Tennessee Local Development Authority
December 19, 2017
Agenda

1. Call Meeting to Order
2. Minutes
    a) Approval of Minutes from the TLDA meeting of November 11, 2017
    b) Correction of Minutes from the TLDA meetings of June 22 and August 17, 2017
3. Update on the Qualified Energy Conservation Bond program
4. Request from Hallsdale-Powell Utility District to waive requirement 7(m) set forth in its SRF loan agreements requiring that the audit for 2017 be filed by September 30, 2017
5. Request from Hallsdale-Powell Utility District to issue refunding bonds in an amount not to exceed $20,000,000 and to subordinate the lien position of its SRF loans
6. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
November 8, 2017

The Tennessee Local Development Authority (Authority or TLDA) met on Wednesday, November 8, 2017, at 1:10 p.m. in the W.R. Snodgrass Tennessee Tower, 3rd floor, Conference Room C, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

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

The following 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 members were absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Hargett called the meeting to order. Mr. Hargett asked Ms. Sandra Thompson, Director of the Office of State and Local Finance (OSLF) to call roll.

Mr. Wolfe—Present
Dr. Moore—Present
Mr. Hargett—Present
Mr. Wilson—Present
Ms. Hess—Present
Ms. Scott--Present

Mr. Hargett asked for a motion to approve the minutes of the September 22, 2017, TLDA meeting. Mr. Wilson made a motion to approve the minutes, and Dr. Moore seconded the motion. Ms. Thompson performed a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item on the agenda was an update on the Qualified Energy Conservation Bond (QECB) program, and recognized Ms. Alexa Voytek, Program Manager with the Tennessee Department of Environment and Conservation's (TDEC) Office of Energy Programs (OEP). Ms. Voytek provided updates as of October 24, 2017 for QECB suballocations under the 3rd request for proposal:

- City of Paris: OEP had recommended and TLDA had approved a $2,532,500 suballocation for an energy savings performance contract that will include 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. Issuance of $2,530,000 in QECBs closed on June 5, 2017. On September 1, the City of Paris submitted a letter to OEP, noting that it would like to reallocate the $2,500 in unissued bonds from its approved allocation back to the State.

- Williamson County: OEP had recommended and TLDA had approved a $10,200,000 suballocation, which will finance the first of at least three phases of an energy savings performance contract. During the first phase, various energy conservation measures will be performed within 13 Williamson County Schools. Issuance of $10,115,000 in QECBs closed on August 30, 2017. On September 6, OEP Program Manager conducted a QECB compliance workshop in Williamson County with representatives from the County and from Trane. On September 7, Williamson County submitted a letter to OEP, noting that it would like to reallocate the $85,000 in unissued bonds from its approved allocation back to the State.

- EDGE / City of Memphis: OEP had recommended and TLDA had approved a $2,142,850 suballocation, which will support energy efficiency upgrades to the Memphis Green Communities Program's Southbrook Towne Center. The 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 of $2,142,850 in QECBs closed on September 18, 2017.

Mr. Hargett asked if there were any questions or comments. Mr. Wilson asked if the QECB allocation to the State had an expiration date. Ms. Voytek replied that she would find out and respond to the Authority. (A response was subsequently provided to the Authority via email on November 13, 2017. Ms. Voytek confirmed that there is no current deadline by which States must utilize their QECB allocations. However, Ms. Voytek noted that the Tax Cut and Jobs Act, which was introduced in the U.S. House of Representatives on November 2, 2017, proposes a prohibition on the issuance of certain tax credit or interest subsidy bonds, to include QECBs. This prohibition would apply to bonds issued after December 31, 2017.)

Mr. Hargett stated the next item on the agenda was consideration of Clean Water State Revolving Fund (SRF) loans and recognized Ms. Felicia Freeman, Senior Engineer with TDEC's SRF loan program to present the item. Ms. Freeman first presented the unobligated fund balance. She stated the balance was $19,181,029 as of September 22, 2017. This balance increased a total of $73,591,289 from principal and interest repayments, interest earnings on funds held in the State Pooled Investment Fund, the FY16 EPA capitalization grant (balance of funds), the FY17 EPA capitalization grant, and the associated state-match dollars for the grants bringing the balance to $92,772,318. Upon approval of the loan requests to be presented, the funds available for loan obligations would decrease to $92,022,318. She then described the loan requests:

- Jasper (CG3 2018-400)—Requesting $599,471 ($569,497 (95%) loan; $29,974 (5%) principal forgiveness) for green inflow/infiltration (I/I) correction (rehabilitation/replacement of 8-inch and 10-inch diameter sewer lines and manhole rehabilitation in the downtown area); recommended interest rate of 1.45% based on the Ability to Pay Index (ATPI).
- Jasper (SRF 2018-401)—Requesting $150,529 for green I/I correction (rehabilitation/replacement of 8-inch and 10-inch diameter sewer lines and manhole rehabilitation in the downtown area); recommended interest rate of 1.45% based on the ATPI.

Mr. Hargett made a motion to approve the requests, and Mr. Wilson seconded the motion. Ms. Thompson performed a roll-call vote:

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

Mr. Lillard made a motion to approve the loan, and Mr. Wilson seconded the motion.

Ms. Freeman then presented a request for a Drinking Water SRF loan. She first presented the unobligated fund balance. She stated the balance was $40,500,826 as of September 22, 2017. The balance increased $18,065,129 due to loan decreases, principal and interest repayments, interest earnings on funds held in the State Pooled Investment Fund, the FY17 EPA capitalization grant (net of set-asides), and the associated state match of the grant bringing the balance to $58,565,955. Upon approval of the loan request to be presented, the funds available for loan obligation would decrease to $58,500,955. She then described the loan request:

- Carthage (DWF 2018-199)—Requesting $65,000 for water treatment plant improvements; recommended interest rate of 1.23% based on the ATPI.

Mr. Wilson made a motion to approve the loan, and Dr. Moore seconded the motion. Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett then stated that the next item on the agenda was a report on the notification by the City of Sweetwater that was submitted to comply with TLDA SRF Policy and Guidance for Borrowers. Mr. Hargett recognized Ms. Thompson who stated that OSLF received a notice from the City informing the TLDA that they plan on issuing debt that would be subordinate to its SRF loans. Ms. Thompson stated that the TLDA's Policy and Guidance only requires the city to provide notification of the issuance to the TLDA, and therefore no approval is required. Mr. Hargett asked if there were any questions. There were no questions.

