONS

The Local Government hereby agrees to comply with the General Loan Conditions and Special Loan Conditions attached to, and made a part of, this Loan Agreement.

1. No date reflected in the loan agreement, or in the project completion schedule, or extension of any such date, shall modify any compliance date established in an NPDES Permit. It is the borrower's obligation to request any required modification of applicable permit terms or other enforcement requirements.
2. In accordance with federal Executive Order 11625 dated October 13, 1971, and Executive Order 12138 dated May 18, 1979, the local government must make a good faith effort to include participation from Disadvantaged Business Enterprises (DBE) in subagreement awards. The Minority Business Enterprises (MBE) fair share goal is 2.6% for construction and 5.2% for supplies, services and equipment. The Women's Business Enterprises (WBE) fair share goal is 2.6% for construction and 5.2% for supplies, services and equipment.

The following steps must be utilized in soliciting participation:

- a. Include qualified small, Disadvantaged Business Enterprises (DBE) on solicitation lists.
- b. Assure that small, Disadvantaged Business Enterprises (DBE) are solicited.
- c. Divide total project requirement, when economically feasible, into small tasks or quantities to permit maximum participation of small, Disadvantaged Business Enterprises (DBE).
- d. Establish delivery schedules, where requirements of the work permit, which will encourage participation by small, Disadvantaged Business Enterprises (DBE).
- e. Use services and assistance of the Small Business Administration and the Minority Business Development Agency of the U. S. Department of Commerce, as appropriate.
- f. Require construction contractors to solicit Disadvantaged Business Enterprises (DBE) participation utilizing above steps a. through e.

- g. Require the Loan Recipient to have the Prime Contractor provide EPA Form 6100-2 to any DBE Subcontractor(s) that will participate in the construction of the project. The DBE Subcontractor(s) will use this form to describe the work received from the Prime Contractor, how much the DBE Subcontractor(s) was/were paid, and describe any other concerns of the DBE Subcontractor(s). The DBE Subcontractor(s) will then mail the completed form(s) to the EPA DBE Coordinator; Small and Disadvantaged Business Program; EPA, Region IV; Office of Policy and Management; 61 Forsyth Street, SW; Atlanta, GA 30303-8960.
 - h. Require the Loan Recipient to have the Prime Contractor provide EPA Form 6100-3 to any DBE Subcontractor(s) intending to participate in the construction of the project. The DBE Subcontractor(s) will use this form to describe (1) the intended work to be performed for, and (2) the price of the work submitted to, the Prime Contractor. The DBE Subcontractor(s) will then submit the completed form(s) to the Loan Recipient as part of an Authority To Award (ATA) Bid Package.
 - i. Require the Loan Recipient to provide EPA Form 6100-4 to the Prime Contractor for completion. The Prime Contractor will use this form to identify each DBE Subcontractor that will participate in the construction of the project and the estimated dollar amount of each DBE subcontract. The Prime Contractor will then submit the completed form to the Loan Recipient as part of an Authority To Award (ATA) Bid Package.
3. The Local Government will comply with the following:
- a. The Local Government must adhere with the most current Wage Rate (Davis-Bacon Act) applicable to the project.
 - b. The bid advertisement for construction must state the wage rate requirements. The wage rate needs to be current at the bid opening.
 - c. The wage determination (including any additional classifications and wage rates conformed) and a Davis-Bacon poster (WH-1321) must be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen.
 - d. The wage rate information can be obtained at:
www.gpo.gov/davisbacon/referencemat.html and www.wdol.gov/.
4. The Local Government will comply with the following new American Iron and Steel requirements:

H.R.3547, "Consolidated Appropriations Act, 2014," (Appropriations Act) was enacted on January 17, 2014. This law provides appropriations for both Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) for Fiscal Year of 2014, while adding a American Iron and Steel requirement to these already existing programs. H.R. 3547 provides that none of the funds made available by a State water pollution control revolving fund as authorized by title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.) or made available by a drinking water treatment revolving loan fund as authorized by Section 1452 of the Safe Drinking water Act (42

U.S.C. 300j-12) shall be used for a project for the construction, alteration, maintenance, or repair of a public water system or treatment works unless all of the iron and steel products used in the project are produced in the United States. This requirement shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency (EPA) finds that:

- 1) applying the American Iron and Steel requirements would be inconsistent with the public interest;
- 2) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- 3) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

If the Administrator receives a request for a waiver under this section, the Administrator shall make a copy of the request and information concerning the request available to the public and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. The Administrator shall make the request and other information available on the official EPA Internet Web site and by other electronic means.

5. The local government will comply with the following OMB Circular A-133 audit requirements:

The funding for this loan could be disbursed from federal or state sources or both. Therefore, the recipient should consider that all funding received is a federal award and abide by all relevant federal and/or state compliance requirements.

CFDA Title: Capitalization Grants for Clean Water State Revolving Funds
CFDA #: 66.458
Research and Development Award: No
Grant Number: CS470001XX
Federal Awarding Agency: Environmental Protection Agency, Office of Water

Confirmations of actual federal funding can be obtained at fiscal year-end from the Tennessee Comptroller of the Treasury, Division of Municipal Audit's Website @ <http://www.tn.gov/comptroller>.

At fiscal year-end, contact state SRF Loan Program for a breakdown by specific grant period(s), number(s), and amount(s).

OMB Circular A-133 Audit Requirements

Section 200 states, "*Non-federal entities that expend \$750,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year...*"

Commented [AS1]: Amount was \$500,000 but was amended to \$750,000 by OMB.

Section 320 states, "*The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within . . . nine months after the end of the audit period . . .*"

Section 225 states, *“In cases of continued inability or unwillingness to have an audit conducted in accordance with these requirements, Federal agencies and pass-through entities shall take appropriate action using sanctions such as (a) Withholding a percentage of Federal awards until the audit is completed satisfactorily; (b) Withholding or disallowing overhead costs; (c) Suspending Federal awards until the audit is conducted; or (d) Terminating the Federal award.”*

6. The State of Tennessee and/or The United States Environmental Protection Agency shall have access to the official project files and job site.

SPECIAL LOAN CONDITIONS

1. The following project schedule is established:
 - a. Submission of engineering plans and specifications on or before .
 - b. Start construction on or before .
 - c. Complete construction on or before .
 - d. Initiate operation on or before .

The State Revolving Fund Loan Program may amend the project schedule above upon written request and for good cause shown.

Failure to adhere to the project schedule established above, or secure an amended project schedule from the State Revolving Fund Loan Program, will constitute a breach of contract pursuant to Division Rule 0400-46-06-.07(10) and may result in loss of principal forgiveness, loss of interest rate reduction or both.

The State Revolving Fund Loan Program may take other such actions as may be necessary relative to breach of contract against a borrower that fails to carry out its obligations under Chapter 0400-46-06 and this loan agreement up to and including cancellation of loan funding.

Deleted: retraction

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
October 29, 2015

Unobligated Balance as of June 23, 2015 **\$ 168,830,409**

Increases:

Principal Repayments FY 2015 (unaudited) net	*	\$ 21,714,345	
Interest Repayments FY 2015 (unaudited) net	*	\$ 6,941,931	
Treasury Interest FY 2015 (unaudited)	*	\$ 435,159	
FY 2015 EPA Capitalization Grant (net of set-asides)		\$ 8,777,261	
State Matching of Federal Grant		\$ 1,755,452	
Reduction to previous loans (see note below)	**	\$ 6,002,206	
			\$ 45,626,354

Unobligated Balance as of October 29, 2015 **\$ 214,456,763**

Applicants:

	<u>Loan Number</u>	<u>Loan Amount</u>
Gordonsville (Subsidized @ \$42,595)	CW4 2016-358	\$ 608,500
Gordonsville	SRF 2016-359	\$ 61,500
Jackson Energy Authority	CG2 2016-363	\$ 2,000,000
Springfield	SRF 2016-360	\$ 19,250,000
		\$ 21,920,000

Remaining Funds Available for Loan Obligations **\$ 192,536,763**

* These amounts are subject to change, as the amounts are pending final closing of the books.

