

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY**  
**MAY 11, 2017**  
**AGENDA**

1. Call Meeting to Order
2. Approval of Minutes from the TLDA meeting of April 6, 2017
3. Update on the City of Paris' QECCB suballocation request that received contingent approval at the TLDA's April 6, 2017, meeting
4. Consideration for approval of a recommendation made the Department of Environment and Conservation for the suballocation of Qualified Energy Conservation Bonds to the Economic Development Growth Engine in response to the Request for Proposal for qualified uses of these bonds
5. Report on the notification by the Town of Oliver Springs that was submitted to comply with SRF Policy and Guidance
6. Public hearing on and approval of the TLDA Debt Management Policy
7. Adjourn

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY**

**April 6, 2017**

The Tennessee Local Development Authority (the “Authority” or “TLDA”) met on Thursday, April 6, 2017, at 3:00 p.m. in the State Capitol, room G-11, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

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

The following member 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 and asked Ms. Sandra Thompson, Director of the Office of State and Local Finance (“OSLF”) to call the roll:

Mr. Lillard—Present  
Mr. Hargett— Present  
Mr. Martin— Present  
Dr. Moore— Present  
Mr. Wolfe— Present  
Mr. Wood— Present

Mr. Hargett asked Mr. Sherwin Smith, Director of the Tennessee Department of Environment and Conservation (“TDEC”) State Revolving Fund (“SRF”) program to present the unobligated balance report for the Clean Water SRF and the Clean Water SRF loan requests. Mr. Smith introduced Ms. Felicia Freeman, Senior Engineer with TDEC and stated she would present the report and the requests. Ms. Freeman first presented the unobligated fund balance report. She stated that the balance was \$163,076,072 as of March 21, 2017, and since that time the balance had increased a total of \$1,635,781 due to reductions to previous loans approved. Upon approval of the loan requests to be presented, the funds available for loan obligations would decrease to \$157,611,853.

Mr. Hargett asked Ms. Freeman to present the loan requests for Clean Water SRF and stated that without objection, all items would be taken up as one item:

- Oak Ridge (CG4 2017-356)—Requesting \$2,000,000 (\$1,860,000 (93%) loan; \$140,000 (7%) principal forgiveness) for GREEN – Inflow/Infiltration Correction (Rehabilitation of approximately 30,000 Linear Feet of sewer line.); recommended interest rate of 1.89% based on the Ability to Pay Index (ATPI).
- Paris (CW5 2017-381)—Requesting \$1,500,000 (\$1,275,000 (85%) loan; \$225,000 (15%) principal forgiveness) for wastewater treatment plant (“WWTP”) upgrades and collection system rehabilitation; recommended interest rate of 1.48% based on the ATPI.
- Paris (SRF 2017-382)—Requesting \$3,600,000 for WWTP upgrades and collection system rehabilitation; recommended interest rate of 1.48% based on the ATPI.

- Mr. Lillard made a motion to approve the loans, and Dr. Moore seconded the motion. Ms. Thompson called the roll:

Mr. Lillard— Aye  
Mr. Hargett— Aye  
Mr. Martin— Aye  
Dr. Moore— Aye  
Mr. Wood— Aye  
Mr. Wolfe— Aye

The motion was unanimously approved.

Mr. Hargett stated that the prior agenda item to approve the minutes of the previous meeting had been inadvertently overlooked. He made a motion to approve the minutes of the March 21, 2017, TLDA meeting. Dr. Moore seconded the motion, and Ms. Thompson called the roll:

Mr. Lillard— Aye  
Mr. Hargett— Aye  
Mr. Martin— Aye  
Dr. Moore— Aye  
Mr. Wood— Aye  
Mr. Wolfe— Aye

The minutes were unanimously approved.

Mr. Hargett then asked Ms. Freeman to present the unobligated balance report for the Drinking Water SRF and the Drinking Water SRF loan requests, stating that both items would be taken up as one. Ms. Freeman first presented the unobligated fund balance report. She stated that the balance was \$45,025,114 as of March 21, 2017, and since that time the balance had increased by \$227,674 due to reductions to a previous loan approved. Upon approval of the loan requests to be presented, the funds available for loan obligations would decrease to \$43,002,788.

- Parsons (DG6 2017-185)—Requesting \$1,000,000 (\$800,000 (80%) loan; \$200,000 (20%) principal forgiveness) for improvements to the existing Parsons water treatment plant (“WTP”) (Additional flocculation and sedimentation basins. Modification of the chlorination process by switching from chlorine gas to liquid chlorine. Relocation of the existing motor control center. Sludge dewatering and disposal improvements and new emergency generators at the raw water intake structure, the existing WTP, and at the Perryville water storage tank.); recommended interest rate of 0.94% based on the ATPI.
- Parsons (DWF 2017-191)—Requesting \$1,250,000 for improvements to the existing Parsons WTP (Additional flocculation and sedimentation basins. Modification of the chlorination process by switching from chlorine gas to liquid chlorine. Relocation of the existing motor control center. Sludge dewatering and disposal improvements and new emergency generators at the raw water intake structure, the existing WTP, and at the Perryville water storage tank.); recommended interest rate of 0.94% based on the ATPI.

Dr. Moore made a motion to approve the loans, and Mr. Lillard seconded the motion. Ms. Thompson called the roll:

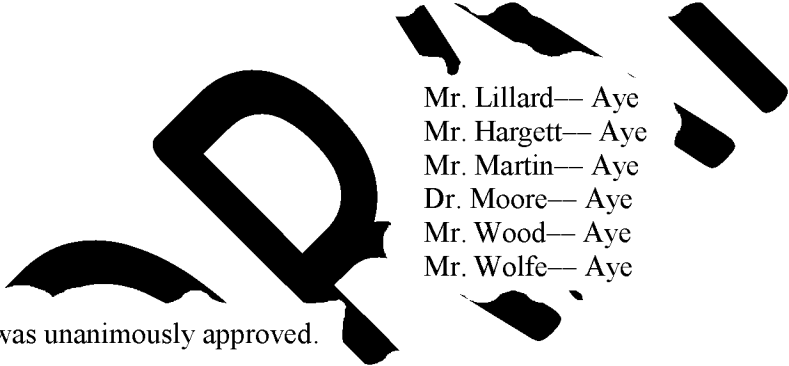
Mr. Lillard— Aye  
Mr. Hargett— Aye  
Mr. Martin— Aye  
Dr. Moore— Aye  
Mr. Wood— Aye  
Mr. Wolfe— Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item was consideration of approval of a recommendation by the Department of Environment and Conservation for the suballocation of Qualified Energy Bonds (QECBs) to the city of Paris in response to the request for proposal for qualified uses of these bonds, contingent upon the City's approval of its authorizing resolution.

Mr. Hargett asked Ms. Alexa Voytek, Grants Program Manager, Office of Energy Programs ("OEP") in the Department of Environment and Conservation, to present the request. Ms. Voytek explained that the City of Paris proposed to use the proceeds of a \$2,532,500 bond issuance for an energy savings performance contract with Trane serving as the energy performance contractor. Ms. Voytek stated that the project will include an upgrade of streetlights to LED lighting technology, conversion of lighting within select City-owned buildings to LED lighting technology, addition of intelligent thermostats on HVAC systems, the addition of energy-saving vending machine controls, and an upgrade to the Civic Center's indoor pool dehumidifier. Ms. Voytek stated that the issuance of the bonds is expected to take place in May or June 2017. Ms. Voytek stated that the project is expected to yield annual energy and operational savings of \$189,127, reducing utility costs and consumption by 15-20% over the next 20 years. Ms. Voytek explained that should the guaranteed savings not be met, Trane would be required to make a payment to the city to cover the difference. Ms. Voytek explained that the City of Paris had originally approved an authorizing resolution on March 2, 2017; however, due to increased project cost estimates, a subsequent supplemental resolution is scheduled to be considered for approval by the city's board of commissioners on April 6, 2017 (the same day as this meeting). She stated that the OEP recommends approval of this allocation contingent upon receipt of the approved subsequent supplemental resolution. Ms. Voytek stated that upon approval of this request, the total QECB allocation remaining for suballocation would be \$24,403,595.


Mr. Lillard made a motion to approve the request, and Mr. Hargett seconded the motion. Ms. Thompson called the roll:



Mr. Lillard— Aye  
Mr. Hargett— Aye  
Mr. Martin— Aye  
Dr. Moore— Aye  
Mr. Wood— Aye  
Mr. Wolfe— Aye

The motion was unanimously approved.