Mr. Hargett stated that the next item was consideration of a request from the Jackson Energy Authority (JEA) and recognized Ms. Thompson to present the request. Ms. Thompson Stated that JEA is requesting to issue Wastewater System Revenue Refunding Bonds in an amount not to exceed $15 million on parity with its existing SRF loans (CW0 13-313, SRF 13-314, CG2 16-363, CG3 16-161, CG4 16-362, CG2 16-368, and CG2 17-383). Ms. Thompson stated that the Series 2009 bonds to be refunded are currently senior to the outstanding SRF loans. Upon issuance of the Refunding Bonds, the lien position of the SRF loans would be on parity with, instead of subordinate to, the Refunding Bonds. Ms. Thompson stated that the OSLF had conducted an analysis and determined that JEA met the requirements set forth in the TLDA's SRF Policy and Guidance for Borrowers to issue addition debt. She noted that JEA had timely filed its financial statements, provided current and projected financial information, and met the minimum debt service requirement of 1.2 times. Mr. Wilson asked if JEA was extending the maturity of the debt. Ms. Thompson responded that they are not. Ms. Thompson stated that based on OSLF's analysis, JEA will have sufficient cash and revenues to meet its obligations and appears to meet the TLDA's guidelines for approval to issue refunding bonds on parity with it its SRF loans.

Mr. Wilson made a motion to approve to request, and Ms. Scott seconded the motion. Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Hearing no other business, Mr. Hargett asked for a motion to adjourn. Mr. Wolfe made a motion, and Dr. Moore seconded the motion. Ms. Thompson performed a roll-call vote:

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

The meeting was adjourned.

Approved on this _____ day of __________, 2017.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

- Oakland (SRF 2016-369)—Requesting $1,010,365 for collection system expansion (provide sewer service to customers along Highway 64/Eastside and to the Wellington Place subdivision) and replacement of existing 175 MGD (million gallons per day) pumping station with a 400 MGD pumping station; recommended interest rate of 1.60% based on the Ability to Pay Index (ATPI).
- Oak Ridge (SRF 2017-396)—Requesting $3,100,000 for modifying the existing wet well; replacing existing pumps, valves and associated piping; replacing the existing emergency generator, and electrical controls upgrades; recommended interest rate of 1.69% based on the Ability to Pay Index (ATPI).
- Parrottsville (CW5 2017-378)—Requesting $200,000 ($170,000 (85%) loan; $30,000 (15%) principal forgiveness) for wastewater treatment plant improvements including advanced treatment (repair and filter and subsurface area around filter and recirculation tank, installation of a new UV disinfection system, construction of an effluent stair aeration); recommended interest rate of 0.81% based on the ATPI.

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

Dr. Moore — Aye
Mr. Wolfe — Aye
Mr. Hargett — Aye
Mr. Lillard — Aye
Mr. Wilson — Aye
Ms. Scott — Aye

The motion was unanimously approved.

Mr. Hargett then asked Mr. Smith to present the unobligated balance report for the Drinking Water SRF and the Drinking Water SRF loan requests, and stated that, without objection, all three loans would be considered as one item. Mr. Smith first presented the unobligated fund balance report. He stated that the balance was $43,002,788 as of April 6, 2017, and since that time the balance had increased by $5,000 due to a reduction to a previous loan approved. Upon approval of the loan requests to be presented totaling $1,445,000, the funds available for loan obligations would be $41,562,788.

- Cleveland (DG6 2017-192)—Requesting $1,000,000 ($800,000 (80%) loan; $200,000 (20%) principal forgiveness) for construction of a 0.5 million gallon above ground concrete storage tank, a new 600 gallons per minute water booster pump station on Georgetown Road, replacement of approximately 3,000 linear feet of 12-inch ductile iron pipe (DIP) main extension along Georgetown Road, and construction of approximately 1,000 linear feet of 12-inch diameter DIP transmission main along Georgetown Circle to the proposed Georgetown Road storage tank; recommended interest rate of 1.60% based on the ATPI.
- Cleveland (DWF 2017-193)—Requesting $195,000 for construction of a 0.5 million gallon above ground concrete storage tank, a new 600 gallons per minute water booster pump station on Georgetown Road, replacement of approximately 3,000 linear feet of 12-inch ductile iron pipe (DIP) main extension along Georgetown Road, and construction of approximately 1,000 linear feet of 12-inch diameter DIP transmission main along Georgetown Circle to the proposed Georgetown Road storage tank; recommended interest rate of 1.60% based on the ATPI.
- Smith Utility District (DWF 2017-194~~394~~)—Requesting $250,000 for waterline replacements along Main Street and downtown / Cedar Street areas; recommended interest rate of 0.76% based on the ATPI.

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

Dr. Moore — Aye
Mr. Wolfe — Aye
Mr. Hargett — Aye
Mr. Lillard — Aye
Mr. Wilson — Aye
Ms. Scott — Aye

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

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

The motion was unanimously approved.

Mr. Hargett then stated that the next item on the agenda was to consider the drinking water loans for approval and recognized Mr. Sherwin Smith to present the Drinking Water balance sheet. Mr. Smith stated that the unobligated balance as of the June 22, 2017 was $41,562,788. Mr. Smith then explained that the fund had an increase of $47,161 due to decreases in previous loans resulting in a balance of $41,609,949. Mr. Smith stated that the projects to consider for approval totaled $2,949,950, which would leave a remaining unobligated balance of $38,659,999. Mr. Hargett stated that, without objection, all loans would be considered as one item.

Mr. Smith then presented the following loan requests:

- Paris (DWF 2017-195)—Requesting $750,000 for water treatment plant ("WTP") improvements and Volunteer Drive water tank rehabilitation; recommended interest rate of 1.18% based on the Ability to Pay Index (ATPI).
- Paris (DW6 2017-196)—Requesting $1,000,000 ($800,000 (80%) loan; $200,000 (20%) principal forgiveness) for water treatment plant ("WTP") improvements (replace aging treatment process-Phase II); recommended interest rate of 1.18% based on the Ability to Pay Index (ATPI).
- Paris (DWF 2017-197)—Requesting $500,000 for water treatment plant ("WTP") improvements (replace aging treatment process-Phase II); recommended interest rate of 1.18% based on the Ability to Pay Index (ATPI).
- Troy (DW4 2017-198)—Requesting $699,950 ($524,962 (75%) loan; $174,988 (25%) principal forgiveness ~~($1,000,000 ($800,000 (80%) loan; $200,000 (20%) principal forgiveness)~~ for water system improvements; recommended interest rate of 0.39% based on the Ability to Pay Index (ATPI).

Mr. Martin made a motion to approve the loans, Mr. Wilson seconded the motion, and Ms. Thompson called the roll:

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

The motion was unanimously approved.

Hearing no other business, Mr. Wilson made a motion to adjourn the meeting, Mr. Hargett seconded the motion, and Ms. Thompson called the roll:

QECB Update – Total State Allocation (December 2017)

Total State Allocation	**64,676,000**		
Allocation for Large Local Jurisdictions (LLJs)			35,998,072
Allocation to State			28,677,928
		Utilized/Retained	**Reallocated**
Allocation for LLJs	**35,998,072**		
Chattanooga[1]		7,000	
Clarksville[2]		1,240,000	
Hamilton County[3]		1,668,015	
Memphis[4]		7,014,356	
Metro Nashville/Davidson County[5]		6,441,971	
Other LLJs' Reallocations to State			19,626,730
		16,371,342	19,626,730
Amount Available for Suballocation / RFP (State Allocation Plus Reallocations)			**48,304,658**
Closed Issuances			
Memphis[4]			3,657,644
Knox County[6]			12,450,000
City of Lebanon[7]			3,500,000
City of Paris[8]			2,530,000
Williamson County[9]			10,115,000
Memphis[10]			2,142,850
Total Allocation Remaining			**13,909,164**

[1] On December 7, 2017, TDEC's Office of Energy Programs received a letter from the City of Chattanooga, requesting to reallocate the City's LLJ allocation back to the State. The letter incorrectly stated that the LLJ allocation amount to be reallocated was $1,760,919, leaving $7,000 to still be reallocated. TDEC OEP has requested that a revised letter be sent to reallocate the remaining $7,000 back to the State.

