TENNESSEE LOCAL DEVELOPMENT AUTHORITY
MAY 16, 2018
AGENDA

1. Call Meeting to Order

2. Minutes

    - Approval of minutes from the TLDA meeting of March 13, 2018

    - Correction of minutes from the TLDA meeting of January 25, 2018

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

4. Report on the notification by Jefferson City submitted to comply with TLDA SRF Policy and Guidance for Borrowers.

5. Request from West Warren-Viola Utility District to issue a USDA Water and Sewer Revenue bond in amount not to exceed $1,225,000 subordinate to its SRF loans

6. Consider for approval the following CWSRF loans:

	SRF Base Loan	Principal Forgiveness	Total SRF Funding	Interest Rate
Camden, SRF 2018-~~411~~ 412	$1,900,000	$ -	$1,900,000	1.04%
Hallsdale-Powell UD SRF 2018-410	$4,548,250	$ -	$4,548,250	1.72%
Parrottsville, SRF 2018-414	$ 114,281	$ -	$ 114,281	0.63%

7. Consider for approval the following DWSRF loans:

	SRF Base Loan	Principal Forgiveness	Total SRF Funding	Interest Rate
Lebanon, DW6 2018-202	$ 800,000	$200,000	$1,000,000	1.81%
Lebanon, DWF 2018-203	$ 300,000	$ -	$ 300,000	1.81%
Waverly, DG6 2018-208	$ 218,700	$ 54,675	$ 273,375	1.29%

8. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
March 13, 2018

The Tennessee Local Development Authority (the Authority or TLDA) met on Tuesday, March 13, 2018, at 10:00 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
The Honorable David Lillard, State Treasurer
Angela Scott, Proxy for Commissioner Larry Martin, Department of Finance and Administration
Dr. Kenneth Moore, House Appointee

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

Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Haslam, Governor

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.

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

Mr. Hargett asked for a motion to approve the minutes of the January 25, 2018, TLDA meeting. Mr. Wilson made a motion to approve the minutes, and Mr. Lillard seconded the motion. Ms. Thompson performed a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett asked Ms. Thompson to present the requests from the Hallsdale-Powell Utility District (HPUD). Ms. Thompson stated that HPUD is asking the TLDA to waive the enforcement of requirement 7(m) in its loan agreements in order to issue additional debt. She stated that section 7(m) of the loan agreements says that no additional debt payable from the revenues of the system can be issued or entered into unless the annual audit has been delivered within six months of the most recent fiscal year end. The audit report was due on September 30, 2017 but was filed on November 1, 2017. Mr. Hargett stated that there had been previous discussion on the issue of the late filing of audit reports and stated that there should be some additional clarification. He noted that there was also a waiver request from Minor Hill on the agenda. He recognized Mr. Jerry Durham, Assistant Director of the

Division of Local Government Audit (LGA). Mr. Hargett stated that it was his understanding that LGA did not have the capacity to grant extensions of a contracted filing deadline. Mr. Durham said that LGA did not have that capacity. Mr. Hargett stated that when a local government has requested an "extension" from LGA that LGA has acknowledged the request as notification of late filing, but that acknowledgement has been misinterpreted by some as permission to extend a contracted filing deadline. Mr. Hargett said that LGA has revised their acknowledgement letter. Mr. Durham explained that the original acknowledgement letter did state that LGA did not have the ability to extend contracted filing deadlines, but the nature of word "extension" may have contributed to an assumption by local governments that such permission was inherently granted. Mr. Durham stated that LGA has revised its acknowledgement letter and the word "extension" has been replaced with "delinquent filing". A copy of the letter was distributed to each Authority member. Mr. Durham asked if it were the Authority's desire for LGA to be extremely strict with local governments SRF borrowers about meeting the filing deadline. Mr. Hargett responded affirmatively noting that he was speaking only for himself. Mr. Durham stated that was would communicate to borrowers' CPA firms that no waiver for late filing would be granted unless approved by the TLDA. Mr. Lillard asked about the primary reasons for delinquent audits. Mr. Durham responded that most often local governments are small and do not have adequate accounting staff. He stated that Chapel Hill, for example, had notified LGA that it would file late because it had lost its bookkeeper and had to obtain outside accounting assistance. Another reason appears to be an issue with the accounting firm because they may have taken on more work than they can complete in a timely manner.

Mr. Hargett then recognized Mr. Alex Buchanan, legal counsel for HPUD, and asked if he wanted to make a statement regarding the waiver request. He did not have any comments. Mr. Hargett made a motion to approve the request, and Mr. Lillard seconded the motion. Mr. Hargett asked if there were any questions. Mr. Lillard asked why HPUD's audit was delinquent. Mr. Buchanan stated that there was a disagreement between HPUD and the auditor about the information in the report's management discussion and analysis and that HPUD thought that they had been granted an extension from LGA. He said that HPUD has historically filed its audits by the "extension" date in years where an "extension" had been requested. Mr. Lillard asked about how the proposed bonds would be marketed. Mr. Buchanan responded that the bonds would be sold publicly. Mr. Lillard asked if the audit would be filed before the bonds are issued. Mr. Buchanan clarified that the audit was already filed on November 1, 2017. Mr. Wilson asked Mr. Buchanan about the purpose of the refunding. Mr. Buchanan responded that the refunding would save HPUD approximately $3.8 million. Mr. Hargett asked Mr. Buchanan if he knew the identity of the CPA firm. He responded he thought its name was Mitchell. Mr. Hargett stated that a motion had been made to approve the waiver and asked Ms. Thompson to call the roll:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item was a request from HPUD to issue refunding bonds in an amount not to exceed $6,760,000 senior to its SRF loans and asked Ms. Thompson to present the item. She stated that the OSLF has conducted an analysis to ensure that HPUD meet the TLDA's criteria to issue additional debt. She said that these bonds would be issued with conjunction with bonds the TLDA previously approved. She stated that the proceeds of the Series 2018 Refunding Bonds will be used to refund HPUD's 2005, 2007, and 2011 Series Rural Development loans. She noted that the Series 2006 and Series 2008 which the TLDA had already given its consent would also be included in the Series 2018 Refunding which would produced an estimated savings of $3.8 million. The District is proposing to issue the bonds on parity with debt in its master resolution which means that the Bonds would be senior to its SRF loans. The district anticipates a double-A rating from S&P. She stated that 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's requirements to issue additional debt except for timely filing its audit report.