Hearing no other business, Mr. Lillard made a motion to adjourn the meeting, and Mr. Wood seconded the motion. Mr. Hargett called for a roll-call vote. Ms. Thompson called the roll:



Mr. Lillard— Aye  
Mr. Hargett— Aye  
Mr. Martin— Aye  
Dr. Moore— Aye  
Mr. Wood— Aye  
Mr. Wolfe— Aye

The meeting was adjourned.

Approved on this \_\_\_\_ day of \_\_\_\_\_, 2017.

Respectfully submitted,

Sandra Thompson  
Assistant Secretary

RESOLUTION NO. 1582

INITIAL RESOLUTION DETERMINING TO ISSUE ONE OR MORE SERIES OF TAXABLE GENERAL OBLIGATION BONDS, INCLUDING ONE OR MORE SERIES OF QUALIFIED ENERGY CONSERVATION BONDS, OF THE CITY OF PARIS, TENNESSEE IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED FOUR HUNDRED FIFTY THOUSAND DOLLARS.

WHEREAS, for the purposes of financing certain energy conservation projects and related costs, ~~the Board of Commissioners of the City of Paris, Tennessee (the "Municipality") adopted an initial resolution on March 2, 2017, authorizing the issuance~~ of one or more series of taxable general obligation bonds in an aggregate principal amount of not to exceed \$2,150,000 and providing that one or more series of such bonds may be issued as qualified energy conservation bonds in accordance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, for the purposes of providing additional financing for the above-described projects and related costs (all as more fully described below), it is necessary and in the public interest of the Municipality to issue one or more series of taxable general obligation bonds in an aggregate principal amount of not to exceed \$450,000 (the "Bonds"); and

WHEREAS, one or more of the series of Bonds authorized herein may be issued as qualified energy conservation bonds in accordance with the provisions of the Code; and

WHEREAS, pursuant to Section 9-21-205, Tennessee Code Annotated, prior to the issuance of any bonds secured by the general obligation of a local government, the governing body of the local government proposing to issue said bonds shall adopt a resolution determining to issue the same; and

WHEREAS, for the purpose of complying with the requirements of said statute, the Board of Commissioners of the Municipality adopts this Resolution.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE CITY OF PARIS, TENNESSEE:

**Section 1. Purpose.** For the purposes of financing (a) all or a portion of the costs to improve, upgrade, modify and equip public buildings and facilities within the Municipality for the purpose of energy conservation, including the installation of energy-efficient public street lights, energy-efficient lighting in public buildings and facilities, energy-efficient upgrades to HVAC systems and vending machines in public buildings and facilities and energy-efficient upgrades to the indoor pool dehumidifier in the Municipality's Civic Center, all as part of a green community program (as such term is used in Section 54D of the Code), (b) acquisition of all property, real and personal, appurtenant to the foregoing, (c) legal, fiscal, administrative,

architectural and engineering costs incident to all the foregoing (collectively, the "Projects"), (d) all other costs authorized to be financed pursuant to Section 9-21-109, Tennessee Code Annotated, including without limitation, costs of issuance of the Bonds, and/or (e) the reimbursement to the Municipality for funds previously expended for the Projects, the Board of Commissioners hereby determines to issue the Bonds in an aggregate principal amount of not to exceed \$450,000, which shall bear interest at a rate or rates not to exceed the maximum rate permitted under applicable law, and which shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. To the extent that a series of Bonds is issued as qualified energy conservation bonds, such series of Bonds shall be additionally payable from, but not secured by, certain interest subsidy payments received by the Municipality with respect to such series from the United States Treasury.

Section 2. Publication of Resolution. The City Recorder/Finance Director of the Municipality is hereby directed and instructed to cause the foregoing initial resolution relative to the issuance of not to exceed \$450,000 taxable general obligation bonds to be published in full in a newspaper having a general circulation in the Municipality, for one issue of said paper, followed by the statutory notice, to-wit:

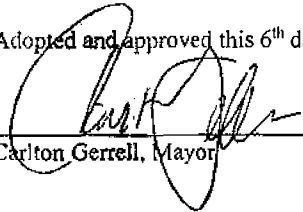
NOTICE

The foregoing resolution has been adopted. Unless within twenty (20) days from the date of publication hereof a petition signed by at least ten percent (10%) of the registered voters of the Municipality shall have been filed with the City Recorder/Finance Director of the Municipality protesting the issuance of the bonds, such bonds will be issued as proposed.

Traci Pillow, City Recorder/Finance Director

Section 3. Effective Date. This Resolution shall take effect from and after its adoption, the welfare of the Municipality requiring it.

Adopted and approved this 6<sup>th</sup> day of April, 2017.

  
\_\_\_\_\_  
Carlton Gerrell, Mayor

ATTEST:

  
\_\_\_\_\_  
Traci Pillow, City Recorder/Finance Director

STATE OF TENNESSEE



COUNTY OF HENRY



I, Traci Pillow, certify that I am the duly qualified and acting City Recorder/Finance Director of the City of Paris, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a regular meeting of the governing body of the Municipality held on April 6, 2017; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to not to exceed \$450,000 taxable general obligation bonds of said Municipality.

WITNESS my official signature and seal of said Municipality on this the 6<sup>th</sup> day of April, 2017.

  
\_\_\_\_\_  
City Recorder/Finance Director

## QECB Update – Total State Allocation May 2017

<b>Total State Allocation</b>	<b>64,676,000</b>		
Allocation for Large Local Jurisdictions			35,998,072
Allocation to State			28,677,928
		<b>Utilized/Retained</b>	<b>Reallocated</b>
<b>Allocation for Large Local Jurisdictions</b>	<b>35,998,072</b>		
Chattanooga <sup>1</sup>		1,767,919	
Clarksville <sup>3</sup>		1,240,000	
Hamilton County <sup>4</sup>		1,668,015	
Memphis <sup>2</sup>		7,014,356	
Metro Nashville/Davidson County <sup>5</sup>		6,441,971	
Other LLJs' Reallocations to State			17,865,811
		18,132,261	17,865,811
<b>Amount Available for Suballocation / RFP (State Allocation plus Reallocations)</b>			<b>46,543,739</b>
<b>Closed Issuances</b>			
Memphis <sup>2</sup>			3,657,644
Knox County <sup>6</sup>			12,450,000
City of Lebanon <sup>7</sup>			3,500,000
<b>Pending Issuances</b>			
City of Paris <sup>8</sup>			2,532,500
<b>Proposals</b>			
Memphis <sup>9</sup>			2,142,850
			<b>22,260,745</b>

<sup>1</sup> As of December 2016, Chattanooga was evaluating projects for which it will use QECBs.

<sup>2</sup> Memphis 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.

<sup>3</sup> Clarksville issued an RFP for a street light improvement project. Bond issuance closed for this project (\$1,240,000) on March 23, 2016.

<sup>4</sup> As of June 2016, Hamilton County had not yet identified a project for which they will use QECBs.

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

<sup>6</sup> The bond issuance for Knox County's suballocation project (\$12,450,000), which funded the installation of solar PV on 13 targeted sites across the county, closed on June 30, 2015.

<sup>7</sup> The bond issuance for Lebanon's suballocation project (\$3,500,000), which funded the installation of a waste-to-energy gasification unit, closed on April 24, 2015.

<sup>8</sup> The bond issuance for Paris' suballocation project (\$2,532,500), which will fund the upgrade of street lights to LED technology, conversion of lighting within select City-owned buildings to LED lighting technology, the addition of intelligent thermostats on HVAC systems, the addition of energy-saving vending machine controls, and an upgrade to the Civic Center's indoor pool dehumidifier, is expected to take place in June 2017.

<sup>9</sup> Economic Development Growth Engine (EDGE), serving as conduit issuer, is proposing to use the proceeds from a \$2,142,850 bond issuance to conduct energy efficiency upgrades to the Southbrook Towne Center, which was identified as a target project under the Memphis Green Communities Program in 2014.