[2] Clarksville issued an RFP for a street light improvement project. Bond issuance closed for this project ($1,240,000) on March 23, 2016. On June 10, 2016, the City of Clarksville submitted a letter to the Tennessee Department of Environment and Conservation's Office of Energy Programs (TDEC OEP), noting that it would like to reallocate the $1,344 in unissued bonds from its LLJ allocation back to the State.

[3] As of September 2017, Hamilton County had not yet identified a project for which they will use QECBs.

[4] 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.

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

[6] 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.

[7] 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.

[8] The bond issuance for Paris' suballocation project ($2,530,000), 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, closed on June 5, 2017. Note: The City of Paris originally requested and TLDA approved a $2,532,500 suballocation for this project. On September 1, 2017, the City of Paris submitted a letter to TDEC OEP, noting that it would like to reallocate the $2,500 in unissued bonds from its approved allocation back to the State.

[9] The bond issuance for Williamson County' suballocation project ($10,115,000), which will finance energy conservation measures within 14 Williamson County School buildings, closed on September 30, 2017. Note: Williamson County originally requested and TLDA approved a $10,200,000 suballocation for this project. On September 7, 2017, Williamson County submitted a letter to TDEC OEP, noting that it would like to reallocate the $85,000 in unissued bonds from its approved allocation back to the State.

[10] The bond issuance for a fourth Memphis' Green Communities Program suballocation project ($2,142,850), which will support energy efficiency upgrades to the Southbrook Towne Center, closed on September 18, 2017.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE

November 30, 2017

Hallsdale-Powell Utility District

Request for TLDA Approval to Issue Additional Debt

The Hallsdale-Powell Utility District (the "District") is requesting approval from the Tennessee Local Development Authority (TLDA) to issue $20,000,000 in refunding bonds with a senior lien position to its 11 outstanding State Revolving Fund (SRF) loan agreements (see chart below). A formal request to the TLDA for approval is required by provisions set forth in the State Revolving Fund (SRF) loan agreement and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*.

1. The requestor is a:

_X_ Utility District or Water/Wastewater District planning to issue Revenue Debt

____ Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? ___ Yes _X_ No

____ Municipality (town/city/county) planning to issue:

____ General Obligation Debt

____ Revenue Debt – Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? ____ Yes ____ No

2. Lien Position:

___ The borrower is requesting to issue the refunding and improvement bonds with a parity lien position to its outstanding SRF loan(s).

_X_ The borrower is requesting subordination of its outstanding SRF debt to the refunding debt issuance. **NOTE**: The bonds being refunded currently have a senior lien position to the District's SRF loans. The District reported in its request for TLDA approval letter (dated November 30, 2017): "these refunding bonds are proposed to be issued as senior lien bonds on parity with other senior lien indebtedness under the Master Resolution which would continue to be senior to the liens securing HPUD's SRF loans."

____ The borrower is not requesting a modification of lien position and the proposed debt will be issued subordinate to the SRF debt.

3. The purpose of the proposed debt issuance is:

_X_ Refunding

___ New Money

4. Description and Additional Information:

Refunding Bonds

The Hallsdale-Powell Utility District plans to issue an estimated $18,010,000 Revenue Refunding Bonds, Series 2017, (the "Series 2017 Refunding Bonds"). The proceeds of the Series 2017 Refunding Bonds will be used to refund approximately $13,255,000 Water and Sewer Revenue Improvement Bonds, Series 2006 and $5,990,000 Water and Sewer Revenue Improvement Bonds, Series 2008 (collectively the "Refunded Bonds"). The total debt to be refunded is $19,245,000. The lien position of the Refunded Bonds is currently senior to the SRF Loan Agreements.

The refunding of the Series 2006 and Series 2008 bonds is estimated to produce net present value savings of $3,013,925 or 15.66% or the par amount of the Refunded Bonds.

Outstanding Debt

For the fiscal year ended March 31, 2017, the District's audited financial statements reflected total outstanding debt of $142,380,330, consisting of $74,820,420 in revenue bonds and $67,559,910 in SRF loan agreements. At March 31, 2017, SRF loans made up 47.45% of the District's outstanding debt.

Customer Base / Rate Increases

The District does not compile a list of its largest customers by revenues, but did report that its customer base is mostly residential. The District provided a copy of its rate increase plan that shows rate increases consistently over the next five years.

5. The debt rating of the borrower is:

Please indicate N/R if not rated.

_N/R_ Moody's

_AA_ Standard and Poor's

_N/R_ Fitch

6. The following SRF loans are currently authorized/outstanding:

Approval Date	Loan Type	Loan Number	Total Approved Loan*	Outstanding Loan Balance, if applicable (as of 6/30/2017)
March 17, 2006	SRF/Sewer	SRF-2005-186	$ 53,800,000	$ 40,251,416
August 5, 2009	SRF/Sewer	CGA 09-233	7,290,000	5,803,101
December 7, 2011	SRF/Sewer	SRF 11-279	8,600,000	8,096,521
June 18, 2014	SRF/Sewer	CG3 14-332	3,800,000	3,680,038
June 18, 2014	SRF/Sewer	CG2 14-333	4,116,400	826,323
March 31, 2005	SRF/Water	DWF 05-062	7,500,000	4,183,692
June 27, 2006	SRF/Water	DWF 06-069	2,500,000	1,395,769
August 5, 2009	SRF/Water	DGA 09-086	1,695,000	1,266,397
December 2, 2010	SRF/Water	DG0 11-111	3,077,600	2,369,645
August 17, 2017	SRF/Sewer	CW6 17-394	900,000	No Disbursements
August 17, 2017	SRF/Sewer	SRF 17-395	12,100,000	No Disbursements

*Net of principal forgiveness

7. Compliance with SRF Loan Agreement:

a. Timely repayments [*4.(a)*]

_X_ Yes ____No

b. Security Deposit (UDs and Authorities) [8.]

_X_ Yes ____No

Amount on deposit: $5,091,705

c. GAAP Accounting and Audited Annual Financial Statement Requirement [*7.(g) and (m)(2)*]

____ Yes _X_ No

The fiscal year 2017 audit was not filed within six months after the District's fiscal year ended March 31, 2017. The District filed its fiscal year 2017 audited financial statements with the Division of Local Government Audit on November 1, 2017. The fiscal year 2016 audit was filed within six months after the District's fiscal year end.

d. Sufficient Revenues [*7.(k)*]

_X_ Yes ____ No

For the fiscal year ended March 31, 2017, the District's audited financial statements reflected operating income of $8,700,042, and a positive change in net position of $5,680,404. The District's statement of cash flows reflected debt service payments of $9,726,572, consisting of principal payments of $6,185,104 and interest payments of $3,541,468.

