

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY  
 DECEMBER 7, 2015  
 AGENDA**

1. Call Meeting to Order
2. Approval of Minutes from the TLDA meeting of October 29, 2015
3. Consideration of a request from West Knox Utility District to issue debt (Water & Sewer Revenue Bonds) in an amount not to exceed \$9,995,000
4. Consider for approval the following DWSRF loan:

	SRF Base Loan	Principal Forgiveness	Total SRF Funding	Interest Rate
Warren County UD DW4 2015-158	\$ 1,875,000	\$ 625,000	\$ 2,500,000	0.95%
Carthage DG3 2016-169	\$ 280,875	\$ 93,625	\$ 374,500	1.44%
Carthage DW4 2016-170	\$ 1,194,000	\$ 398,000	\$ 1,592,000	1.44%

5. Adjourn

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY**  
**October 29, 2015**

The Tennessee Local Development Authority (the "Authority" or "TLDA") met on Thursday, October 29, 2015, at 10:00 a.m. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State and Vice Chair, was present and presided over the meeting.

The following members were also present:

The Honorable Justin Wilson, Comptroller of the Treasury  
Whitney Goetz, Proxy for the Honorable David Lillard, State Treasurer  
Angela Scott, Proxy for Commissioner Larry Martin, Department of Finance and Administration.  
Dr. Kenneth Moore, House Appointee

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

The following member was absent:

The Honorable Bill Haslam, Governor

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

Mr. Lillard asked for a motion to approve the minutes of the August 12, 2015 meeting. Mr. Wilson made a motion to approve the minutes, and Mr. Hargett seconded the motion. Mr. Hargett performed a roll-call vote:

Mr. Wolfe—Yes  
Ms. Scott—Yes  
Mr. Wilson—Yes  
Mr. Hargett—Yes  
Ms. Goetz—Yes  
Dr. Moore—Yes

The motion passed unanimously.

Mr. Hargett recognized Ms. Alexa Voytek of the Office of Energy Programs (OEP) in the Tennessee Department of Environment and Conservation (TDEC) to provide an update on Qualified Energy Conservation Bond (QECB) projects. Ms. Voytek provided an update on each project:

City of Memphis:

- Crosstown Concourse--This issuance of \$8,316,000 closed on February 18, 2015. 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—The issuance for this project which had an allocation of \$3.8 million closed on April 29, 2015. 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.

- Self Tucker/Universal Life—The issuance for this project which had an allocation of \$350,000 closed on April 29, 2015. 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 had recommended and TLDA had 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 of \$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 31, 2015.

City of Lebanon: OEP had recommended and TLDA had 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 24<sup>th</sup>, 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 1<sup>st</sup>, 2015, and will remain effective through June 30, 2016.

Large Local Jurisdictions (LLJ) Allocations: 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. Clarksville 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.

Ms. Voytek stated that no formal proposals had been submitted under the third Request for Proposal (RFP) to date and that OEP continues to receive inquiries from potential applicants. She stated that an allocation summary was provided in the meeting materials.

Mr. Hargett stated the next item of business was a report on delayed State Revolving Fund (SRF) projects and revisions to SRF loan agreements. He recognized Mr. Sherwin Smith, Manager of the Tennessee Department of Environment and Conservation's (TDEC) SRF loan program to present the item. Mr. Smith stated that TDEC identified four projects in which project schedules had expired due to delays for various reasons. (A list of the projects was included in the meeting materials.) Mr. Smith stated that TDEC, its General Counsel, and Mr. David Burn from the Financial Division of the Office of the Tennessee Attorney General, worked with these entities to reach a resolution to amend their project schedules to allow them to retain their allocation. He explained each community had been contacted about the delays, and each had expressed a commitment to utilize the funding for which they had been approved. Mr. Smith stated that although this type of situation is rare, TDEC decided to add language in the special conditions section of SRF loan agreements to clearly address non-adherence to project schedules and potential consequences. (The loan agreements to be presented at this meeting and in the future would include this language.) He stated that in the event a borrower does not obtain proper approval for an extension of its projects schedules, TDEC would notify the Authority to determine an appropriately course of action. Mr. Hargett asked Mr. Smith about the risk of borrowers using SRF funds for purposes unrelated to their projects. Mr. Smith responded that TDEC reviews all reimbursement requests very stringently and would not approve requests outside of the scope of the project for which the loan was approved.

Mr. Hargett stated the next item of business was a request to approve Clean Water SRF loans and asked Mr. Smith to present the loan requests. Mr. Smith first presented the report on unobligated fund balance, which was \$168,830,409 as of June 23, 2015. The fund balance increased \$45,626,354 which brought the unobligated balance to \$214,456,763. Mr. Smith stated that part of this increase was from a voluntary return of funds by one of the entities with an expired project schedule. He stated that upon approval of the loan requests to be presented in the

amount of \$21,920,000, the funds available for loan obligations would decrease to \$192,536,763. He then presented each loan request:

- Gordonsville (CW4 2016-358)—Requesting \$608,500 (\$565,905 loan; \$42,595 principal forgiveness) for collection system expansion; recommended interest rate of 2.15% based on the Ability to Pay Index (ATPI).
- Gordonsville (SRF 2016-359)—Requesting \$61,000 for collection system expansion; recommended interest rate of 2.15% based on the ATPI.