## TLDA Board Meeting

May 11, 2017

### QECB Summary: RFP #3

Proposer: Economic Development Growth Engine (EDGE), as conduit issuer for the City of Memphis

Project: Southbrook Town Centre Renovation  
City of Memphis Green Communities Program

Amount: \$2,142,850

Proposed Date of Issuance: June - December, 2017 (180 days from May 11 is November 7, 2017)

Bond Counsel: Steven I. Turner, Hawkins Delafield & Wood LP

Economic Development Growth Engine (EDGE), serving as conduit issuer, is proposing to use the proceeds from a \$2,142,850 bond issuance to conduct energy efficiency upgrades to the Southbrook Towne Centre, as part of the Memphis Green Communities Program. The proposed project includes the replacement of the roof with an energy efficient roof system, an upgraded HVAC system, and an upgrade to the building's electrical power grid. Issuance is expected to take place between June and December of 2017.

The proposal packet submitted by EDGE includes:

- A project proposal from the conduit issuer, EDGE
- A resolution from the Memphis City Council, approving the transaction and EDGE as the conduit issuer for the project
- A resolution by the EDGE Board, approving the transaction
- A letter from bond counsel on behalf of the conduit issuer (EDGE), indicating that the conduit issuer is authorized to issue the debt and that the project is an eligible use of QECBs.

To date, the City of Memphis has combined its Large Local Jurisdiction QECB allocation of \$7,014,356 and an RFP suballocation of \$3,657,644 to support energy improvement projects under its Green Communities Program. Bond issuance for the Sears Crosstown Project (\$8,316,000) closed 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.

The Southbrook Towne Centre project was included within the package of Green Communities Program projects that were presented by TDEC OEP and approved by the TLDA on October 8, 2014. However, in a letter dated February 9, 2015, the City of Memphis informed TDEC OEP that the Southbrook Mall “will need to be financed through a second conduit issuer, Economic Development Growth Engine (EDGE) for Memphis and Shelby County” due to the fact that the Southbrook Mall exists outside the bonding authority jurisdiction of the Center City Revenue Finance Corporation (CCRFC), which was the conduit issuer that applied for and issued the bonds that were utilized for the Sears Crosstown, Universal Life Insurance Building/Self Tucker, and Knowledge Quest projects.

TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
OFFICE OF ENERGY PROGRAMS  
312 Rosa L. Parks Avenue, 2<sup>nd</sup> Floor  
Nashville, TN 37243  
615-532-0238



## QUALIFIED ENERGY CONSERVATION BOND PROGRAM REQUEST FOR PROPOSALS FY 2015

### Summary

The Tennessee Department of Environment and Conservation's Office of Energy Programs (OEP) is launching a third competitive proposal process to allocate federal Qualified Energy Conservation Bonds (QECBs) to local governments in Tennessee. Maximum allocation capacity is expected to fluctuate due to pending issuances under previously-approved sub-allocations and any additional re-allocations from large local jurisdictions. The recipients of a QECB allocation shall use QECBs to fund qualified energy conservation projects within their jurisdictions.

These bond allocations will be authorized for issuance for a 180-day period from the date of delivery of the official notification of the allocation. Should extenuating circumstances prevent issuance by the 180-day deadline, OEP will determine whether a single extension of a period of 60 days is warranted. **Note: No more than one extension will be granted.**

### Background

QECBs are low-interest federal bonds (via subsidy) available for issuance for qualified energy efficiency, renewable energy, and energy conservation capital projects. Maximum allocation capacity for Tennessee is expected to fluctuate due to pending issuances under previously-approved sub-allocations and any additional re-allocations from large local jurisdictions. In June and July 2012, as required by Federal law, the State notified Large Local Jurisdictions (LLJs) of the amount of their allocations. The total amount identified for these fifteen cities and counties was approximately \$36 million. LLJs choosing not to utilize their initial allocation were asked to reallocate their share to the State. In September 2013, these LLJ reallocations were combined with the State's original allocation of \$28.6 million for a total of \$46,542,400. This amount was available for qualifying projects through a competitive sub-allocation process, released in October 2013. A second RFP was issued by OEP in July 2014.

### Eligibility

All Tennessee local jurisdictions are eligible to submit a proposal. Local jurisdictions can issue the bonds on behalf of a private project, with conditions.

If a local government was previously identified as an LLJ, that jurisdiction remains eligible to submit a proposal for this sub-allocation process. For LLJs that submit a proposal, the decision not to utilize its initial allocation or the progress made on existing QECB projects should be addressed in the narrative of the project summary. If a local

jurisdiction had previously submitted a proposal in response to the initial or second RFP, that proposal should also be addressed in the narrative.

For each QECB allocation awarded under this RFP, up to 30% of the total is eligible for private activity projects. However, the bonds *must* be issued by an eligible local jurisdiction.

## Process

Submissions will be accepted until bond capacity is exhausted. Only complete proposals ~~received~~ via Certified Mail, FedEx, UPS, hand-delivery or other form of tracked delivery will be considered.

Proposals should be directed to the following address:

Office of Energy Programs  
Tennessee Department of Environment and Conservation  
Wm. Snodgrass Tennessee Tower  
312 Rosa Parks Ave, 2<sup>nd</sup> Floor  
Nashville, TN 37243

Once the complete proposal is received, it will be evaluated for eligibility and/or scored by a review committee. The committee will be comprised of representatives from TDEC and/or other appropriate members. The maximum number of points that can be scored is 100. In the event that OEP receives more than one proposal at the same time and the total bond amount requested exceeds capacity, OEP will award the sub-allocation to the highest scoring proposal. The sub-allocation will then need to be approved by the Tennessee Local Development Authority.

## Methodology

Evaluation of the eligibility and/or the scoring of proposals will be based on the following:

### Project Feasibility [40 points]:

- Budget, technology, and plan of action are achievable;
- The project qualifies as an eligible use of funds; and
- The issuing party has ability and legal authority to conduct the bond issuance.

### Project Impact [35 points]:

- The project creates and/or retains jobs;
- The project will incorporate benchmarking and evaluation, measurement, and verification of impacts using EPA's Portfolio Manager® or a similar tool (<http://www.energystar.gov/buildings/facility-owners-and-managers/existing-buildings/use-portfolio-manager>);
- The project saves energy and/or contains other environmental benefits / impacts; and
- The project provides a return on investment.

### Project Strategy [15 points]:

- Project goals, benefits, and plan support the State QECB Program / TDEC / OEP goals; and/or
- Aligns with an established local sustainability strategy.

### Project Readiness [10 points]:

- The project can be completed within the project timeframe by qualified professionals; and
- Energy savings can be achieved with resources identified.

## Compliance

Projects financed with QECB proceeds are subject to various federal laws and regulations, including, but not limited to: the Energy Improvement and Extension Act of 2008; the HIRE Act (H.R. 2847 (Sec. 301)); and the American Recovery and Reinvestment Act (ARRA) (e.g., Davis-Bacon Act, Contract Work Hours and Safety Standards Act, Buy American Provision of ARRA, etc.). Further, QECB use is subject to audit by the Internal Revenue Service and the U.S. Treasury. These and other requirements may apply and should be discussed with bond counsel during the preparation of proposals.

The project results and impacts shall be reported to OEP. Where practicable, participants in the QECB program shall use EPA's Portfolio Manager® or a similar tool to benchmark, track, and measure performance of the project. This information shall be reported to TDEC within 180 days of project completion. Proposals under this request should include a description in the project summary of how project impacts will be collected and reported to OEP after the completion of the project. For example, reports could be provided to OEP at 6 month and 1 year intervals or on a quarterly basis for a 2 year period post-completion.

## Qualified Energy Conservation Bond Proposal

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This proposal is to provide information to OEP to aid in the allocation of QECBs for qualified energy conservation purposes in the State of Tennessee. Proposals must provide full explanations to each of the sections below. To facilitate the fair evaluation of each proposal, please complete the proposal in its entirety and include all required exhibits. Incomplete proposals **will not** be considered. A checklist is included to assist Proposers (see Appendix A).

### 1. Project Summary

Provide a brief overview of the project. If Proposer was designated as an LLJ under the QECB Program, please provide information relative to progress made with the initial QECB allocation. If Proposer re-allocated its share to the State, please address the decision not to utilize the initial QECB allocation. Proposers should also provide information on how project results and impacts will be collected and reported to OEP after the completion of the project.

The City of Memphis proposes to implement a green communities program that will provide funding for improvements to privately owned facilities that are available for general public use with an emphasis on unique projects that maximize energy related improvements to be achieved and that provide the most benefits to the communities within which they exist. The purpose of the Memphis Green Communities Program (MGCP) is to promote energy conservation, energy efficiency, and environmental conservation initiatives relating to energy consumption in privately owned buildings. The Memphis Green Communities Program (MGCP) will meet the public use prong by targeting property that is available for general public use. Eligible purposes of the program include the advancement of energy savings through retro-fitting initiatives for heating, cooling, lighting, water savings, storm water reduction, and other efficiency measures.