** <u>Decrease to Previous Loans</u>	<u>Loan Number</u>	<u>Amount</u>
Hamilton County Water Wastewater Treatment Authority	SRF 2014-330	\$ 6,000,000
Humboldt	SRF 2011-277	\$ 2,206
		\$ 6,002,206

FACT SHEET

OCTOBER 29, 2015

Borrower: **Town of Gordonsville**
Population: **1,220**
County: **Smith County**
Consulting Engineer: **Warren and Associates Engineering, PLLC**
Project Number: **CW4 2016-358**
Priority List Ranking/Points: **16(FY 2014)/45**
Recommended Term: **25 years**
Recommended Rate: **$(2.67 \times 90\%) - (0.25\%) = 2.15\%$**
Project Description: **Collection System Expansion.**

Total Project Cost: **\$ 670,000**

Sources of Funding:

SRF Loan Principal (93%)	\$ 565,905
Principal Forgiveness (7%)	\$ 42,595
Other Funds (SRF 2016-359)	\$ 61,500

State-Shared Taxes: **\$ 138,702**

Debt Service:

Prior Loans: (including SRF)	\$ 0	0.00%
Proposed Loan:	\$ 32,464	23.41%
Total:	\$ 32,464	23.41%

Residential User Charge: (5,000 gal/month)

Current Rate: **\$ 50.25**

Public Meeting: **July 13, 2015**

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
Gordonsville
CW4 2016-358**

The Local Government hereby represents that:

(1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$138,702.

(2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max. Annual Debt Service
N/A				

(b) The maximum aggregate annual debt service is \$0.

(3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Principal Forgiven	Anticipated Max. Annual Debt Service
SRF/Sewer	2.15%	\$608,500	\$42,595	\$29,282
SRF/Sewer	2.15%	\$61,500	\$0	\$3,182

(b) The anticipated maximum aggregate annual debt service is \$32,464.

(4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Original \$/Amt	Max. Annual Pledge of State-Shared Taxes
N/A			

(b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.

(5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$32,464.

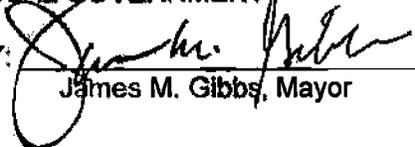
(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$106,238

Duly signed by an authorized representative of the Local Government on this 6TH day of OCTOBER, 2015.

This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Agency.

LOCAL GOVERNMENT

BY:


James M. Gibbs, Mayor

FACT SHEET

OCTOBER 29, 2015

Borrower: Town of Gordonsville
Population: 1,220
County: Smith County
Consulting Engineer: Warren and Associates Engineering, PLLC
Project Number: SRF 2016-359
Priority List Ranking/Points: 16(FY 2014)/45
Recommended Term: 25 years
Recommended Rate: $(2.67 \times 90\%) - (0.25\%) = 2.15\%$
Project Description: Collection System Expansion.

Total Project Cost: \$ 670,000

Sources of Funding:

SRF Loan Principal \$ 61,500
Other Funds (CW4 2016-358) \$ 608,500

State-Shared Taxes: \$ 138,702

Debt Service:

Prior Loans: (including SRF)	\$ 0	0.00%
Proposed Loan:	\$ 32,464	23.41%
Total:	\$ 32,464	23.41%

Residential User Charge: (5,000 gal/month)

Current Rate: \$ 50.25

Public Meeting: July 13, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
Gordonsville
SRF 2016-359**

The Local Government hereby represents that:

(1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$138,702.

(2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max. Annual Debt Service
N/A				

(b) The maximum aggregate annual debt service is \$0.

(3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Principal Forgiven	Anticipated Max. Annual Debt Service
SRF/Sewer	2.15%	\$608,500	\$42,595	\$29,282
SRF/Sewer	2.15%	\$61,500	\$0	\$3,182

(b) The anticipated maximum aggregate annual debt service is \$32,464.

(4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Original \$/Amt	Max. Annual Pledge of State-Shared Taxes
N/A			

(b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.

(5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$32,464.

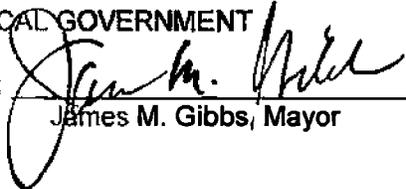
(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$106,238

Duly signed by an authorized representative of the Local Government on this 6th day of October, 2015.

This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Agency.

LOCAL GOVERNMENT

BY:


James M. Gibbs, Mayor

FACT SHEET

OCTOBER 29, 2015

Borrower: Jackson Energy Authority
Population: 71,800
County: ~~Madison~~ County
Consulting Engineer: J. R. Wauford & Company, Consulting Engineers, Inc.
Project Number: CG2 2016-363
Priority List Ranking/Points: 44(FY 2015)/111.8
Recommended Term: 20 years
Recommended Rate: (2.40X 70%) – (0.25%) = 1.43%
Project Description: Green–WTP Improvements (improvements to the Miller Ave WWTP)

Total Project Cost: \$ 2,000,000

Sources of Funding:

SRF Loan Principal	\$ 2,000,000
Other Funds	\$ -0-

Gross Revenues: \$ 16,437,711

Debt Service:

Prior Loans: (including SRF)	\$ 3,566,247	21.70%
Proposed Loan:	\$ 115,480	0.70%
Total:	\$ 3,681,727	22.40%

Residential User Charge: (5,000 gal/month)

Current Rate: \$ 30.02

Public Meeting: September 22, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO OUTSTANDING LOANS
Jackson Energy Authority
CG2 2016-363**

The Local Government hereby represents that:

- (1) The total amount of revenues of the system received by the Local Government in the prior fiscal year of the State is \$16,437,711 (wastewater).
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its revenues are as follows:

Loan Type	Loan #	Original \$/Amt.	Principal Forgiveness	Max. Annual Debt Service
SRF/Sewer	CW0 13-313	\$2,150,000	\$531,050	\$83,742
SRF/Sewer	SRF 13-314	\$8,953,352	\$0	\$463,124
Revenue Bond	Series 2012	\$16,000,000	\$0	\$1,955,798
Revenue Bond	Series 2009	\$33,460,000	\$0	\$1,063,583

- (b) The maximum aggregate annual debt service is \$3,566,247.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its revenues are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt.	Principal Forgiveness	Anticipated Max. Annual Debt Service
SRF/Sewer	1.43%	\$2,000,000	\$0	\$115,480

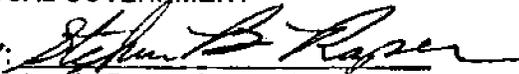
- (b) The anticipated maximum aggregate annual debt service is \$115,480.

- (4) The amount of Local Government indebtedness (Subparagraphs (2)(b) and (3)(b) having a lien on the revenues referred above is \$3,681,727.
- (5) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (4) is \$12,775,984.

Duly signed by an authorized representative of the Local Government on this 25th day of September, 2015.

This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Authority.