Mr. Smith stated that SRF 2016-359 was a companion loan to CW4 2016-358 which used up the remaining subsidy in that grant.

- Jackson Energy Authority (CG2 2016-363)—Requesting \$2,000,000 for wastewater treatment plant (WWTP) improvements; recommended interest rate of 1.43% based on the ATPI.
- Springfield (SRF 2016-360)—Requesting \$19,250,000 for collection system rehabilitation, Phase I; recommended interest rate of 1.35% based on the ATPI.

Mr. Hargett moved to approve the Drinking Water SRF loans, and Mr. Wilson seconded the motion. Mr. Hargett performed a roll-call vote:

Dr. Moore—Yes  
Ms. Goetz—Yes  
Mr. Hargett—Yes  
Mr. Wilson—Yes  
Ms. Scott—Yes  
Mr. Wolfe—Yes

The motion passed unanimously.

Mr. Hargett stated the next item of business was a request to approve Drinking Water SRF loans and asked Mr. Smith to present the loan requests. Mr. Smith first presented the report on unobligated fund balance, which was \$35,921,805 as of August 12, 2015. The fund balance increased \$16,275,395 which brought the unobligated balance to \$52,197,200. Upon approval of the loan requests to be presented in the amount of \$1,397,000, the funds available for loan obligations would decrease to \$50,800,200. He then presented each loan request:

- Hohenwald (DW4 2016-167)—Requesting \$260,000 (\$195,000 loan; \$65,000 principal forgiveness) for waterline extension (installation of approximately 28,000 linear feet of waterlines along Summertown Highway to provide water service to 90 households); recommended interest rate of 0.71% based on the ATPI.
- Troy (DWF 2016-156)—Requesting \$981,000 for a new 700 gallons per minute (GPM) water treatment plant; recommended interest rate of \$0.47% based on the ATPI.
- Troy (DWF 2016-168)—Requesting \$156,000 for water distribution system improvements (new waterline); recommended interest rate of \$0.47% based on the ATPI.

Mr. Smith stated that the Town of Troy has two previously approved SRF loans. However, because bids had come in higher than expected, the Town was requesting additional SRF funding. He said that although the Town's debt service was high with respect to its state-shared taxes, rates were sufficient to repay the loans. He recommended approval of the loan requests to the Authority.

Mr. Hargett moved to approve the Drinking Water SRF loans, and Mr. Wilson seconded the motion. Mr. Hargett performed a roll-call vote:

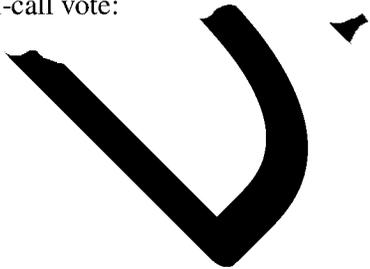
Mr. Wolfe—Yes  
Ms. Scott—Yes  
Mr. Wilson—Yes  
Mr. Hargett—Yes

Ms. Goetz—Yes  
Dr. Moore—Yes

The motion passed unanimously.

Mr. Hargett recognized Ms. Sandra Thompson, Director of the Office of State and Local Finance (OSLF), to discuss the annual review of the TLDA's debt management policy. Ms. Thompson stated that the debt management policy for the Authority requires that the policy be reviewed at least annually. She said that staff had circulated the policy to Authority members, and staff had also conducted their own review of the policy. She stated that staff had not received any recommendation for any amendments, deletions, improvements or clarifications at this time. No action was required for the debt management policy.

Mr. Hargett stated the next item of business was a request from Minor Hill Utility District (the District) to issue USDA debt in an amount not to exceed \$1,042,000. He recognized the District's bond counsel, Mr. Jeff Oldham of Bass, Berry & Sims, PLC, to present to request. Mr. Oldham stated that the District had been awarded a \$1,042,000 loan accompanied by a grant of \$858,000. He explained that the District currently buys its water from two suppliers: The City of Pulaski, TN and the Limestone County Water and Sewer Authority (LCWSA) located in Alabama. He said that the LCWSA has a limited supply capacity, and extreme draught conditions had 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 would enable the District to procure and distribute all of its water from the City of Pulaski, which has ample capacity. He explained that given the urgency of the project, the District engaged engineers and consultants to proceed as quickly as possible. However, the District did not realize the need for the Authority's consent until the requirement was identified by its bond counsel. (Section 7(m) of the SRF loan agreement for utility districts requires borrowers to seek the approval of the Authority before issuing additional debt payable from the revenues of the system.) Mr. Oldham stated that the District meets the conditions set forth in the loan agreement, except that it had not published audited financial statements for its fiscal year ended December 31, 2014. He explained that the District experienced significant management turnover in 2012 and affecting its audit process. He said financial statements for fiscal year 2012 were published in August 2014. The 2013 audited statements were published in August 2015. He stated that the District has since remedied these financial accounting deficiencies. The 2014 audited statements are expected to be published by December 31, 2015 (within 12 months of its fiscal year end). The 2015 audited statements are expected to be published within 6 months of its fiscal year end. Mr. Wilson asked about the lien position of the USDA debt to the SRF debt. Mr. Oldham replied that the proposed USDA debt would be issued on a subordinate basis to the SRF debt. Ms. Thompson stated that the District did meet the 1.20 times debt service coverage requirement as stipulated in the loan agreement. Mr. Wilson made a motion to approve the request to issue additional USDA debt, and Dr. Moore seconded the motion. Mr. Hargett performed a roll-call vote:



Mr. Wolfe—Yes  
Ms. Scott—Yes  
Mr. Wilson—Yes  
Mr. Hargett—Yes  
Ms. Goetz—Yes  
Dr. Moore—Yes

The motion passed unanimously.