At March 31, 2017, the District reported $33,238,235 in unrestricted cash and $15,461,997 in restricted cash and investments.

e. Debt Service Coverage Ratios [*7.(l) and (m)(3)&(4)*]

_X_ Yes ____ No

If no, include a schedule of revised rates and fees. ___ Included _X_ N/A

The current and projected Debt Service Coverage Ratio meets or exceeds 1.2 times.

Most Recent Fiscal Year (m)(3):

The District's debt service coverage ratio was 1.66x for fiscal year 2016 and 1.59x for fiscal year 2017 (as provided by the District). The District has met the debt service coverage requirement for fiscal years 2016 and 2017.

Next Three Fiscal Years After Debt Issuance (m)(4):

The District projects that it will meet the debt service coverage requirement with estimated debt service to net revenues ranging from 1.33x to 1.45x for fiscal years 2018 through 2020.

f. **Is the entity currently under the jurisdiction of the Utility Management Review Board (UMRB) or the Water and Wastewater Financing Board (WWFB)?** [*7.(n)*]

____ Yes   _X_ No

If yes, reason for referral: ___ Water Loss ___ Financial Distress _X_ N/A

If the reason is for financial distress, include a schedule of revised rates and fees along with a copy of the corrective action order from the respective board. ___ Included _X_ N/A

8. State-Shared Taxes (SST): (Towns, Cities, Counties): N/A

$________________ Received in prior fiscal year

$________________ Total Maximum Annual Debt Service

$________________ Unobligated SSTs

9. Conclusion

Based on our analysis, the District will have sufficient cash and revenues to meet its obligations. Except for timely filling of its annual audit, the District appears to meet TLDA's guidelines for approval to issue refunding bonds with a senior lien position to its outstanding State Revolving Fund (SRF) loan agreements. The lien position of the SRF loans will be subordinate to that of the refunding bonds being issued.

Attachments:

Debt Service Coverage Ratios

HPUD Rate Increase Plan

Hallsdale-Powell Utility District

Statement of Revenues, Expenses and Change in Net Assets and Debt Service Ratio Calculation

	Audited FY 2016	Audited FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
OPERATING REVENUES					
Water Service	$ 14,122,267	$ 14,436,769	$ 14,884,236	$ 15,708,718	$ 16,344,611
Sewer Service	$ 13,126,023	$ 13,462,985	$ 14,899,658	$ 16,107,983	$ 17,242,771
Connection Fees	$ 282,177	$ 333,668	$ 263,314	$ 340,375	$ 343,778
Penalties	$ 596,858	$ 578,154	$ 566,572	$ 582,498	$ 584,683
Ancillary Revenues	$ 543,124	$ 427,977	$ 247,541	$ 392,707	$ 394,179
Total Revenues	$ 28,670,449	$ 29,239,553	$ 30,861,322	$ 33,132,280	$ 34,910,022
OPERATING EXPENSES					
Salaries and Wages	$ 4,352,472	$ 4,821,880	$ 5,198,174	5,318,628	5,478,187
Supplies and Operating Expenses	$ 1,793,006	$ 1,918,893	$ 2,064,108	2,050,843	2,112,304
Electric Power	$ 1,770,293	$ 1,814,087	$ 2,171,092	2,325,728	2,407,129
Professional Services	$ 474,544	$ 448,279	$ 507,667	520,956	533,979
Pension Plan	$ 677,648	$ 676,961	$ 1,000,000	1,060,900	1,092,727
Group Insurance and Dental/Vision Plans	$ 1,038,274	$ 1,075,862	$ 1,150,593	1,188,889	1,224,556
Repairs and Maintenance	$ 764,673	$ 1,027,661	$ 1,264,199	1,201,680	1,237,731
Insurance and Bonds	$ 313,595	$ 321,823	$ 356,394	383,892	393,489
Payroll Taxes	$ 334,588	$ 356,086	$ 376,931	393,597	405,405
Postage and Outside Billing Service	$ 266,799	$ 247,943	$ 283,591	293,325	300,658
Office Supplies and Expenses	$ 62,295	$ 35,831	$ 82,800	86,992	89,167
Auto and Truck Expense	$ 217,570	$ 220,295	$ 349,853	363,794	372,888
Public Relations and Customer Info	$ -	$ 10,000	$ 44,860	37,675	38,617
Telephone	$ 105,816	$ 105,340	$ 116,338	122,228	125,283
Association Fees and Expenses	$ 70,689	$ 72,340	$ 73,141	68,347	70,056
Bank Trustee Fees and Service Charges	$ 49,581	$ 814	$ 56,145	54,535	55,898
Uniforms	$ 56,860	$ 52,271	$ 54,852	52,407	53,717
Administrative and Other Expenses	$ 183,390	$ 229,374	$ 292,767	307,588	315,278
Uncollectible Accounts	$ 185,686	$ 166,778	$ 269,783	186,778	206,778
Depreciation	$ 6,785,636	$ 6,936,992	$ 7,317,963	7,603,678	7,946,535
Total Operating Expenses	$ 19,503,415	$ 20,539,510	$ 23,031,252	$ 23,622,461	$ 24,460,383
OPERATING INCOME	**$ 9,167,034**	**$ 8,700,043**	**$ 7,830,070**	**$ 9,509,820**	**$ 10,449,639**
NON-OPERATING INCOME (EXPENSES)					
Interest Income	$ 157,716	$ 166,108	$ 166,108	$ 166,108	$ 166,108
Gain on Disposal of capital assets	$ 48,093	$ 5,827	$ -	$ -	$ -
Interest Expense	$ 3,542,123	$ 3,503,713	$ 3,986,139	4,322,298	4,515,491
Amortization Expense	$ -	$ -	$ (165,156)	$ (165,156)	$ (165,156)
Total Non-Operating Expenses	$ (3,336,314)	$ (3,331,778)	$ (3,654,875)	$ (3,991,034)	$ (4,184,227)
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	**$ 5,830,720**	**$ 5,368,265**	**$ 4,175,195**	**$ 5,518,786**	**$ 6,265,412**
Capital Contributions from Developers and Customers	$ 660,784	$ 312,140	$ 50,000	$ 50,000	$ 50,000
CHANGE IN NET ASSETS	**$ 6,491,504**	**$ 5,680,405**	**$ 4,225,195**	**$ 5,568,786**	**$ 6,315,412**

Hallsdale-Powell Utility District

Statement of Revenues, Expenses and Change in Net Assets and Debt Service Ratio Calculation