LOCAL GOVERNMENT

BY: 
Stephen B. Raper, Senior Vice President

FACT SHEET

OCTOBER 29, 2015

Borrower: City of Springfield
Population: 16,860
County: Robertson County
Consulting Engineer: Gresham, Smith and Partners
Project Number: SRF 2016-360
Priority List Ranking/Points: 31(FY 2015)/30
Recommended Term: 25 years
Recommended Rate: $(2.67 \times 60\%) - (0.25\%) = 1.35\%$

Project Description: Collection System Rehabilitation Phase-1

Total Project Cost: \$ 19,250,000

Sources of Funding:

SRF Loan Principal	\$ 19,250,000
Other Funds	\$ -0-

State-Shared Taxes: \$ 1,901,437

Debt Service:

Prior Loans: (including SRF)	\$ 63,000	3.31%
Proposed Loan:	<u>\$ 907,662</u>	47.74%
Total:	<u>\$ 970,662</u>	51.05%

Residential User Charge: (5,000 gal/month)

Current Rate: \$ 51.38

Public Meeting: September 15, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
City of Springfield
SRF 2016-360**

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$1,901,437.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Max: Annual Debt Service
SRF/Sewer	SRF 94-069	960,485	\$63,000

- (b) The maximum aggregate annual debt service is \$63,000.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Anticipated Max. Annual Debt Service
SRF/Sewer	1.35%	\$19,250,000	\$907,662

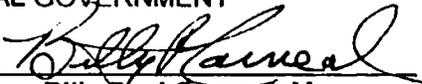
- (b) The anticipated maximum aggregate annual debt service is \$907,662.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Original \$/Amt	Max. Annual Pledge of State-Shared Taxes
N/A			

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$970,662.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$930,775.

Duly signed by an authorized representative of the Local Government on this 23rd day of September, 2015.

LOCAL GOVERNMENT

BY: 
Billy Raul Carneal, Mayor

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
October 29, 2015

Unobligated Balance as of August 12, 2015 **\$ 35,921,805**

<u>Increases:</u>	<u>Loan Number</u>	<u>Loan Amount</u>	
Principal Repayments FY 2015 (unaudited) net		* \$ 5,489,705	
Interest Repayments FY 2015 (unaudited) net		* \$ 1,583,817	
Treasury Interest FY 2015 (unaudited)		* \$ 63,393	
FY 2015 EPA Capitalization Grant (net of set-asides)		\$ 7,381,080	
State Matching of Federal Grant		<u>\$ 1,757,400</u>	
			<u>\$ 16,275,395</u>

Unobligated Balance as of October 29, 2015 **\$ 52,197,200**

<u>Applicants:</u>	<u>Loan Number</u>	<u>Loan Amount</u>	
Hohenwald (Subsidized @ \$65,000)	DW4 2016-167	\$ 260,000	
Troy	DWF 2016-156	\$ 981,000	
Troy	DWF 2016-168	<u>\$ 156,000</u>	
			<u>\$ 1,397,000</u>

Remaining Funds Available for Loan Obligations **\$ 50,800,200**

* These amounts are subject to change, as the amounts are pending final closing of the books.

FACT SHEET

OCTOBER 29, 2015

Borrower: City of Hohenwald
Population: 9,020
County: Lewis County
Consulting Engineer: J.R. Wauford & Company Consulting Engineers, Inc
Project Number: DW4 2016-167
Priority List Ranking/Points: 2(FY 2014)/65
Recommended Term: 20 years
Recommended Rate: $(2.40 \times 40\%) - (0.25\%) = 0.71\%$

Project Description: Waterline Extension (installation of approximately 28,000 LF of waterlines along Summertown Hwy to provide water service to 90 households)

Total Project Cost: \$ 760,000

Sources of Funding:

SRF Loan Principal (75%)	\$ 195,000
SRF Principal Forgiveness (25%)	\$ 65,000
Other Funds (ARC)	\$ 500,000

State-Shared Taxes: \$ 415,655

Debt Service:

Prior Loans: (including SRF)	<u>\$ 302,836</u>	72.85%
Proposed Loan:	<u>\$ 10,462</u>	2.52%
Total:	<u>\$ 313,298</u>	75.37%

Residential User Charge: (5,000 gal/month)

Current Rate: \$ 24.93

Public Meeting: August 04, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
City of Hohenwald
DW4 2016-167**

The Local Government hereby represents that:

(1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$415,655

(2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max. Annual Debt Service
SRF/Sewer	2008-219	\$8,385,445	\$3,354,178	\$289,660
SRF/Sewer	1997-097	\$223,032	\$0	\$13,176

(b) The maximum aggregate annual debt service is \$302,836

(3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Principal Forgiven	Anticipated Max. Annual Debt Service
SRF/Water	0.71%	\$260,000	\$65,000	\$10,462

(b) The anticipated maximum aggregate annual debt service is \$ \$10,462

(4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Original \$/Amt	Max. Annual Pledge of State-Shared Taxes
N/A			

(b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0

(5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$313,298

(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$102,357

Duly signed by an authorized representative of the Local Government on this 7th day of October, 2015.

This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Agency.

LOCAL GOVERNMENT

BY: *Danny McKnight*
Danny McKnight, Mayor

FACT SHEET

OCTOBER 29, 2015

Borrower: Town of Troy
Population: 2,151
County: Obion County
Consulting Engineer: Buckner Engineering Company
Project Number: DWF 2016-156
Priority List Ranking/Points: 9(FY 2013)/45
Recommended Term: 20 years
Recommended Rate: $(2.40 \times 30\%) - (0.25\%) = 0.47\%$

Project Description: New 700 GPM Water Treatment Plant

Total Project Cost: \$ 3,079,000

Sources of Funding:

SRF Loan Principal	\$ 981,000
Other Funds (DG3 2014-150)	\$ 2,098,000

State-Shared Taxes: \$ 152,680

Debt Service:

Prior Loans: (including SRF)	\$ 92,656	60.69%
Proposed Loan:	\$ 59,575	39.02%
Total:	\$ 152,231	99.71%

Residential User Charge: (5,000 gal/month)

Current Rate: \$ 26.57

Public Meeting: October 26, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
Town of Troy
DWF 2016-156**

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$152,680.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiveness	Max: Annual Debt Service
SRF/Water	2014-150	\$2,098,000	\$524,500	\$82,609
SRF/Water	2015-155	\$275,000	\$82,500	\$10,047

- (b) The maximum aggregate annual debt service is \$92,656.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Anticipated Max. Annual Debt Service
SRF/Water	0.47%	\$156,000	\$8,174
SRF/Water	0.47%	\$981,000	\$51,401

- (b) The anticipated maximum aggregate annual debt service is \$59,575.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Original \$/Amt	Max. Annual Pledge of State-Shared Taxes
N/A			

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$152,231.

(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$449.

Duly signed by an authorized representative of the Local Government on this 6th day of October, 2015.

This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Authority.

LOCAL GOVERNMENT

BY: Deanna A. Chappell
Deanna A. Chappell, Mayor

FACT SHEET

OCTOBER 29, 2015

Borrower: Town of Troy
Population: 2,151
County: Obion County
Consulting Engineer: Buckner Engineering Company
Project Number: DWF 2016-168
Priority List Ranking/Points: 4(FY 2014)/45
Recommended Term: 20 years
Recommended Rate: $(2.40 \times 30\%) - (0.25\%) = 0.47\%$

Project Description: Water Distribution System Improvements (New Waterline)

Total Project Cost: \$ 431,000

Sources of Funding:

SRF Loan Principal \$ 156,000
Other Funds (DW1 2015-155) \$ 275,000

State-Shared Taxes: \$ 152,680

Debt Service:

Prior Loans: (including SRF)	\$ 92,656	60.69%
Proposed Loan:	\$ 59,575	39.02%
Total:	\$ 152,231	99.71%

Residential User Charge: (5,000 gal/month)

Current Rate: \$ 26.57

Public Meeting: December 22, 2014

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
Town of Troy
DWF 2016-168**

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$152,680.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiveness	Max: Annual Debt Service
SRF/Water	2014-150	\$2,098,000	\$524,500	\$82,609
SRF/Water	2015-155	\$275,000	\$82,500	\$10,047

- (b) The maximum aggregate annual debt service is \$92,656.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Anticipated Max. Annual Debt Service
SRF/Water	0.47%	\$156,000	\$8,174
SRF/Water	0.47%	\$981,000	\$51,401

- (b) The anticipated maximum aggregate annual debt service is \$59,575.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Original \$/Amt	Max. Annual Pledge of State-Shared Taxes
N/A			

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$152,231.

- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$449.

Duly signed by an authorized representative of the Local Government on this 6th day of October, 2015.