Mr. Hargett stated the next item of business was consideration of a request from the City of Franklin (the "City") to amend the TLDA subordination policy for municipalities. Mr. Hargett stated that a potential conflict of interest existed because Dr. Moore was the Mayor of the City of Franklin and a TLDA board member. He asked Mr. Burn to advise on Dr. Moore's participation on this item. Mr. Burn recommended that Dr. Moore recuse himself from participating as an Authority member but advised that he could participate in the presentation of the request on behalf of the City. Dr. Moore concurred and recused himself from participating as an Authority member. Dr. Moore introduced Mr. Eric Stuckey, City Administrator, and Mr. Russ Truell, Chief Finance Officer, representatives of the City of Franklin. Dr. Moore stated that the City is asking the Authority to consider amending its SRF subordination policy so that municipalities would have similar requirements as Utility Districts. The City proposed that municipalities could have a higher debt service ratio requirement of 1.45 times. (The requirement for UD's is

1.20 times.) He stated that Franklin is a fast-growing city and is undertaking a variety of projects due to this rapid growth, including water and wastewater projects. He stated that the City is seeking borrowing opportunities in order to expand the wastewater plant and renovate the water treatment plant to meet growing needs. He stated that the current SRF subordination policy may cause the City to incur a higher borrowing costs in the open-market. Therefore, the City is requesting the Authority to consider allowing municipalities to have the same requirements as UD's for issuing additional debt payable from the system's revenues but with a higher debt service requirement. (A memo from the City describing the request was included in the meeting materials.)

Mr. Stuckey stated that the SRF program is a great opportunity to secure financing for necessary projects, and the City wants to do so in a way that is financially responsible for the community and protective of the SRF loan program. He said that the City would like to work with the TLDA to find a resolution that is amenable to both parties. Mr. Truell stated that the City is high on the SRF priority ranking list, but was concerned they may not get the total amount of requested funds (\$100 million) from the SRF program which may put them in a position to go to the open-market to issue debt. Mr. Smith stated that the City was not guaranteed the \$100 million which it had requested. Mr. Wilson asked Mr. Truell to clarify if the request involved the priority of both existing and future SRF loans. Mr. Truell responded affirmatively. Mr. Truell stated that having multiple liens on the system's revenues would likely result in higher borrowing costs to the City. Mr. Wilson stated that he was not comfortable with changing the priority of existing loans, but he may be open to considering the priority of future loans. Mr. Hargett pointed out that the City of Nashville had a similar request in the past, and the TLDA did not approve that request. Therefore, Nashville chose to refund out of the SRF program. Mr. Hargett and Mr. Wilson both expressed concern that any decision made by the Authority would set a precedent; and therefore, careful consideration of the request was necessary. Mr. Hargett stated that he was not prepared to make a decision today and recommended that the City meet with TDEC for further discussion. Mr. Hargett asked the Authority members if anyone would like to make a motion. No motions were made. However, Mr. Hargett stated that the Authority may consider the request again in the future if necessary.

Hearing no other matters to come before the Authority, Mr. Hargett made a motion to adjourn, and Mr. Wilson seconded the motion. Mr. Hargett performed a roll-call vote:

- Mr. Wolfe—Yes
- Ms. Scott—Yes
- Mr. Wilson—Yes
- Mr. Hargett—Yes
- Ms. Goetz—Yes
- Dr. Moore—Yes

The meeting was adjourned.

Approved on this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

Respectfully submitted,

Sandra Thompson  
Assistant Secretary



## **WEST KNOX UTILITY DISTRICT REQUEST TO ISSUE ADDITIONAL DEBT**

The following Utility District with outstanding SRF loans has requested approval from TLDA to issue additional bonds:

- West Knox Utility District (Fiscal Year Ending June 30) (the “District”)

### **Compliance:**

No additional debt payable from the revenues of the system will be issued or entered into unless

- Prior approval is received from TLDA
- 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.
- The covenant in Paragraph 7(I) was met for the most recent fiscal year,

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 (I))

- 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(I)
- 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.

West Knox Utility District (Fiscal Year Ending June 30, 2015) submitted the following:

- A letter requesting prior approval by TLDA to issue additional debt was received on November 23, 2015.
  - The District intends to competitively sell \$9,995,000 Water and Sewer Revenue Bonds (Bank-Qualified) at par to finance \$9,774,055 in system improvements including a wastewater treatment plant.
- FY 2015 audited financial statements.
- Calculation of the District’s debt service coverage to net revenues and a projected statement of changes were provided with the request.

- The District's debt service coverage to net revenues was 4.02X for fiscal year 2015. The District appears to meet the debt service coverage requirement for fiscal year 2015.

