

TENNESSEE LOCAL DEVELOPMENT AUTHORITY MARCH 13, 2018 AGENDA

- Call Meeting to Order
- Approval of Minutes from the TLDA meeting of January 25, 2018
- Request from Hallsdale-Powell Utility District to waive the enforcement of requirement 7(m) set forth in its loan agreements requiring that the audit for 2017 be filed by September 30, 2017
- Request from Hallsdale-Powell Utility District to issue refunding bonds in an amount not to exceed \$6,760,000 senior to its SRF loans
- Request from Minor Hill Utility District to waive the enforcement of requirement 7(m) set forth in its loan agreements requiring that the audit for 2017 be filed by June 30, 2017
- Request from Minor Hill Utility District to issue a USDA Waterworks Revenue bond in an amount not to exceed \$335,000 subordinate to its SRF loans
- Consider for approval the following CWSRF loans:

	SRF Base	Principal	Total	Interest
	Loan	Forgiveness	SRF Funding	Rate
Chapel Hill, CW6 2018-399	\$ 709,875	\$ 78,875	\$ 788,750	1.04%
Cleveland, SRF 2018-417	\$10,000,000	\$ -	\$10,000,000	1.58%
Lewisburg, CW6 2017-389	\$ 900,000	\$100,000	\$ 1,000,000	1.05%
Lewisburg, SRF 2017-390	\$ 75,000	\$ -	\$ 75,000	1.05%
Memphis, SRF 2018-409	\$11,000,000	\$ -	\$11,000,000	0.81%

• Consider for approval the following DWSRF loans:

	SRF Base	Principal		Total	Interest
	Loan	Forgiveness	SRF	Funding	Rate
Bell Buckle, DW6 2018-207	\$ 235,200	\$ 58,800	\$	294,000	0.27%
Erwin, DW6 2018-206	\$ 600,000	\$150,000	\$	750,000	1.10%

- Consideration of a request for approval of an amendment to the TLDA SRF Policy and Guidance for Borrowers related to audit filing compliance
- Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY January 25, 2018

The Tennessee Local Development Authority (the Authority or TLDA) met on Thursday, January 25, 2018, at 10:45 a.m. in the State Capitol, Executive Conference Room, 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

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 Dr. Kenneth Moore, House Appointee

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

Mr. Wolfe—Present
Ms. Scott—Present
Mr. Hargett—Present
Mr. Wilson—Present
Ms. Hess—Present

Mr. Hargett asked for a motion to approve the minutes of the December 19, 2017, TLDA meeting. Mr. Wilson made a motion to approve the minutes, and Ms. Scott seconded the motion. Ms. Thomson performed a roll-call vote:

Mr. Wolfe—Aye Ms. Scott—Aye Mr. Hargett—Aye Mr. Wilson—Aye Ms. Hess—Aye

The minutes were unanimously approved.

Mr. Hargett asked Mr. Sherwin Smith, Director of the Tennessee Department of Environment and Conservation (TDEC) State Revolving Fund (SRF) program to present the next item on the agenda regarding the Town of Smyrna's delayed SRF project. Mr. Smith stated that the Town's relocation project is part of a larger Tennessee Department of Transportation (TDOT) project and due to unforeseen circumstances, TDOT is delaying the project. Mr. Smith stated that TDEC met with the Town on January 24, 2018, and Mayor Mary Ester Reed advised TDEC that the Town will voluntarily return the funds because they are not able to proceed in a timely manner due the circumstances. Mr. Smith stated that the delay was no fault of the Town and that they can reapply for SRF funds when the project is ready to proceed.

Mr. Hargett asked Mr. Smith the present the requests for Clean Water State Revolving Fund (SRF) loans. He stated the balance was \$92,022,318 as of November 8, 2017. This balance increased a total of \$2,371,747 from and early payoff and a reduction to a previous loan. Upon approval of the loan requests to be presented, the funds available for loan obligations would decrease to \$61,189,065. He then described the loan requests:

- Chattanooga (CW6 2018-405)—Requesting \$1,000,000 (\$900,000 (90%) loan; \$100,000 (10%) principal forgiveness) for Moccasin Bend Wastewater Treatment Plant and CSOTF improvements (Rehabilitation of the gravity thickeners, thickener pumping station, and grinder units; replacements of the grinder pumps; rehabilitation of the dewatering building; new 1.1 million gallon (MG) sludge holding tank and additional centrifuges; and the construction of a 10 MG sewer storage tank); recommended interest rate of 1.53% based on the Ability to Pay Index (ATPI).
- Chattanooga (SRF 2018-406)—Requesting \$17,100,000 for Moccasin Bend Wastewater Treatment Plant
 and CSOTF improvements (Rehabilitation of the gravity thickeners, thickener pumping station, and grinder
 units; replacements of the grinder pumps; rehabilitation of the dewatering building; new 1.1 MG sludge
 holding tank and additional centrifuges; and the construction of a 10 MG sewer storage tank); recommended
 interest rate of 1.53% based on the ATPI.
- Fayetteville (CW6 2018-407—Requesting \$1,000,000 (\$900,000 (90%) loan; \$100,000 (10%) principal forgiveness) for Inflow/Infiltration (I/I) correction (City wide rehabilitation); recommended interest rate of 1.31% based on the ATPI.
- Fayetteville (SRF 2018-408)—Requesting \$3,000,000 for I/I correction (City wide rehabilitation); recommended interest rate of 1.31% based on the ATPI.
- Hamilton County Water and Wastewater Treatment Authority (WWTA) (SRF 2017-393)—Requesting \$7,310,000 for East Ridge sewer basin I/I correction project; recommended interest rate of 1.74% based on the ATPI.
- Hamilton County WWTA (SRF 2018-413)—Requesting \$1,560,000 for I/I correction (Sanitary sewer evaluation survey in Signal Mountain, Red Bank, Lookout Mountain, East Ridge, and unincorporated Hamilton County areas) planning only; recommended interest rate of 0.82% based on the ATPI.
- Lenoir City (CG5 2018-402)—Requesting \$1,300,000 (\$1,105,000 (85%) loan; \$195,000 (15%) principal forgiveness) for I/I correction (Phase I—Sewer System Evaluation Survey and Phase II—collection system rehabilitation); recommended interest rate of 1.24% based on the ATPI.
- Oliver Springs (SRF 2018-404)—Requesting \$185,000 for WWTP improvements (Replace headworks and blowers, Supervisory control and data acquisition upgrades, new sludge holding facilities, and replace existing equalization basin at WWTP); recommended interest rate of 0.61% based on the ATPI.
- Westmoreland (SRF 2018-403)—Requesting \$210,000 WWTP (new) advanced treatment (replace existing WWTP) planning and design; recommended interest rate of 0.61% based on the ATPI.

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

Ms. Thompson performed a roll-call vote:

Mr. Wolfe—Aye Ms. Scott—Aye Mr. Hargett—Aye Mr. Wilson—Aye Ms. Hess—Aye

Mr. Smith then presented the requests for Drinking Water SRF loans. He first presented the unobligated fund balance. He stated the balance was \$58,500,955 as of November 8, 2017. The balance increased \$1,107,441 due to loan decreases and an early payoff. Upon approval of the loan request to be presented, the funds available for loan obligation would decrease to \$57,892,996. He then described the loan requests:

Brighton (DW6 2018-201)—Requesting \$698,400 (\$558,720 (80%) loan; \$139,680 (20%) principal forgiveness) watermain replacement (replace approximately 7,300 linear feet of 2-inch diameter asbestos cement waterlines; recommended interest rate of 0.39% based on the ATPI.

- Cleveland (DWF 2018-205)—Requesting \$430,000 for the construction of a 0.5 MG above ground concrete storage tank, a new 600 gallons per minute booster pump station on Georgetown Road, replacement of approximately 3,000 linear feet of 12-inch diameter 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 1.31% based on the ATPI.
- Parsons (DWF 2018-204) for improvements to the existing Parsons Water Treatment Plant (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 water treatment plant, and the Perryville water storage tank); recommended interest rate of 0.82% based on the ATPI.

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

Ms. Thompson performed a roll-call vote:

Mr. Wolfe—Aye Ms. Scott—Aye Mr. Hargett—Aye Mr. Wilson—Aye Ms. Hess—Aye

The motion was unanimously approved.

Mr. Hargett stated that the next two items on the agenda were requests from the Hallsdale-Powell Utility District (the District). He asked Ms. Thompson to present the requests. Ms. Thompson stated that the District was requesting approval to issue USDA Rural Development Bonds in an amount not to exceed \$24,950,000 in three traunches of \$9,500,000, 7,725,00, and \$7,725,000 subordinate to its SRF loans. She stated that the OSLF has conducted an analysis, and the District appeared to meet the criteria set forth in the TLDA's policy and guidance except that they had not timely filed its audit report as required in section 7(m) of its loan agreements. Therefore, the District is also asking for the TLDA to waive the enforcement of the requirement requiring the audit for 2017 be filed by September 30, 2017. She said that the 2017 audit was subsequently filed on November 1, 2017. She stated based on the OSLF analysis that the District should have sufficient cash and revenues to meet its debt service obligations, and the District appeared to meet the TLDA requirement to issue additional debt except for timely filing its audit report. Mr. Hargett asked Mr. Alex Buchanan, counsel for the District, if late filings would be an ongoing issue. Mr. Buchanan replied that it would not. Mr. Hargett made a motion to waive the enforcement of requirement 7(m) and approve the request to issue the USDA bonds, and Mr. Wilson seconded the motion.

Ms. Thompson performed a roll-call vote:

Mr. Wolfe—Aye Ms. Scott—Aye Mr. Hargett—Aye Mr. Wilson—Aye Ms. Hess—Aye

The motion was unanimously approved.

Mr. Hargett recognized Ms. Thompson to present the last item on the agenda regarding the assignment of the contract for financial advisory services. Ms. Thompson stated that a letter from PFM, the financial advisor to the State and its bond programs was included in the meeting materials. The letter advised that PFM would be assigning the State's contract to it subsidiary PFM Financial Advisors LLC. Therefore, the TLDA's approval is needed to assign the contract from PFM to PFM Financial Advisors LLC. Mr. Wilson moved approved of the request, and Ms. Scott seconded the motion.

Ms.	Thompson	performed	a rol	1-call	vote
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Mr. Wolfe—Aye Ms. Scott—Aye Mr. Hargett—Aye Mr. Wilson—Aye Ms. Hess—Aye

The motion was unanimously approved.

Hearing no other business, Mr. Hargett adjourned the meeting.

The meeting was adjourned.

Approved on this _____ day of ______, 2017.

Respectfully submitted,

Sandra Thompson Assistant Secretary Delinquent Filing of Audit Report

From:

CARS.DoNotReply@cot.tn.gov

Subject: Date: Notification of Contract Extension-Request - Test-City

Tuesday, November 07, 2017 2:50:04 PM

We have received a notification that the original audit report due date of 12/31/2017 for the contract to audit accounts between Test-City and State of Tennessee - Department of Audit will not be met.