This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Authority.

LOCAL GOVERNMENT

BY:

Deanna A. Chappell
Deanna A. Chappell, Mayor

Tennessee Local Development Authority



Debt Management Policy

Prepared by
Office of State and Local Finance

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Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Tennessee Local Development Authority (the "Authority"): (1) identifies policy goals and demonstrates a commitment to long-term financial planning; (2) improves the quality of decisions; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the Authority is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed with available resources. An effective debt management policy provides guidelines for the Authority to manage its debt program in line with those resources.

In 1978, the General Assembly created the Authority [Sections 4-31-101 et seq., Tennessee Code Annotated]. The Authority is a corporate governmental agency and instrumentality of the State of Tennessee (the "State"). The Authority is comprised of the Governor, the Secretary of the State, the State Comptroller of the Treasury, the State Treasurer, the Commissioner of Finance and Administration, a Senate appointee and a House appointee.

The Authority is authorized to issue debt to (i) loan funds to local governments for sewage treatment and waterworks (the "State Loan Programs"), capital projects, firefighting equipment, and airport facilities; (ii) loan funds to certain small business concerns for pollution control equipment; (iii) make funds available for loans for agricultural enterprises; (iv) make loans to not-for-profit organizations providing certain mental health, mental retardation, and alcohol and drug services (the Community Provider Pooled Loan Program or the "CP Program"); (v) make loans to local government units to finance construction of capital outlay projects for K-12 educational facilities; (vi) make payment on covered claims against insurers operating in this state which have been deemed insolvent as the result of a natural disaster; and (vii) make the proceeds available to petroleum underground storage tank board for purposes of providing for the reimbursement of reasonable and safe cleanup of petroleum sites. The aggregate amounts outstanding for certain programs are limited as follows: \$10,000,000 for firefighting equipment; \$200,000,000 for airport facilities; \$50,000,000 for pollution control equipment; \$50,000,000 for mental health, mental retardation, and alcohol and drug services; \$30,000,000 for agricultural enterprises; \$15,000,000 for petroleum underground storage tank cleanup costs; and \$75,000,000 for capital outlay projects for K-12 educational facilities.

The Authority issues debt only pursuant to the provisions of the TLDA State Loan Programs General Bond Resolution adopted by the Authority on August 3, 1982 as amended and supplemented and restated and readopted on March 14, 1985 and as amended on May 17, 1989. This Policy applies only to that program. The TLDA has oversight for the State Revolving Fund and State Infrastructure Loan Programs; however, since debt is not issued for these programs they are not included in this policy.

Goals and Objectives

The Authority is establishing a debt policy as a tool to ensure that financial resources are adequate and that financings undertaken satisfy certain clear objective standards designed to protect the Authority's financial resources and to meet its program capital needs.

A. The goals of this policy are:

1. To document responsibility for the oversight and management of debt related transactions;
2. To define the criteria for the issuance of debt;
3. To define the types of debt approved for use within the constraints established by the General Assembly;
4. To define the appropriate uses of debt;
5. To define the criteria for evaluating refunding candidates or alternative debt structures; and
6. To minimize the cost of debt.

B. The objectives of this policy are:

1. To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
2. To identify legal and administrative limitations on the issuance of debt;
3. To ensure the legal use of the Authority's debt issuance authority;
4. To maintain appropriate resources and funding capacity for present and future capital needs;
5. To protect and enhance the Authority's credit rating;
6. To evaluate debt issuance options;
7. To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
8. To manage interest rate exposure and other risks; and
9. To comply with Federal Regulations and Generally Accepted Accounting Principles ("GAAP").

Debt Management/General

A. Purpose and Use of Debt Issuance

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State (including Title 4, Chapter 31, and Title 68, Chapter 221, Parts 2 and 5, Tennessee Code Annotated), pursuant to resolutions adopted by the Authority.

1. Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs of projects as authorized by the bond authorization and a resolution of the Authority.
2. Bonds may be issued to refinance outstanding debt.

B. Limitations

The dollar amount of debt that the Authority may issue and that may be outstanding for the State Loan Programs is not limited by statute; however, debt issued for this program shall be “limited special obligations” of the Authority payable solely from and secured by payments made by local government units, or state-shared taxes withheld, pursuant to loan program agreements.

C. Federal Tax Status

The Board will use its best efforts to maximize the amount of debt sold under this policy using tax-exempt financing based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints

D. Legal Limitations on the Use of Debt

1. No debt obligation shall be sold to fund the current operation of any state service or program.
2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized and applied to fund loan program agreements only when the ratio of unobligated state-shared taxes complies with state statutes, including any pledge of the statutory reserve fund.
3. Notes may be issued only when the Comptroller has filed a certificate as required by TCA Section 4-31-108(f), including the certification that loan program agreements are in place that will utilize at least 75% of the note proceeds.

Types of Debt

A. Bonds

The Authority may issue limited special revenue bonds, backed by payment pursuant to loan program agreements.

These bonds may be:

1. **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond.
 - Serial Bonds
 - Term Bonds
2. **Variable Interest Rate Bonds** – Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution. Variable rate debt may be used in the following circumstances:
 - For bond anticipation notes issued during the construction period phase of a project;
 - To finance projects that have a high probability of having a change from public to private use over the period of amortization;
 - For projects requiring an extraordinary redemption period prior to a standard call date;
 - For asset liability matching purposes; and
 - To diversify the interest rate risk of the debt portfolio.

B. Short Term Debt

Pending the issuance of the definite bonds authorized by the bond authorizations, the Authority may issue short term debt in the form of bond anticipation notes. Such debt shall be authorized by resolution of the Authority. Debt issued in a short-term mode may be used to fund projects during the construction phase of the project

- **Fixed Rate Notes** – Notes issued for a period of time less than eight years at a fixed interest rate that are used to fund projects during the construction period.
- **Variable Rate Notes** – Notes which bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.

Debt Structure

The Authority shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Authority's authorizing resolution and the State's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. The final maturity of the bond debt should be limited to 30 years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier.

The final maturity of notes and any renewals is limited to eight years from the date of issue of the original notes unless the Authority the local government unit borrower has begun repayment of principal and the ultimate maturity of the notes will not exceed 30 years from the date of first issuance.

B. Debt Service Structure

Debt issuance shall be planned to achieve level debt service unless otherwise determined by the Authority. The Authority shall avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements.

No debt shall be structured with other than at least level debt service unless such structure is specifically approved by a majority vote of the members of the Authority.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call features should be structured to provide the maximum flexibility relative to cost. The Authority will avoid the sale of long-term non-callable bonds absent careful evaluation by the Authority with respect to the value of the call option.

D. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Authority.

Refinancing Outstanding Debt

At least semiannually, Authority Staff with assistance from the Authority's Financial Advisor shall have the responsibility to analyze outstanding bond issues for refunding opportunities, whether for economic, tax-status, or project reasons. Consideration shall be given to anticipated costs and administrative implementation and management.

A. Refunding Proposals

Refunding opportunities shall be reported to the Authority when:

1. **Economic.** The sale of refunding bonds produces a total minimum present value savings threshold of 4.0% of the par value of the bonds to be refunded, and the option adjusted value of the refunded bonds is 70% or greater.
2. **Tax.** The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the Bonds.
3. **Tax.** The project is sold or no longer in service while still in its amortization period.
4. **Administrative.** Restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.

If a decision to refund is based on savings, then the Authority will issue the refunding debt only after receipt from the Financial Advisor of certified analysis that the market conditions at the time of the sale still produce the necessary savings.

B. Term of Refunding Issues

The Authority will refund bonds within the term of the originally issued debt. No backloading of debt will be permitted.

C. Bond Structuring

The bonds will be structured to create proportional or level debt service savings.