Based on its forecast of future years' coverage, the District appears to meet the debt service coverage requirement with estimated debt service coverage to net revenues ranging from 2.37X to 1.73X coverage during fiscal years 2016 through 2019.

- Security deposits are fully funded

The District appears to meet the requirements for approval of additional bonds.



November 19, 2015

Board of Commissioners:  
Daniel H. Hurst  
Assistant Secretary  
Tennessee Technical Development Authority  
State Representative  
Ann Millsaps  
505 Deaderick Street  
Nashville, TN. 37243-1402

Drexel Heidel, P.E.  
General Manager  
Wayne Hastings, P.E.  
Assistant Manager

**VIA FEDERAL EXPRESS**

RE: West Knox Utility District of Knox County, Tennessee

Dear TLDA:

As General Manager for the West Knox Utility District of Knox County, Tennessee (the "District"), please find enclosed for your consideration the following items:

- "West Knox Utility District of Knox County, Tennessee - Comprehensive Annual Financial Report For Years Ending June 30, 2015 and 2014";
- "Preliminary Funding Analysis"; and
- Debt Service Coverage Ratio Calculation.

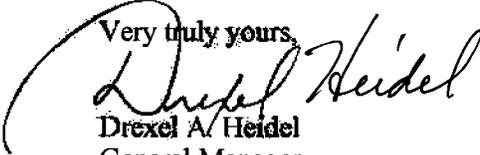
The District plans to issue Water and Sewer Revenue Bonds in the amount of not to exceed \$9,995,000 as "bank-qualified" bonds to provide financing for system improvements, including but not limited to a Wastewater Treatment Plant. Under the District's Loan Agreement CWA 2009-245 Paragraph 7(m)(1), we are hereby requesting approval from the Authority to issue not to exceed \$9,995,000 to provide financing for system improvements.

The District has delivered the most recent financial statements within six (6) months, has complied with Paragraph 7(l) and maintains a 1.20x debt service coverage ratio, will maintain a debt service coverage ratio of 1.20x in the future and has previously adopted a revised schedule of rates and fees to enable the issuance of the proposed Bonds.

The District, working with our Financial Advisor, Bond Counsel and Engineer, has determined that the economic life of the new wastewater treatment plant will far exceed the average life of the proposed Bonds, which will be approximately 22 years, therefore complying with any applicable state and federal laws.

The District is scheduled to meet in regular session on Wednesday, December 9, 2015 to approve the Bonds with the bond sale scheduled for that same day in order to ensure the Bonds are sold in time to deliver before December 25, 2015.

If you have any questions or need any additional information with respect to this financing, please do not hesitate to contact our Financial Advisor, Mr. Joe Ayres or Scott P. Gibson at Cumberland Securities (865-988-2663), at your earliest convenience.

Very truly yours,  
  
Drexel A. Heidel  
General Manager

cc: Mr. Joe Ayres  
Enclosures

**THE WEST KNOX UTILITY DISTRICT OF KNOX COUNTY, TENNESSEE**  
**HISTORICAL AND ESTIMATED FUTURE DEBT SERVICE COVERAGE ON BONDS**  
For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Revenue (1)	\$ 14,558,877	\$ 17,062,739	\$ 17,775,859	\$ 19,076,456	\$ 21,092,830	\$ 21,264,767	\$ 21,476,864	\$ 21,691,083	\$ 21,907,444
Operating Expenses (2)	8,626,644	9,855,798	10,374,648	9,882,078	10,526,628	10,697,191	10,870,766	11,047,408	11,227,175
Income Available For Debt Service	5,932,233	7,206,941	7,401,211	9,194,378	10,566,202	10,567,576	10,606,099	10,643,675	10,680,269
Actual Debt Service Requirements (3)	2,847,574	3,331,152	2,541,952	2,577,935	2,626,665	4,450,711	4,697,107	4,694,892	6,185,179 (5)
Bond Coverage	2.08 X	2.16 X	2.91 X	3.57 X	4.02 X	2.37 X	2.26 X	2.27 X	1.73 X
Maximum Estimated Debt Service Requirements on Outstanding and Proposed Senior Bonds (FY 2044) (4)	4,944,963	4,944,963	4,944,963	4,944,963	4,944,963	4,944,963	4,944,963	4,944,963	4,944,963
Maximum Senior Bond Coverage	1.20 X	1.46 X	1.50 X	1.86 X	2.14 X	2.14 X	2.14 X	2.15 X	2.16 X

Source: Annual Financial Reports for the District.

(1) Includes operating revenues, interest income received and cash capital contributions

(2) Does not include depreciation expense.

(3) Interest includes interest paid, paying agent's fees and service charges net of capitalized construction period interest.