Mr. Hargett made a motion to approve the request, and Dr. Moore seconded the motion. Mr. Wilson asked if the Refunding would extend the maturity for any of the bonds. Ms. Thompson said that it would not.

Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Mr. Lillard commented that according to the U.S. Securities and Exchange Commission (SEC), there was tremendous opacity or lack of available information in the bond market upon which bondholders would rely upon to buy or sell bonds. He stated that this lack of available information is a great stress factor for the municipal bond market and the cumulative effect of non-compliance over time is a broader concern, and as an issuer, the TLDA has an interest in making sure that its Borrowers are in compliance with filing. He stated that he agrees with Mr. Hargett's previous sentiment regarding a desire the strictly enforce audit filing compliance. He stated that non-compliance could be a serious issue for Tennessee issuers including the TLDA and others, and enforcement of compliance is necessary and important in that regard. He stated that enforcement compliance is a priority of the SEC, and the SEC may start making examples issuers. Mr. Buchanan stated that the continuing disclosure contract allowed HPUD until the calendar year end to file its audit and that deadline was separate from the State's requirement. He Lillard acknowledged that Mr. Buchanan was correct in that regard but said that the TLDA has a different standard and a responsibility to enforcement that standard which would help combat the overall problem of opacity in the municipal market place.

Ms. Thompson presented the next two items on the agenda from the Minor Hill Utility District (the "District"). Ms. Thompson stated that the first request was to waive the enforcement of requirement 7(m) set forth in its loan agreements requiring the audit due on December 31, 2016, be filed by June 30, 2017. She stated that the audit report was filed on August 3, 2017, and according the District's request letter to the TLDA, the reason for the delinquent filing was because its auditor failed to timely prepare the audited financial statements. The letter stated that the District had since terminated its engagement with that firm and engaged a new auditor. Mr. Hargett made a motion to approve the request, and Mr. Lillard seconded the motion.

Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett asked Ms. Thompson the present to District's request to issue a USDA Waterworks Revenue Bond in an amount not to exceed $335,000 subordinate to its SRF loans. Ms. Thompson stated that the District submitted its request to issue additional debt to the TLDA on February 14, 2017, and that per the loan agreement, TLDA approval is required even though the proposed debt will be subordinate to its SRF loans. She stated that the proceeds will be used for water supply improvements. She stated the OSLF had conducted a review and determined that the District appears to meet the criteria set forth in the TLDA's policy and guidance to issue additional debt, except for the timely filing of its audit report, and will have sufficient cash and revenues to meet its obligations. Mr. Hargett made a motion to approve the request, and Dr. Moore seconded the motion.

Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett then asked Ms. Felicia Freeman, Senior Engineer with the Tennessee Department of Environment and Conservation (TDEC), to present the requests for the Clean Water State Revolving Fund (SRF) loans. She first presented the unobligated fund balance. She stated the balance was $61,189,065 as of January 25, 2018. The balance increased a total of $8,125,279 from early payoffs and reductions to previous loans. Upon approval of the loan requests to be presented, the funds available for loan obligations would decrease to $46,450,594. She then described the loan requests:

- Chapel Hill (CW6 2018-399)—Requesting $788,750 ($709,875 (90%) loan; $78,875 (10%) principal forgiveness) for Collection System Replacement (Construction of an 8-inch diameter force main from Morning Side Pump Station to the Water and Wastewater Treatment Plant (WWTP) to replace existing 6-inch force main); recommended interest rate of 1.04% based on the Ability to Pay Index (ATPI).
- Cleveland (SRF 2018-417)—Requesting $10,000,000 Inflow/Infiltration (I/I) correction (Sewer system evaluation survey (SSES) of approximately 107,000 linear feet (LF) of sewer lines in Sewer Basin 64-14A and the rehabilitation of sewer lines and manholes by method of cured-in-place pipe (CIPP), trenchless, and manholes lining in Sewer Basin 10A-8); recommended interest rate of 1.58% based on the ATPI.
- Lewisburg (CW6 2017-389)—Requesting $1,000,000 ($900,000 (90%) loan; $100,000 (10%) principal forgiveness) for WWTP improvements—advanced treatment (Construction of a chemical feed building); recommended interest rate of 1.05% based on the ATPI.
- Lewisburg (SRF 2017-390)—Requesting $75,000 for WWTP improvements—advanced treatment (Construction of a chemical feed building); recommended interest rate of 1.05% based on the ATPI.
- Memphis (SRF 2018-409)—Requesting $11,000,000 for T.E. Maxon WWTP headworks improvement project consisting of replacing equipment, structural and architectural modifications, and electrical and instrumentation improvements in the existing headworks building at the T.E. Maxon WWTP; recommended interest rate of 0.81% based on the ATPI.