One of the target projects, the Southbrook Towne Centre, was awarded funds during the first round of the MGCP. While the project encountered some obstacles in terms of timing, the project is now ready to move forward. The renovated Southbrook Towne Centre will be a multi-purposed, mixed use facility providing space for retail sales, social services, community empowerment, and a place for family oriented entertainment.

Memphis has made progress with its initial QECB allocation through authorization of the MGCP by the Memphis City Council, completion of a round of MGCP Request for Proposals, and the commitment of the funds via City Council resolution for three projects (Crosstown, Universal Life, and Knowledge Quest).

The City of Memphis will collect information on project results and impacts and will report them to OEP after the completion of the program. The City will work with project developers to utilize EPA's Portfolio Manager online tool or an alternative method that measures baseline data and tracks energy and water consumption to determine how a particular property is performing.

**2. General Information**

- a. Local Government or Private Entity: Economic Development Growth Engine
- b. Issuing Entity: Economic Development Growth Engine
- c. Name of or Purpose of Project: Memphis Green Communities Program
- d. Location of Project: Memphis, Tennessee
- e. Amount of Qualified Energy Conservation Bond sought: \$ 2,142,850
- f. Type of Bonds requested:
  - o Government Use Amount \$2,142,850 Percentage 100%
  - o Private Activity Amount \_\_\_\_\_ Percentage \_\_\_\_\_  
 Private Activity cannot exceed 30% of the total amount requested.
  - o General Obligation Bonds or Revenue Bonds \_\_\_\_\_
- g. Proposed date or date range of bond issuance: June 2017 - December 2017
- h. Anticipated Bond Rating (if public offering): N/A (Will likely be a private placement/bank loan)

	Rating	Date Rating Anticipated
Fitch		
Moody's		
Standard & Poor's		
Other		

- i. Name, address, phone number, and tax ID number of the proposed issuer and, if private activity, private borrower or developer, as applicable:

Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, TN; 100 Peabody Place, Suite 1100, Memphis, Tennessee 38103-3652; 901-341-2100; FEIN 45-2930419.

Please indicate the applicable general category for your project, as well as the specific category. Qualified Energy Conservation Bonds can be used for the following purposes, as defined by Internal Revenue Code 54D:

- Capital expenditures incurred for the purposes of:
  - Reducing energy consumption in publicly-owned buildings by at least 20 percent
  - Implementing green community programs
  - Rural development involving renewable energy
  
- Expenditures with respect to research facilities and research grants, to support research in:
  - Development of cellulosic ethanol or other non-fossil fuels
  - Technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
  - Increasing the efficiency of existing technologies for producing non-fossil fuels
  - Automotive battery technologies and other technologies to reduce fossil fuel consumption in transportation
  - Technologies to reduce energy use in buildings
  
- Mass commuting facilities and related facilities that reduce the consumption of energy
  - Reduce pollution from vehicles used for mass commuting
  
- Demonstration projects designed to promote the commercialization of:
  - Green building technology
  - Conversion of agricultural waste for use in production of fuel or otherwise
  - Advanced battery manufacturing technologies
  - Technologies to reduce peak use of electricity
  - Technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity

### 3. Project Information – Attachments Required

Provide detailed information on the proposed project according to the descriptions below. Proposers shall attach a brief narrative (up to one page) for each section to this proposal. Please use a separate page for each of the four criteria. OEP expects to receive more proposals for funding than for which funding exists. It should be understood that this process is competitive and those projects deemed to offer superior benefits to Tennessee will be selected to receive a QECB allocation.

- a. **Project Feasibility:** Please describe the scope of the project as it relates to:
  - The project budget (including cost of land, buildings, equipment replaced or upgraded, and whether any amount has been spent at time of application), as well as information about the cost of issuance, project management and professional services expenses, and other miscellaneous costs;
  - The technology used or upgraded, including factors determining use of this technology over competing or existing technologies; and
  - The issuing party's ability to conduct the bond issuance, as well as the ability of the project to comply with applicable federal and state requirements as an eligible use of funds.
  
- b. **Project Impact:** Please describe the anticipated impact of the project to the extent it:
  - Creates and/or retains jobs, both temporary and full-time;
  - Saves energy or contains other environmental benefits/impacts;
  - Contains a significant return on investment;
  - Incorporates benchmarking, evaluation, measurement, and verification of impacts using EPA's Portfolio Manager® or other like tool;
  - Marks an investment beneficial across the useful life/longevity of project;
  - Contains projected outcomes and criteria used to verify savings/benefits; and
  - Benefits the local government, private entity, and/or public in general.
  
- c. **Project Strategy:** Please describe the project goals as they support, continue, or complement:
  - TDEC OEP goals and/or align with established state, local, or other sustainability or energy efficiency strategy (Included in Appendix B); and
  - Other efforts undertaken by the Proposer (such as whether Proposer has adopted building energy codes), how the project fits into future plans, and the extent of community support.
  
- d. **Project Readiness:** Please describe the timeframe in which:
  - The project will be completed by qualified professionals, including specific information on bond issuance, project start date and anticipated completion date, procurement status, timeframes for ordinances or permits to be obtained; and
  - Additional project funding, if necessary, will be secured, as well as an assurance that energy savings can be achieved with resources identified.



**4. Supporting Materials – Attachments Required**

Please include original or certified copies of the following:

- a. Inducement resolution, reimbursement resolution or other documentation of the preliminary approval of the project by the issuing entity, in conformity with applicable federal and state law.
- b. If the proposed issuer will be different from the county or municipality that receives the allocation, the approval granting use of the allocation for the project or purpose by the governing body.
- c. A written Opinion of Independent Legal Counsel stating that:
  - The proposed project meets QECB eligibility requirements under Internal Revenue Code 54D and all other applicable laws, rules, regulations and requirements, and
  - The proposed use is eligible to be considered a public and/or private use by applicable laws, rules, regulations, and requirements, and does not exceed the 30% per allocation total limit on private activity bonds.

**5. Bond Counsel Information**

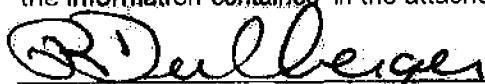
Name of Attorney and Firm: Steven I. Turner, Hawkins Delafield & Wood LP

Address, City, State, and Zip Code: 28 Liberty Street, New York, NY 10005

Telephone & FAX No. and E-Mail: Phone: 212.820.9462 Fax: 212.820.9615 E-mail: sturner@hawkins.com

Any award of QECB allocation to an eligible entity shall not be construed as or relied upon as a statement or decision that any particular project in fact complies with applicable laws, rules, regulations and requirements. To the contrary, by executing this form, the Proposer hereby certifies that (i) the stated project is legally eligible to be funded by QECBs, and (ii) the Proposer will ensure compliance with all applicable laws, rules, regulations and requirements with respect to any QECBs issued and shall ensure any relevant reports are timely made. Additionally, the Proposer hereby releases and agrees to hold completely harmless the Tennessee Local Development Authority, the Tennessee Department of Environment and Conservation, the State of Tennessee, and any employees of any of the foregoing, from any and all matters relating to any QECB capacity awarded or not awarded to the Proposer or QECBs issued or not issued.

The undersigned, on behalf of the Proposer set forth below, hereby certifies that it is authorized by the eligible entity to make the request and certifications contained herein on behalf of the eligible entity. I further certify that the information contained in the attached proposal is true and accurate to the best of my knowledge.