(4) Assumes a 5.00% Net Interest Rate on the Revenue Series V-B-1 Loan and is net of the Estimated U.S. Treasury Subsidy of 35% for Series 2010 Bonds

(5) Includes a subordinated payment on Knox County Loan in the amount of \$1,490,000.00

**THE WEST KNOX UTILITY DISTRICT OF KNOX COUNTY, TENNESSEE**  
 Summary of Revenues, Expenditures and  
 Changes in Retained Earnings  
 For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>									
Water Revenue	\$ 6,579,910	\$ 7,226,168	\$ 7,417,294	\$ 7,881,838	\$ 8,611,641	\$ 8,697,757	\$ 8,784,735	\$ 8,872,582	\$ 8,961,308
Wastewater Revenue	6,627,587	8,018,859	8,731,351	9,577,125	10,875,487	10,984,242	11,094,084	11,205,025	11,317,075
Connection Fees	561,677	486,860	550,392	836,668	893,658	902,595	911,621	920,737	929,944
Customer Forfeited Discounts	179,705	237,367	258,370	258,507	285,589	288,445	291,329	294,243	297,185
Service Fees	90,425	91,025	102,125	111,675	120,201	121,403	122,617	123,843	125,082
Wastewater Inspection Fees	8,075	5,250	7,775	11,730	13,600	13,736	13,873	14,012	14,152
Miscellaneous Revenue	161,405	151,066	182,748	242,788	199,593	201,589	203,605	205,641	207,697
<b>Total Operating Revenues</b>	<b>\$ 14,208,784</b>	<b>\$ 16,216,595</b>	<b>\$ 17,250,055</b>	<b>\$ 18,920,331</b>	<b>\$ 20,999,769</b>	<b>\$ 21,209,767</b>	<b>\$ 21,421,864</b>	<b>\$ 21,636,083</b>	<b>\$ 21,852,444</b>
<b>Operating Expenses:</b>									
Purification and Supply	\$ 954,279	\$ 1,132,055	\$ 1,154,874	\$ 1,114,272	\$ 1,103,041	\$ 1,114,071	\$ 1,125,212	\$ 1,136,464	\$ 1,147,829
Collection and Treatment	2,147,830	2,325,821	2,821,772	2,220,697	2,438,755	2,463,143	2,487,774	2,512,632	2,537,778
Treatment and Distribution	2,203,916	2,445,654	2,393,421	2,547,171	2,894,879	2,952,777	3,011,832	3,072,069	3,133,510
CMOM Program	1,008,816	1,302,429	1,415,128	1,465,689	1,545,363	1,576,270	1,607,796	1,639,952	1,672,751
Shop and General Maintenance	318,855	306,275	375,418	470,839	333,439	336,773	340,141	343,543	346,978
Customer Accounting and Collection	131,543	132,195	141,547	122,870	121,724	122,941	124,171	125,412	126,666
Administrative and General	1,861,405	2,211,369	2,072,488	1,880,537	2,089,427	2,131,216	2,173,840	2,217,317	2,261,663
Depreciation									
Water System and General Plant	1,703,880	1,717,089	1,722,069	2,015,471	2,543,567	2,569,003	2,594,693	2,620,640	2,646,846
Wastewater System	1,932,735	1,988,219	2,196,148	2,315,151	2,411,126	2,435,237	2,459,590	2,484,186	2,509,027
Other	216,762	210,734	260,965	270,761	315,173	318,325	321,508	324,723	327,970
<b>Total Operating Expenses</b>	<b>\$ 12,480,021</b>	<b>\$ 13,771,840</b>	<b>\$ 14,553,830</b>	<b>\$ 14,423,458</b>	<b>\$ 15,796,494</b>	<b>\$ 16,019,756</b>	<b>\$ 16,246,556</b>	<b>\$ 16,476,956</b>	<b>\$ 16,711,019</b>
Operating Earnings	\$ 1,728,763	\$ 2,444,755	\$ 2,696,225	\$ 4,496,873	\$ 5,203,275	\$ 5,190,011	\$ 5,175,309	\$ 5,159,127	\$ 5,141,425
<b>Other Income (Expenses):</b>									
Interest Income	\$ 3,591	\$ 279,997	\$ 234,383	\$ 136,580	\$ 55,893	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Interest Expense	(1,850,135)	(2,047,737)	(1,722,259)	(1,714,150)	(2,067,955)	(3,331,980)	(3,525,841)	(3,471,009)	(3,553,607)
Gain (Loss) on Sale of Assets	-	(29,891)	9,615	4,225	-	-	-	-	-
Derivative - Interest Rate Swap (1)	-	-	-	-	(3,396,726)	-	-	-	-
<b>Non-Operating Revenues (Expenses)</b>	<b>\$ (1,846,544)</b>	<b>\$ (1,797,631)</b>	<b>\$ (1,478,261)</b>	<b>\$ (1,573,345)</b>	<b>\$ (5,408,788)</b>	<b>\$ (3,276,980)</b>	<b>\$ (3,470,841)</b>	<b>\$ (3,416,009)</b>	<b>\$ (3,498,607)</b>
Increase in Net Assets before Capital Contributions	\$ (117,781)	\$ 647,124	\$ 1,217,964	\$ 2,923,528	\$ (205,513)	\$ 1,913,032	\$ 1,704,467	\$ 1,743,118	\$ 1,642,818
<b>Capital Contributions:</b>									
Developer Contributions - Cash	\$ 910,539	\$ 69,290	\$ 2,550	\$ 5,100	\$ 43,350	\$ -	\$ -	\$ -	\$ -
Developer Contributions	839,805	1,745,692	714,774	1,216,660	1,074,426	-	-	-	-
Water Tap Fees in Excess of Cost	-	-	-	-	-	-	-	-	-
Sewer Tap Fees in Excess of Cost	-	-	-	-	-	-	-	-	-
<b>Total Other Income (Expenses)</b>	<b>\$ 1,750,344</b>	<b>\$ 1,814,982</b>	<b>\$ 717,324</b>	<b>\$ 1,221,760</b>	<b>\$ 1,117,776</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Earnings</b>	<b>\$ 1,632,563</b>	<b>\$ 2,462,106</b>	<b>\$ 1,935,288</b>	<b>\$ 4,145,288</b>	<b>\$ 912,263</b>	<b>\$ 1,913,032</b>	<b>\$ 1,704,467</b>	<b>\$ 1,743,118</b>	<b>\$ 1,642,818</b>