Based on this notification, the report will be filed on or before 2/28/2018. The reason for the extension is noted below:

delinquent filing

Test

delinquent filing

Although we are including a comment in our files regarding this extension notification, please note that there is no provision in the contract for filing reports more than six (6) months after the fiscal year end. Every effort should be made to submit audit reports within the six (6) month time frame.

Please note that if this audit is subject to the Single Audit Act, the report must be filed within 9 months of the fiscal year end. Our aeknowledgment of this extension request does not relieve you of any responsibilities related to the Single Audit Act. The State and or Federal grantor(s) would need to be contacted to determine what additional action is necessary.

Other interested parties should be notified of your delinquent filing, including, but not limited to, lenders, grantors, bond counsel, regulatory boards, etc.



Justin P. Wilson

Comptroller

JASON E. MUMPOWER

Chief of Staff

March 1, 2018

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 \$6,760,000 in refunding bonds, pursuant to its Master Bond Resolution, 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* which states that any additional debt issued by a Utility District that would be payable from the same revenues that are pledged to repay SRF loans, must first meet all representations and covenants in the borrower's SRF loan agreements prior to the issuance of such debt.

At its December 19, 2017 meeting, the TLDA board approved the District's previous request to issue \$18,010,000 in refunding bonds with a senior lien position to the District's SRF loans. The District is requesting approval to issue additional refunding bonds to refund its outstanding Rural Development Bonds as indicated in item #4.

Dec 2017: Feb 2018:	\$18,010,000 (Approved by TLDA for senior lien position to SRF loans) \$\frac{6,760,000}{2}\$ (Pending approval by TLDA)				
Total	<u>\$24,770,000</u>				
1. The requestor is a:					
X Utility	District or Water/Wastewater District planning to issue Revenue Debt				

 Cully	Bibliet of Water Water Bibliet planning to issue Nevertae Sect			
	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			

Hallsdale Powell Ut	ility District – TLDA Request
March 1, 2018	-
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 The borrower is requesting to issue the refunding and improvement bonds with a parity lien
position to its outstanding SRF loan(s).

The borrower is requesting to subordinate 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. In its request letter to the TLDA (dated February 13, 2018), the District reported:
"The Rural Development Bonds were issued on parity with the District's Senior Lien Bonds, and
the District requests that it be permitted to refund such Bonds with public market debt and retain
the lien position for the refunding bonds as Senior Lien Bonds."

____ 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 proceeds of the Series 2018 Refunding Bonds will be used to refund approximately:

Current Request for Additional Senior Lien Approval – \$7,845,678

- \$772,147 Rural Development Bonds, Series 2005;
- \$2,597,178 Rural Development Bonds, Series 2007; and
- \$4,476,353 Rural Development Bonds, Series 2011

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 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 a plan to increase rates 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

Ma		le Powell Utility District – TLDA Request 1, 2018
7.	Co	empliance with SRF Loan Agreement:
	a.	Timely repayments [4.(a)] _X_YesNo
	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)]
		YesXNo
		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. In a letter dated February 13, 2018, the District's attorney, on behalf of the District, has requested that TLDA waive the enforcement of the requirement of 7(m) for the District's fiscal year 2017 audit.
	d.	Sufficient Revenues [7.(k)]
		_X_YesNo
		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.(1) and (m)(3) & (4)]
		_X_YesNo

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

Most Recent Fiscal Year (m)(3):

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

Hallsdale Powell Utility District – TLDA Request March 1, 2018 Page 5

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.		ne jurisdiction of the Utility Management Review Board stewater Financing Board (WWFB)? [7.(n)]			
	YesX No If yes, reason for referral: Water Loss Financial Distress _X_ N/A					
			ress, include a schedule of revised rates and fees along with a er from the respective board Included _X_ N/A			
8.		State-Shared Taxes (SST): (Towns	s, Cities, Counties): N/A in prior fiscal year			
	\$_	S Total Max	imum Annual Debt Service			
	\$_	Unobligat	ed SSTs			
9.	. Conclusion					
for ref agi	tim und	mely filling of its annual audit, the landing bonds with a senior lien perments. The lien position of the SR	ave sufficient cash and revenues to meet its obligations. Except District appears to meet TLDA's guidelines for approval to issue osition to its outstanding State Revolving Fund (SRF) loan F loans will be subordinate to that of the refunding bonds being			
At	tacl	chments:				
De	bt S	Service Coverage Ratios				
HF	UD	D Rate Increase Plan				
Di	stric	rict Letter Requesting Waiver of Co	venant 7(m)			

Hallsdale-Powell Utility District
Statement of Revenues, Expenses and Change in Net Assets and Debt Service Ratio Calculation

	Г	Audited	Г	Audited	Г	Projected		Projected		Projected
OPERATING REVENUES	_	FY 2016	_	FY 2017		FY 2018		FY 2019	_	FY 2020
Water Service	\$	14 122 267	T\$	14 426 760	ď	14 994 126	S	15 7/10 710	6	16 244 611
Sewer Service	\$	14,122,267	\$	14,436,769	\$	14,884,236	\$		\$	16,344,611
Connection Fees	\$	282,177	\$	13,462,985	_	14,899,658	_	16,107,983		17,242,771
Penalties	\$	596,858	\$		\$	263,314	\$	340,375	\$	343,778
Ancillary Revenues	\$	543,124	\$	578,154 427,977	\$	566,572	\$	582,498 392,707	\$	584,683 394,179
Total Revenues	\$					247,541	_		_	
Lordi Revenues	Þ	28,670,449	\$	29,239,553	\$	30,861,322	\$	33,132,280	\$	34,910,022
OPERATING EXPENSES										
Salaries and Wages	\$	4,352,472	1\$	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	8	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	\vdash	86,992	-	89,167
Auto and Truck Expense	\$	217,570	\$	220,295	\$	349,853	\vdash	363,794	-	372,888
Public Relations and Customer Info	\$	217,570	2	10,000	\$	44,860	\vdash	37,675	-	38,617
Telephone	\$	105 916	\$	105,340			-		-	125,283
Association Fees and Expenses	\$	70,689	-		\$	116,338	-	122,228	\vdash	
Bank Trustee Fees and Service Charges	\$		\$	72,340	_	73,141	⊢	68,347	_	70,056
Uniforms		49,581	_	814	\$	56,145	-	54,535	-	55,898
	\$	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	S	24,460,383
OPERATING INCOME	S	9,167,034	S	8,700,043	S	7,830,070	S	9,509,820	S	10,449,639
distribution of the control of the c							-			_
NON-OPERATING INCOME (EXPENSES) Interest Income	Γ.	100.016	La	144,100	La	166 100	Ι	166 100	1.6	166 100
	\$	157,716	\$	166,108	\$	166,108	\$	166,108	2	166,108
Gain on Disposal of capital assets	\$	48,093	\$	5,827	\$		\$		\$	1 717 101
Interest Expense	\$	3,542,123	S	3,503,713	\$	3,986,139	10	4,322,298	-	4,515,491
Amortization Expense	\$		S	•	\$	(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	S	5,830,720	S	5,368,265	s	4,175,195	S	5,518,786	S	6,265,412
Capital Contributions from Developers and Customers	\$	660,784	\$	312,140	\$	50,000	S	50,000	\$	50,000
CHANGE IN NET ASSETS	5	6,491,504	S	5,680,405	5	4,225,195	S	5,568,786	\$	6,315,412
CHANGE IN NET ASSETS	5	6,491,504	\$	5,680,405	5	4,225,195	\$	5,568,786	\$	6,31

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	S	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	T	4,769,078		4,771,153		4,758,724	Г	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	T	48,264		48,264	ı—	48,264	Г	48,264
Series 2009 RUS Bond (\$998,000)	45,876	_	45.876		45.876		45.876	\vdash	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	1	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	T	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	1	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	1.59	1	1.33		1.45	_	1.42

Hallsdale Powell Utility District Customer Impacts FY 2017 - FY 2023

Rate Structure																	
Water Rate Impacts		ſ											1			_	
		Ľ	Current Rates	1	FY 2017	1	FY 2018	,	FY 2019		FY 2020	-	FY 2021	1	FY 2022	ı	FY 2023
Residential Usage	Meter Size																
500	3/4**		\$ 12.50	5	13.00	\$	13,39	S	13 79	s	14.20	S	14.63	S	15,07	5	15.52
		% Change			4.0%		3.0%		3.0%		3.0%		3.0%		3.0%	_	3.09
1,000	3/4"		\$ 16.53	5	17.19	S		5	18.23	\$	18.78	\$	19.34	\$	19.92	\$	20.52
	60440	% Change		-	4.0%		3.0%		3.0%		3.0%		1.0%	_	3.0%	_	3,0%
1,500	3/4"		\$ 20,56	\$		\$		\$	22,68	S	23.36	\$		\$	24.78	2	25.52
2,002		% Change		_	4.0%	_	3.0%	_	3.0%	_	3.0%	_	3.0%	_	3.0%	_	3.0%
3,000	3/4"		\$ 32.65	5	33.95	2	De la secreta	5	36.01	2	37.10	S		\$	39.34	2	40,52
1000	2/15	% Change		_	4.0%	_	3.0%	_	3.0%	-	3.0%	_	3.0%	_	3.0%	_	3.0%
4,000	3/4"		\$ 40.71	5	42.33	8	43 59	\$		\$	46.26	S	47.63	2	49.05	5	50.52
5.000	9 (41)	% Change		-	4.0%	-	3.0%	-	3.0%	_	3.0%	-	3.0%	_	3.0%		3.0%
5,000	3/4"		22.	5	50.71	\$	52,22	2	53.79	\$	55.42	\$	1000000	5	58.76	8	60.52
	2.444	% Change		_	4.0%	_	3.0%	_	3,0%		3.0%	_	3.0%	_	3.0%	_	3,0%
7,000	3/4"		5 04 89	S	67.47	\$	69.48	2		\$	73.74	\$	75 92	8	78 18	5	80.52
12.404		% Change			4.0%	_	3.0%	_	3.0%	_	3.0%	_	3.0%	_	3.0%	_	3.0%
10,000	3/4"		S 89 07	.\$	92.61	2	95.37	\$	98 24	5	101.22	2		\$	107.31	S	110 52
	- 7.18	% Change		_	4.0%		3.0%		3.0%		3.0%		3.0%	_	3.0%	_	3.0%
14,000	3/4"		\$ 121.31	\$	126.13	8	129.89	8	133.80	\$	137.86	8	141.93	\$	146.15	\$	150.52
		% Change		_	4.0%	_	3.0%		3.0%		3.0%	_	3.0%	_	3.0%		3.03
ommercial	12			_	210.11	-	721.02	-		_		_	27777	-	242.44		240.40
25,000	1*		\$ 209.97	\$	218.31	2		\$		5	238.62	8		S	200.00	5	260.52
150,000	20	% Change		6	4.0%		3.0%	4	3.0%	_	3.0%	-	3.0%	-	3.0%	-	3.0%
150,000	2"		\$ 1,217.47	2		2	1,303.57	3	1,342,84	2		\$	1,424.41	2	1,466.71	5	1,510.52
ndustrial	_	% Change			4.0%	_	3.0%		3.0%	_	3.0%	_	2.9%	_	3.0%	_	3.0%
500,000	3*		\$ 4,038.47		4 104 01		4 22 1 02	-	4,454.34	-	1 200 23	-	1 22 1 01		10/631	6	£ 010 €3
300,000			A TOTAL OF THE PARTY OF THE PAR	2	5.11.75	2	A STATE OF THE PARTY OF THE PAR	3	11000 1100	2		2		2	4,865.21	3	5,010.52
1,000,000	4"	14 Change		-	4.0%	-	3.0%	-	3.0%	-	3.0%	-	2.9%	-	3.0%		3.0%
1,000,000	4	% Change	\$ 8,068.47	2	4.0%	S	3.0%	2	8,899.34 3,0%		3.0%		2.9%		9,720.21	2	3.0%
		THE BANGE			4.079		3,470		3,076		3.076		2.776		3.076	-	3.97
Sewer Rate Impacts																	
lesidential	Meter																
Usage	Size			-		-		_			1 0 5 5	-	146.4.4		20.77	-	
500	3/4"	245000	\$ 14.68	2	15 56	\$	16 49	8	17,47		18.52		19.63	S	20.41	2	21.23
-		% Change		-	6.0%	_	6.0%	_	6.0%	_	6.0%	_	6.0%	-	4.0%		4.09
1,000	3/4"	No.	\$ 19.37	\$	20,53	8	-	S	23.06	2	24.44	\$	25 91	2	26.94	\$	28.02
1		% Change	A STATE OF THE PARTY OF THE PAR	_	6.0%		6.0%	_	6.0%	_	6.0%	_	6.0%	-	4.0%	-	4,09
1,500	3/4"		\$ 24.07	B	25.51	8	27.04	5	28 65	5	30,37		32.19		33.47	5	34 81
		% Change		_	6.0%	_	6.0%	_	6.0%	_	6.0%	_	6.0%	_	4.0%	_	4.0%
3,000	3/4"		\$ 38.15	8	40.43	S	42 86	\$	45.42	S	48.14	5	51.03	S	53.06	\$	55.18