	Audited FY 2016	Audited FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
Debt Service Calculation:					
Operating Income Available for Debt Service	$ 15,952,670	$ 15,637,035	$ 15,148,033	$ 17,113,497	$ 18,396,174
Earned Interest	$ 157,716	$ 166,108	$ 166,108	$ 166,108	$ 166,108
Revenues Available for Debt Service	**$ 16,110,386**	**$ 15,803,143**	**$ 15,314,141**	**$ 17,279,605**	**$ 18,562,282**
Revenue Bonds					
Existing Revenue Debt	4,767,507	4,769,078	4,771,153	4,758,724	4,758,689
Proposed Revenue Debt	-	-	585,345	909,314	909,314
Subtotal Revenue Bonds	**4,767,507**	**4,769,078**	**5,356,498**	**5,668,038**	**5,668,003**
Other Indebtedness					
Series 2005 RUS Bond ($891,600)	48,264	48,264	48,264	48,264	48,264
Series 2009 RUS Bond ($998,000)	45,876	45,876	45,876	45,876	45,876
Series 2007 RUS Bond ($3,018,000)	157,548	157,548	157,548	157,548	157,548
Series 2011 RUS Bond ($4,899,000)	255,732	255,732	255,732	255,732	255,732
RUS Bond ($4,983,000)	224,244	224,244	224,244	224,244	224,244
RUS Bond ($1,560,000)	70,476	70,476	70,476	70,476	70,476
Future RUS Loans (Forecast)	-	65,195	325,975	325,975	978,997
2006 TN SLRF Loan - Hickory Valley ($2,500,000)	135,842	135,843	135,844	135,839	135,835
2009 DWSRF Loan ($2,825,000) PF40%	107,981	107,981	107,981	107,981	107,981
2009 CWSRF Loan ($12,150,000) PF40%	462,876	462,876	462,876	462,876	462,876
2005 TN-DWSRF - Norris WTP ($7,500,000)	406,716	406,716	406,716	406,716	406,716
2006 TN-CWSRF - Beaver Creek WWTP ($53,800,000)	2,867,772	2,867,772	2,867,772	2,867,772	2,867,772
2010 TN-DWSRF -SR33 ($3,847,000) PF20%	167,711	167,711	167,711	167,711	167,711
2011 TN-CWSRF - Raccoon Valley($8,600,000) (Forecast)	-	35,248	448,056	448,056	448,056
2014 CWSRF Loan $8.1164M Sewer Storage Tank (Forecast)	-	117,365	274,056	274,056	274,056
Future CWSRF Loans (Forecast)	-	-	125,450	250,900	784,017
Subtotal Other Indebtedness	**4,951,038**	**5,168,847**	**6,124,577**	**6,250,022**	**7,436,157**
Total Debt Service	***9,718,545***	***9,937,925***	***11,481,075***	***11,918,060***	***13,104,160***
Debt Coverage Ratio	1.66	1.59	1.33	1.45	1.42

Hallsdale Powell Utility District
Customer Impacts
FY 2017 - FY 2023

Rate Structure

Water Rate Impacts

Usage	Meter Size		Current Rates	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Residential										
500	3/4"		$ 12.50	$ 13.00	$ 13.39	$ 13.79	$ 14.20	$ 14.63	$ 15.07	$ 15.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
1,000	3/4"		$ 16.53	$ 17.19	$ 17.70	$ 18.23	$ 18.78	$ 19.34	$ 19.92	$ 20.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
1,500	3/4"		$ 20.56	$ 21.38	$ 22.02	$ 22.68	$ 23.36	$ 24.06	$ 24.78	$ 25.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
3,000	3/4"		$ 32.65	$ 33.95	$ 34.96	$ 36.01	$ 37.10	$ 38.20	$ 39.34	$ 40.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
4,000	3/4"		$ 40.71	$ 42.33	$ 43.59	$ 44.90	$ 46.26	$ 47.63	$ 49.05	$ 50.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
5,000	3/4"		$ 48.77	$ 50.71	$ 52.22	$ 53.79	$ 55.42	$ 57.06	$ 58.76	$ 60.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
7,000	3/4"		$ 64.89	$ 67.47	$ 69.48	$ 71.57	$ 73.74	$ 75.92	$ 78.18	$ 80.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
10,000	3/4"		$ 89.07	$ 92.61	$ 95.37	$ 98.24	$ 101.22	$ 104.21	$ 107.31	$ 110.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
14,000	3/4"		$ 121.31	$ 126.13	$ 129.89	$ 133.80	$ 137.86	$ 141.93	$ 146.15	$ 150.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commercial										
25,000	1"		$ 209.97	$ 218.31	$ 224.82	$ 231.59	$ 238.62	$ 245.66	$ 252.96	$ 260.52
		% Change		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
150,000	2"		$ 1,217.47	$ 1,265.81	$ 1,303.57	$ 1,342.84	$ 1,383.62	$ 1,424.41	$ 1,466.71	$ 1,510.52
		% Change		4.0%	3.0%	3.0%	3.0%	2.9%	3.0%	3.0%
Industrial										
500,000	3"		$ 4,038.47	$ 4,198.81	$ 4,324.07	$ 4,454.34	$ 4,589.62	$ 4,724.91	$ 4,865.21	$ 5,010.52
		% Change		4.0%	3.0%	3.0%	3.0%	2.9%	3.0%	3.0%
1,000,000	4"		$ 8,068.47	$ 8,388.81	$ 8,639.07	$ 8,899.34	$ 9,169.62	$ 9,439.91	$ 9,720.21	$ 10,010.52
		% Change		4.0%	3.0%	3.0%	3.0%	2.9%	3.0%	3.0%

Sewer Rate Impacts

Usage	Meter Size									
Residential										
500	3/4"		$ 14.68	$ 15.56	$ 16.49	$ 17.47	$ 18.52	$ 19.63	$ 20.41	$ 21.23
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
1,000	3/4"		$ 19.37	$ 20.53	$ 21.76	$ 23.06	$ 24.44	$ 25.91	$ 26.94	$ 28.02
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
1,500	3/4"		$ 24.07	$ 25.51	$ 27.04	$ 28.65	$ 30.37	$ 32.19	$ 33.47	$ 34.81
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
3,000	3/4"		$ 38.15	$ 40.43	$ 42.86	$ 45.42	$ 48.14	$ 51.03	$ 53.06	$ 55.18
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
4,000	3/4"		$ 47.54	$ 50.38	$ 53.41	$ 56.60	$ 59.99	$ 63.59	$ 66.12	$ 68.76
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
5,000	3/4"		$ 56.93	$ 60.33	$ 63.96	$ 67.78	$ 71.84	$ 76.15	$ 79.18	$ 82.34
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
7,000	3/4"		$ 75.71	$ 80.23	$ 85.06	$ 90.14	$ 95.54	$ 101.27	$ 105.30	$ 109.50
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
10,000	3/4"		$ 103.88	$ 110.08	$ 116.71	$ 123.68	$ 131.09	$ 138.95	$ 144.48	$ 150.24
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
14,000	3/4"		$ 122.66	$ 129.98	$ 137.81	$ 146.04	$ 154.79	$ 164.07	$ 170.60	$ 177.40
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
Commercial										
25,000	1"		$ 244.73	$ 259.33	$ 274.96	$ 291.38	$ 308.84	$ 327.35	$ 340.38	$ 353.94
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
150,000	2"		$ 1,418.48	$ 1,503.08	$ 1,593.71	$ 1,688.88	$ 1,790.09	$ 1,897.35	$ 1,972.88	$ 2,051.44
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
Industrial										
500,000	3"		$ 4,704.98	$ 4,985.58	$ 5,286.21	$ 5,601.88	$ 5,937.59	$ 6,293.35	$ 6,543.88	$ 6,804.44
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%
1,000,000	4"		$ 9,399.98	$ 9,960.58	$ 10,561.21	$ 11,191.88	$ 11,862.59	$ 12,573.35	$ 13,073.88	$ 13,594.44
		% Change		6.0%	6.0%	6.0%	6.0%	6.0%	4.0%	4.0%