Source: Annual Financial Reports for the District

**NOTES:**

(1) Related to Revenue Series II-D-2 Loan Agreement Interest Rate Swap. This was a non-cash account change. Please see in the District's June 30, 2015 audited Annual Financial Report for more information.

**THE WEST KNOX UTILITY DISTRICT OF KNOX COUNTY, TENNESSEE**  
**HISTORICAL DEBT SERVICE COVERAGE ON BONDS**  
For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Gross Revenue (1)	\$ 14,558,877	\$ 17,062,739	\$ 17,775,859	\$ 19,076,456	\$ 21,092,830
Operating Expenses (2)	8,626,644	9,855,798	10,374,648	9,882,078	10,526,628
Income Available For Debt Service	5,932,233	7,206,941	7,401,211	9,194,378	10,566,202
Actual Debt Service Requirements (3)	2,847,574	3,331,152	2,541,952	2,577,935	2,626,665
Bond Coverage	2.08 X	2.16 X	2.91 X	3.57 X	4.02 X
Maximum Estimated Debt Service Requirements on Outstanding and Proposed Senior Bonds (FY 2044) (4)	4,944,963	4,944,963	4,944,963	4,944,963	4,944,963
Maximum Senior Bond Coverage	1.20 X	1.46 X	1.50 X	1.86 X	2.14 X

*Source:* Annual Financial Reports for the District

(1) Includes operating revenues, interest income received and cash capital contributions.

(2) Does not include depreciation expense.

(3) Interest includes interest paid, paying agent's fees and service charges net of capitalized construction period interest.

(4) Assumes a 5.00% Net Interest Rate on the Revenue Series V-B-1 Loan and is net of the Estimated U.S. Treasury Subsidy of 35% for Series 2010 Bonds.

Account No. \_\_\_\_\_

Receipt No. \_\_\_\_\_

**THE WEST KNOX UTILITY DISTRICT OF KNOX COUNTY, TENNESSEE  
APPLICATION FOR WATER SERVICE AND/OR WASTE WATER SERVICE**

Today's Date \_\_\_\_\_

Service Start Date \_\_\_\_\_

Name(s) \_\_\_\_\_

Service Address \_\_\_\_\_

Zip \_\_\_\_\_

Mailing Address \_\_\_\_\_

Zip \_\_\_\_\_

The undersigned agrees to use and pay for service in accordance with the rates, rules and regulations of the District now or hereafter in force, and which are made part of this contract. Further, the undersigned agrees that the District may enter upon the property above referred to for the purpose of making, inspecting and maintaining such installations as may be required of it incident to this application. A Lessors deposit of \$100.00 will be required. Deposit is refundable upon termination of service, and subject to change.

Pursuant to this application and payment made to the District hereunder, the District agrees to install a water service line from its main to the property line and meter and meter box at such point. After the completion of such installations, the applicant shall become liable for the payment of water bills as they become due from time to time in accordance with applicable rates. This service is not transferable. The District agrees to provide water through this service of such quality of such volume and at such pressure as normally can be provided to this locality in the ordinary and usual operations of the District's System.

Applicant agrees to pay for all services provided by West Knox Utility District and understands they will be held liable for any and all collection services and/or costs, including but not limited to attorney fees, associated with the collection of a debt. West Knox Utility District is entitled to deny service to a new applicant based on the delinquency of a prior debt within the District by that applicant until said debt is satisfied.

The undersigned shall cause no cross-connections, auxiliary intake, by-pass or interconnection to be made or allow one to exist for any purpose whatsoever unless the construction and operation of the same have been approved by the Tennessee Department of Health and Conservation and the West Knox Utility District. The operation of such cross-connection, auxiliary intake, or interconnection is at all times under the direct supervision of West Knox Utility District.

Service Charge \_\_\_\_\_

Connection Fee \_\_\_\_\_

Deposit \_\_\_\_\_

Size of Meter \_\_\_\_\_

Spigot \_\_\_\_\_

Deposit # \_\_\_\_\_

WO# \_\_\_\_\_

**MONTHLY WATER RATE SCHEDULE**

(1) RESIDENTIAL WATER RATE:  
\$13.05 CUSTOMER CHARGE  
\$3.46 PER 1000 GAL.

(3) COMMERCIAL, MUNICIPAL, PUBLIC SCHOOL,  
HOSPITAL SERVICE RATE:  
\$16.00 CUSTOMER CHARGE  
\$3.46 PER 1000 GAL.

(4) APARTMENTS, HOTEL, MOTEL, MULTI SPACE UNITS  
PER UNIT OR SPACE:  
\$6.11 MINIMUM BILL  
\$3.46 PER 1000 GAL.