Resident	Usage	Meter Size																
	500	3/4"	\$	14.68	\$	15 56	\$	16.49	\$	17.47	\$	18.52	\$	19.6.1	S	20.41	5	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	S	21.76	5	23.06	S	24.44	\$	25 91	\$	26.94	\$	28.02
			% Change			6.0%		6.0%		6.0%		6.0%		6.0%	1	4.0%		4,0%
	1,500	3/4"	2	24_07	B	25.51	\$	27.04	S	28 65	5	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"	.8		\$	40.43	S	42 86	\$	45.42	S	48.14	5	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	S	50.38	8	53,41	\$	56.60	\$	59,99	\$	63,59	5	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	S	63.96	5	67,78	S	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	S	80.23	S	85.06	S	90.14	5	95.54	5	101.27	s	105.30	S	109.50
	1/18/11/11/21		% Change			6.0%		6.0%		6.0%		6.0%		6.0%		4.0%		4.0%
	10,000	3/4"	\$	103.88	\$	110.08	S	116.71	\$	123.68	5	131.09	5	138.95	S	144.48	S	150,24
			% Change			6.0%		6.0%		6.0%		6.0%		6.0%		4.0%		4.0%
	14,000		S	122.66	5	129 98	\$	137.81	S	146.04	S	154.79	5	164.07	\$	170.60	\$	177.40
	13.03		S Change			6.0%		6.0%		6.0%		6.0%		6.0%		4.0%		4.0%
Commer	cial											-						
	25,000	1"	\$	244.73	S	259,33	5	274,96	S	291.38	5	308.84	5	327.35	5	340.38	\$	353.94
			% Change			6.0%		6.0%		6.0%		6.0%		6.0%		4.0%		4.0%
	150,000	2"	8						S	1,688.88	\$	1,790.09	S	1,897.35	S	1,972.88	S	2,051.44
			% Change									6.0%						4.0%
Industria	1																	
	500,000	3"	\$	4,704.98	\$	4,985.58	5	5,286.21	5	5,601.88	S	5,937.59	5	6,293.35	S	6,543.88	5	6,804.44
1			% Change									6.0%						
-	1,000,000	4"	\$	9,399,98	\$	9,960.58	\$	10,561,21	\$	11,191.88	S	11,862.59	\$	12,573.35	\$	13,073.88	\$	13,594.44
	NAME OF STREET		% Change									6.0%						

Hallsdale Powell Utility District Customer Impacts FY 2017 - FY 2023

Combined I	Rate Imp	nets							_									
				FY 2016		FY 2017		FY 2018	1	Y 2019	1	FY 2020		FY 2021	1	FY 2022	E	FY 2023
Residential	sage	Meter																
	500	3/4"		\$ 27.18	5	28.56	S	29.87	\$	31.26	\$	32 72	\$	34.26	S	35.48	5	36.75
			% Change			5.1%		4.6%		4.6%		4.7%		4.7%		3.6%		3.6%
	1,000	3/4"		\$ 35,90	S	37.72	\$	39.46	S	41.29	5	43.22	5	45.25	\$	46,86	\$	48.54
			% Change			5.1%		4.6%		4.6%		4,7%		4.736		3.6%		3.6%
	1,500	3/4"		\$ 44.63	5	46.89	\$	49.05	S	51.33	S	53.73	\$	56.25	\$	58.25	\$	60.33
1			% Change			5.1%		4.6%		4.6%		4.7%		4.7%		3.6%		3.6%
	3,000	3/4"		\$ 70.80	\$	74.38	5	77.82	5	81.43	\$	85.24	\$	89.23	\$	92,40	5	95.70
			% Change			5.1%		4.5%		4.6%		4.7%		4.7%		3.6%		3.6%
	4,000	3/4		\$ 88.25	\$	92.71	5	97,00	\$	101.50	\$	106.25	\$	111.22	5	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	S	111,04	\$	116.18	5	121.57	\$	127.26	\$	133,21	5	137.94	5	142.86
			% Change			5.1%		4.6%		4.6%		4.7%		4.7%		3.6%		3.6%
	7,000	3/4"		\$ 140.60	S	147.70	5	154.54	\$	161.71	S	169.28	5	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	S	202.69	5	212 08	S	221,92	\$	232.31	\$	243.16	\$	251.79	5	260.76
1			% Change			5.0%		4.6%		4.6%		4:7%		4.7%		3.5%		3.6%
	14,000	3/4"		\$ 243.97	S	256.11	\$	267.70	\$	279.84	5	292.65	\$	306.00	5	316.75	5	327.92
			15 Change			5.0%		4.5%		4 5%		4.6%		4.5%		3.5%		3.5%
Commercia	1																19	111
	25,000	1"		S 454.70	-5	477.64	\$	499.78	S	522.97	\$	547,46	\$	573.01	5	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	5	2,768,89	\$	2,897.28	S	3,031.72	S	3,173.71	5	3,321.76	\$	3,439,59	\$	3,561.96
			35 Change			5.0%		4.6%		4.6%		4,7%		4.7%		3.5%		3.6%
Industrial			4 *************************************				_				_							
	500,000	3"		\$ 8,743.45	S	9,184.39	\$	9,610.28	S	10,056.22	5	10,527,21	\$	11,018.26	S	11,409.09	S	11,814.96
			% Change			5.0%		4.6%		4.6%		4.7%		4.7%		3.5%		3.6%
1,	000,000	4"	- manipulation	\$ 17,468,45	5	18,349.39	\$	19,200.28	\$	20,091.22	ŝ	21,032.21	\$	22,013.26	5	22,794.09	5	23,604.96
			16 Change			5.0%		4.6%		4.6%		4.7%		4.7%		3.5%		3.6%



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Office of State and Local Finance/COT

February 18, 2018

FEB 1 6 2018

Ms. Sandra Thompson, Director Division of State and Local Finance Cordell Hull Building 425 Fifth Avenue North Nashville, TN 37243

Time Received _____

Re: Hallsdale-Powell Utility District

Dear Ms. Thompson:

This letter supplements my letter dated February 13, 2018 relating to the District's request for consent from the Tennessee Local Development Authority for the proposed issuance by the District of the additional indebtedness to be sold in the public capital markets.

The District understands its need to comply 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. While the District believed in good faith that it had received an extension to file the audit, it did not file its 2017 audit until November 1, 2017 and consequently was not in compliance with the September 30 filing deadline. The District understands the importance of complying with the SFR loan covenants. 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.

Please let me know if there is any additional information that you would need to have this request be placed on TLDA's agenda for its next meeting. As always, I appreciate your anticipated cooperation in this matter.

Very truly yours,

Alexander B. Buchanan

ABB:cty



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Alexander B. Buchanan 615,850,8628 direct alex.buchanan@wallerlaw.com

February 13, 2018

Ms. Sandra Thompson, Director Division of State and Local Finance Cordell Hull Building 425 Fifth Avenue North Nashville, TN 37243

Re: Hallsdale-Powell Utility District

Dear Ms. Thompson:



Hallsdale-Powell Utility District (the "District") requests that it be placed on the agenda for the next meeting of the Tennessee Local Development Authority ("TLDA"). After review of its refunding opportunities with respect to its outstanding debt, the District has determined that it would like to receive consent of TLDA to the District issuance of additional debt to refund its Series 2005, Series 2007, and Series 2011 Bonds (collectively, the "Rural Development Bonds"), which are currently held by Rural Development. The Rural Development Bonds were issued on parity with the District's Senior Lien Bonds, and the District requests that it be permitted to refund such Bonds with public market debt, and retain the lien position for the refunding bonds as Senior Lien Bonds. This means that such indebtedness would be proposed to be senior to the State's SRF loans but would not represent a change in lien position from that occupied by the refunded indebtedness.

I am attaching herewith the Preliminary Refunding Analysis, which includes the Rural Development Bonds to be refunded, along with the Series 2006 and Series 2008 Bonds for which TLDA has previously given its consent to the issuance of additional indebtedness to refund such Bonds. As you can see from a review of the refunding analysis, the inclusion of the Rural Development Bonds in the refunding would result in net present value savings for the District of in excess of \$3.8 million.

Please let me know if there is any additional information that you would need to have this request be placed on TLDA's agenda for its next meeting. As always, I appreciate your anticipated cooperation in this matter.

Very truly yours,

Alexander B. Buchanan

Alex

ABB:cty Enclosure



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Alexander B. Buchanan 615.850.8628 direct alex.buchanan@wallerlaw.com

Office of State and Local Finance/COT

February 18, 2018

FEB 1 6 2018

Ms. Sandra Thompson, Director Division of State and Local Finance Cordell Hull Building 425 Fifth Avenue North Nashville, TN 37243

Time Received _____

Re: Hallsdale-Powell Utility District

Dear Ms. Thompson:

This letter supplements my letter dated February 13, 2018 relating to the District's request for consent from the Tennessee Local Development Authority for the proposed issuance by the District of the additional indebtedness to be sold in the public capital markets.