Hallsdale Powell Utility District
Customer Impacts
FY 2017 - FY 2023

Schedule 9

Combined Rate Impacts

Usage	Meter Size		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Residential										
500	3/4"		$ 27.18	$ 28.56	$ 29.87	$ 31.26	$ 32.72	$ 34.26	$ 35.48	$ 36.75
		% Change		5.1%	4.6%	4.6%	4.7%	4.7%	3.6%	3.6%
1,000	3/4"		$ 35.90	$ 37.72	$ 39.46	$ 41.29	$ 43.22	$ 45.25	$ 46.86	$ 48.54
		% Change		5.1%	4.6%	4.6%	4.7%	4.7%	3.6%	3.6%
1,500	3/4"		$ 44.63	$ 46.89	$ 49.05	$ 51.33	$ 53.73	$ 56.25	$ 58.25	$ 60.33
		% Change		5.1%	4.6%	4.6%	4.7%	4.7%	3.6%	3.6%
3,000	3/4"		$ 70.80	$ 74.38	$ 77.82	$ 81.43	$ 85.24	$ 89.23	$ 92.40	$ 95.70
		% Change		5.1%	4.6%	4.6%	4.7%	4.7%	3.6%	3.6%
4,000	3/4"		$ 88.25	$ 92.71	$ 97.00	$ 101.50	$ 106.25	$ 111.22	$ 115.17	$ 119.28
		% Change		5.1%	4.6%	4.6%	4.7%	4.7%	3.6%	3.6%
5,000	3/4"		$ 105.70	$ 111.04	$ 116.18	$ 121.57	$ 127.26	$ 133.21	$ 137.94	$ 142.86
		% Change		5.1%	4.6%	4.6%	4.7%	4.7%	3.6%	3.6%
7,000	3/4"		$ 140.60	$ 147.70	$ 154.54	$ 161.71	$ 169.28	$ 177.19	$ 183.48	$ 190.02
		% Change		5.0%	4.6%	4.6%	4.7%	4.7%	3.5%	3.6%
10,000	3/4"		$ 192.95	$ 202.69	$ 212.08	$ 221.92	$ 232.31	$ 243.16	$ 251.79	$ 260.76
		% Change		5.0%	4.6%	4.6%	4.7%	4.7%	3.5%	3.6%
14,000	3/4"		$ 243.97	$ 256.11	$ 267.70	$ 279.84	$ 292.65	$ 306.00	$ 316.75	$ 327.92
		% Change		5.0%	4.5%	4.5%	4.6%	4.6%	3.5%	3.5%
Commercial										
25,000	1"		$ 454.70	$ 477.64	$ 499.78	$ 522.97	$ 547.46	$ 573.01	$ 593.34	$ 614.46
		% Change		5.0%	4.6%	4.6%	4.7%	4.7%	3.5%	3.6%
150,000	2"		$ 2,635.95	$ 2,768.89	$ 2,897.28	$ 3,031.72	$ 3,173.71	$ 3,321.76	$ 3,439.59	$ 3,561.96
		% Change		5.0%	4.6%	4.6%	4.7%	4.7%	3.5%	3.6%
Industrial										
500,000	3"		$ 8,743.45	$ 9,184.39	$ 9,610.28	$ 10,056.22	$ 10,527.21	$ 11,018.26	$ 11,409.09	$ 11,814.96
		% Change		5.0%	4.6%	4.6%	4.7%	4.7%	3.5%	3.6%
1,000,000	4"		$ 17,468.45	$ 18,349.39	$ 19,200.28	$ 20,091.22	$ 21,032.21	$ 22,013.26	$ 22,794.09	$ 23,604.96
		% Change		5.0%	4.6%	4.6%	4.7%	4.7%	3.5%	3.6%

waller

Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
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Nashville, TN 37219-8966

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November 2, 2017

Ms. Sandi Thompson, Director
Office of State and Local Finance
James K. Polk Bldg.
505 Deaderick St., Suite 1600
Nashville, TN 37243-0273

Re: Hallsdale Powell Utility District (the "District")

Dear Ms. Thompson:

This is a follow-up on our phone conversation on November 1, 2017. Among others, David Burn of the Attorney General's office participated in the phone conference. In order to be in a position to request TLDA's consent to the issuance of additional debt by the District, Mr. Burn discussed the need for the District to demonstrate its compliance with Section 7(m) of its Loan Agreements with TLDA which requires, among others, that the District's audit be filed with TLDA within six months after the end of the District's fiscal year. Since the District's fiscal year ends March 31 of each year, this would mean that the audit should be filed by September 30, of each year.

The District understands the importance of complying with the SFR loan covenants. When it realized that it was not going to be able to have its audit available to be released by its accountant by September 30, 2017, the District instructed its accountant to request an extension until November 30, 2017 to have its audit filed with TLDA. This request was made on or before September 21, 2017.

While the District received notification from the State on September 21, 2017 that the District had notified it that it would not be able to file its audit by September 30, 2017 but the District would file the audit on or before November 30, 2017, such notification apparently was not intended to be a waiver of the requirement that the audit be filed by September 30, 2017. Consequently, the District hereby requests that TLDA waive the requirement in 7(m) of its Loan Agreements that the audit for 2017 be filed by September 30, 2017.

This request for waiver is limited to the filing requirement for the audit for fiscal year ending March 31, 2017 and is <u>not</u> a request for a waiver for any future year. In making this request, the District would ask TLDA to take notice that the District has filed its 2017 audit and such filing was made with the Comptroller on November 1, 2017.

In addition, you have asked that I explain in greater detail why TLDA's SRF loans are subordinate to the liens securing the District's public market debt and its Rural Development loans. The District's Master Resolution was adopted in 2002 at a time when it did not have any SRF loans outstanding. The Series 2002 Bonds, issued under the Master Resolution, were intended to be senior lien bonds. The Master Resolution permits additional debt to be issued on parity with the senior lien bonds as long as various covenants are met, including compliance with debt service coverage tests.