Mr. Hargett made a motion to approve the loans, and Mr. Wilson seconded the motion.

Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Ms. Freeman then presented the requests for Drinking Water SRF loans. She first presented the unobligated fund balance. She stated the balance was $57,892,996 as of January 25, 2018. The balance increased $4,060,764 due to loan decreases. Upon approval of the loan requests to be presented, the funds available for loan obligations would decrease to $60,909,760. She then described the loan requests:

- Bell Buckle (DWF 2018-207)—Requesting $294,000 ($235,200 (80%) loan; $58,800 (20%) principal forgiveness) for distribution system water main line replacement; recommended interest rate of 0.27% based on the ATPI.
- Erwin Utilities (DW6 2018-206)—Requesting $750,000 ($600,000 (80%) loan; $150,000 (20% principal forgiveness) for new water storage tank (Construction of a new 0.5-million-gallon water storage tank; recommended interest rate of 1.10% based on the ATPI.

Mr. Hargett made a motion to approve the loans, and Mr. Wilson seconded the motion.

Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett asked Ms. Thompson to present the last item on the agenda. She stated that staff is requesting approval of an amendment to the TLDA SRF Policy and Guidance for Borrowers related to audit filing compliance. She stated that a new section had been added, and it is titled "Filing of Annual Audit Report". The purpose of this section is to clarify the filing requirement for utility districts, authorities, and municipal borrowers. Mr. Hargett made a motion to approve the request and Mr. Lillard seconded the motion. Mr. Lillard then stated that considering the earlier conversation at this meeting, the TLDA may want to defer the item for further discussion. Mr. Hargett concurred and withdrew his motion. Mr. Hargett stated that the item will be deferred to a future meeting.

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

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

The meeting was adjourned.

Approved on this _____ day of __________, 2018.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Delinquent Filing of Audit Report

From: CARS.DoNotReply@cot.tn.gov
Subject: Notification of ~~Contract Extension Request~~ - Test-City
Date: 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.

receipt delinquent filing notification

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 ~~acknowledgment~~ 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.

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.
- Humboldt (SRF 2018-411)—Requesting $540,000 for wastewater treatment plant (WWTP) improvements—advanced treatment (phase 2—WWTP); planning and design loan; recommended interest rate of 0.29% 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.

Commented [AW1]: Loan was presented and approved on 1/25/2018, but was inadvertently omitted from the minutes approved on 3/13/2018.

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)—Requesting $587,000 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.

Commented [AW2]: Amount was inadvertently omitted.

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 tranches 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

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 May 16, 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 your FY17 audit is delinquent, please notify the TLDA with the reason for delinquency 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: Jerry Durham, Assistant Director—Contract Audits, LGA
Jean Suh, Contract Audit Review Manager, LGA
David Sturtevant, Contract Audit Review Manager, LGA
Paula Mitchell, Environmental Program Director, Department of Environment and Conservation

Tennessee Local Development Authority
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Introduction

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 Lien Position.)

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

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];

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(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 Incremental Funding of Security Deposit). 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 Lien Position.)

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

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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);

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- 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(*l*)(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

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%)

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 Security Deposit		Amount 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 law[1] 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, and in certain cases may result in disapproval. Borrowers who have not met the filing deadline or anticipate a delay should notify the TLDA in writing prior to the applicable deadline and provide the reason for the delinquent 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. See section titled Requests from UD's and System's to Issue Additional Revenue Debt. 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 delinquent filing and the expected filing date. Once the delinquent report has been filed, a separate waiver request will not be required for subsequent requests related to that fiscal year-end audit unless the TLDA deems otherwise. The TLDA does not require a waiver request if a borrower is applying for additional SRF loan funding. However, the Department of Environment and Conservation may, at its discretion, require additional information related to a delinquent filing during the SRF loan application process.

Commented [AW1]: Changed from "severe" to "certain"

Commented [AW2]: Language inserted by TDEC OGC

Commented [AW3]: Language inserted by TDEC OGC

Commented [AW4]: Changed from "late" to "delinquent" to be consistent with LGA's language

Commented [AW5]: Proposed as a practical matter.

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

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 the delinquent filing and the expected filing date. See section titled Lien Position.

A Borrower may be required to disclose audited financial information pursuant to federal law or other contractual agreements, including, but not limited to, the Federal Single Audit Act and the Securities and Exchange Commission's Rule 15c2-12 for continuing disclosure. Other such requirements do not supersede a Borrower's audit filing responsibility under Tennessee state law or required by a SRF loan agreement. Also, a notification to the TLDA of a delinquent filing does not relieve a Borrower of any responsibilities related to other state contracts or contracts with federal or other agencies. Other interested parties should be notified of a delinquent filing, including, but not limited to, lenders, grantors, bond counsel, regulatory boards, and federal or other state agencies. Other parties should be contacted to determine if any additional action is necessary pursuant to other agreements.

Commented [AW6]: Paragraph inserted to address concerns that arose at the 3/13/18 TLDA meeting.

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

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 Guidance

~~The TLDA adopted this Policy and Guidance on ______________, 2016, effective on ______________, 2016.~~

The Authority adopted this Policy and Guidance on Meeting Date, effective Meeting Date.

____

Vice Chair

Tennessee Local Development Authority

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

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Tennessee Local Development Authority
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Introduction

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 Lien Position.)

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

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 Incremental Funding of Security Deposit). 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 Lien Position.)