The District understands its need to comply 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. While the District believed in good faith that it had received an extension to file the audit, it did not file its 2017 audit until November 1, 2017 and consequently was not in compliance with the September 30 filing deadline. The District understands the importance of complying with the SFR loan covenants. 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.

Please let me know if there is any additional information that you would need to have this request be placed on TLDA's agenda for its next meeting. As always, I appreciate your anticipated cooperation in this matter.

Very truly yours,

Alexander B. Buchanan

ABB:cty



Justin P. Wilson

Comptroller

1. The requestor is a:

Jason E. Mumpower Chief of Staff

March 2, 2018

Minor Hill Utility District

Request for TLDA Approval to Issue Additional Debt

The Minor Hill Utility District (the "District") is requesting approval from the Tennessee Local Development Authority (TLDA) to issue \$335,000 in new money as a USDA Rural Development Loan Agreement with a subordinate lien position to its 2 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 which states that any additional debt issued by a Utility District that would be payable from the same revenues that are pledged to repay SRF loans, must first meet all representations and covenants in the borrower's SRF loan agreements prior to the issuance of such debt.

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 debt with a parity lien position to its outstanding SRF loan(s). The borrower is requesting subordination of its outstanding SRF debt to the new debt The borrower is not requesting a modification of lien position and the proposed debt will $_{\mathbf{X}_{-}}$ be issued subordinate to the SRF debt. 3. The purpose of the proposed debt issuance is: Refunding

Minor Hill Utility	District - TLDA Request
March 2, 2018	
Page 2	

X New Money (the District is requesting approval to issue USDA Rural Development Loan Agreement totaling \$335,000.)

4. Description and Additional Information:

New Money Loan

The District plans to enter into a USDA Rural Development Loan Agreement in a total amount not to exceed \$335,000 and will receive \$115,000 in grant revenues. The District plans to use proceeds from the loan to improve its water supply system.

5. The debt rating of the borrower is:

Please indicate N/R if not rated.

N/R Moody's _N/R_ 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 12/31/2017)
June 25, 2013	SRF/Water	DG2 13-136	\$ 880,000	\$ 845,266
April 7, 2016	SRF/Water	DWF 16-176	600,000	581,732

^{*}Net of principal forgiveness

7. Compliance with SRF Loan Agreement:

a.	Timely repayments [4.(a)]
	_X_YesNo
b.	Security Deposit (UDs and Authorities) [8.]
	_X_YesNo
	Amount on deposit: \$78,741

c.	GAAP Accounting and Audited Annual Financial Statement Requirement $[7.(g)$ and $(m)(2)$
	YesXNo
	The fiscal year 2016 audit was not filed within six months after the District's fiscal year ended December 31, 2016. The District filed its fiscal year 2016 audited financial statements with the Division of Local Government Audit on August 3, 2017. In a letter dated February 28, 2018, the District has requested that TLDA waive the enforcement of the requirement of 7(m) for the District's fiscal year 2016 audit.
d.	Sufficient Revenues [7.(k)]
	_X_YesNo
	For the fiscal year ended December 31, 2016, the District's audited financial statements reflected operating income of \$209,715, and a positive change in net position of \$716,972. The District's statement of cash flows reflected debt service payments of \$272,909, consisting of principal payments of \$167,754 and interest payments of \$105,155.
	At December 31, 2016, the District reported \$724,853 in unrestricted cash and \$337,061 in restricted cash and security deposits.
e.	Debt Service Coverage Ratios [7.(l) and (m)(3)&(4)]
	_X_YesNo
	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 2.67x for fiscal year 2016 and 2.08x 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 of 1.54x for fiscal years 2018 through 2020.

		ntly under the jurisdiction of the Utility Management Review the Water and Wastewater Financing Board (WWFB)? [7.(n)]
	YesX	No
	If yes, reason for re	eferral: Water Loss Financial Distress N/A
		inancial distress, include a schedule of revised rates and fees along with ctive action order from the respective board Included _X_ N/A
8.	State-Shared Taxes (S	SST): (Towns, Cities, Counties): N/A
	\$	Received in prior fiscal year
	\$ \$	
	\$	Unobligated SSTs
9.	Conclusion	
Exap	scept for timely filling of proval to issue loan with	District will have sufficient cash and revenues to meet its obligations of its annual audit, the District appears to meet TLDA's guidelines for the a subordinate lien position to its outstanding State Revolving Fundae lien position of the SRF loans will be senior to that of the new money
At	ttachment:	
De	ebt Service Coverage Ra	tios

		Projected 2020		•	Projected 2019			Unaudited 2017		2016		2015	2014	2012
Operating Revenue	ć		Ś	1,613,767	\$	2018 1,613,767	ć		\$	1,566,147		2015	2014	2013
Operating Revenue	\$	1,613,767	Ş		Ş	Lambarda Salata Cara	Ą	1,551,686	Þ	N	Ş	1,441,606	1,436,932	1,283,675
Operating Expenses ¹	_	1,181,290		1,181,290		1,181,290		1,154,884		1,117,025		1,069,205	1,063,291	1,010,265
Net Operating income	\$	432,477	\$	432,477	\$	432,477	\$	396,802	\$	449,122	\$	372,401	\$ 373,641	\$ 273,410
Other income ²													-	-
Total net income	\$	432,477	\$	432,477	\$	432,477	\$	396,802	\$	449,122	\$	372,401	\$ 373,641	\$ 273,410
Annual debt service ³	\$	247,800	\$	247,800	\$	244,257	\$	191,052	\$	168,244	\$	321,930	\$ 321,940	\$ 204,759
Coverage		1.75		1.75		1.77		2.08		2.67		1.16	1.16	1.34
Max Debt Service including Proposed 2018 Bonds Coverage	\$	280,021 1.54		1.54		1.54		1.42		1.60				

 $^{^{1}}$ Excludes depreciation, amortization, and interest. Includes other non-operating expenses.

Waterworks Revenue Bond, Series 1998 and Waterworks Revenue Bond, Series 2003, 2013 SRF Loan DW2 2013-136 (beginning 2017), Water Revenue Bond, Series 2018 (beginning 2018), 2016 SRF Loan DWF 2016-176 (beginning 2018)

² Excludes grant income and fees received for taps and line extensions in excess of cost.

³Debt Service on Waterworks Revenue Bonds, Series 1981 (paid off 2016),

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

February 28, 2018

Via Email (sandi.thompson@cot.tn.gov)

Ms. Sandra Thompson, Assistant Secretary Tennessee Local Development Authority Cordell Hull Building 425 Fifth Avenue North Nashville, TN 37243

Re:

Minor Hill Utility District of Giles County, Tennessee (the "District") -

Proposed \$335,000 Waterworks Revenue Bond

Dear Ms. Thompson:

The United States Department of Agriculture (the "USDA") has offered to loan the District \$335,000 at a rate not greater than 2.75%, payable in 456 equal consecutive monthly installments of principal and interest. The loan will be accompanied by a grant of \$115,000. The District will use the proceeds of the loan and grant to complete the water supply improvements described in our 10/13/15 letter requesting the TLDA's consent to our issuance of a \$1,042,000 bond to USDA.

The District is party to revolving fund loan agreements with the State in maximum loan amounts of \$880,000 (DW2 13-136) and \$600,000 (DWF 16-176). Pursuant to Section 7(m) of the Revolving Fund Loan Agreements for Utility Districts entered into among TDEC, the Tennessee Local Development Authority and the District, the District is required to seek prior approval of the Authority before issuing additional debt payable from the revenues of the system.

On the District's behalf, I am asking that the Tennessee Local Development Authority consider approving the proposed USDA loan at its next meeting. I note that the loan is proposed to be secured on a subordinate basis to the State's revolving fund loans. To that end, I am enclosing copies of:

- Proposed bond resolution
- Financing commitment from Rural Development

The District's most recent audited financial statements (through FYE December 31, 2016) are posted to the Comptroller's repository website. We hereby request that the TLDA waive enforcement of the requirements set forth in Section 7(m) of the revolving fund loan agreements. The six-month deadline for filing our audit for the fiscal year ended December 31, 2016 was June 30, 2017, and we did not file our audit until August 3, 2017. The delay in filing our audit was the result of the failure of our auditor to timely prepare our audited financial statements. We have since terminated our engagement with that auditor and engaged a new auditor. We have made clear to our new auditor that our audit must be produced within the time frame required by our loan agreements.

I am also enclosing a chart detailing the District's annual debt service requirements from 2018 through 2020. Please note the attached chart assumes that the SRF and USDA loans have been fully drawn and are fully amortizing.

The District expects its 2018 through 2020 fiscal year results to be consistent with its 2016 results. (I note that the proposed project is expected to produce long-term costs savings for the District through the reduction of the District's water purchase costs.) Based on the foregoing, the District's FY2016 net revenues will cover future debt service requirements by more than 120% in each of the 2018-2020 fiscal years.

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

Thanks for your help.

Yours truly,

MINOR HILL UTILITY DISTRICT

BY: New Ho

ndj

Attachments

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

24275448.2

DEPARTMENT OF ENVIRONMENT AND CONSERVATION DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program Funds Available for Loan Obligation March 13, 2018

Unobligated	Balance as of January 25, 2018						\$	61,189,065
Increases:	Early Payoff (See note * below) Loan Decreases (See note ** below)	*	ä	\$ \$		500,000 7,625,279	\$	8,125,279
Unobligated	Balance as of March 13, 2018						\$	69,314,344
Applicants:			Loan Number	L	oa	n Amount		
Remaining	Chapel Hill (Subsidized @ \$78,875) Cleveland Lewisburg (Subsidized @ \$100,000) Lewisburg Memphis Funds Available for Loan Obligations		CW6 2018-399 SRF 2018-417 CW6 2017-389 SRF 2017-390 SRF 2018-409	\$ \$ \$ \$		788,750 10,000,000 1,000,000 75,000 11,000,000	\$ \$	22,863,750 46,4 50,594
	* Early Payoff Loudon County (SRF 2007-198) Monroe County (SRF 2007-198A)			\$ \$ \$		250,000 250,000 500,000		
	** Loan Decreases Anderson County Water Authority Hamilton County Water & Watewater Treatment Auth Hamilton County Water & Watewater Treatment Auth Smyrna		CG2 2014-331 CW0 2012-298 CG1 2013-323 CW4 2014-343	\$ \$ \$ \$		546,993 2,066,836 2,320,208 2,691,242 7,625,279		

FACT SHEET

MARCH 13, 2018

Town of Chapel Hill Borrower:

Population: 1,445

County: Marshall County

Consulting Engineer: J.R. Wauford & Company

Project Number: CW6 2018-399

56(FY 2017)/30.0 **Priority List Ranking/Points:**

Recommended Term: 20 years

Recommended Rate: $(2.15 \times 60\%) - (0.25\%) = 1.04\%$

Project Description: Collection System Replacement (Construction of an 8-inch diameter forcemain from Morning Side Pump Station to the WWTP to replace existing 6-inch forcemain.)