D. Escrow Structuring

The Authority shall utilize the least costly securities legally permitted and approved by the Authority in structuring refunding escrows. The Authority shall take all actions as may be necessary or appropriate to effectuate the transactions contemplated by the Refunding Trust Agreements, including but not limited to State and Local Government Securities (SLGS). Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Authority from its own account.

E. Arbitrage

The Authority shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refundings subject to the Authority's investment policies as stated in the General Bond Resolution. Any positive arbitrage will be rebated as necessary according to Federal guidelines.

Methods of Sale

- A. Competitive Sale** – In a competitive sale, the Authority's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. The competitive sale is the preferred method of sale.
- B. Negotiated Sale** – While the Authority prefers the use of a competitive process, the Authority recognizes that some securities are best sold through negotiation. In its consideration of a negotiated sale, the Authority shall assess the following circumstances:
 - Volatility of market conditions
 - Size of the bond sale
 - Credit strength of the Authority and that of its borrowers
 - Whether or not the bonds are issued as variable rate demand obligations

- Tax status of the bonds

C. Private Placement

From time to time the Authority may elect to privately place its debt. Such placement shall only be considered for debt transactions where the size is too small or the structure is too complicated for public debt issuance and will result in a cost savings to the Authority relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Authority shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals or in promotional materials provided to the Authority or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Authority with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Authority. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Authority or its designated official in advance of the pricing of the debt.

A. Selection of Senior Management Team – The Authority with assistance from its staff and financial advisor shall select the senior manager for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Authority;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Authority's engagement;
- Financing ideas presented; and
- Underwriting fees.

B. Selection of Co-Managers – Co-managers will be selected on the same basis as the senior manager. The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Authority's bonds. The Authority will affirmatively determine the designation policy for each bond issue.

C. Selling Groups – The Authority may use selling groups in certain transactions to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group, should either have a public finance department or pricing desk located within the boundaries of the State.

- D. Underwriter's Counsel** – In any negotiated sale of the Authority's debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager with input from the Authority.
- E. Underwriter's Discount** – The Authority will evaluate the proposed underwriter's discount in comparison to other issues in the market. If there are multiple underwriters in the transaction, the Authority will determine the allocation of fees with respect to the management fee, if any. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined prior to the sale date. A cap on management fee, expenses and underwriter's counsel will be established and communicated to all parties by the Authority. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.
- F. Evaluation of Underwriter Performance** – The Authority, with assistance of the staff and the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit.

Credit Quality

The Authority's debt management activities will be conducted to receive the highest credit ratings possible, consistent with Authority's financing objectives.

The Office of the Comptroller of the Treasury through the Office of State and Local Finance will be responsible for the communication of information to the rating agencies and keeping them informed of significant developments throughout the year. The Office of the Comptroller of the Treasury through the Office of State and Local Finance will schedule rating agency calls and/or visits prior to the issuance of bonds.

The Office of the Comptroller of the Treasury through the Office of State and Local Finance, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority, with the assistance of the Financial Advisor, shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

The Security for bonds and notes of the TLDA is the pledge of revenue received by the Authority from the borrowers and the statutory reserve fund. For the State Loan Program, the security is the pledge of the system revenues, a general obligation pledge of the borrowing local government and the intercept of state-shared taxes. State-shared taxes may be taken if the borrower is delinquent in payments. The moneys and securities on deposit in the Statutory Fund may only be withdrawn at the request of the Authority. If there has been a withdrawal from the Statutory Fund in any bond year, the Authority shall deposit in the Statutory Fund an amount equal to the withdrawal and interest thereon from moneys on deposit in the State Loan Program Fund or the General Fund.

Credit Enhancements

The Authority will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an

enhancement be utilized. The Authority may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when such purchase is deemed prudent and advantageous for negotiated sales. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. For competitive sales, the purchaser of the bonds will determine whether bond insurance will be used and will be included in the bid for the bonds and will be paid for by the purchaser of the bonds.

The Authority will qualify bonds for insurance and allow bidders to purchase the bonds with or without insurance. In a negotiated sale, the Authority will select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the Authority.

B. Letters of Credit

The Authority may enter into a letter-of-credit (“LOC”) agreement when such an agreement is deemed prudent and advantageous. The Authority will prepare and distribute a RFP to qualified banks or other qualified financial institutions which includes terms and conditions that are acceptable to the Authority. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the Authority.

C. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Authority will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self-liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the Authority.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered.

Risk Assessment

The Office of State and Local Finance will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The Office will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

- A. Change in Public/Private Use** – The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.
- B. Default Risk** – The risk that debt service payments cannot be made by the due date.
- C. Liquidity Risk** – The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.
- D. Interest Rate Risk** – The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issued had been fixed.
- E. Rollover Risk** – The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. Additionally all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner (see also Federal Regulatory Compliance and Continuing Disclosure), including:

- A.** Within four weeks of closing on a debt transaction, the debt service schedule outlining the rate of retirement of the principal amount shall be posted to the Authority's website;
- B.** Within 45 days from closing, costs related to the issuance and other information, shall be prepared, a copy filed with the Office of State and Local Finance, and the original presented at the next meeting of the Authority; and
- C.** Disclosure of costs will be made by electronic submission through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website.

Professional Services

The Authority requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Authority. This includes “soft” costs or compensations in lieu of direct payments.

- A. Issuer’s Counsel** – The Authority will enter into an engagement letter agreement with each lawyer or law firm representing the Authority in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of Attorney General and Reporter for the State of Tennessee who serves as counsel to the Authority or of the Office of General Counsel, Office of the Comptroller of the Treasury, which serves as counsel to the Office of State and Local Finance regarding Authority matters.
- B. Bond Counsel** – Bond counsel is contracted by the Office of the Comptroller of the Treasury through the Office of State and Local Finance and serves to assist the Authority in all its limited special debt issues.
- C. Financial Advisor** – The financial advisor is contracted by the Office of the Comptroller of the Treasury through the Office of State and Local Finance and serves and assists the Authority on financial matters. The Authority shall approve the written agreement between the Office of the Comptroller of the Treasury and each person of the firm serving as financial advisor in debt management advisory services and debt issuance transactions. However, when in a competitive or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services for the issuance. The Financial Advisor will be subject to a fiduciary duty which includes a duty of loyalty and a duty of care.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Authority shall be required to disclose to the Authority existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. This disclosure shall include that information reasonably sufficient to allow the Authority to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

1. Prior to submitting a bond resolution for approval, the Director of the Office of State and Local Finance (the “Director”), with the assistance of the financial advisor, will present to staff of the members of the Authority the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the

financing, members of the proposed financing team, and an estimate of all the costs associated with the financing, and/or;

2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.
3. The Director and the staff to the Office of State and Local Finance with the advice and counsel of other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The Director will present a post-sale report to the members of the Authority describing the transaction and setting forth all the costs associated with the transaction.
2. The financial advisor will provide a closing memorandum with written instructions on transfer and flow of funds.
3. The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.
4. The staff of the Office of State and Local Finance, bond counsel, and the financial advisor, along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The Office of State and Local Finance will comply with arbitrage requirements on invested tax-exempt bond funds. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Authority will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Authority currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Authority will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained. Proceeds that are to be used to finance construction expenditures are excepted from the filing requirements, provided that proceeds are spent in accordance with requirements established by the IRS. Any proceeds or other funds available for investment by the Authority must be invested per State law and State policy..

C. Disclosure

In complying with U.S. Securities and Exchange Commission Rule 15c2-12, the Authority will provide to EMMA certain financial information and operating data no later than January 31, of each year, and will provide notice of certain enumerated events with respect to the bonds, if material. Such material events include:

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults
3. Unscheduled draws on credit enhancements
4. Substitution of credit or liquidity providers or the failure of performance on the part of a liquidity provider
5. Adverse tax opinions or events affecting the tax-exempt status of any bonds
6. Modifications to rights of bond holders
7. Bond calls
8. Defeasances
9. Matters affecting collateral
10. Rating changes

D. Generally Accepted Accounting Principles (GAAP)

The Authority will comply with the standard accounting practices adopted by the Financial Accounting Standards Board and the Governmental Accounting Standards Board when applicable.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Authority maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Authority's goals.