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(*l*)(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

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%)

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 Security Deposit		Amount 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 law[1] 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, and in certain cases may result in disapproval. Borrowers who have not met the filing deadline or anticipate a delay should notify the TLDA in writing prior to the applicable deadline and provide the reason for the delinquent 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. See section titled Requests from UD's and System's to Issue Additional Revenue Debt. 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 delinquent filing and the expected filing date. Once the delinquent report has been filed, a separate waiver request will not be required for subsequent requests related to that fiscal year-end audit unless the TLDA deems otherwise. The TLDA does not require a waiver request if a borrower is applying for additional SRF loan funding. However, the Department of Environment and Conservation may, at its discretion, require additional information related to a delinquent filing during the SRF loan application process.

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 the delinquent filing and the expected filing date. See section titled Lien Position.

A Borrower may be required to disclose audited financial information pursuant to federal law or other contractual agreements, including, but not limited to, the Federal Single Audit Act and the Securities and Exchange Commission's Rule 15c2-12 for continuing disclosure. Other such requirements do not supersede a Borrower's audit filing responsibility under Tennessee state law or required by a SRF loan agreement. Also, a notification to the TLDA of a delinquent filing does

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

not relieve a Borrower of any responsibilities related to other state contracts or contracts with federal or other agencies. Other interested parties should be notified of a delinquent filing, including, but not limited to, lenders, grantors, bond counsel, regulatory boards, and federal or other state agencies. Other parties should be contacted to determine if any additional action is necessary pursuant to other agreements.

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

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 Guidance

The Authority adopted this Policy and Guidance on May 16, 2018, effective May 16, 2018.

Vice Chair

Tennessee Local Development Authority

JEFFERSON CITY • TENNESSEE

April 9, 2018

VIA E-MAIL (sandi.thompson@cot.tn.gov)

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

RE: City of Jefferson City, Tennessee (the "City") – Water and Sewer Revenue and Tax Bond, Series 2012A (the "Bond")

Dear Ms. Thompson:

The City previously issued Bond Anticipation Notes in April 2015 in order to finance water and sewer system improvements and extensions. On April 12, 2018, the City will issue the Bond to the United States Department of Agriculture in order to (a) finance the remaining costs of the project and (b) to refund the bond anticipation notes previously issued to finance the project. The Bond will be secured by a pledge of water and sewer revenues subordinate to the pledge of revenues in favor of the City's 2004 State Revolving Fund Loan. Please consider this letter notice of the issuance of the Bond, as required by the TLDA's SRF Policy & Guidance for Borrowers.

Sincerely,

Mark Potts

Mark Potts
Mayor of Jefferson City

P.O. Box 530 | 112 City Center Drive | Jefferson City, TN 37760 | (865) 475-9071 | (865) 475-8224 Fax

TENNESSEE COMPTROLLER OF THE TREASURY

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

APRIL 25, 2018

WEST WARREN-VIOLA UTILITY DISTRICT
Request for TLDA Approval of Additional Debt issuance

The West Warren-Viola Utility District (the 'District") is requesting approval from the Tennessee Local Development Authority (TLDA) to issue a Series 2018 Water and Sewer Revenue Bond [USDA Rural Development Loan Program] (the "Series 2018 Bond") on a subordinate basis to its outstanding State Revolving Fund (SRF) loan agreement dated June 4, 2002. Request 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*. The proposed debt will be issued in an amount not to exceed $1,225,000.

1. The requestor is a:

_X_ **Utility District** planning to issue Revenue Debt

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

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

____ General Obligation Debt

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

2. Lien Position:

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

___ The borrower is requesting to subordinate its outstanding SRF debt to the refunding debt issuance.

_X_ 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:

___ Refunding

_X_ New Money

4. Description and Additional Information:

The West Warren-Viola Utility District plans to issue an estimated $1,225,000 Series 2018 Water and Sewer Revenue Bond [USDA Rural Development Loan Program] (the "Series 2018 Bond"). The Series 2018 proceeds will be used to construct improvements and extensions to its water and sewer system.

5. The debt rating of the borrower is:

Please indicate N/R if not rated.

_N/R_ Moody's

_A+_ Standard and Poor's

_N/R_ Fitch

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

Loan Type	Loan Number	Total Approved Loan*	Loan Disbursements To Date (as of 4/16/2018)	Outstanding Loan Balance, if applicable (as of 4/16/2018)	Maximum Annual Debt Service (MADS)
SRF/Water	DWF 02-048	$ 2,035,000	$ 2,035,000	$ 705,598	$ 102,024
				Total	$ 102,024

7. Compliance with SRF Loan Agreement:

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

_X_ Yes ____ No

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

_X_ Yes ____ No

Amount on deposit: $101,750 (fully funded)

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

The District has timely filed its audited financial statements with the Division of Local Government Audit through the fiscal year ended December 31, 2016. The audit was filed within six months after the District's fiscal year end.

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

_X_ Yes ____ No

For the fiscal year ended December 31, 2016, the District reported operating income of $1,232,448 and a positive change in net position of $1,682,647 in its audited financial statements. As reported on the cash flow statement, debt service payments for fiscal year 2016 were $439,368 consisting of principal payments of $290,216 and interest payments of $149,152. The positive change in net position was the result of a federal grant of $500,000 received during fiscal year 2016 as well as capital contributions of $6,400 and $21,438 in tap fees in excess of cost, a rate structure that provides sufficient revenues to meet the District's expenses including depreciation, and continued customer growth.

As of the fiscal year ended December 31, 2016, the District reported $9,467,807 in unrestricted cash and $110,969 in cash restricted for debt service, which includes debt service reserves.