\$ 1,150,000 **Total Project Cost:**

Sources of Funding:

SRF Loan Principal 90% \$ 709,875 Principal Forgiveness 10% 78,875 **CDBG**

361,250

State-Shared Taxes: 182,969

Debt Service:

Prior Loans: (including SRF) \$ 0 0% 2.15% Proposed Loan: \$ 39,328 Total: 39,328 2.15%

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

\$ 36.04 Current Rate:

Public Meeting: November 30, 2017

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES Town of Chapel Hill CW6 2018-399

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$182,969.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan#	Original \$/A	mt Max: Annual Debt
			Service
N/A			

- (b) The maximum aggregate annual debt service is \$0
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt		Anticipated Max. Annual Debt Service
SRF/Sewer	1.04%	\$788,750	\$78,875	\$39,328

- (b) The anticipated maximum aggregate annual debt service is \$39,328.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Original \$/Amt	Max, Annual Pledge of State-Shared Taxes
N/A			Cook Shaper have

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$39,328.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$143,641.

Duly signed by an authorized representative of the Local Government on this 20 th day of 2017.

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

LOCAL GOVERNMENT

Danny Bingham, Mayo

FACT SHEET

MARCH 13, 2018

Borrower:

City of Cleveland

Population:

41,285

County:

Bradley County

Consulting Engineer:

S & ME Inc.

Project Number:

SRF 2018-417

Priority List Ranking/Points:

60(FY 2017)/70

Recommended Term:

20 years

Recommended Rate:

 $(2.61 \times 70\%) - (0.25\%) = 1.58\%$

Project Description: I/I Correction (SSES of approximately 107,000 LF of sewerlines in Sewer Basin 64-14A and the rehabilitation of sewerlines and manholes by method of CIPP, trenchless, and manhole lining in Sewer Basin 10A-8).

Total Project Cost:

\$ 10,000,000

Sources of Funding:

SRF Loan Principal

\$ 10,000,000

Other Funds

\$ -0-

Local Funds

\$ -0-

State-Shared Taxes:

\$ 6,421,865

Debt Service:

Prior Loans: (including SRF)

\$ 1,452,743

22.62%

Proposed Loan:

\$ 583,480

9.09%

Total:

\$ 2,036,223

31.71%

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

Current Rate:

\$ 34.76

Public Meeting:

January 24, 2018

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES Cleveland SRF 2018-417

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$6,421,865.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiveness	Max: Annual Debt Service
SRF/Sewer	CW0 2013-319	\$1,862,000	\$451,022	\$76,991
SRF/Sewer	SRF 2013-320	\$8,174,000.00	\$0	\$457,696
SRF/Sewer	CWA 2009-241	\$1,359,000	\$543,600	\$50,011
SRF/Sewer	CG4 2015-349	\$2,500,00	\$175,000	\$133,092
SRF/Sewer	CG3 2017-379	\$110,418	\$5,521	\$5,722
SRF/Water	DG2 2014-151	\$2,500,000	\$500,000	\$115,811
SRF/Water	DWF 2016-172	\$3,725,500	\$0	\$207,802
SRF/Water	DW6 2017-192	\$1,000,000	\$200,000	\$46,767
SRF/Water	DWF 2017-193	\$195,000	\$0	\$11,400
SRF/Water	DWF 2018-205	\$430,000	\$0	\$24,451
QSCB	BFC0100	\$4,160,000	\$0	\$323,000

- (b) The maximum aggregate annual debt service is \$1,452,743.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest	Original \$/Amt	Anticipated Max. Annual
	Rate		Debt Service
SRF/Water	1.58%	\$10,000,000	\$583,480

- (b) The anticipated maximum aggregate annual debt service is \$583,480.
- (4) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

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

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

- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$2,036,223.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$4,385,642.

Duly signed by	an authorized	representative of the Local Government on this	2 ND	_ day of
MARCH	, 2018			

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

LOCAL GOVERNMENT

Mr. Tom Rowland, Mayor of City of Cleveland

FACT SHEET

MARCH 13, 2018

Borrower: City of Lewisburg

Population: 13,332

County: Marshall County

Consulting Engineer: J.R. Wauford & Company

Project Number: CW6 2017-389

Priority List Ranking/Points: 04(FY 2016)/117

Recommended Term: 20 years

Recommended Rate: $(2.16 \times 60\%) - (0.25\%) = 1.05\%$

Project Description: WWTP Improvements - Advanced Treatment (Construction of a chemical feed building)

Total Project Cost: \$ 1,075,000

Sources of Funding:

 SRF Loan Principal 90%
 \$ 900,000

 Principal Forgiveness 10%
 \$ 100,000

 Other Funds (SRF 2017-390)
 \$ 75,000

State-Shared Taxes: \$ 1,480,378

Debt Service:

 Prior Loans: (including SRF)
 \$ 631,800
 42.60 %

 Proposed Loan:
 \$ 54,069
 3.65 %

 Total:
 \$ 685,869
 46.25 %

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

Current Rate: \$ 29.32

Public Meeting: October 11, 2017

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES City of Lewisburg CW6 2017-389

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$1,480,378.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max: Annual Debt Service
SRF/Sewer	CG0 2011-270	\$10,000,000	\$2,000,000	\$505,440
SRF/Sewer	SRF 2011-283	\$2,000,000	\$0	\$126,360

- (b) The maximum aggregate annual debt service is \$631,800.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Principal Forgiveness	Anticipated Max. Annual Debt Service
SRF/Sewer	1.05%	1,000,000	\$100,000	\$49,910
SRF/Sewer	1.05%	\$75,000	\$0	\$4,159

- (b) The anticipated maximum aggregate annual debt service is \$54,069.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

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

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$685,869.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$794,509

Duly signed by an authorized representative of the Local Government on this day of, 20178.	
This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Authority. LOCAL GOVERNMENT BY: Jim Bingham, Mayor	•

FACT SHEET

MARCH 13, 2018

Borrower:

City of Lewisburg

Population:

13,332

County:

Marshall County

Consulting Engineer:

J.R. Wauford & Company

Project Number:

SRF 2017-390

Priority List Ranking/Points:

04(FY 2016)/117

Recommended Term:

20 years

Recommended Rate:

 $(2.16 \times 60\%) - (0.25\%) = 1.05\%$

Project Description: WWTP Improvements - Advanced Treatment (Construction of a chemical feed building)

Total Project Cost:

\$ 1,075,000

Sources of Funding:

SRF Loan Principal

\$ 75,000

Principal Forgiveness

\$ 0

Other Funds (CW6 2017-389)

\$ 1,000,000

State-Shared Taxes:

\$ 1,480,378

Debt Service:

Prior Loans: (including SRF)

\$ 631,800

42.6%

Proposed Loan:

<u>\$ 54,069</u>

3.65%

Total:

\$ 685,869

46.25%

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

Current Rate:

\$ 29.32

Public Meeting:

October 11, 2017

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES City of Lewisburg SRF 2017-390

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$1,480,378.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max: Annual Debt Service
SRF/Sewer	CG0 2011-270	\$10,000,000	\$2,000,000	\$505,440
SRF/Sewer	SRF 2011-283	\$2,000,000	\$0	\$126,360

- (b) The maximum aggregate annual debt service is \$631,800.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Principal Forgiveness	Anticipated Max. Annual Debt Service
SRF/Sewer	1.05%	1,000,000	\$100,000	\$49,910
SRF/Sewer	1.05%	\$75,000	\$0	\$4,159

- (b) The anticipated maximum aggregate annual debt service is \$54,069.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

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

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$685,869.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$794,509

Duly signed by an authorized representative of the Local Government on this day of, 20178
This is the Comptroller's certificate as required by TCA 4-31-108. The approval of the loan(s) is contingent upon approval by the Tennessee Local Development Authority. LOCAL GOVERNMENT BY Jim Bingharu, Mayor

FACT SHEET

MARCH 13, 2018

Borrower: City of Memphis

Population: 646,889

County: Shelby County

Consulting Engineer: CDM Smith Consultants

Project Number: SRF 2018-409

Priority List Ranking/Points: 55(FY 2017)/117

Recommended Term: 20 years

Recommended Rate: $(2.12 \times 50\%) - (0.25\%) = 0.81\%$

Project Description: T.E. Maxson Wastewater Treatment Plant Headworks Improvements Project: The project consists of replacing equipment, structural and architectural modifications, and electrical and instrumentation improvements in the existing Headworks Building at the T.E. Maxson Wastewater Treatment Plant.

Total Project Cost: \$ 11,000,000

Sources of Funding:

SRF Loan Principal \$ 11,000,000

Other Funds \$ -0-Local Funds \$ -0-

State-Shared Taxes: \$ 99,485,384

Debt Service:

 Prior Loans: (including SRF)
 \$ 8,245,318
 8.29%

 Proposed Loan:
 \$ 595,938
 0.60%

 Total:
 \$ 8,841,256
 8.89%

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

Current Rate: \$ 14.35

Public Meeting: October 05, 2017

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES City of Memphis CWSRF 2018-409

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$99,485,384.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Loan Amount	Max. Annual Debt Service
QZAB	2003 Z12	\$1,084,000	\$72,267
SRF/Sewer	2006-195	\$3,988,541	\$255,732
SRF/Sewer	2013-309	\$22,000,000	\$1,184,905
SRF/Sewer	2013-311	\$100,000,000	\$5,385,931
SRF/Sewer	2015-355	\$25,000,000	\$1,346,483

- (b) The maximum aggregate annual debt service is \$8,245,318.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Loan Amount	Anticipated Max. Annual Debt Service
SRF/Sewer	0.81%	\$11,000,000	\$595,938

- (b) The anticipated maximum aggregate annual debt service is \$595,938.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

Type of Obligation	Identifying #	Loan Amount	Max. Annual Pledge of State-Shared Taxes
N/A			

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness (Subparagraphs (2)(b), (3)(b), and (4)(b) having a lien on the State-Shared Taxes referred above is \$8,841,256.
- (6) The amount set forth in (1) less the amount set forth in Paragraph (5) is \$90,644,128.

Duly signed by an authorized representative of the Local Government on this 5 day of February, 2018.