This policy will be reviewed by the Authority no less frequently than annually. At that time, the Director will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Adoption of the Policy

1. A public hearing on the Policy was held on the following date:
2. The Authority adopted this Policy on December 7, 2011, effective December 7, 2011.



Vice Chair
Tennessee Local Development Authority

MINOR HILL UTILITY DISTRICT
P. O. Box 124
Minor Hill, TN 38473
(931) 565-3436

October 13, 2015

Via Hand Delivery

Ms. Sandra Thompson
Director of State and Local Finance
State of Tennessee
1600 James K. Polk Building
Nashville TN 37242-0273

Re: Minor Hill Utility District of Giles County, Tennessee (the "District") –
Proposed \$1,042,000 Waterworks Revenue Bond

Dear Ms. Thompson:

The United States Department of Agriculture has offered to loan the District \$1,042,000 at a rate not greater than 3.25%, payable in 456 equal consecutive monthly installments of principal and interest. The loan will be accompanied by a grant of \$858,000. The District will use the proceeds of the loan and grant to increase its water supply capacity from the City of Pulaski. The District currently purchases approximately 25% of its water from the Limestone County Water and Sewer Authority (LCWSA), Alabama. LCWSA has limited supply capacity and this results in extreme water shortages in parts of the District from time to time, most recently in 2012. The project would enable the District to procure and distribute water from the City of Pulaski to serve all of the District's service area. This would alleviate water shortages during drought conditions and would have the ancillary benefit of reducing the District's water purchase costs, since Pulaski's wholesale rate is significantly lower than that of LCWSA.

The District was approved for a revolving fund loan from the State on June 25, 2013 in a loan amount of \$880,000. Pursuant to Section 7(m) of the Revolving Fund Loan Agreement for Utility Districts entered into among TDEC, the Tennessee Local Development Authority and the District, the District is required to seek prior approval of the Authority before issuing additional debt payable from the revenues of the system.

On the District's behalf, I am asking that the ^{TLDA} State Funding Board consider approving the proposed USDA loan at its October 29 meeting. I note that the loan is proposed to be secured on a subordinate basis to the State's revolving fund loan. To that end, I am enclosing copies of:

- Proposed bond resolution
- Financing commitment from Rural Development
- Preliminary engineering report

The District's most recent audited financial statements (through FYE December 31, 2013) are posted to the Comptroller's repository website. The District experienced significant management turnover in the last few years, and was delayed in producing audited financial statements. We are working diligently to get caught up on our auditing requirements, and expect to have our December 31, 2014 audit finalized by the end of this calendar year. We expect our 2015 audited financial statements to be finalized within six months of the fiscal year end.

RECEIVED
OCT 14 2015
STATE AND LOCAL FINANCE
Delivered 11:25 AM

I am enclosing a copy of the District's summary unaudited financial statements for the fiscal year ended December 31, 2014. I am also enclosing a chart detailing the District's annual debt service requirements from 2014 through 2018. Please note the following as you review our annual debt service requirements (as compared to our most recent audit): (1) the 1987 and 1991 revenue bonds reflected in our 2013 audit have been prepaid and retired; (2) the State Revolving Fund identified in our 2013 audit is payable by Giles County and not by the District; and (3) the Bank of Frankewing debt has been prepaid to a par amount of approximately \$70,000.

The District expects its 2015 through 2018 fiscal year results to be consistent with its 2014 results. (I note that the proposed project is expected to produce long-term costs savings for the District through the reduction of the District's water purchase costs.) Based on the foregoing:

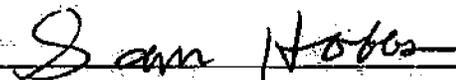
- the District's FY2014 net revenues (\$364,046) covered FY2014 debt service by 178%.
- the District's FY2014 net revenues will cover future debt service requirements by more than 120% in each of the 2015-2018 fiscal years, with a coverage percentage of 139% once the SRF Loan and the proposed USDA loan begin amortizing

I am happy to answer any questions you may have and, if necessary, to attend the Funding Board meeting. You may also contact of bond counsel, Jeff Oldham at Bass, Berry & Sims, with any questions. Please let me know when the approval will be considered.

Thanks for your help.

Yours truly,

MINOR HILL UTILITY DISTRICT

BY: 

lhb

Attachments

cc: Paul Plant, Esq. (via e-mail - dfox@harwellplant.com)
Jeffrey Oldham, Bass, Berry & Sims (via e-mail - joldham@bassberry.com)

15164703.3

Memorandum

To: Sandi Thompson

From: Jeff Oldham, Bass, Berry & Sims PLC

Re: Minor Hill Utility District – Request for TLDA to Consent to USDA Loan

- The United States Department of Agriculture has offered to loan the District \$1,042,000. The loan will be accompanied by a grant of \$858,000.
- The District will use the proceeds of the loan and grant to increase its water supply capacity from the City of Pulaski. The District currently purchases approximately 25% of its water from the Limestone County Water and Sewer Authority (LCWSA), Alabama. LCWSA has limited supply capacity. Extreme drought conditions threaten the District's water supply. In the summer of 2012, the District was temporarily unable to provide water to its residents, resulting in a public health issue.
- The project will enable the District to procure and distribute all of its water from the City of Pulaski, which has plenty of capacity. This would eliminate water shortages during drought conditions. The project will have the ancillary benefit of reducing the District's water purchase costs, since Pulaski's wholesale rate is significantly lower than that of LCWSA.
- Given the urgency of the project (each summer under the current situation risks further water outages), the District engaged engineers and contractors to proceed as quickly as possible. The first project invoices have already been presented for payment, and must be paid in fairly short order to keep the contractor on the job. The District did not realize the need for the TLDA's consent until the District's bond counsel identified that requirement.
- The District was approved for a revolving fund loan from the State on June 25, 2013 in a loan amount of \$880,000. Pursuant to Section 7(m) of the Revolving Fund Loan Agreement for Utility Districts entered into among TDEC, the Tennessee Local Development Authority and the District, the District is required to seek prior approval of the Authority before issuing additional debt payable from the revenues of the system.
- The proposed USDA loan will be secured by District revenues on a subordinate basis to the SRF loan.
- The District meets the conditions for set forth in the Revolving Fund Loan Agreement, except that it has not published audited financial statements for its fiscal year ended December 31, 2014.
- The District experienced significant management turnover in 2012 and its audited process was affected. The 2012 was published in August 2014. The 2013 audit was published in August 2015.
- The District has since remedied these financial accounting deficiencies. The 2014 audit is expected to be published by the end of this calendar year (within 12 months of fiscal year end). The District also has its 2015 financials up to date and plans to publish the 2015 audit within six months of fiscal year end.

ADMINISTRATION



cc: Sandi Thompson

Dr. Ken Moore
Mayor

Eric S. Stuckey
City Administrator

HISTORIC
FRANKLIN
TENNESSEE

October 7, 2015

The Honorable Tre Hargett,
Secretary of State & Vice-Chairman of the Tennessee Local Development Authority
Tennessee State Capitol
Nashville, TN 37243-1102

Re: TLDA Meeting, October 29, 2015

Dear Secretary Hargett,

Please accept this letter as my formal request to include a proposal from the City of Franklin as an agenda item on the TLDA meeting scheduled for October 29, 2015. The request will be for modification of the current policy on subordination of loans to municipalities of the State that operate water & sewer utilities.

I would appreciate your advising me of the placement of such an item on the agenda.

A handwritten signature in black ink, appearing to be 'Ken Moore', written over a horizontal line.