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

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

_X__ Yes _____ No

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

Most Recent Fiscal Year (m)(3):

The District's debt service coverage ratio was 4.64x for fiscal year ended December 31, 2016 and is estimated to be 4.31x for fiscal year ended December 31, 2017 (from the debt service calculation worksheet provided by West Warren-Viola Utility District). The District has met the debt service coverage requirement for fiscal year ended December 31, 2016.

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

The District prepared forecasted debt service coverage ratios and projects that it will meet the debt service coverage requirement with estimated debt service to net revenues ranging from 4.07x to 4.30x for fiscal years 2018 through 2021 after the issuance of the Series 2018 Bonds.

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

____ Yes _X__ No

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

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

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

$________________ Received in prior fiscal year
$________________ Total Maximum Annual Debt Service
$________________ Unobligated SSTs

9. Conclusion

Based upon our analysis, the District will have sufficient cash and revenues to meet its obligations. The District appears to meet TLDA's guidelines for approval to issue additional bonds with a subordinate lien position to its outstanding State Revolving Fund (SRF) loan agreement dated June 4, 2002.

Attachment:

Debt Service Coverage and Three-year Financial Projections

WEST WARREN-VIOLA UTILITY DISTRICT
P. O. Box 218
Morrison, TN 37357
(931) 635-2762

April 11, 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

Dear Ms. Thompson:

On behalf of the West Warren-Viola Utility District of Warren and Coffee Counties (the "District"), I am submitting this request that the Tennessee Local Development Authority (the "TLDA") consent to the issuance of a proposed Series 2018 Water and Sewer Revenue Bond (the "Series 2018 Bond") on a subordinate basis to the District's SRF Loan Agreement, dated June 4, 2002 (the "SRF Loan Agreement").

The United States, acting through Rural Development, has offered to loan the District $1,225,000 at a rate not greater than 2.625%, payable in 480 equal consecutive monthly installments of principal and interest. Annual debt service on the proposed loan is $49,548. The District will use the proceeds of the loan to construct improvements and extensions to its water and sewer system.

Section 7(m) of the SRF Loan Agreement requires that, prior to the issuance of any additional debt, the District obtain the consent of the TLDA. Section 7(m) further requires the District to provide evidence of (i) the timely preparation of audited financial statement and (ii) requisite debt service coverage. To that end:

- Please find audited financial statements for the year ended December 31, 2016 attached as Exhibit A.
- The District's net revenues for the fiscal year ended December 31, 2016 provided at least 1.20x debt service coverage for all debt of the District. Debt service coverage was 4.64x. Assuming the issuance of the Series 2018 Bond, debt service coverage would have been 4.18x. (See Exhibit B for a detailed calculation.)
- The District does not anticipate any material change in net revenue collection in the next three years. Accordingly, debt service coverage in each of those three years is expected to be well in excess of 1.20x.

The District respectfully requests that the TLDA agree that the proposed Series 2018 Bond be allowed to be issued subordinate to the SRF Loan Agreement.

We can also confirm that the District is in compliance with the terms of the SRF Loan Agreement.

Should you have additional questions, please feel free to call or email me.

Respectfully yours,

Tim Pelham

Tim Pelham, General Manager

	Projected 2020	Projected 2019	Budgeted 2018	2017	2016	2015	2014	2013
Operating Revenue	$ 5,225,357	$ 5,073,162	$ 4,925,400	$ 4,784,168	$ 4,678,880	$ 4,527,442	$ 4,366,517	$ 4,169,790
Operating Expenses[1]	$ 3,186,413	$ 3,093,605	$ 3,003,500	$ 2,967,679	2,715,321	2,582,524	2,457,230	2,385,527
Net Operating income	$ 2,038,944	$ 1,979,557	$ 1,921,900	$ 1,816,489	$ 1,963,559	$ 1,944,918	$ 1,909,287	$ 1,784,263
Other income[2]	$ 60,000	$ 60,000	$ 65,000	$ 62,050	75,237	37,208	36,895	34,659
Total net income	$ 2,098,944	$ 2,039,557	$ 1,986,900	$ 1,878,539	$ 2,038,796	$ 1,982,126	$ 1,946,182	$ 1,818,922
Annual debt service[3]	$ 433,931	$ 433,431	$ 432,369	$ 435,869	$ 439,369	$ 432,669	$ 430,869	$ 423,869
Coverage	4.84	4.71	4.60	4.31	4.64	4.58	4.52	4.29
Max Debt Service including proposed 2018 Bonds	$ 488,154							
Coverage	4.30	4.18	4.07	3.85	4.18	4.06	3.99	3.73

[1] Excludes depreciation, amortization, and interest. Includes other non-operating expenses.

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

[3] Debt Service on Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012, Water and Sewer Bond, Series 1997 and 2002 SRF loan

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
May 16, 2018

Unobligated Balance as of March 13, 2018			$ 46,450,594
Increases:			
Loan Decrease (See note below)		* $ 7,620	
			$ 7,620
Unobligated Balance as of May 16, 2018			$ 46,458,214
Applicants:	**Loan Number**	**Loan Amount**	
Camden	SRF 2018-~~411~~ 412	$ 1,900,000	
Hallsdale-Powell Utility District	SRF 2018-410	$ 4,548,250	
Parrottsville	SRF 2018-414	$ 114,281	
			$ 6,562,531
Remaining Funds Available for Loan Obligations			$ 39,895,683

* Loan Decrease

Jackson Energy Authority	CG2 2016-363	$ 7,620

Alicia West

From: Felicia D. Freeman <Felicia.D.Freeman@tn.gov>
Sent: Monday, October 16, 2017 2:52 PM
To: Sharon Moody
Subject: RE: Camden, SRF 2018-411, Assignment of Loan Number (Companion Loan to SRF 2014-336)

Sorry it is supposed to be 412. Humboldt is 411. I truly apologize.