In the event that this contract is also for waste water service, the District hereby agrees to install a wastewater collection line to the property of undersigned, at which point it shall be the responsibility of the undersigned to make the necessary service connection. After the completion of such installation, the applicant shall become liable for the payment of waste water bills as they become due from time to time in accordance with applicable rates.

Connection Fee \_\_\_\_\_

Inspection Fee \_\_\_\_\_

E-1 Pump \_\_\_\_\_

**MONTHLY WASTE WATER RATE SCHEDULE**

(1) RESIDENTIAL RATE PER UNIT:  
\$22.27 CUSTOMER CHARGE  
\$5.84 PER 1000 GAL.  
ALL OVER 13000 GAL. NO CHARGE

(3) COMMERCIAL, MUNICIPAL, PUBLIC SCHOOL,  
HOSPITAL RATE:  
\$30.80 CUSTOMER CHARGE  
\$5.84 PER 1000 GAL.

(4) APARTMENTS, HOTEL, MOTEL, MULTI-SPACE UNITS  
PER UNIT OR SPACE:  
\$16.92 CUSTOMER CHARGE  
\$5.84 PER 1000 GAL.

INDUSTRIAL: TO BE DETERMINED ON  
INDIVIDUAL BASIS

OWNER \_\_\_\_\_

AGENT/RENTER \_\_\_\_\_

DRIVERS LICENSE NUMBER \_\_\_\_\_

PHONE NUMBER \_\_\_\_\_

SPOUSE \_\_\_\_\_

NAME OF EMPLOYER \_\_\_\_\_

DO YOU CURRENTLY HAVE WATER SERVICE WITH WKUD? \_\_\_\_\_ YES \_\_\_\_\_ NO

IF YES, WHAT ADDRESS \_\_\_\_\_

DO YOU WANT THAT SERVICE DISCONNECTED? \_\_\_\_\_ YES \_\_\_\_\_ NO

IF YES, WHAT DATE \_\_\_\_\_

WORK ORDER # \_\_\_\_\_

IF NO, SIGN HERE: \_\_\_\_\_ DATE \_\_\_\_\_

DOES CUSTOMER HAVE A DEPOSIT ON FILE WITH WKUD? \_\_\_\_\_ YES \_\_\_\_\_ NO

IF YES, is the deposit to be transferred to the new account? \_\_\_\_\_ YES \_\_\_\_\_ NO

DEPOSIT NUMBER: \_\_\_\_\_

DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
DIVISION OF WATER RESOURCES

**Drinking Water State Revolving Fund (DWSRF) Loan Program**  
**Funds Available for Loan Obligation**  
**December 07, 2015**

<b>Unobligated Balance as of October 29, 2015</b>	*		<b>\$ 50,800,200</b>
<b><u>Increases:</u></b>		<b><u>Loan Number</u></b>	<b><u>Loan Amount</u></b>
			<u>\$ -</u>
<b>Unobligated Balance as of December 07, 2015</b>			<b>\$ 50,800,200</b>
<b><u>Applicants:</u></b>		<b><u>Loan Number</u></b>	<b><u>Loan Amount</u></b>
Warren County Utility District (Subsidized @ \$625,000)		DW4 2015-158	\$ 2,500,000
Carthage (Subsidized @ \$93,625)		DG3 2016-169	\$ 374,500
Carthage (Subsidized @ \$398,000)		DW4 2016-170	\$ 1,592,000
			<u>\$ 4,466,500</u>
<b>Remaining Funds Available for Loan Obligations</b>			<b><u>\$ 46,333,700</u></b>

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

# FACT SHEET

DECEMBER 07, 2015

**Borrower:** Warren County Utility District  
**Population:** 24,038  
**County:** Warren County  
**Consulting Engineer:** James C. Hailey & Company  
**Project Number:** DW4 2015-158  
**Priority List Ranking/Points:** 6(FY 2014)/45  
**Recommended Term:** 20 years  
**Recommended Rate:**  $(2.40\% \times 50\%) - (0.25\%) = 0.95\%$   
**Project Description:** WTP Improvements ( construction of a new raw water intake, pump station, and control building)

**Total Project Cost:** \$ 2,750,000

## Sources of Funding:

SRF Loan Principal (75%)	\$ 1,875,000
Principal Forgiveness (25%)	\$ 625,000
Local Funds	\$ 250,000

**Gross Revenues:** \$ 3,330,924

## Debt Service:

Prior Loans: (including SRF)	\$ 302,127	9.07%
Proposed Loan:	<u>\$ 102,975</u>	<u>3.09%</u>
Total:	\$ 405,102	12.16%

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

Current Rate: \$ 37.00

**Public Meeting:** April 21, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT  
AS TO OUTSTANDING LOANS  
Warren County Utility District  
DW4 2015-158**

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 \$3,330,924.
- (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.	Max: Annual Debt Service
Waterworks Revenue Bond	Series 2012	\$1,150,000	\$61,140
Waterworks Revenue Ref. Bond	Series 2014	\$3,130,000	\$240,987

- (b) The maximum aggregate annual debt service is \$302,127.
- (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/Water	0.95%	\$2,500,000	\$625,000	\$102,975

- (b) The anticipated maximum aggregate annual debt service is \$102,975.
- (4) The amount of Local Government indebtedness (Subparagraphs (2)(b) and (3)(b) having a lien on the revenues referred above is \$405,102.
- (5) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (4) is \$2,925,822.