Mayor Ken Moore
City of Franklin, Tennessee



HISTORIC
FRANKLIN
TENNESSEE

October 13, 2015

TO: Tennessee Local Development Board

FROM: Eric S. Stuckey, City Administrator
Russ Truell, Assistant City Administrator

SUBJECT: Consideration of Amendment to the Policy on Subordination of Tennessee Local Development Authority (TLDA) and State Revolving Fund (SRF) Program Debt

Purpose

The purpose of this agenda item is to consider amending the Subordination Policy of the TLDA to accommodate municipalities that issue revenue bonds for water and wastewater projects.

Background

Historically, the City of Franklin has issued bonds and notes to fund improvements to its water and sewer Water System secured by the net revenues generated by the Water System and, to the extent of a deficiency in those net revenues, by the ad valorem taxing power of the City. Currently, the City has two outstanding issues of this type.

Additionally, the City has two small issues with the State Revolving Fund that are secured by the revenues of the Water System, the ad valorem taxing power of the City, and the City's State-Shared taxes. The lien of the State Revolving Fund loans is subordinate to the Series 2005 Bonds and the lien of the Series 2011 Bonds is subordinate to that of the Series 2005 Bonds and the 2009 SRF Loans with respect to the net revenues of the Water System.

Because of unusually strong population and job growth, the City finds itself in need of substantial borrowing to expand the wastewater plant and renovate the water treatment plant. Additionally, a long-term integrated water resource plan, the first in the state of Tennessee, identified alternative treatment of bio solids and automated metering as necessary projects. These projects have been reviewed extensively by the Tennessee Department of Conservation & Environment (TDEC) and given high priority rankings in TDEC's annual review of project proposals submitted by municipalities and utility districts. These projects total over \$14 million for drinking water projects and over \$100 million for clean water projects.

Because there are limitations to the amount of funding available through the State Revolving Fund program, the City of Franklin will likely be forced to access the public capital markets to fully fund the projects. Because the City has placed upon it substantial demands for infrastructure other than water & sewer projects, the City has determined that it is in its best interest to issue its additional bonds and notes secured solely by the net revenues of the Water System rather than revenue & tax-backed instruments.

Unfortunately, the TLDA Policy on Subordination that is currently in place puts restrictions on municipal water systems that appear much higher and more restrictive than those of independent utilities. Those additional restrictions include the pledge of ad valorem tax and state-shared taxes, in addition to the net revenues of the system. To the layman, this appears to be a "belt and suspenders" approach, with an extra pair of suspenders. In addition to the triple pledge of revenue streams, there is a requirement to request subordination waivers on a loan-



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FRANKLIN
TENNESSEE

to-loan basis. Those restrictions dramatically reduce the financial flexibility of the City and make it difficult to issue revenue bonds at attractive market rates, increasing the overall cost of service to ratepayers due to higher interest rates.

Financial Impact

The City's long-term borrowing plans include a mix of traditional bond and note offerings in the public capital markets, as well as loans from the SRF. ~~Because purchasers in the capital markets are concerned with and sensitive to the lien position of all debt backed by revenues of the City Water System, the~~ City requests that the TLDA reconsider its "Policy on Subordination of Tennessee Local Development Authority (TLDA) and State Revolving Fund (SRF) Program Debt", dated January 13, 2012, as it pertains to municipalities. It is estimated that debt issued by the City with lien positions that are behind SRF loans would add substantially to the cost of borrowing. That additional cost would negate the purpose of the TLDA and SRF, as articulated in the first paragraph of the Policy on Subordination": "the blending of the rate of a SRF loan and the rate of debt sold in the capital markets has historically created average user fees that were lower than if the local government issued only its long-term debt."

Proposed Recommendation

~~The City requests that an alternate policy be included that would allow municipalities to follow the policies that apply to utility districts. This could be an optional second policy to the existing policy for municipalities, which could remain in full force. Cities that require additional flexibility in their long range financial planning could exchange additional assurances, similar to those that exist for non-municipal utilities, in exchange for relief from the current policy restrictions.~~

The alternate policy would permit the subordination of SRF loans in a manner similar to that of utility districts. In addition, the policy would permit substitution of a debt service reserve fund, as required of utilities, and a debt service coverage ratio, as required of utilities, in lieu of the pledge of unobligated State Shared taxes and the ad valorem tax pledge. Municipalities would be amenable to higher standards than currently placed on utilities, perhaps in the order of 20% higher on the debt coverage ratio (1.45x instead of 1.20x), and agree to certain covenants related to rate adjustments and reserves.

Higher standards on these factors would add to the assurance of repayment in the event that revenues of the system weakened. It is most likely that municipalities with stronger financial positions (such as cities with double-A or triple-A bond ratings) would be candidates for "opting in" to a regime of higher standards that would protect the SRF program. It is unlikely that financially weak water systems would entertain issuance of revenue-only bonds, thus limiting the number of municipalities to which the alternate policy might apply.

If all of the criteria of the alternate policy are met, the City would request that it not be required to seek approval of the TLDA for the issuance of additional debt on a parity of lien.

The City of Franklin greatly appreciates consideration of this request by the TLDA Board.

Respectfully submitted,

Eric S. Stuckey
City Administrator

Russ Truell
Assistant City Administrator/CFO

Policy on Subordination of Tennessee Local Development Authority (TLDA) and State Revolving Fund (SRF) Program Debt

Background

The State Revolving Fund (SRF) loan program was created to provide financial assistance to local governments to address the health, safety and environmental requirements for clean water and safe drinking water. The program makes loans to qualified local governments (the "borrowers") at or below market rates loans to finance the infrastructure to address the above mentioned issues and to comply with federal EPA and state requirements. Although the SRF programs have successfully contributed to meeting the needs of over 150 communities since 1989, the program cannot meet all of the needs of the larger and faster-growing communities. As a result, some local governments must also issue its long-term debt in the capital markets to provide for funding needs. The blending of the rate of a SRF loan and the rate of debt sold in the capital markets has historically created average user fees that were lower than if the local government issued only its long-term debt.

The Tennessee Local Development Authority is delegated the responsibility for issuing bonds and notes to provide funds to make loans to (1) local governments for water, sewer and solid waste resource recovery facilities, (2) certain small business concerns for pollution control facilities, (3) local government units for capital projects, (4) farmers for certain capital improvements, (5) counties for the acquisition of equipment for use by county or volunteer fire departments serving unincorporated areas, (6) airport authorities and municipal airports, (7) mental health/mental retardation and drug facilities, and (8) reimburse reasonable and safe cleanup of petroleum sites.

T.C.A. §68-221-1003(7) et seq. defines a Local government as a county, incorporated town or city, metropolitan government, state agency, water/wastewater authority, energy authority or any instrumentality of government created by any one (1) or more of these or by an act of the general assembly. A Local government is also defined as any utility district created pursuant to title 7, chapter 82, existing on July 1, 1984, and which operates a wastewater facility; and also includes such utility district created after July 1, 1984, if such utility district operates a wastewater facility comprised of at least five hundred (500) customer connections.

Purpose

The purpose of this policy is to specify the lien position of the TLDA with respect to TLDA program borrowers' debt and establish guidelines and procedures for a local government that requests subordination of its existing TLDA or SRF indebtedness to its own outstanding debt that has been issued in the capital markets. Due to the nature of the SRF as a revolving loan fund, and the TLDA's responsibility to ensure repayments of those funds, the TLDA does not make it a practice to grant permission to subordinate SRF debt. The following points will be considered in this process:

- The amount of debt that the Authority is willing to subordinate to the borrower while considering the following: State-shared taxes, other revenues, General Obligation (GO) pledge (other than the utility districts), increase in deposit amount required for the Utility District (UD)
- A requirement for a yearly report from the borrower, demonstrating they are meeting all loan covenants, for the life of the loan
- The debt rating of the borrower
- The amount of the borrower's revenue (as obtained from an independent source that is acceptable to the TLDA)
- The borrower's payment status (is current on all SRF debt, has not had a late payment in the past five years)
- The borrower's revenues from 10 number of largest users of the system do not constitute more than 10 percent of total system revenues

The policy applies to (a) local governments that have issued debt and have secured it with either a general obligation or revenue pledge, and (b) utility districts and authorities that either (i) sold debt directly in the capital markets and subsequently borrowed from the State Revolving Fund ("SRF") loan program, or (ii) borrowed from the SRF loan program and subsequently sold debt directly in the capital markets.