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

LOCAL GOVERNMENT

Acknowledged by

Jim Strickland, Mayor

DEPARTMENT OF ENVIRONMENT AND CONSERVATION DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program Funds Available for Loan Obligation March 13, 2018

Unobligated Balance as of January 25, 2018		\$	57,892,996
Increases:	Loan Number	Loan Amount	
Loan Decreases (See Note below)	*	\$ 4,060,764	4,060,764
Unobligated Balance as of March 13, 2018		\$	61,953,760
Applicants:	Loan Number	Loan Amount	
Bell Buckle (Subsidized @ \$58,800) Erwin (Subsidized @ \$150,000)	DWF 2018-207 DW6 2018-206	\$ 294,000 \$ 750,000 \$	1,044,000
Remaining Funds Available for Loan Obligations			60,909,760
Adjustment to Prior Loans			
* Loan Decrease Kingsport	DWF 2014-140	\$ 1,443,399	
Smith Utility District	DWF 2017-194	\$ 89,213	
Smyrna	DWF 2014-153	\$ 688,721	
Smyrna	DW4 2014-154	\$ 1,839,431 \$ 4,060,764	

FACT SHEET

MARCH 13, 2018

Borrower:

City of Bell Buckle

Population:

500

County:

Bedford County

Consulting Engineer:

S & ME Inc.

Project Number:

DWF 2018-207

Priority List Ranking/Points:

3(FY 2017)/45

Recommended Term:

20 years

Recommended Rate:

 $(2.61 \times 20\%) - (0.25\%) = 0.27\%$

Project Description: Distribution System Water Main Line Replacement.

Total Project Cost:

\$ 294,000

Sources of Funding:

SRF Loan Principal

\$ 235,200

Principal Forgiveness

\$ 58,800

Other Funds

\$ -0-

State-Shared Taxes:

147,080

Debt Service:

Prior Loans: (including SRF)

\$ 60,183

40.92%

Proposed Loan:

\$ 12,082

8.21%

Total:

\$ 72,265

51.19%

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

Current Rate:

\$ 39.79

Public Meeting:

January 29, 2018

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES Bell Buckle DW6 2018-207

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$147,080.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max: Annual Debt Service
SRF/Sewer	DW1 2012-117	\$400,000	\$120,000	\$15,845
SRF/Water	CW1 2012-300	\$664,225.20	\$73,802.80	\$37,584
SRF/Water	DW6 2018-200	\$166,000	\$33,200	\$6,754

- (b) The maximum aggregate annual debt service is \$60,183.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Principal Forgiven	Anticipated Max. Annual Debt Service
SRF/Water	0.27%	\$294,000	\$58,800	\$12,082

- (b) The anticipated maximum aggregate annual debt service is \$12,082.
- (4) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

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

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$72,265.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$74,815,

Duly signed by an authorized representative of the Local Government on this	13	day of
February, 2018		

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

LOCAL GOVERNMEN

BY:

Ms. Jenny Hunt, Mayor

FACT SHEET

MARCH 13, 2018

Borrower:

Erwin Utilities

Population:

6,097

County:

Unicoi County

Consulting Engineer:

S & ME, Inc.

Project Number:

DW6 2018-206

Priority List Ranking/Points:

10(FY 2017)/45.0

Recommended Term:

20 years

Recommended Rate:

 $(2.25 \times 60\%) - (0.25\%) = 1.10\%$

Project Description: New Water Storage Tank (Construction of a new 0.5 MG water storage tank)

Total Project Cost:

\$ 750,000

Sources of Funding:

SRF Loan Principal

\$ 600,000

Principal Forgiveness

\$ 150,000

Other

\$ -0-

State-Shared Taxes:

\$ 805,553

Debt Service:

Prior Loans: (including SRF)

\$ 282,114 \$ 33,435

35.0%

Proposed Loan: Total:

\$ 315,549

4.2% 39.2%

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

Current Rate:

\$ 24.54

Public Meeting:

December 14, 2017

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES Town of Erwin DW6 2018-206

The Local Government hereby represents that:

- (1) The total amount of State-Shared Taxes received by the Local Government in the prior fiscal year of the State is \$805,553.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max. Annual Debt Service
SRF/Sewer	CG3 2014-341	\$4,000,000	\$200,000	\$154,979
SRF/Water	DW0 2011-114	\$700,000	\$140,000	\$35,352
SRF/Water	DG5 2017-186	\$1,500,000	\$375,000	\$63,542
SRF/Water	DWF 2017-187	\$500,0000	\$0	\$28,241

- (b) The maximum aggregate annual debt service is \$282,114.
- (3) (a) The loans which have been applied for or have been approved with funding not yet provided, for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Anticipated Interest Rate	Original \$/Amt	Principal Forgiven	Anticipated Max. Annual Debt Service
SRF/Water	1.10%	\$750,000	\$150,Q00	\$33,435

- (b) The anticipated maximum aggregate annual debt service is \$33,435.
- (4) (a) State-Shared Taxes have been pledged by the Local Government to secure other obligations describe below:

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

- (b) The anticipated maximum aggregate annual pledge of State-Shared Taxes pursuant of other obligations is \$0.
- (5) The amount of Local Government indebtedness Subparagraphs (2)(b), (3)(b) and (4)(b) having a lien on the State-Shared Taxes referred above is \$315,549.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$490,004.

Duly signed by an authorized representative of the Local Government on this 23 day of _______, 2018.

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

LOCAL GOVERNMENT

BY: Steett Roun Lee H. Brown, General Manager



JUSTIN P. WILSON

Comptroller

JASON E. MUMPOWER

Chief of Staff

Month Day, Year

Dear SRF Program Participant:

This letter is to inform you that the Tennessee Local Development Authority (TLDA) recently approved a revision to the TLDA State Revolving Fund (SRF) Policy and Guidance for Borrowers at its public meeting held on March 13, 2018. The purpose of the revision is to provide clarification and guidance to borrowers regarding the audit filing requirement set forth in the SRF loan agreement.

The TLDA SRF Policy and Guidance for Borrowers is available on the Comptroller's website: https://www.comptroller.tn.gov/TLDA/TLDAPolicies.asp. The recent revision is in the section titled Filing of Annual Audit Report.

If you have not yet filed the annual audit report required for the most recent fiscal year-end, please notify the TLDA with the reason for late filing of the report and the expected filing date. Please send your response to:

Tennessee Local Development Authority Office of State and Local Finance Cordell Hull Building, 4th Floor 425 Fifth Avenue North Nashville, TN 37243 Attn: Sandi Thompson

Please note that there is no provision in the audit contract for filing annual audit reports later than six months after the fiscal year end, and the Division of Local Government Audit (LGA) does not grant permission to extend contracted filing deadlines. If you have questions regarding the audit contract, please contact LGA.

Sincerely,

Sandi Thompson
Director of the Office of State and Local Finance,
Office of the Comptroller of the Treasury
Assistant Secretary to the Tennessee Local Development Authority

cc: Sherwin Smith, SRF Program Director, TN Department of Environment & Conservation Jerry Durham, Assistant Director—Contract Audits, LGA Jean Suh, Contract Audit Review Manager, LGA David Sturtevant, Contract Audit Review Manager, LGA

Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers

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Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers

Introduction

1

The purpose of the Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs (together, the "SRF program") is to provide financial assistance to address federal and state health, safety, and environmental requirements for clean water and safe drinking water. Through the SRF program, local governments and water systems are eligible to apply for below market rate loans to finance the infrastructure to meet these requirements. The purpose of this Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers ("Policy and Guidance") is to provide guidance to SRF program borrowers.

Over the years, the Tennessee Local Development Authority (the "TLDA") has established policies and other guidance to assist program borrowers. The TLDA has conducted a review of these documents with regards to their clarity and efficacy for SRF program borrowers, alignment with SRF program goals, and compliance with SRF program requirements. This resulting Policy and Guidance supersedes any policy or guidance previously approved by the TLDA, including, but not limited to:

- Incremental Funding Policy approved on August 26, 2008.
- Policy on Approval of Refundings Proposed by Utility Districts/Water and Wastewater Authorities approved on October 15, 2010.
- Policy on Subordination approved on January 13, 2012.
- Intent on Parity Status document approved on June 8, 2012.
- Loan Modification Policy approved on October 24, 2013.

Please note that the Tennessee General Assembly passed legislation in 2015 allowing privately owned for-profit community public water systems ("Private Systems") access to the Drinking Water SRF loan program. At the time of the approval of this Policy and Guidance, no loans have been made to Private Systems nor have any applications been received. As such, the policies and guidance included in this document are not at this time applicable to Private Systems. Please refer to the section titled Privately Owned For-Profit Community Public Water Systems for more information on the enacted legislation.

Definitions

For purposes of this Policy and Guidance, terms defined in Tenn. Code Ann. Title 68, Chapter 221, Parts 10 and 12, shall have the same meaning as defined in those parts unless the context otherwise requires. Any subsequent amendment to definitions in those parts or statutes cited in the definitions below is hereby incorporated by this Policy and Guidance.

"Borrower" means any municipality, system, or utility district for which a SRF program loan has received final approval by the TLDA in accordance with Tenn. Code Ann. § 68-221-1005(c) or Tenn. Code Ann. § 68-221-1205(g) unless such loan has been paid in full.

"Municipality" means a county, incorporated town or city, or metropolitan government.

"State-shared taxes" has the same meaning as defined in Tenn. Code Ann. § 4-31-102.

"System" means:

- (1) A water/wastewater authority or an energy authority; or
- (2) Any instrumentality of government created by one or both of the entities described in this definition; a municipality; or by an act of the General Assembly, but does not mean a utility district.
- "Utility district" or "UD" means a utility district formed pursuant to the Utility District Law, compiled in Title 7, Chapter 82.
- "Privately owned for-profit community public water system" or "Private System" means a system eligible to apply for Drinking Water SRF program loans pursuant to Code of Federal Regulations ("CFR") Part 35 and Tenn. Code Ann. § 68-221-1203(6).
- "Tennessee Local Development Authority" or "TLDA" means the entity created by Tenn. Code Ann. Title 4, Chapter 31.
- Tennessee Department of Environment and Conservation" or "TDEC" means the department created by Tenn. Code Ann. § 4-3-501.

Issuance of Additional Debt

Purpose

The SRF program provides Borrowers with low cost loans in order to fund water and wastewater projects; however, the program may not be able to meet all of the financing needs of all Borrowers or potential borrowers. Rapidly growing local governments, systems, and UDs may also need to issue additional debt in order to address their needs. By blending a below market interest rate SRF program loan(s) with the higher rate debt sold in the public market, these Borrowers may be able to incur lower overall costs and as a result, provide service to their customers at lower average user fees than would be available if such Borrowers relied solely upon directly issued public debt. While recognizing that there may be a need for additional borrowing outside of the SRF program, the TLDA has a responsibility to ensure the integrity of the program, which relies on the repayment of monies borrowed to fund future loans. As such, the TLDA must carefully consider any request from a Borrower which might impair the security for a Borrower's SRF program loan(s), including requests to modify lien position with respect to new debt.

This section provides guidance to Borrowers that wish to issue additional debt, clarifies the TLDA's position with respect to requests by Borrowers to modify the TLDA's lien position on SRF loans, and outlines factors to be analyzed by the TLDA when considering requests to modify such lien position.