	Reid Dulberger
Signature of Proposer's Senior Official	Print Name
President/CEO	100 Peabody Place, Suite 1100, Memphis, TN 38103-3652
Title	Address
901-341-2100	April 26, 2017
Phone Number of Authorized Official	Date

**NOTE: ELIGIBLE ENTITIES ARE LIMITED TO ONE PROPOSAL UNDER THIS RFP. HOWEVER, THE PROPOSAL MAY CONTAIN MULTIPLE PROJECTS PROVIDED THAT THE ALLOCATION REQUESTED DOES NOT EXCEED TOTAL BOND CAPACITY.**

**ATTACHMENTS:**

**Compliance**

The City of Memphis, by and through its Division of Housing and Community Development (HCD), as a Participating Jurisdiction (PJ) in conjunction with the U. S. Department of Housing and Urban Development (HUD), receives and administers funding from: Community Development Block Grant (CDBG), Home Investment Partnership (HOME), Housing for Persons with AIDS (HOPWA), Tenant Based Rental Assistance (TBRA), etc. to plan and complete eligible projects relative to funding statutory and regulatory requirements. In furtherance of these efforts, the Division of Housing and Community Development established its Compliance and Reporting Department to review, monitor, and report on all federal/state and local requirements. The Compliance Department is responsible for all eligibility, environmental, labor standards (Davis Bacon), historic (Section 106), ADA (Section 504), Section 3, American Recovery and Reinvestment Act (ARRA) Buy America Provisions of ARRA reviews, monitoring and reporting. The HCD Compliance Department also interfaces with all federal/state/local audit and monitoring agencies and has the capacity to comply with and report on all requirements under QECB requirements and will work with EDGE on this project.

**A. Project Feasibility** – Please describe the scope of the project as it relates to:

- The project budget (including cost of land, buildings, equipment replaced or upgraded, and whether any amount has been spent at time of application), as well as information about the cost of issuance, project management and professional services expenses, and other miscellaneous costs;
- The technology used or upgraded, including factors determining use of this technology over competing or existing technologies; and
- The issuing party's ability to conduct the bond issuance, as well as the ability of the project to comply with applicable federal and state requirements as an eligible use of funds.

The budget for the Memphis Green Communities Program is as follows

Green Communities Revolving Loan Fund	\$ 2,100,000.00
Loan Fund Project Management (1%)	\$ 0.00
Costs of Issuance (5%)	\$ 0.00
Total Program Cost	\$ 2,100,000.00

The funding will be allocated for energy efficiency improvements in structures within the City of Memphis.

The specific technology that will be utilized as a part of the MGCP will vary based on the specific project, but will focus on products that reduce energy consumption in facilities by 20% or more from standard technology. These types of technology include areas such as lighting, HVAC, solar thermal water heating, renewable energy, and other innovative energy saving products.

EDGE issues bonds for a variety of purposes on an annual basis and is able to conduct a bond issuance for the MCGP. EDGE will comply with all federal and state requirements to ensure that the funds are used for an eligible expense, and will rely on our bond counsel as well as staff to ensure compliance.

**B. Project Impact - Please describe the anticipated impact of the project to the extent it:**

- Creates and/or retains jobs, both temporary and full-time;
- Saves energy or contains other environmental benefits/impacts;
- Contains a significant return on investment;
- Incorporates benchmarking, evaluation, measurement, and verification of impacts using EPA's Portfolio Manager® or other like tool;
- Marks an investment beneficial across the useful life/longevity of project;
- Contains projected outcomes and criteria used to verify savings/benefits; and
- Benefits the local government, private entity, and/or public in general.

The Memphis Green Communities Program will support projects that create and/or retain jobs. Analysis for the Southbrook Towne Centre suggests that there are currently 30 employees at the site. The Southbrook Towne Centre is expected to create 73 jobs from the construction phase, 9 jobs from the operation of the mall, and 459 jobs through ongoing retail sales and services. It is anticipated that the project will provide jobs for lower income persons from the community and that workers will be paid prevailing wage. The City of Memphis will insure that future projects funded through the MGCP maximize opportunities for job creation/retention.

All target projects of the MGCP will save energy and contain environmental benefits by focusing on projects that embody one or more of the following: brownfields, historic redevelopment, buildings that will achieve LEED platinum certification, 40% energy savings as compared to ASHRAE 90.1 standards (through High efficiency central plant, Energy recovery systems, Daylighting, Energy efficient lighting, High efficiency windows, Thermal envelope improvements, 40% reduction of water usage, Community bike lanes, Mass transit stops, including support of a dedicated community arts transit line, Reduced vehicular traffic through the integration of residential, arts, health, wellness, education, office and residential environments, Public education and demonstration projects, community gardens, Community green space, Storm water biofiltration, and High efficiency window replacement. Each of these efforts is significant in its own right.

The MGCP will insure that projects contain a significant return on investment through thorough reviews of the economic and other community impacts of the projects. Analysis for the Southbrook Towne Centre project documents that the project will have a one-time construction economic impact generating tax revenue of \$225,244.00, an ongoing operational tax revenue impact of \$30,149.00, and annual sales tax revenue impact of \$1,751,097.00.

The MGCP incorporates benchmarking, evaluation, measurement, and verification of impacts through a variety of methodologies which will include verification through LEED's measurement and verification criteria, EPA Portfolio Manager, advanced metering systems, and benchmarking.

The MGCP will mark an investment beneficial across the useful life/longevity of project through evaluation of the cost and buildability, as well as durability and long term life cycle costs. Key examples include the mechanical system and site infrastructure evaluations.

The MGCP is designed to produce the following verifiable impacts: Implementation of green community programs, Implementation of education and demonstration projects to promote energy conservation and environmental consciousness, and community economic benefits.

THE MGCP will benefit the public through ambitious environmental and community building goals. Each of these goals provides direct public benefit. As a community, Memphis is generally a conservative business climate where few are willing to step beyond the tried and true. Three major components can be achieved at the Southbrook Towne Centre project: (1) a complete tear off of the roof to be replaced by a TVA approved energy efficient roof

system, (2) fully assemble a complete energy efficient HVAC system, and (3) a total upgrade of the building's energy efficient electrical power grid. These will contribute to the overall reduction in greenhouse gas emissions, reduce energy expenses, and increase the energy efficiency of the building operations.

### C. Project Strategy

- TDEC OEP goals and/or align with established state, local, or other sustainability or energy efficiency strategy (Included in Appendix B); and
- Other efforts undertaken by the Proposer (such as whether Proposer has adopted building energy codes), how the project fits into future plans, and the extent of community support.

The MGCP fits well within the goals of both TDEC's Office of Energy Programs and those established by the City of Memphis and the Memphis and Shelby County Office of Sustainability. The MGCP will provide low-interest funding for energy efficiency for a number of high profile facilities utilized by the public on a regular basis. This will provide a significant opportunity to educate local citizens on the benefits associated with energy efficiency and connect it to their everyday life. By publicizing the various aspects being incorporated into these facilities, it provides an opportunity for more wide spread adoption into the private sector and contributing to the overall reduction in demand on local energy resources overall.

The City of Memphis has a clear dedication to being leaders in sustainability, as evidenced by various programs such as: the Mayor's Energy Challenge and programs under the Office of Sustainability. Under the Mayors Energy Challenge, the City and County Mayors partnered with MLGW, TDEC OEP, Pathway Lending, and the Office of Sustainability to encourage more residents and business owners to take on energy projects. And lastly, the Office of Sustainability administers the Sustainable Shelby Implementation Plan, which provides the broad framework for sustainability in Memphis and Shelby County. There is a significant focus in the Plan on reducing energy demand as a way to enhance air quality in the region, so the Office of Sustainability spends a significant amount of time on these types of programs.

This project aligns with the goals of the aforementioned programs and will create a significant opportunity to take energy efficiency to scale in the City of Memphis. Shelby County Government recently adopted the IECC 2009 code for energy efficiency in buildings, which also contributes towards the goal of a more sustainable community in Memphis and Shelby County.

**D. Project Readiness – Please describe the timeframe in which:**

- The project will be completed by qualified professionals, including specific information on bond issuance, project start date and anticipated completion date, procurement status, timeframes for ordinances or permits to be obtained; and
- Additional project funding, if necessary, will be secured, as well as an assurance that energy savings can be achieved with resources identified.

EDGE believes that projects funded under the MGCP project will not only meet but exceed the thresholds of completing the project within the project timeframe by qualified professionals and of demonstrating that energy savings can be achieved with the resources identified. More particularly the projects require a range of dedicated professionals who are committed to excellence and committed to adhering to a stringent construction/project timeline.

The Southbrook Towne Centre team includes the following professionals:

- Architect: Self Tucker Architects
- Developer: The Kyles Company
- Legal Representative: Attorney Linda Harris
- Energy Conservationist: Larry Hoover, Sustainable Green Construction Solutions
- Certified Public Accountant: Jesse Lee, CPA
- General Contractor: Threatt Construction, Inc.
- Project Manager, Janice Banks, Small Planet Works

These qualified professionals, in collaboration with public partner entities including the the City of Memphis and Shelby County have the proven expertise necessary to execute the proposed Southbrook project.