Any debt issued after the Senior 2002 bonds would be subordinate debt, unless issued under the Master Resolution as parity indebtedness. Without the ability to issue parity indebtedness, each new piece of debt issued would hold a subordinate lien position to any debt previously issued, stair-stepping down in lien position with each issuance, based on time of issue. In order to avoid the complexity of the lien position that would result from that approach, the Master Resolution envisioned senior lien bonds all on parity with each other, and any subsequently issued indebtedness that is not issued as parity debt to be on a subordinate basis. Consequently, the pledge of net revenues to secure the senior debt was largely done to facilitate being able to uniformly describe the lien position rather than to indicate inferior security or significant risk of nonpayment for any SRF debt.

The portion of the request that relates to refunding existing District indebtedness is with respect to indebtedness that TLDA has already consented to such indebtedness being in a senior lien position. The refunding is a refunding to reduce debt service and consequently the position of the District would be strengthened by permitting the refunding to occur. Likewise, the additional debt proposed to be funded by Rural Development would allow the District to expand its sewer services and strengthen its operations. Given the District's strong historical performance and projected future ability to meet the debt service coverage tests required by TLDA, SRF would not be in any way compromising its security by consenting to the District's request to be permitted to issue the additional debt previously described.

Finally, the TLDA staff has requested evidence from Rural Development that demonstrates that its proposed loans (totaling $24,950,000) require that such loans be secured by a first lien. I am attaching herewith the documentation received from Rural Development. Please refer to Section 5 of the letter dated August 29, 2017, where you will see that Rural Development as a condition to reserving the funds requires that the whole loan package be secured by a first lien position.

Let me reiterate the District's desire to work with TLDA and to keep in compliance with its loan covenants. TLDA is an important source of funding for the District, and the District hopes that it can continue to maintain its good working relationship with TLDA. The District would ask that TLDA consent to the issuance of the additional indebtedness because we believe the additional indebtedness does not operate to impair TLDA's security position but should allow the District to improve its financial operations and meet its mission. If you need additional information, please let me know.

Very truly yours,

Alexander B. Buchanan

ABB:cty
Enclosure

4847-1262-4467.2

HALLSDALE-POWELL UTILITY DISTRICT

Commissioners
Kevin Julian
Todd Cook
Robert Crye

General Manager
Darren Cardwell

December 15, 2017

Ms. Alicia West
Program Accountant
Comptroller of the Treasury
Office of State and Local Finance
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400

Re: Extension of Time to File Audit

Dear Ms. West:

You have requested an explanation as to why Hallsdale-Powell Utility District (the "District") has periodically requested an extension for the time of filing its audit with the State. Basically, as each fiscal year comes to a close, the District knows that the clock begins ticking to get the audit completed and filed with the State within six months of fiscal year-end. The circumstances as to why an extension has been requested has varied from year to year, but consistent throughout the early years reported below was the fact that the District was short-staffed in its accounting department and completing the other work that must be done, along with getting each audit finalized, represented a real challenge for the District.

The challenge to get the audit completed and filed within six months was made particularly difficult if our accountants raise issues during the audit process. Some of the issues can be solved easily but most often required considerable work to get sign-off from our accountants. This is not surprising given the complexity of running an organization with close to $300 million in assets.

If we determined that it was going to be difficult to meet the six-month deadline, we typically have sought an extension from the State and, historically, have been granted permission to extend. Apparently, there may be differences of opinion concerning this point. But we believe the State's acknowledgement of our request for an extension effectively serves as granting our request for such extension. The chart below shows the dates we requested an extension, and the dates the audit was actually filed with the State.

HPUD

Audited Finanicals Statements (AFS) to Comptrollers Office

	Fiscal Year End				
	2017	2016	2015	2014	2013
Extension Request Filed	09 21 2017	N A	09 17 2015	08 19 2014	09 21 2013
Extended date granted to file by	11 30 2017	Filed On-Time	10 31 2015	11 30 2014	12 31 2013
Date AFS Received by Comptrollers Office	11 01 2017	09 30 2016	10 15 2015	11 10 2014	11 19 2013

The point that we wish to emphasize is that in each case, we have received the State's acknowledgement of our extension request before the six-month deadline passed, and relying thereon, we were able to get the audit completed and filed within the period of extension.

The District has enjoyed the benefits of participating in the State Revolving Fund. We have endeavored to be a borrower which not only consistently makes our loan payments in a timely fashion but otherwise works with the State to achieve the State's policies and procedures. As one of the largest borrowers participating in the Revolving Fund, the District recognizes that the State's support of the District through making low cost of funds available has helped the District to earn its strong credit rating of AA, and we believe our performance merits the continued trust of the State. We would ask, therefore, that TLDA work with us to honor our requests for extensions of time when extra time is needed to get our audit finalized, so that we can meet our mutual goals of providing water and sewer services to the citizens of the State at the cheapest cost possible.

Very truly yours,

J. E. Smith, CFO

James E. Smith
Chief Financial Officer

TENNESSEE
COMPTROLLER
OF THE TREASURY

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

December 18, 2017

Mr. James E. Smith, Chief Finance Officer
Hallsdale-Powell Utility District
P.O. Box 5199
Knoxville, TN 37928-0199

Dear Mr. Smith:

Staff of the Tennessee Local Development Authority shared your December 15th letter to Ms. Alicia West with us. The letter explained, in part, that the Division of Local Government Audit had granted the District an extension of time to file your March 31, 2017 annual audit, which was due no later than September 30, 2017. You also indicated in the letter that the Hallsdale-Powell Utility District had historically sought an extension from our office and had been granted permission to extend the normal audit filing due date of September 30, 2017. We would like to clarify that the Division of Local Government Audit does not grant permission to extend contracted filing deadlines.

There is no provision in the audit contract for filing reports more than six months after the fiscal year end. Our office's receipt of extension request notification is simply a professional courtesy to let you know that we have received your extension request and that we have recorded the reason for late filing in our system. Your audit is considered late from that point forward in our system. The majority of Tennessee utility districts do not have a problem meeting the audit filing due date identified in the contract to audit accounts.

If you have questions about this letter, feel free to contact me or Jean Suh at 615.401.7841.

Sincerely,

Jerry E. Durham

Jerry Durham, CPA, CGFM, CFE, Assistant Director

HALLSDALE-POWELL UTILITY DISTRICT

Commissioners
Kevin Julian
Todd Cook
Robert Crye

General Manager
Darren Cardwell

December 19, 2017

Mr. Jerry Durham
CPA,CGFN,CFE, Assistant Director
Comptroller of the Treasury
Office of State and Local Finance
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400

Re: Extension of Time to File Audit

Dear Mr. Durham:

We acknowledge receipt of your letter, dated December 18, 2018 addressed to Hallsdale-Powell Utility District (the "District") in which you make clear that the State's position is that the Division of Local Government Audit does not grant permission to extend contracted filing deadlines.

We believe it would be appropriate for the Division of Local Government Audit to have the ability to work with local governments to provide extensions for the time of filing audits where for good cause shown the local government can demonstrate that it would be unreasonably burdensome for it to meet the six month deadline. Your letter makes clear that the Division of Local Government Audit simply does not have the power or ability to offer extensions. If that is the case, we think this is unfortunate and does not recognize the potential for hardship this may place on local governments. Nevertheless please accept that we now understand the State's position and we will endeavor in good faith to submit our audits within the six month time frame.