Utility Districts and Systems

Requests from UD's and Systems to Issue Additional Revenue Debt

Since UD's and Systems do not have taxing authority, they cannot issue general obligation debt. Therefore, any additional debt issued by a UD or System that is a Borrower, would be payable from the same revenues that are pledged to repay the Borrower's SRF program loan ("SRF Loan"), and must first meet all representations and covenants in the Borrower's SRF loan agreement. All requests to issue such additional revenue debt must be approved by the TLDA prior to the issuance of such debt. In order to allow adequate time for such consideration, all requests should be submitted to the TLDA in writing at least 45 days prior to the anticipated issuance date.

Any request for which the Borrower seeks either parity or a senior lien position for the new revenue debt must specifically request such position in writing, and the TLDA must approve any modification of the SRF program's lien position prior to the issuance of any new debt. (See section titled <u>Lien Position</u>.)

If the additional revenue debt is being issued solely to refund previously outstanding debt, approval may be granted by the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

Borrowers should always consult their bond or disclosure counsel in order to obtain advice on the appropriate disclosure to be made in offering documents for any new debt concerning the lien held by the SRF program.

Approval for the Issuance of Refunding Debt

1

Due to short time frames required to take advantage of market conditions to achieve savings through the issuance of refunding debt, the Vice-Chairman of the TLDA is authorized to approve refunding debt proposed to be issued by a Borrower when:

- · The refunding does not extend the life of the debt;
- The refunding debt is structured to generate debt service savings of at least 3 percent net present value savings of the refunded debt;
- Documentation is provided to the Vice-Chairman, in the form of a projected savings report certified by a financial advisor or underwriter, demonstrating such savings can be achieved;
- The Borrower is not requesting parity or senior lien position for the refunding debt;
- Staff has analyzed the transaction and has concluded that any prerequisites for TLDA approval of the issuance of additional debt have been met; and,
- The Borrower agrees to provide a final savings report to the Vice-Chairman, which shows the actual savings achieved by the refunding.

All requests should be submitted to the TLDA in writing at the same time that the plan of finance for the issuance of refunding debt is submitted to the Director of the Office of State and Local Finance pursuant to Tenn. Code Ann. § 7-82-501. The Vice-Chairman will report any such approvals at the next meeting of the TLDA. At that time, (or as soon as it is available), the Vice-Chairman will provide the final savings report to all members of the TLDA for review.

Security and Representations and Covenants Required for Consideration of a UD or System's Request to Issue Additional Revenue Debt

SRF loans to Utility Districts and Systems are secured by user fees and other revenues collected by the Borrowers. Utility Districts and Systems do not have State-shared or ad valorem taxes to pledge as security for SRF loans. In order to secure these loans, alternative procedures and covenants relating to these entities have been established. By statute, a UD or System Borrower pledges and assigns any funds due to it from the State. However, in most cases, there are no state funds due to a UD or System to intercept in the event of a delinquency.

The requirements summarized below are included in the representations and covenants made in the SRF loan agreements for Utility Districts and Systems:

- To do, file or cause to be done or filed any action or statement required to perfect
 or continue the lien(s) or pledge(s) granted or created under the loan agreement;
- To establish and collect, and to increase user fees and charges sufficient to meet a 1.20x debt service coverage to net revenues. Net revenues are gross earnings, fees and charges, less current expenses. Current expenses are those incurred in the operation of the system, determined in accordance with generally accepted

accounting principles ("GAAP"), including the reasonable and necessary costs of operating, maintaining, repairing and insuring the system, salaries, wages, cost of material and supplies, and insurance premiums, but specifically excluding depreciation and debt service payments; and

- No additional debt payable from the revenues of the system will be issued or entered into unless:
- (1) Prior approval is received from the TLDA;
- (2) The annual audit required by the terms of the loan agreement for the most recent fiscal year has been delivered within six months after the end of such fiscal year [See section titled Filing of Annual Audit Report];
- (3) The covenant requiring 1.20x debt service coverage to net revenues was met for the most recent fiscal year;
- (4) The net revenues of the system for the next three fiscal years ending after the issuance of the additional debt shall be sufficient to comply with the covenant to establish and collect user fees and charges sufficient to meet a 1.20x debt service coverage to net revenues; and
- (5) The UD or System has adopted a revised schedule of rates and fees and taken action to put such revisions in effect at or prior to the issuance of the additional debt.

As additional security for a SRF Loan, prior to the first disbursement of funds under a SRF loan agreement, a Utility District or System must deposit with the TLDA an amount of cash equal to the maximum annual debt service on such SRF Loan (or a portion of such amount, to be paid in up to four equal installments in accordance with the section titled <u>Incremental Funding of Security Deposit</u>). This security deposit must be funded from cash available to a UD or System and no portion of a security deposit may be funded with proceeds of a SRF Loan.

Municipalities

Requests from Municipalities to Issue General Obligation Debt

Municipal Borrowers do not need to seek approval from or provide notification to the TLDA to issue general obligation debt unless such general obligation debt is also secured by a pledge of revenues derived from the water/wastewater system that is to be on parity with or senior to the SRF loan(s). In such case, see section titled Requests from Municipalities to Issue Revenue Debt.

Requests from Municipalities to Issue Revenue Debt

Municipal Borrowers do not need to seek approval from or provide notification to the TLDA to issue revenue debt, which will be secured by a source of revenue other than the revenues of its water/wastewater system. If the revenue debt will be secured by the revenues of the water/wastewater system, but the Borrower is not asking for parity or senior lien position, the Borrower should notify the TLDA in writing prior to the issuance of such debt and should include a statement that the Borrower understands that such debt will be subordinate to the SRF loan. The

written communication should be made at least 45 days in advance (or as soon as possible), but no approval is required from the TLDA.

If a Borrower seeks parity or senior lien position for the revenue debt (new money or refunding), the Borrower must request in writing the approval of the TLDA. Such request should be submitted at least 45 days in advance of proposed issuance of additional debt or as soon as possible. The TLDA must approve any modification of the SRF program's lien position prior to the issuance of any revenue debt (new money or refunding). (See section titled <u>Lien Position</u>.)

Borrowers are required to file an annual audit report with the Comptroller of the Treasury. (See section titled Filing of Annual Audit Report.)

Borrowers should always consult bond or disclosure counsel in order to obtain advice on the appropriate disclosure to be made in offering documents for any revenue debt concerning the lien held by the SRF program.

Encumbrance of State-Shared Taxes

If the additional debt involves a pledge of State-shared taxes, the Borrower must request in writing approval from the TLDA to encumber the Borrower's State-shared taxes, and the TLDA must approve any encumbrance of the Borrower's State-shared taxes prior to the issuance of any such new debt. Such request should be submitted at least 45 days in advance of the proposed issuance date of such debt or as soon as possible.

Lien Position

Requests from UD's, Systems, or Municipalities to Modify Lien Position

Generally, lien position, or lien priority, is determined by the date of the debt. The date of any SRF Loan shall be the date that the TLDA approves such loan request (as evidenced on the SRF loan agreement).

Following the general rule of lien priority, a new SRF loan will be issued subordinate to existing debt. Likewise, any debt issued after the approval of a SRF loan would be subordinate to such SRF loan. However, a Borrower may request a modification of such standard lien position. For example, a Borrower may have outstanding debt in the capital market and wish to obtain a SRF loan(s). The TLDA would consider a request to issue a new SRF loan(s) on parity with such existing debt. In another instance, a Borrower may have already entered into a SRF loan agreement(s) and wish to issue additional debt in the capital market. If a Borrower requests a modification of the TLDA's lien position to new debt, the TLDA will only consider a modification upon demonstration from a Borrower of good cause, sufficient resources to repay the SRF Loan(s), and ability to satisfy any other such requirements as set forth by the TLDA at the time of the request.

Because a request for subordination of SRF debt to a Borrower's debt may pose more risk to the SRF loan program than a request for parity, such a request warrants very careful consideration by the TLDA. The TLDA may approve a request for subordination under limited circumstances if a Borrower demonstrates a reasonable need, meets all requirements set forth by the TLDA, and the

TLDA deems such request to be in the best interest of the Borrower and the users of the UD, System, or Municipal system.

All requests to modify a SRF program lien position must be approved by the TLDA prior to the issuance of any such debt (new money or refunding). In order to allow adequate time for such consideration, all requests should be submitted in writing to the TLDA at least 45 days prior (or as soon as possible) to the anticipated issuance date of such new debt.

Factors to be Considered for a Request to Modify Lien Position

The TLDA shall analyze several factors, as appropriate, when considering requests to issue additional debt payable, which would modify the SRF program's lien position. These factors shall include but are not limited to:

- Compliance of the Borrower with its SRF loan agreement(s) and covenants and representations set forth in the loan agreement;
- Amount of authorized and outstanding SRF program debt of the Borrower;
- · Borrower's history of timely repayments of SRF loans;
- Borrower's timely filing of financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury (See section titled Filing of Annual Audit Report);

· Purpose and amount of proposed debt issuance;

- · Borrower's credit rating (if applicable);
- · Current and pro-forma (projected) debt service coverage;
- · Amount of unobligated state-shared taxes (if applicable);
- The system's reliance on revenues generated from its largest user(s) as a percentage
 of total system revenues;
- The lien position of existing SRF debt remains the same or is improved; and
- Impact on the health, safety, and well-being of the people of the state of Tennessee.

Consent to Modify Lien Position

Any consent by the TLDA to modify its SRF program lien position applies only to revenues pledged to serve the SRF loan. Consent to modify the SRF lien position does not affect any pledge of State-shared taxes or any rights to security deposits held by the TLDA (if applicable).

Consent of the TLDA to modify the SRF program's lien position is subject to the condition that the documentation authorizing the new debt: 1) clearly states that debtholders have no rights to any security deposits required by, and securing, the SRF loan agreement(s) and 2) does not provide

debtholders acceleration rights that are superior to, or more generous than, those provided under the SRF loan agreement(s). Neither the TLDA nor the TDEC shall have any rights to any debt service reserve fund established in favor of the new debt.

The Borrower will be responsible for ensuring completeness and correctness of all documents. The TLDA makes no representation that the issuance of additional debt by the Borrower is in compliance with all applicable laws, or that such issuance is in the best interest of the Borrower. The TLDA is not a municipal financial advisor, and offers no financial advice to Borrowers concerning such requests.

Report on Debt Obligation

A Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose for the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued. More information on this Report is included as a resource for local governments on the Comptroller's Office of State and Local Finance website.

Disclosure

The Electronic Municipal Market Access (EMMA) website was created by the Municipal Rulemaking Securities Board (MSRB) to provide municipal market information, such as official statements, continuing disclosure documents, advanced refunding documents, and trade data for all municipal securities in the United States. All local government issuers are required to perform continuing disclosure undertakings related to Securities and Exchange Commission Rule 15c2-12 via EMMA.

A local government may need to disclose information concerning its SRF program loan(s) on the MSRB's EMMA website. The local government should consult with counsel to determine what the appropriate disclosures should be. More information about EMMA can be found on the MSRB's website.