Duly signed by an authorized representative of the Local Government on this 20<sup>th</sup>  
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: Glenn Mitchell  
Mr. Glenn Mitchell, Board Chairman

# FACT SHEET

DECEMBER 07, 2015

**Borrower:** Carthage  
**Population:** 2,718  
**County:** Smith County  
**Consulting Engineer:** Warren & Associates Engineering, PLLC  
**Project Number:** DG3 2016-169  
**Priority List Ranking/Points:** 35(FY 2013)/25  
**Recommended Term:** 20 years  
**Recommended Rate:**  $(2.41 \times 70\%) - (0.25\%) = 1.44\%$

**Project Description:** Green-Water Meter Replacements

**Total Project Cost:** \$374,500

**Sources of Funding:**

SRF Loan Principal (75%)	\$ 280,875
Principal Forgiveness (25%)	\$ 93,625
Local Funds	\$ -0-

**State-Shared Taxes:** \$ 273,882

**Debt Service:**

Prior Loans: (including SRF)	\$ 32,230	11.77%
Proposed Loan:	<u>\$ 84,915</u>	<u>31.00%</u>
Total:	\$117,145	42.77%

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

Current Rate: \$ 37.50

**Public Meeting:** October 26, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT  
AS TO LOANS AND STATE-SHARED TAXES  
Carthage DG3 2016-169**

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 \$273,882.

- (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/Sewer	CW3 14-344	\$625,000	\$31,250	\$32,230

- (b) The maximum aggregate annual debt service is \$32,230.

- (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 Forgiveness	Anticipated Max. Annual Debt Service
SRF/Water	1.44%	\$1,592,000	\$398,000	\$68,744
<b>SRF/Water</b>	<b>1.44%</b>	<b>\$374,500</b>	<b>\$93,625</b>	<b>\$16,171</b>

- (b) The anticipated maximum aggregate annual debt service is \$84,915.

- (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.

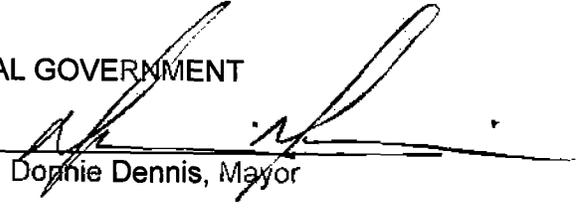
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$117,145.

- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$156,737.

Duly signed by an authorized representative of the Local Government on this 16<sup>th</sup> day of November, 2015.

LOCAL GOVERNMENT

BY:

  
Donnie Dennis, Mayor

# FACT SHEET

DECEMBER 07, 2015

**Borrower:** Carthage  
**Population:** 2,718  
**County:** Smith County  
**Consulting Engineer:** Warren & Associates Engineering, PLLC  
**Project Number:** DW4 2016-170  
**Priority List Ranking/Points:** 7, 8(FY 2014)/45, 45  
**Recommended Term:** 20 years  
**Recommended Rate:**  $(2.41 \times 70\%) - (0.25\%) = 1.44\%$

**Project Description:** Water Treatment System Improvements

**Total Project Cost:** \$1,592,000

**Sources of Funding:**

SRF Loan Principal (75%)	\$ 1,194,000
Principal Forgiveness (25%)	\$ 398,000
Local Funds	\$ -0-

**State-Shared Taxes:** \$ 273,882

**Debt Service:**

Prior Loans: (including SRF)	\$ 32,230	11.77%
Proposed Loan:	<u>\$ 84,915</u>	<u>31.00%</u>
Total:	\$117,145	42.77%

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

Current Rate: \$ 37.50

**Public Meeting:** October 26, 2015

**REPRESENTATION OF THE LOCAL GOVERNMENT  
AS TO LOANS AND STATE-SHARED TAXES  
Carthage DW4 2016-170**

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 \$273,882.

- (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/Sewer	CW3 14-344	\$625,000	\$31,250	\$32,230

- (b) The maximum aggregate annual debt service is \$32,230.

- (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 Forgiveness	Anticipated Max. Annual Debt Service
<b>SRF/Water</b>	<b>1.44%</b>	<b>\$1,592,000</b>	<b>\$398,000</b>	<b>\$68,744</b>
SRF/Water	1.44%	\$374,500	\$93,625	\$16,171

- (b) The anticipated maximum aggregate annual debt service is \$84,915.

- (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 \$117,145.

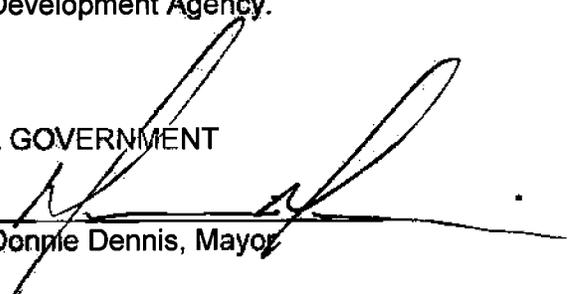
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$156,737.

Duly signed by an authorized representative of the Local Government on this 16<sup>th</sup> day of November, 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: \_\_\_\_\_

  
Donnie Dennis, Mayor