TN Department of Environment & Conservation

Felicia Freeman | Environmental Consultant
Division of Water Resources / State Revolving Fund Loan Program
William R. Snodgrass – Tennessee Tower, 12th Floor
312 Rosa L. Parks Ave, Nashville, TN 37243
p. 615-253-5134
felicia.d.freeman@tn.gov
tn.gov/environment

From: Sharon Moody
Sent: Monday, October 16, 2017 2:50 PM
To: Felicia D. Freeman
Subject: FW: Camden, SRF 2018-411, Assignment of Loan Number (Companion Loan to SRF 2014-336)
Importance: High

This is what the email said.

Sharon

From: Felicia D. Freeman
Sent: Monday, October 09, 2017 4:00 PM
To: BG-CO_SRF_E
Subject: Camden, SRF 2018-411, Assignment of Loan Number (Companion Loan to SRF 2014-336)
Importance: High

TN Department of Environment & Conservation

Felicia Freeman | Environmental Consultant
Division of Water Resources / State Revolving Fund Loan Program
William R. Snodgrass – Tennessee Tower, 12th Floor
312 Rosa L. Parks Ave, Nashville, TN 37243

FACT SHEET

MAY 16, 2018

Borrower:	**Camden**
Population:	**3,582**
County:	Benton County
Consulting Engineer:	**Civil Infrastructure Associates, LLC**
Project Number:	**SRF 2018-~~411~~ 41 2**
Priority List Ranking/Points:	**14(FY 2013)/57**
Recommended Term:	20 years
Recommended Rate:	(2.15 X 60%)-(0.25%) = 1.04%

Project Description: WWTP Improvements-Secondary Treatment (Phase 2- Land application System to include an effluent pump station, force main, drip/spray irrigation system)

Total Project Cost:	$ 9,258,000
Sources of Funding:	
SRF Loan Request	$ 1,900,000
Other Funds (SRF 2014-336)	$ 7,358,000

State-Shared Taxes: $ 485,015

Debt Service:

Prior Loans: (including SRF)	$ 698,345	143.98%
Proposed Loan:	$ 105,263	21.70%
Total:	$ 803,608	165.68%

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

Current Rate: $ 31.62

Public Meeting Summary: October 15, 2015

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES
City of Camden SRF 2018-~~411~~ 412

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 $485,015.

(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 $/Amt	Principal Forgiven	Max. Annual Debt Service
SRF/Sewer	CG2 2013-321	$1,578,112	$394,528	$84,720
SRF/Sewer	SRF 2013-322	$1,850,000	-	$99,348
SRF/Sewer	SRF 2014-336	$7,358,000	-	$404,495
SRF/Sewer	SRF 2016-366	$1,997,000	-	$109,782

(b) The maximum aggregate annual debt service is $698,345.

(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 $/Amt	Principal Forgiven	Anticipated Max. Annual Debt Service
SRF/Sewer	**1.04%**	**$1,900,000**	**$0**	**$105,263**

(b) The anticipated maximum aggregate annual debt service is $105,263.

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

Type of Obligation	Identifying #	Loan $/Amt	Principal Forgiven	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 $803,608.

(6) The amount set forth in (1) less the amount set forth in Paragraph (5) is $(318,593).

Duly signed by an authorized representative of the Local Government on this 19th day of January 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: ______________________

Roger Pafford, Mayor

FACT SHEET

MAY 16, 2018

Borrower:	**Hallsdale-Powell Utility District**
Population:	**432,226**
County:	Knox County
Consulting Engineer:	**Robert G. Campbell & Associates, L.P**
Project Number:	**SRF 2018-410**
Priority List Ranking/Points:	**49(FY 2017)/30**
Recommended Term:	20 years
Recommended Rate:	(2.19 X 90 %)-(0.25%) %= 1.72 %

Project Description: Beaver Creek Interceptor Improvement Project (Contract 3): The project includes replacing approximately 5,520 linear feet (LF) of 36-inch diameter interceptor sewer with a new 48-inch diameter interceptor sewer and associated manholes and replacing approximately 6,150 LF of existing undersized sewers with new 8-inch, 12-inch, and 36-inch diameter collector sewers.

Total Project Cost: $ 5,142,935

Sources of Funding:

SRF Loan Principal	$ 4,548,250
Local Funds	$ 594,685

Gross Revenues: $ 28,670,449

Debt Service:

Prior Loans: (including SRF)	$ 11,449,430	37.20%
Proposed Loan:	$ 268,927	2.73%
Total:	$ 11,718,357	39.93%

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

Current Rate:	$ 63.96
Public Meeting:	April 25, 2018

Hallsdale-Powell Utility District
SRF 2018-410

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO OUTSTANDING LOANS

The Local Government hereby represents that:

(1) The total amount of revenues of the system received by the Local Government in the prior fiscal year of the State is $28,670,449.