The MGCP will require documentation from project developers that additional project funding, if needed, will be secured. The MGCP will assure that the energy savings measures can be achieved with the resources identified through a process of continual evaluation. As energy saving measures are considered, the design team will evaluate the effectiveness and appropriateness, the construction team will evaluate the cost and buildability, and the operations team will study the durability and long term life cycle costs. Key examples include the mechanical system and site infrastructure evaluations. As additional assurances, the third party LEED certification process provides an independent verification that the whole building energy model is representative of the expected savings, while the building measurement and verification systems provide real time data to confirm the day to day functions are performing as expected.

**ATTACHMENTS:**

1. Resolution Authorizing Financing of Memphis Green Communities Program
2. Legal Opinion



**RESOLUTION AUTHORIZING FINANCING OF  
CITY OF MEMPHIS GREEN COMMUNITIES PROGRAM  
(TOWNE-CENTER AT SOUTHBROOK PROJECT)  
(April 19, 2017)**

WHEREAS, the City of Memphis, Tennessee (the “City”) heretofore has authorized a Green Communities Program to finance loans and/or grants to eligible participants for energy conservation installations and improvements (the “Green Communities Program”); and

WHEREAS, certain of the Green Communities Program projects have been financed through the Memphis Center City Revenue Finance Corporation (“CCRFC”); and

WHEREAS, the City wishes to finance an additional Green Communities Program project through the Economic Development Growth Engine for the City of Memphis and County of Shelby, Tennessee (“EDGE”) for the Towne-Center at Southbrook project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Economic Development Growth Engine for the City of Memphis and County of Shelby, Tennessee as follows:

1. It is anticipated that the City will, by resolution, request EDGE to issue its bonds, notes or other evidences of indebtedness (the “Bonds”) to finance a portion of the Green Communities Program, in such principal amounts as shall be required, together with allowable costs of issuance, to make Green Communities Program loans and/or grants in an amount not to exceed \$2,100,000 for the Towne Center at Southbrook project.

2. The Bonds shall be issued as “qualified energy conservation bonds” pursuant to Section 54D of the Internal Revenue Code of 1986 as amended, and application by EDGE and the City to the appropriate authorities of the State of Tennessee (the “State”) for cap allocation for this purpose is hereby authorized.

3. EDGE will take title to the real property from a beneficiary of the Green Communities Program and lease it to the City, and the City will in turn sublease the real property either (i) to a beneficiary of the Green Communities Program or (ii) back to EDGE and EDGE will lease the real property to such beneficiary with no abatement of ad valorem real or personal property taxes.

4. The Bonds will be repaid by the City from legally available revenues which shall not include ad valorem tax revenues.

5. Hawkins Delafield & Wood LLP is approved as bond counsel to the City for the Bonds, without separate bond counsel to EDGE. Bond counsel shall render opinions to EDGE satisfactory to EDGE general counsel.

6. Authorization of leases, subleases, loan or bond purchase agreements, bond indentures and other documents required in connection with the issuance of the Bonds shall be subject to further proceedings of this Board. EDGE’s obligation to issue the Bonds shall be subject to and expressly contingent upon (i) this Board’s approval in all respects of the terms, conditions and documentation of the financing documents and to the continuing validity of all representations made by the City in its application to EDGE; (ii) compliance by the applicant with the applicable

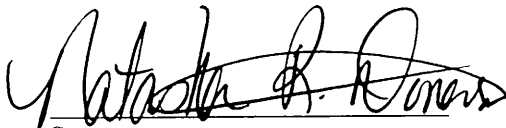
requirements of the State, the City and EDGE satisfactory in all respects to EDGE; (iii) the formal request of the City for EDGE to issue the Bonds; and (iv) the receipt by EDGE of adequate cap allocation from the State.

7. The President, Chairman, Treasurer, Secretary or any other officer of EDGE are hereby authorized to execute such certificates and documents, and take such other actions, as may be necessary or appropriate to carry out the intent of this Resolution.

Adopted April 19, 2017.

  
\_\_\_\_\_  
ECONOMIC DEVELOPMENT GROWTH ENGINE  
FOR THE CITY OF MEMPHIS AND COUNTY OF  
SHELBY, TENNESSEE

Attest:

  
\_\_\_\_\_  
Secretary

**RESOLUTION AUTHORIZING FINANCING OF GREEN  
COMMUNITIES PROGRAM**

WHEREAS, the City of Memphis, Tennessee (the "City") heretofore has authorized a Green Communities Program to finance loans and/or grants to eligible participants for energy conservation installations and improvements (the "Green Communities Program"); and

WHEREAS, Southbrook Properties Corporation was awarded \$2,100,000 in Qualified Energy Conservation Bonds (QECBs) through the Green Communities Program; and

WHEREAS, the City wishes to finance this project through the Green Communities Program through the Economic Development Growth Engine for Memphis and Shelby County ("EDGE");

NOW, THEREFORE, BE IT RESOLVED by the Council of the City as follows:

1. EDGE is hereby requested to issue its bonds, notes or other evidences of indebtedness (the "Bonds") to finance this project through the Green Communities Program, in such principal amounts as shall be required, together with costs of issuance and any reserves that may be necessary, to make Green Communities Program loans and/or grants in an amount not to exceed \$2,100,000. The City is hereby authorized to apply to EDGE for approval of such financing and to pay any EDGE application, continuing or counsel fees and expenses in connection with such application and the Bonds.

2. The Bonds to be issued for the Green Communities Program shall be issued as "qualified energy conservation bonds" pursuant to Section 54D of the Internal Revenue Code of 1986 as amended, and application by EDGE and the City to the appropriate authorities of the State of Tennessee for cap allocation for this purpose is hereby authorized. The City is hereby authorized to surrender to the State any such cap previously allocated directly to the City by the U.S. Internal Revenue Service, or allocated to the City by the State, for reallocation to EDGE for the purpose of issuing the Bonds as "qualified energy conservation bonds."

3. The City is hereby authorized to lease, as lessee, from EDGE any property related to any beneficiary of the Green Communities Program and to sublease the same, as lessor, to any such beneficiary or to EDGE for the purpose of facilitating the utilization of such property for the purposes of the Green Communities Program and other purposes. Lease payments by the City to EDGE shall be at least equal to the principal of and premium, if any, and interest on the Bonds issued to finance the Program, and *also* may include related additional expenses, costs and indemnities as may be required under the financing instruments authorized in paragraph 6 below ("Additional Costs").

4. The City is hereby authorized to covenant with EDGE that the payments by the City under the documents authorized by paragraph 3 above shall be made from appropriate legally available revenues, other than ad valorem tax revenues, of the City to secure the City's obligations thereunder.

5. The Mayor, Comptroller and Director of Finance / Chief Financial Officer, or any of them or their designees (individually or collectively, "Authorized Officers"), are hereby authorized to execute and deliver the documents authorized in paragraph 3 above.

6. The Mayor and other Authorized Officers are hereby authorized to execute, approve or consent to and deliver bond purchase or loan agreements, and/or related covenants and agreements, with respect to loans to be made to EDGE and the purchase of Bonds by any one or more of SunTrust Bank; Wells Fargo Bank, National Association; Duncan Williams; JPMorgan Chase Bank, N.A.; Citizen's Bank, or Tri State Bank (and participating lenders, if any) for the purposes set forth in this resolution, which agreements may include obligations to pay related additional expenses, costs and indemnities.

7. All actions heretofore undertaken by the Authorized Officers and other officials, employees, attorneys and agents of the City in furtherance of the intent of this resolution, and of the documents authorized by this resolution, are hereby ratified, confirmed and approved.

8. The Authorized Officers and other appropriate officials and employees of the City are hereby authorized to enter into such additional agreements and execute such certificates and documents, and take such other actions, as may be necessary or appropriate to carry out the intent of this resolution and to perform the obligations of the City under the documents authorized by this Resolution.