Forgiveness of Principal

Purpose

Beginning with a capitalization grant received as a part of the American Recovery and Reinvestment Act of 2009, the U.S. Environmental Protection Agency ("EPA") has required, as a condition of acceptance of the annual EPA Capitalization Grant that the SRF program set aside a portion of the funds received from such grant in order to subsidize the loans to eligible Borrowers. Pursuant to Tenn. Code Ann. § 68-221-1005(I)(1), "[t]he department and the authority may use any federal funds allocated to the state to make loans and to subsidize loans made through the

program authorized by this part, through such mechanisms as forgiveness of principal and negative interest rates." The Intended Use Plan ("IUP") prepared by TDEC is a required part of TDEC's annual application for the EPA Capitalization Grants. This document outlines the percent of principal forgiveness that will be given for each loan made from that EPA Capitalization Grant. No principal shall be forgiven except as required by the IUP and specified in the SRF loan agreements. Furthermore, privately owned for-profit community public water systems eligible for SRF loans pursuant to 40 CFR Part 35 shall not be considered for loans with principal forgiveness pursuant to Tenn. Code Ann. § 68-221-1206(f)(11)(A).

Terms and Conditions

SRF loan agreements that provide for principal forgiveness shall specify the amount of principal to be forgiven. Funds disbursed to a Borrower that has been awarded principal forgiveness, shall be disbursed pro rata as principal forgiveness and loan. If a Borrower submits requests for reimbursement that total an amount less than the total SRF program funding that the Borrower was awarded, then pro rata shares of principal forgiveness and loan shall be deemed to have been disbursed. For example:

Project A

1

Total SRF Funding Awarded:	\$1,000,000
Total Principal Forgiveness Awarded:	\$ 150,000 (15%)
Total Loan Awarded:	\$ 850,000 (85%)
Reimbursement Request #1:	\$ 350,000
Principal Forgiveness:	\$ 52,500 (15%)
Loan Amount to be Repaid:	\$ 297,500 (85%)
Reimbursement Request #2:	\$ 300,000
Principal Forgiveness:	\$ 45,000 (15%)
Loan Amount to be Repaid:	\$ 255,000 (85%)
Reimbursement Request #3 (Final):	\$ 300,000
Principal Forgiveness:	\$ 45,000 (15%)
Loan Amount to be Repaid:	\$ 255,000 (85%)
Total Disbursements to Borrower:	\$ 950,000
Total Principal Forgiveness:	\$ 142,500 (15%)
Total Loan Amount to be Repaid:	\$ 807,500 (85%)
7900	

Incremental Funding of Security Deposit for Utility Districts and Systems

Purpose

Pursuant to Section 8 of the loan agreement for Utility Districts and Systems, a security deposit is required in an amount of funds equal to the maximum annual debt service.

Section 8 of the loan agreement states in part:

Prior to the first disbursement of funds under this Agreement, the Local Government will deposit with the Authority an amount of funds equal to the maximum annual debt service (the "security deposit"). The amount of the security deposit will be adjusted to reflect adjustments in the payment schedule.

The amount of the security deposit is calculated based on the total approved loan amount. It is important to note that the SRF program operates on a reimbursement basis, but will not reimburse a Borrower with loan proceeds to fund the security deposit. A Borrower must fund the required deposit from its own resources prior to any disbursement of loan proceeds. The TLDA recognizes that although a Borrower may have increased user rates and fees to generate necessary cash flow needed for a project, sufficient cash flow might not be available at the beginning of a project to fully fund the security deposit up front, since the construction period during which loan proceeds are disbursed could take one to three years. Consequently, the TLDA authorizes its Assistant Secretary, upon the concurrence of TDEC, to approve Borrower requests for incremental funding of security deposits.

Upon approval of incremental funding by the Assistant Secretary, a Borrower would be allowed to deposit with the TLDA its security deposit in up to four equal installments (see Exhibit A). The Assistant Secretary shall use his/her discretion to recommend the number of installments that will be allowed, based upon the amount of the required security deposit. Upon the concurrence of TDEC with such recommendation, the Assistant Secretary will notify the Borrower of the required incremental amount to be deposited. Then a pro rata share of project reimbursement requests may be disbursed upon the deposit of the first increment. Project reimbursement requests in excess of the amount supported by the then current security deposit will not be honored until the next required increment of funding is received and deposited.

Terms and Conditions

Such allowance for incremental funding of a security deposit is subject to the following:

 The Borrower has submitted a request in writing to the TLDA and has received written approval from the Assistant Secretary;

- The Borrower has provided staff with financial statements that demonstrate the Borrower's ability to make the approved incremental installments from current or projected cash flows; and
- The construction completion date for the project as outlined in the Loan Conditions section of the SRF loan agreement must be at least two (2) years after the date that the loan was approved by the TLDA.

The Borrower may request disbursements in any amount and at any frequency within the conditions listed above.

A Borrower who has been granted approval for incremental funding of the security deposit:

- Has no right to additional reimbursements of project costs under the SRF loan
 agreement until the required increment of the security deposit has been received
 and deposited by TLDA staff; and
- Is eligible to earn and receive interest only on the amount of the security deposit held by the TLDA.

Exhibit A

This example illustrates the concept of incremental funding. The funding for the security deposit is divided into four equal installments.

Loan Amount	\$ 20,000,000		
Term	20 years		
Interest Rate	2.50%		
Annual Debt Service	\$ 1,271,767		

Required		Amount				
	Security Deposit	Supported				
\$	317,942	\$	1	to	\$	5,000,000
\$	635,883	\$	5,000,001	to	\$	10,000,000
\$	953,825	\$	10,000,001	to	\$	15,000,000
\$	1,271,767	\$	15,000,001	to	\$	20,000,000

Modification of SRF Program Loan Repayment Schedules for Financially Distressed Borrowers

Purpose

The TLDA wants to be responsive to Borrowers who may be in financially difficult situations. However, the TLDA has a responsibility to ensure the integrity of the SRF program, which relies on the repayment of monies borrowed to fund future loans. As such, the TLDA must carefully consider any request from a Borrower which may impact the SRF program, including requests to modify loan repayment schedules.

Terms and Conditions

The TLDA will consider modification of SRF loan repayment schedules only if:

- (1) The Comptroller has filed a copy of the Borrower's audited financial statements with the Utility Management Review Board pursuant to Tenn. Code Ann. §7-82-703(a) or the Borrower's audit report with the Water and Wastewater Financing Board pursuant to Tenn. Code Ann. § 68-221-1010(a); or
- (2) A significant event beyond the control of the Borrower occurs and impacts the Borrower's ability to repay the SRF Loan, such as:
 - · A natural disaster; or
 - Loss (or reduction in capacity) of a large customer (commercial, industrial, governmental); or
- · Similar unforeseen event despite prudent action having been taken; or
- (3) The TLDA deems such action to be for the benefit of the people of the state in the performance of essential public functions and that such action serves a public purpose in improving and otherwise promoting the health, welfare, and prosperity of the people of the state

In considering a request to modify a SRF loan repayment schedule, the TLDA will take into account whether or not the Borrower has:

- Implemented or is about to implement a plan to adopt a multi-year rate schedule to address its financial difficulties;
- Rates sufficient to cover debt service on a new debt issuance for capital
 improvements necessary to bring the Borrower in compliance with any TDEC
 administrative orders, including, but not limited to: Agreed Orders,
 Commissioner's Orders, Director's Orders, or Consent Decrees;
- A history of timely debt service payments on the loan to the SRF program in accordance with the current payment schedule;
- A plan to attract new customers or to expand the existing customer base;
- · A plan to reduce expenses or make efficiency improvements to the system; and

 A debt management policy compliant with the State Funding Board's directive under Tenn. Code Ann. § 9-21-151 that addresses actions to be taken to avoid default or to provide adequate rates to service debt (rates will be set to provide at least a 1.20x debt service coverage).

Such requests for modification of a SRF loan repayment schedule should be made in writing to the TLDA.

Relief

The TLDA may offer as relief a reduction or waiver of the interest due on the loan for a specified period of time. In the event of a disaster or catastrophic loss, additional measures may be considered on a case-by-case basis by the TLDA. However, no principal will be forgiven except as originally contemplated under federal directives and approved by the TLDA in the loan agreement.

A Borrower in financial distress with outstanding capital market securities may be required to disclose the financial distress as an event pursuant to SEC Rule 15c2-12. Borrowers should seek the advice of bond or disclosure counsel in determining what disclosure is appropriate.

Filing of Annual Audit Report

Tennessee state law¹ requires local governments to file an annual audit report with the Office of the Comptroller of the Treasury. Furthermore, SRF program Borrowers agree to make such annual filing as a condition of the loan agreement. Failure to file such report in compliance with statutory or contractual requirements may cause a delay in the approval process for SRF funding. Borrowers who have not met the filing deadline or anticipate a delay should notify the TLDA in writing and provide the reason for late filing and the expected filing date.

In accordance with the provisions of the SRF loan agreement, Utility Districts and Systems are prohibited from issuing or entering into additional debt payable from the revenues of the system unless the annual audit for the most recent fiscal year has been delivered within six months after the end of such fiscal year end. A Borrower who has not met this requirement and plans to issue such debt must request a waiver of the enforcement of the requirement. The potential borrower needs to make the request in writing to the TLDA and include the reason for the late filing and the expected filing date. See section titled Requests, from UD's and System's to Issue Additional Revenue Debt.

A Municipality, Utility District, or System seeking modification of lien position that has failed to timely file its report should include in its modification request the reason for late filing and the expected filing date. See section titled Lien Position.

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¹ Tenn. Code Ann. § 6-56-105, § 7-82-401, § 9-3-212, and § 4-3-304(4)

Privately Owned For-Profit Community Public Water Systems

On April 20, 2015, Public Chapter No. 207 amended Tenn. Code Ann. § 68-221-1203(6) to allow privately owned for-profit community public water systems access to the Drinking Water State Revolving Fund. However, Private Systems are not eligible for loans from the Clean Water State Revolving Fund.

Terms and Conditions

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Tennessee state law includes terms and conditions for Private Systems that seek Drinking Water SRF program funding.

Tenn. Code Ann. § 68-221-1206(f)(11) stipulates that loans may be made to Private Systems pursuant to 40 CFR Part 35; provided, that:

- No Private System shall be considered for loans with principal forgiveness under this program;
- Private Systems shall be categorized as one hundred percent (100%) ability to pay on the index established pursuant to § 68-221-1205;
- A Private System borrower shall have at least a debt/service coverage ratio of 1.25;
- Private Systems shall provide security determined by the TLDA to be acceptable
 to secure a loan under this part; and
- The TLDA has the authority to direct a Private System to the water and wastewater financing board for compliance as set forth in § 68-221-1009 and § 68-221-1010, and by the Comptroller of the Treasury.

At the time of the approval of this Policy and Guidance, no loans have been made to Private Systems nor have any applications been received. Therefore, the policies and guidance included in this document are not at this time applicable to Private Systems.

Adoption of Policy and Gu	idance
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Vice Chair

Tennessee Local Development Authority