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

Loan Type	Loan #	Original $/Amt.	Principal Forgiven (PF)	Max: Annual Debt Service
SRF/Sewer	SRF 05-186	$52,898,483*	$0	$2,867,772
SRF/Sewer	CGA 09-233	$12,112,623**	$4,845,056**	$462,876
SRF/Water	DWF 05-062	$7,500,000***	$0	$406,716
SRF/Water	DWF 06-069	$2,500,000	$0	$135,840
SRF/Water	DGA 09-086	$2,825,000	$1,130,000	$107,981
SRF/Water	DG0 11-111	$3,847,000	$769,000	$167,712
SRF/Sewer	CG2 14-333	$4,116,400	$0	$243,853
SRF/Sewer	CG3 14-332	$4,000,000	$200,000	$225,110
SRF/Sewer	SRF 11-279	$8,600,000****	$0	$472,312
SRF/Sewer	CW6 2017-394	$1,000,000	$100,000	$54,278
SRF/Sewer	SRF 2017-395	$12,100,000	$0	$729,739
Revenue Bonds	2005-RUS	$891,600	$0	$48,264
Revenue Bonds	2006	$16,000,000	$0	$955,200
Revenue Bonds	2007-RUS	$3,018,000	$0	$157,548
Revenue Bonds	2008	$10,000,000	$0	$755,493
Revenue Bonds	2009-RUS	$998,000	$0	$45,876
Revenue Bonds	2011-RUS	$4,899,000	$0	$255,732
Revenue Bonds	2013	$43,825,000	$0	$3,062,450
Revenue Bonds	2013-A-RUS	$1,566,000	$0	$70,476
Revenue Bonds	2013-B-RUS	$4,983,000	$0	$224,202

* $44,000,000 approved 3/17/2006; increased $6,300,000 on 6/16/2009 and $3,500,000 on 4/28/2010; and decreased $901,517.
**$12,500,000 approved on 8/5/2009; decreased $37,377; (PF: $4,860,000 approved on 8/5/2009; decreased $14,943.60).
***$5,000,000 approved on 3/31/2005; increased $2,500,000 on 9/28/2005.
****$4,800,000 approved on 12/7/2011; increased $3,800,000 on 4/15/15.

(b) The maximum aggregate annual debt service is $11,449,430.

Hallsdale-Powell Utility District
SRF 2018-410

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

Loan Type	Anticipated Interest Rate	Original $/Amt.	Anticipated Max. Annual Debt Service
SRF/Sewer	**1.72%**	**$4,548,250**	**$268,927**

(b) The anticipated maximum aggregate annual debt service is $268,927.

(4) The amount of Local Government indebtedness (Subparagraphs (2)(b) and
(3)(b) having a lien on the revenues referred above is $11,718,357.

(5) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (4) is $16,952,092.

Duly signed by an authorized representative of the Local Government on this 13th day of November, 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

BY: Darren Cardwell
Darren Cardwell, President & CEO

FACT SHEET

MAY 16, 2018

Borrower:	**Town of Parrottsville**
Population:	**265**
County:	Cocke County
Consulting Engineer:	**CE Designers, Inc.**
Project Number:	**SRF 2018-414**
Priority List Ranking/Points:	**1(FY 2015)/129**
Recommended Term:	20 years
Recommended Rate:	(2.21 X 40%)-(0.25%) = 0.63%

Project Description: WWTP Improvements- Advanced Treatment (Repair sand filter and subsurface area around filter and recirculation tank; install new UV disinfection system; and construct an effluent stair aeration)

Total Project Cost: $ 314,281

Sources of Funding:

SRF Loan Principal	$ 114,281
Other Funds (CW5 2017-378)	$ 200,000

State-Shared Taxes: $ 37,300

Debt Service:

Prior Loans: (including SRF)	$ 9,210	24.69%
Proposed Loan:	$ 6,083	16.31%
Total:	$ 15,293	41.00%

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

Current Rate:	$ 35.00

Public Meeting: August 05, 2016

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES
Town of Parrottsville
SRF 2018-414

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 $37,300.

(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	CW5 2017-378	200,000	$30,000	$9,210

(b) The maximum aggregate annual debt service is $9,210.

(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	0.63%	$114,281	$6,083

(b) The anticipated maximum aggregate annual debt service is $6,083.

(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 $15,293.

(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is $22,007.

Duly signed by an authorized representative of the Local Government on this 19th day of January, 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

BY: Dewayne Daniel

Dewayne Daniel, Mayor

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
May 16, 2018

	Loan Number	Loan Amount	
Unobligated Balance as of March 13, 2018			$ 60,909,760
Increases:	**Loan Number**	**Loan Amount**	
			$ -
Unobligated Balance as of May 16, 2018			$ 60,909,760
Applicants:	**Loan Number**	**Loan Amount**	
Lebanon (Subsidized @ $200,000)	DW6 2018-202	$ 1,000,000	
Lebanon	DWF 2018-203	$ 300,000	
Waverly (Subsidized @ $54,675)	DG6 2018-208	$ 273,375	
			$ 1,573,375
Remaining Funds Available for Loan Obligations			**$ 59,336,385**

FACT SHEET

MAY 16, 2018

Borrower:	**City of Lebanon**
Population:	**35,000**
County:	Wilson County
Consulting Engineer:	**Water Management Services, LLC**
Project Number:	**DW6 2018-202**
Priority List Ranking/Points:	**13(FY 2016)/45**
Recommended Term:	20 years
Recommended Rate:	(2.57 X 80%) – (0.25%) = 1.81%

Project Description: Distribution System Improvements (Upgrade the Seay Hill Water Booster Station and replace approximately 8,000LF of 10-inch diameter water transmission main with 16-inch water transmission main).

Total Project Cost:	$ 1,300,000
Sources of Funding:	
SRF Loan Principal (80%)	$ 800,000
Principal Forgiveness (20%)	$ 200,000
Other Funds (DWF 2018-203)	$ 300,000

State-Shared Taxes:	$ 4,565,368	
Debt Service:		
Prior Loans: (including SRF)	$ 724,242	15.86%
Proposed Loan:	$ 65,596	1.44%
Total:	$ 789,838	17.30%

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

Current Rate:	$ 35.76

Public Meeting:	September 13, 2017

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES
City of Lebanon
DW6 2018-202

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 $4,565,368.