I hereby certify that the foregoing is a true copy  
and document was adopted, approved by the  
Council of the City of Memphis in regular  
session on

Date APR 11 2017  
Valerie C. Sripes  
Deputy Comptroller-Council Records



PHONE (212) 820-9300  
FAX (212) 514-8425

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WWW.HAWKINS.COM

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LOS ANGELES  
SACRAMENTO  
SAN FRANCISCO  
PORTLAND  
ANN ARBOR

Writer's direct contact:  
Phone: (212) 820-9450  
Fax: (212) 820-9666  
E-mail: jeustis@hawkins.com

April 26, 2017

Office of Energy Programs  
c/o Molly Cripps, Director  
Tennessee Department of Environment  
and Conservation  
Wm. Snodgrass Tennessee Tower  
312 Rosa Parks Avenue, 2nd Floor  
Nashville, Tennessee 37243

Re: Memphis Green Communities Program

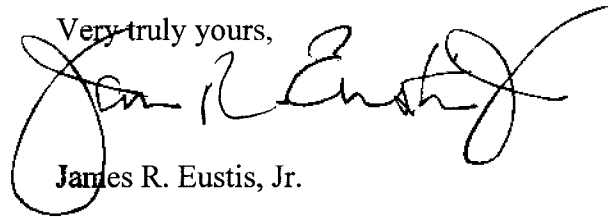
Dear Director Cripps:

On behalf of the Economic Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee ("EDGE"), which approved our appointment as bond counsel to the City of Memphis (the "City") in connection with EDGE's issuance of qualified energy conservation bonds ("QECBs") within the meaning of Section 54D of the Internal Revenue Code of 1986, as amended (the "Code"), we wish to advise you as follows.

In 2014, we collaborated with Memphis Center City Revenue Finance Corporation ("CCRFC"), the City and others in developing a program that culminated with the issuance of several issues of QECBs by CCRFC in 2015. The proceeds of the QECBs were used to make grants or loans to qualified participants under what is known as the City's "Memphis Green Communities Program" or "MGCP". We reviewed with the City both the need to communicate, and suitable methods for communicating (e.g., by radio infomercials, written advertisements and by means of the City website), the potential availability of funding for energy conservation projects undertaken by or for members of the City's commercial sector, multi-family residences, and non-governmental hospitals and schools. We worked with the City in developing and editing the content of the application that must be completed by interested parties and filed with the City's Office of Sustainability as a prerequisite for consideration under the MGCP. We also received assurances that the City had the staff and resources to fairly assess and, by giving effect to such criteria as the likelihood of a project's environmental impact and job creation, to rank and select the best funding candidates.

The City has requested EDGE to issue additional QECB's for one of the qualified projects (located entirely within the corporate boundaries of the City) previously approved for financing under the MGCP, which project cannot be financed through CCRFC because of its location, and we are informed that the City is applying to the State for a volume cap allocation to EDGE for this purpose. Assuming the requested QECB cap allocation is granted, we have no reason to believe that the QECBs issued by EDGE to fund this additional MGCP project cannot and will not satisfy the applicable requirements under Code Section 54D. Furthermore, as the MGCP is a "green community program" within the meaning of, and for the purposes of, subsections (e)(4) and (f)(1) of Code Section 54D, satisfaction of the 30% limitation relating to private activity bonds under Code Section 54D(e)(3) should not be an issue.

Very truly yours,

A handwritten signature in black ink, appearing to read "James R. Eustis, Jr.", written in a cursive style.

James R. Eustis, Jr.

Copies to: Alexa Voytek, Program Manager, Office of Energy Programs  
André Walker, Deputy Director of Finance for the City  
Cheryl M. Hearn, Assistant City Attorney  
Paul Young, Director, City Division of Housing and Community Development  
Reid Dulberger, President/CEO of EDGE  
Stephen L. Anderson, Farris Bobango PLC  
Steven Turner, Hawkins Delafield & Wood LLP  
Peter Lam, Hawkins Delafield & Wood LLP

Cecil Crowe/Mayor  
Joseph Van Hook  
City Recorder/Judge  
Chris Mason  
City Manager  
Ramona Walker  
Court Clerk/Finance Officer

## Town of Oliver Springs

717 Main St. -P.O. Box 303  
Oliver Springs, TN 37840  
Ph (865) 435-7722 Fax (865) 435-4881

### Aldermen

Robert Miller  
Jeff Bass  
Kenneth Brown  
Terry Craze  
Terry Holland  
Don Shillings

April 13, 2017

**VIA E-MAIL ([sandi.thompson@cot.tn.gov](mailto:sandi.thompson@cot.tn.gov))**

Ms. Sandra Thompson, Assistant Secretary  
Tennessee Local Development Authority  
James K. Polk Building, Suite 1600  
505 Deaderick Street  
Nashville, Tennessee 37243

RE: **Town of Oliver Springs, Tennessee (the "Town") –  
Water and Sewer Revenue and Tax Bond, Series 2017 (the "Bond")**

Dear Ms. Thompson:

The Town proposes to issue the Bond to the United States Department of Agriculture in order to finance water and sewer system improvements and extensions. The Bond will be secured by a pledge of water and sewer revenues subordinate to the pledge of revenues in favor of the Town's 2014 State Revolving Fund Loan. Please consider this letter notice of the issuance of the Bond, as required by the TLDA's SRF Policy & Guidance for Borrowers.

Sincerely,

  
Cecil Crowe  
Mayor of Oliver Springs

22628318.1

# 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 for such debt, 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 concerning debt issuance; 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 able to meet its obligations in a timely manner.

Debt levels and their related annual costs are important ~~long-term obligations~~ financial considerations that ~~must be managed with available~~ impact the use of current 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 this debt policy as a tool to ensure that financial resources are adequate to meet the Authority's long-term debt program and financial planning. In addition, this Debt Management Policy (the "Policy") helps to ensure that that financings undertaken by the Authority satisfy certain clear objective standards designed to protect the Authority's financial resources and to meet its program long-term capital needs.

### A. The goals of this Policy

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

### B. The objectives of this Policy are:

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
- To identify legal and administrative limitations on the issuance of debt;
- To ensure the legal use of the Authority's debt issuance authority;
- To maintain appropriate resources and funding capacity for present and future capital needs;
- To protect and enhance the Authority's credit rating;
- To evaluate debt issuance options;
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
- To manage interest rate exposure and other risks; and
- 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.

- 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.
- Bonds may be issued to refinance outstanding debt.

### B. Debt Capacity Assessment

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

- **Tax-Exempt Debt** - The Authority 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.
- **Taxable Debt** - The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt.

### D. Legal Limitations on the Use of Debt

- No debt obligation shall be sold to fund the current operation of any state service or program.
- 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.
- 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:

- **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond.

- Serial Bonds
- Term Bonds
- **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 (“BANs”). Such debt shall be authorized by resolution of the Authority. These BANs may be used to fund projects during their construction period to take advantage of the project lower short-term interest rates.

- **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.
- **Commercial Paper (“CP”)** – CP is a form of bond anticipation note that has a maturity up to 270 days, may be rolled to a subsequent maturity date and is commonly used to finance a capital project during construction. It can be issued incrementally as funds are needed.
- **Revolving Credit Facility** – A form of bond anticipation note involving the extension of a line of credit from a bank. The bank agrees that the revolving credit facility can be drawn upon incrementally as funds are needed. The draws upon the line of credit may bear variable interest rates until redeemed. Provision as to the

calculation or change of variable interest rates shall be included in the authorizing credit agreement.

## **Debt Management 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 or the date the project is deemed complete or placed in service, whichever is earlier.

### **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.

## **Refunding Outstanding Debt**

At least semiannually, The Authority may refinance outstanding bonds by issuing new bonds. Authority staff with assistance from the Authority's financial advisor ("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:

- ~~Economic.~~ The sale of refunding bonds produces a ~~total minimum an aggregate~~ present value savings ~~threshold of at least~~ 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.~~
- ~~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; or
- ~~Tax.~~ The project is sold or no longer in service while still in its amortization period; or
- ~~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 of a certified analysis from the Financial Advisor of ~~certified analysis~~ that the market conditions at the time of the sale still will produce the necessary savings.

## B. Term of Refunding Issues

The Authority will refund bonds within the same fiscal year of 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 structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Authority will take ~~all actions as may be necessary or appropriate to effectuate~~ competitive bids on any selected portfolio of securities and will award to the transactions contemplated by the Refunding Trust Agreements, including but not limited to lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Series securities ("SLGS") are purchased directly from the Federal Government. The provider must guarantee the delivery of securities except for 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~~ reasonable steps to optimize escrows and to avoid negative arbitrage in its refundings subject to the State's investment ~~policies as stated in policy~~ subject to section 4-31-104(6) of the General Bond Resolution TCA. Any positive arbitrage will be rebated as necessary according to Federal guidelines. (see also "Federal Regulatory Compliance and Continuing Disclosure – A. Arbitrage").