Effective Date

Immediately.

Policy

It is the Tennessee Local Development Authority's policy that it may consider the subordination of its debt to the debt of a local government upon the request of a borrower.

Analysis

TLDA program borrowers have inquired about the lien status of their SRF loans as compared to the lien status of the borrower's debt issued in the capital markets. They have also sought advice on the position of the debt service reserve fund and the perfection of the reserve for the payment of debt service in the event there is a default by the borrower. These questions provided the opportunity to document the analysis of the security opposition for the borrowers.

Office of State and Local Finance (SLF) staff with the assistance of the Office of the Attorney General, the Assistant to the Comptroller for Public Finance and staff from the Department of Environment and Conservation have examined this issue and have made the following conclusions:

For Municipalities

The concerns relating to parity are not significant for SRF loans approved for municipalities. Municipalities pledge user fees and charges and/or ad valorem taxes. They covenant to increase fees or the ad valorem tax levy to cover their expenses including depreciation. As further security, Local Governments pledge and assign their Unobligated State-Shared Taxes in an amount equal to the maximum annual debt service requirements under the Agreement. The ratio of debt service to State Shared Taxes is also considered. Loans are occasionally recommended even when debt service exceeds State-Shared Taxes and the financial analysis demonstrates the borrower's strong ability to pay. These borrowers have been determined to have strong management that has demonstrated a willingness to raise user fees if necessary. In the event a borrower fails to pay a delinquency within sixty days of receipt of a delinquency notice, the TLDA notifies the Commissioner of Finance and Administration who is obligated to withhold the delinquent amount from any State-Shared Taxes that were not previously obligated. Pursuant to Loan Agreement, a borrower acknowledges that it has no claim on State-Shared Taxes withheld under the Loan Agreement. (If multiple claims, first in time, first in line)

Pursuant to T.C.A. §68-221-1010, Local Governments may be referred to the Water and Wastewater Financing Board (the "WWFB") for failure to comply with the statute if there is an earnings deficit in any one year, has a negative change in net assets for any consecutive two-year period or is in default on any debt obligation. The WWFB can require the municipality to raise user fees and charges or to merge with other utilities to maintain financial stability.

For Utility Districts and Authorities

These same parity concerns are important to utility districts and authorities because the debt service payments of these entities are based on user fees and other revenues collected by the entity. By statute, the borrower pledges and assigns any funds due

to the borrower from the State. In most cases, there are none. Similar to municipalities, any identified funds may be intercepted in the event of a delinquency.

Included in the Representations and Covenants of the Utility District or Authority Loan Agreement are the following:

- ◆ To advise the Department before applying for federal or other State assistance for the Project;
- ◆ To abide by and honor any further guarantees or securities as may be required by the State which are not in conflict with State or federal law;
- ◆ To do, file or cause to be done or filed any action or statement required to perfect or continue the lien(s) or Pledge(s) granted or created hereunder;
- ◆ To establish and collect, and to increase, user fees and charges as needed to pay the monthly installments due under this Agreement as well as the other cost of operation and maintenance including depreciation and debt service of the system of which the Project is a part;
- ◆ To establish and collect, and to increase user fees and charges sufficient to meet a 1.20X debt service coverage to net revenues. Net revenues are gross earnings, fees and charges, less current expenses. Current expenses are those incurred in the operation of the system, determined in accordance with generally accepted accounting principles (GAAP), including the reasonable and necessary costs of operating, maintaining, repairing and insuring the system, salaries, wages, cost of material and supplies, and insurance premiums, but shall specifically exclude depreciation and debt service payments. (Paragraph 7 (l))
- ◆ No additional debt payable from the revenues of the system will be issued or entered into unless
 - (1) Prior approval is received from the Authority
 - (2) The annual audit required by the terms of this Agreement for the most recent fiscal year has been delivered within six(6) months after the end of such fiscal year,
 - (3) The covenant in Paragraph 7(l) was met for the most recent fiscal year,
 - (4) The net revenues of the system for the next three fiscal years ending after the issuance of the additional debt shall be sufficient to comply with the covenant in Paragraph 7(l)

- (5) The Local Government shall have adopted a revised schedule of rates and fees and taken action to put such revisions in effect at or prior to the issuance of the additional debt.

As additional security for the loan, prior to the first disbursement of funds under the loan agreement, the utility district or authority must deposit with the TLDA an amount of cash equal to the maximum annual debt service on the loan. This reserve must be funded from cash available to the utility district or authority exclusive of the amount of the loan.

These loans may take one of two positions:

- (a) the SRF loan is issued first and subsequently the borrower needs to access the public market; or
- (b) the borrower has outstanding debt, subsequently borrows from the SRF program and then once again may need to access to the public markets.

These positions raise the issue: What is the lien position of the SRF loan with respect to loan repayment and the debt service reserve fund?

To make this determination, staff examined the relevant statutes, loan agreements and other available information published by the federal government. We found and confirmed that:

- (1) Neither the SRF statutes nor the loan agreements mandate a prior or parity lien status for the SRF loan.
- (2) T.C.A. §9-22-101 et seq., "Perfection, Priority and Enforcement of Public Pledges and Liens Act" states that public obligations of the same issue shall be ratably secured . . .without priority unless otherwise authorized. It further states that any pledge is junior in priority to obligations created prior to the date of such pledge.
- (3) The Utility Management Review Board ("UMRB") monitors all utility districts for timely and sufficient revenues. Should the revenues be insufficient, the UMRB requires the district to raise its rates to provide the necessary coverage. Prior to entering into the Loan Agreement, authorities must elect to place themselves under the jurisdiction of the UMRB or the WWFB for monitoring and compliance purposes.
- (4) A goal of the TLDA is to provide financial assistance to local governments at the lowest possible cost to the users for safe drinking water and for clean water in Tennessee streams, rivers and other natural water ways.
- (5) Additional educational materials provided by the Council for Infrastructure Authorities states that debt of the SRF program may be subordinated.

Conclusion

For Municipalities

- (1) Parity is not an problem for municipalities that enter into SRF loans. In addition to the pledge of user fees, the municipality provides an ad valorem pledge and commits to the intercept of State-Shared Taxes. No debt service reserve fund is required. Municipalities should consult their bond or disclosure counsels to obtain advice on the appropriate loan disclosure in official statements for general obligation bonds or notes.

For Utility Districts and Regional Authorities

- (1) If the SRF debt is issued prior to any public debt, the TLDA has the senior lien position, but the TLDA may, at the request of the borrower, subordinate its debt to any public debt thereafter issued by the borrower.
- (2) If the public debt was issued prior to the SRF loan, the SRF loan is subordinate to the public debt previously issued by the borrower. If additional public debt is issued pursuant to that prior resolution, that debt also maintains a superior lien position to the SRF loan. However the borrower must seek approval from the Authority for the issuance of additional debt, must maintain all rate covenants and continue to meet all other requirements of the loan agreement.

Currently, under the loan agreement the debt service reserve fund should be held in the Local Government Investment Pool (LGIP) separate from the debt service reserve fund of any publicly issued debt.

Furthermore:

- At any time that a borrower wants to issue debt in the public market, it must seek approval from the TLDA
- It must meet the revenue covenants required in the loan agreement
- It must make a deposit to the debt service reserve fund from its own cash. This deposit is not a portion of the loan
- It must subject itself to the rules and regulations of the UMRB or the WWFB as the case may be.
- It must continuously meet all other requirements and covenants of the loan agreement

Given these requirements and the provisions of the law, staff continues to be comfortable recommending these borrowers for loans through the SRF program.

Dated 1/13/12
By: Joe Duggett