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

Loan Type	Loan #	Original $/Amt	Principal Forgiveness	Max: Annual Debt Service
SRF/Water	DWF 2008-079	$2,440,347	-	$152,652
SRF/Water	DWF 2008-080	$651,884	-	$41,256
SRF/Water	DW0 2012-126	$1,323,960	-	$78,576
SRF/Water	DWF 2012-127	$2,940,832	$735,208	$174,540
SRF/Water	DW1 2012-128	$2,500,000	$750,000	$99,319
SRF/Water	DWF 2012-129	$1,200,000	-	$68,108
SRF/Water	DW2 2015-161	$904,000	$316,400	$34,711
SRF/Water	DWF 2015-162	$1,271,000	-	$75,080

(b) The maximum aggregate annual debt service is $724,242.

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

Loan Type	Anticipated Interest Rate	Original $/Amt	Principal Forgiveness	Anticipated Max. Annual Debt Service
SRF/Water	**1.81%**	**$1,000,000**	**$200,000**	**$47,706**
SRF/Water	1.81%	$300,000	-	$17,890

(b) The anticipated maximum aggregate annual debt service is $65,596.

(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 $789,838.

(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is $3,775,530.

Duly signed by an authorized representative of the Local Government on this 13 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

BY: ______________________

Bernie Ash, Mayor

FACT SHEET

MAY 16, 2018

Borrower:	**City of Lebanon**
Population:	**35,000**
County:	Wilson County
Consulting Engineer:	**Water Management Services, LLC**
Project Number:	**DWF 2018-203**
Priority List Ranking/Points:	**13(FY 2016)/45**
Recommended Term:	20 years
Recommended Rate:	(2.57 X 80%) – (0.25%) = 1.81%

Project Description: Distribution System Improvements (Upgrade the Seay Hill Water Booster Station and replace approximately 8,000LF of 10-inch diameter water transmission main with 16-inch water transmission main).

Total Project Cost:	$ 1,300,000
Sources of Funding:	
SRF Loan Principal	$ 300,000
Other Funds (DW6 2018-202)	$ 1,000,000

State-Shared Taxes:	$ 4,565,368	
Debt Service:		
Prior Loans: (including SRF)	$ 724,242	15.86%
Proposed Loan:	$ 65,596	1.44%
Total:	$ 789,838	17.30%

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

Current Rate:	$ 35.76

Public Meeting:	September 13, 2017

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES
City of Lebanon
DWF 2018-203

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 $4,565,368.

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

Loan Type	Loan #	Original $/Amt	Principal Forgiveness	Max: Annual Debt Service
SRF/Water	DWF 2008-079	$2,440,347	-	$152,652
SRF/Water	DWF 2008-080	$651,884	-	$41,256
SRF/Water	DW0 2012-126	$1,323,960	-	$78,576
SRF/Water	DWF 2012-127	$2,940,832	$735,208	$174,540
SRF/Water	DW1 2012-128	$2,500,000	$750,000	$99,319
SRF/Water	DWF 2012-129	$1,200,000	-	$68,108
SRF/Water	DW2 2015-161	$904,000	$316,400	$34,711
SRF/Water	DWF 2015-162	$1,271,000	-	$75,080

(b) The maximum aggregate annual debt service is $724,242.

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

Loan Type	Anticipated Interest Rate	Original $/Amt	Principal Forgiveness	Anticipated Max. Annual Debt Service
SRF/Water	1.81%	$1,000,000	$200,000	$47,706
SRF/Water	**1.81%**	**$300,000**	-	**$17,890**

(b) The anticipated maximum aggregate annual debt service is $65,596.

(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 $789,838.

(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is $3,775,530.

Duly signed by an authorized representative of the Local Government on this 7th 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

BY: [signature]

Bernie Ash, Mayor

FACT SHEET

MAY 16, 2018

Borrower:	**City of Waverly**
Population:	**7,738**
County:	Humphreys County
Consulting Engineer:	**Jacobs Engineering Group Inc.**
Project Number:	**DG6 2018-208**
Priority List Ranking/Points:	**27(FY 2015)/25**
Recommended Term:	20 years
Recommended Rate:	(2.57 X 60%) – (0.25%) = 1.29%

Project Description: Green- Water Meter replacements (Install approximately 2,700 AMR meters)

Total Project Cost:	$ 798,375
Sources of Funding:	
SRF Loan Principal (80%)	$ 218,700
Principal Forgiveness (20%)	$ 54,675
Other Funds (CDBG)	$ 525,000

State-Shared Taxes:	$ 556,873

Debt Service:

Prior Loans: (including SRF)	$ -0-	0%
Proposed Loan:	$ 12,412	2.23%
Total:	$ 12,412	2.23%

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

Current Rate:	$ 36.10

Public Meeting:	April 02, 2018

REPRESENTATION OF THE LOCAL GOVERNMENT AS TO LOANS AND STATE-SHARED TAXES
Waverly DG6 2018-208

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 $556,873.

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

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

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

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

Loan Type	Anticipated Interest Rate	Original $/Amt	Principal Forgiven	Anticipated Max. Annual Debt Service
SRF/Sewer	1.29%	$273,375	$54,675	$12,412

(b) The anticipated maximum aggregate annual debt service is $12,412.

(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 $12,412.

(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 $12,412.

(6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is $544,461.

Duly signed by an authorized representative of the Local Government on this 10th day of April, 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: W. B. Frazier

The Honorable W.B. (Buddy) Frazier, Mayor