Very truly yours,

JE Smith, CFO

James E. Smith
Chief Financial Officer

waller

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November 30, 2017

Ms. Sandra Thompson, Director
Office of State and Local Finance
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-9034

Re: Hallsdale-Powell Utility District

Dear Ms. Thompson:

I am writing this on behalf of Hallsdale-Powell Utility District ("HPUD") to request that the Tennessee Local Development Authority ("TLDA") consider approval of HPUD's issuance of additional indebtedness as hereinafter described. Specifically, HPUD requests approval by TLDA of HPUD's issuance of the indebtedness described below at its meeting set for December, 2017.

This request relates to the issuance of indebtedness in the public market in an amount currently estimated in the $18 to $19 million range. Stifel Nicolaus and Company ("Stifel") has been engaged as Financial Advisor for HPUD for this bond issuance. This bond will be used to refund HPUD's outstanding Series 2006 Bonds and Series 2008 Bonds. Stifel has begun the process of soliciting proposals from various underwriting firms, but no decision has been made to date on the selection of the underwriter. Once an underwriter is selected, the Plan of Refunding will be provided to the Office of State and Local Finance.

As proposed, the refunding will not extend the term of the indebtedness being refunded but will be undertaken to attain net present value savings for HPUD. Stifel has prepared a preliminary savings report (copy enclosed) demonstrating that Series 2006 and Series 2008 Bonds can be refunded in the current marketplace and achieve significant net present value savings for HPUD.

We would therefore request TLDA's approval of HPUD's issuance of its refunding bonds in an estimated principal amount not to exceed $20,000,000. Under HPUD's Master Resolution, the refunding bonds are proposed to be issued as senior lien bonds on parity with other senior lien indebtedness under the Master Resolution which would continue to be senior to the liens securing HPUD's SFR loans. While these refunding bonds are proposed to be issued as senior lien debt, this request for consent does not adversely affect TLDA since it merely continues the lien position that was provided with respect to the Series 2006 Bonds and the Series 2008 Bonds and the debt service on the proposed refunding debt will be less than the current debt service on such outstanding debt.

If you need any additional information, please let me know.

Very truly yours,

Alexander B. Buchanan

ABB:cty
Enclosure

HALLSDALE-POWELL UTILITY DISTRICT

Current Refunding of Series 2006 and Series 2008 Bonds -- Uniform Savings

1	2	3	4	5	6	7	8	9	10	11	12	13
Period Ending 4/1	Series 2006 Bonds to be Refunded			Series 2008 Bonds to be Refunded			TOTAL REFUNDED DEBT SERVICE	Refunding Bonds			*Gross Savings*	*PV Savings to 1/18/18 @ 2.82%*
	Principal	Interest	Debt Service	Principal	Interest	Debt Service		Principal	Interest	Debt Service		
2018	$ 320,000	$ 320,322	$ 640,322	$ -	$ 140,231	$ 140,231	$ 780,553	$ 595,000	$ 148,033	$ 743,033	*$ 37,520*	*$ 37,307*
2019	335,000	625,844	960,844	485,000	280,461	765,461	1,726,305	825,000	718,125	1,543,125	*183,180*	*178,394*
2020	350,000	610,350	960,350	505,000	259,243	764,243	1,724,593	840,000	701,625	1,541,625	*182,968*	*173,133*
2021	365,000	594,163	959,163	530,000	237,023	767,023	1,726,185	865,000	676,425	1,541,425	*184,760*	*169,904*
2022	385,000	576,825	961,825	550,000	213,438	763,438	1,725,263	890,000	650,475	1,540,475	*184,788*	*165,142*
2023	405,000	557,575	962,575	580,000	188,688	768,688	1,731,263	945,000	605,975	1,550,975	*180,288*	*156,693*
2024	425,000	537,325	962,325	605,000	162,298	767,298	1,729,623	985,000	558,725	1,543,725	*185,898*	*157,084*
2025	450,000	516,075	966,075	635,000	134,165	769,165	1,735,240	1,040,000	509,475	1,549,475	*185,765*	*152,636*
2026	470,000	493,575	963,575	665,000	104,003	769,003	1,732,578	1,090,000	457,475	1,547,475	*185,103*	*147,889*
2027	495,000	470,075	965,075	700,000	71,750	771,750	1,736,825	1,150,000	402,975	1,552,975	*183,850*	*142,830*
2028	520,000	445,325	965,325	735,000	36,750	771,750	1,737,075	1,210,000	345,475	1,555,475	*181,600*	*137,182*
2029	545,000	419,325	964,325	-	-	-	964,325	495,000	284,975	779,975	*184,350*	*135,390*
2030	575,000	392,075	967,075	-	-	-	967,075	525,000	260,225	785,225	*181,850*	*129,862*
2031	605,000	363,325	968,325	-	-	-	968,325	540,000	244,475	784,475	*183,850*	*127,593*
2032	635,000	333,075	968,075	-	-	-	968,075	565,000	217,475	782,475	*185,600*	*125,229*
2033	670,000	301,325	971,325	-	-	-	971,325	600,000	189,225	789,225	*182,100*	*119,467*
2034	705,000	267,825	972,825	-	-	-	972,825	630,000	159,225	789,225	*183,600*	*117,104*
2035	740,000	232,575	972,575	-	-	-	972,575	650,000	139,380	789,380	*183,195*	*113,552*
2036	775,000	195,575	970,575	-	-	-	970,575	670,000	118,580	788,580	*181,995*	*109,627*
2037	815,000	156,825	971,825	-	-	-	971,825	690,000	96,805	786,805	*185,020*	*108,295*
2038	850,000	120,150	970,150	-	-	-	970,150	710,000	74,035	784,035	*186,115*	*105,870*
2039	890,000	81,900	971,900	-	-	-	971,900	740,000	50,250	790,250	*181,650*	*100,424*
2040	930,000	41,850	971,850	-	-	-	971,850	760,000	25,460	785,460	*186,390*	*100,137*
	$ 13,255,000	$ 8,653,278	$ 21,908,278	$ 5,990,000	$ 1,828,047	$ 7,818,047	$ 29,726,325	$ 18,010,000	$ 7,634,893	$ 25,644,893	$ 4,081,432	$ 3,010,744
								Refunding Funds on Hand			3,181	3,181
										Net Savings	4,084,613	3,013,925

Refunding Summary			
Refunding Bonds Par Amount	$ 18,010,000	Gross Savings	$ 4,084,613
Refunding Bonds Arb. Yield	2.82%	Series 2006 PV Savings	$ 2,292,068
2006 Bonds Par Amount	$ 13,255,000	Series 2008 PV Savings	$ 721,858
2006 Bonds Rate	4.79%	*Total PV Savings*	*$ 3,013,925*
2008 Bonds Par Amount	$ 5,990,000	*as % of Refunded Par*	*15.66%*
2008 Bonds Rate	4.79%		

STIFEL