## Methods of Sale

### A. Competitive

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 Authority's preferred method of sale.

### B. Negotiated

While the Authority prefers the use of a competitive process, the Authority recognizes that some securities are best sold through negotiation. The underwriting team will be chosen and the underwriter's fees negotiated prior to the sale. See section below titled "Selection of Underwriting Team (Negotiated Transaction)." In its consideration of a negotiated sale, the Authority ~~shall~~will assess the following factors:

- A structure which may require a strong pre-marketing effort such as a complex transaction;
- Volatility of market conditions and whether the Authority would be better served by flexibility in timing a sale;
- Size of the bond sale which may limit the number of potential bidders;
- 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; and
- If legal or disclosure issues make it advisable in marketing bonds

### C. Private Placement

From time to time, the Authority may ~~elect~~need to consider privately placing 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~~, the market of purchasers is limited, and/or 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 ("RFP") 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. Senior Manager

The Authority with assistance from its staff and financial advisor shall select the senior manager(s) 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. Co-Manager**

Co-managers will be selected on the same basis as the senior manager(s). 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 Secretary or Assistant Secretary to the Authority will, at his or her discretion, 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. To the extent that selling groups are used, the Secretary or Assistant Secretary of the Authority at his or her discretion may make appointments to selling groups as the transaction dictates.

## **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 fee 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, Authority's staff with the 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.~~

Following each sale, the Authority's staff shall provide a report to the Authority on the results of the sale.

## 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 (the "OSLF") will schedule rating agency calls and/or visits prior to the issuance of bonds.

The Office of the Comptroller of the Treasury through the OSLF, 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.

## Security for the TLDA Bond Program

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. 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.

For the State Loan Program, the security is the pledge of the system revenues, a general obligation pledge of the borrowing local government, the debt service reserve fund, and the intercept of state-shared taxes. The debt service reserve fund contains a deposit from the borrower equal to one year of the maximum annual debt service. State-shared taxes may be taken if the borrower is delinquent in payments. The intercept of state-shared taxes will be tested periodically.

## 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 by the Authority is deemed prudent and advantageous ~~for negotiated sales.~~ The ~~predominant determination~~ primary consideration shall be based on whether such insurance being is 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~~ may be allowed to 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. If the Authority decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, the Authority will select a provider whose bid is most cost effective and will consider the credit quality of the insurer and that the 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 ~~an~~ 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 the Authority has established a policy defining the use of such products is approved before the transaction is considered.

## **Risk Assessment**

The OSLF 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 OSLF 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 of short-term debt.

#### **D. Interest Rate Risk—**

The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issue 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.

#### **G. Market Risk**

The risk that in the event of failed remarketing of short term debt, the liquidity provider fails.

### **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. 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: Additionally, the Authority will provide certain financial information and operating data by specified dates, and to provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure undertakings requirements of the U.S. Securities and Exchange Commission (“SOC”) Rule 15c2-12. The Authority intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Authority’s website within two weeks of the closing of such sale;
- Preparing and filing with the OSLF a copy of the costs related to the issuance of a bond and other information as required by Section 9-21-151, of the TCA, within 45 days of the closing of such sale, and presenting the original of such document to the Authority at its next meeting of the Authority; (see also “Debt Administration – B. Post Sale”); and
- Electronically submitting through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) website; the information necessary to satisfy the Authority’s continuing disclosure requirements for the bonds in a timely matter (see also “Federal Regulatory Compliance and Continuing Disclosure”).

### **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 OSLF regarding Authority matters.

## **B. Bond Counsel**

Bond counsel is contracted by the Office of the Comptroller of the Treasury shall be engaged through the OSLF and serves to assist the Authority in all its limited special general obligation debt issues under a written agreement.

## **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**

The Financial Advisor shall be engaged through the OSLF 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, under a written agreement. 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 it is or have has been providing advisory services for the issuance. The Financial Advisor will be subject to has a fiduciary duty which includes including a duty of loyalty and a duty of care.

## **D. Refunding Trustee**

The Refunding Trustee shall be appointed by resolution of the Authority adopted prior to the issuance of any of refunding bonds. The Refunding Trustee will be a bank, trust company or national banking association that provides Paying Agent and Registrar services.

## **E. Dealer**

The Authority will enter into a Dealer Agreement with the appointed CP dealer. The Dealer agrees to offer and sell the CP, on behalf of the Authority, to investors and other entities and individuals who would normally purchase commercial paper.

## **F. Issuing and Paying Agent**

The Authority covenants to maintain and provide an Issuing and Paying Agent at all times while the CP is outstanding. The Authority will enter into an Issuing and Paying Agency Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company or national banking association that has trust powers.

## **G. Credit/Liquidity Provider**

The Authority shall enter into a Credit Agreement with the appointed credit provider. A credit provider shall be a bank or lending institution that extends credit to the Authority in the form of a revolving credit facility, a line of credit, a loan or a similar credit product or as a liquidity facility for CP.

## **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 such information that is reasonably sufficient to allow the Authority to appreciate the significance of the relationships.

Professionals who become involved in a 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 provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

## Debt Administration

### A. Planning for Sale

- Prior to submitting a bond resolution for approval, the Director of the OSLF Finance (the "Director"), with the assistance of the Financial Advisor, will present to staff of the members of the Authority information concerning 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;
- In addition, 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.
- The Director (with the assistance of staff in the OSLF) with the advice of Bond Counsel, the Financial Advisor, and 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

- The Director (with the assistance of staff in the OSLF), 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.
- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds.
- 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.
- Within 45 days from closing, the Director will prepare a Form CT-0253 - "Report on Debt Obligation" outlining costs related to the issuance and other information set forth in Section 9-21-151 of the TCA, and also present the original at the next meeting of the Authority and file a copy with the OSLF.
- 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 Internal Revenue Service all arbitrage earnings associated with the financing and any tax liability that may be owed.

- The Post-Issuance Compliance (“PIC”) team will meet annually to review matters related to compliance and complete the PIC checklist.
- As a part of the PIC procedures, the Director (with the assistance of staff in the OSLF) will, no less than annually, request confirmation from the responsible department that there has been no change in use of tax-exempt financed facilities.

## **Federal Regulatory Compliance and Continuing Disclosure**

### **A. Arbitrage**

The OSLF 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. Section 4-31-104(6) of the TCA, subject to any restrictions required pursuant to the next sentence or pursuant to any applicable bond issuance authorization. Compliance with Federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained. Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained.~~

Proceeds used to refinance outstanding long-term debt shall be placed in an irrevocable refunding trust fund with the Refunding Trustee. The investments (i) shall not include mutual funds or unit investment trusts holding such obligations, (ii) are rated not lower than the second highest rating category of both Moody’s Investors Service, Inc. and Standard & Poor’s Global rating services and (iii) shall mature and bear interest at such times and such amounts as will be sufficient, together with other moneys to pay the remaining defeasance requirements of the bonds to be redeemed.

### **C. Disclosure**

The Authority will provide to disclose on EMMA the State’s and the Authority’s audited Comprehensive Annual Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings for the outstanding bonds no later than January 31st of each year, and will provide notice of certain enumerated. The Authority will also, in accordance with the continuing disclosure undertakings, disclose on EMMA within ten business days after the occurrence of the following events with



~~respect relating to the bonds, if material. Such material events include:~~ to which the continuing disclosure undertakings apply:

- Principal and interest payment delinquencies.
- Nonpayment-related defaults, if material.
- Unscheduled draws on debt service reserves reflecting financial difficulties.
- Unscheduled draws on credit enhancements reflecting financial difficulties.
- Substitution of credit or liquidity providers or their failure of performance on the part of a liquidity provider to perform.
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of such bonds or other material events affecting the tax-exempt status of any such bonds.
- Modifications to rights of bond holders, if material.
- Bond calls, if material, and tender offers.
- Defeasances.
- Release, substitution or sale of property securing the repayment of the bonds, if material.
- Rating changes
- Bankruptcy, insolvency, receivership, or similar event of the State.
- Consummation of a merger, consolidation, or acquisition involving the Authority or sale of all or substantially all of the assets of the Authority, other than in the course of ordinary business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- Appointment of successor trustee or the change of name of a trustee, if material.

#### **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.

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## **Adoption of the Policy**

After a public hearing on May 4, 2017, the Authority Adopted this Policy, effective May 4, 2017.

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Vice-Chair

Tennessee Local Development Authority

**DRAFT**