



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
JULY 17, 2018
AGENDA

- Call Meeting to Order
- Approval of minutes from the TLDA meeting of June 19, 2018
- Request from the City of Memphis to issue Sanitary Sewerage System Revenue and Refunding Bonds in an amount not to exceed \$62,000,000 senior to its SRF loans
- Consider for approval the following CWSRF loans:

	SRF Base Loan	Principal Forgiveness	Total SRF Funding	Interest Rate
Goodlettsville, CG6 2018-419	\$ 900,000	\$100,000	\$1,000,000	1.90%
Goodlettsville, SRF 2018-420	\$3,200,000	\$ -	\$3,200,000	1.90%

- Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
June 19, 2018

The Tennessee Local Development Authority (the Authority or TLDA) met on Tuesday, June 19, 2018, at 11:25 a.m. in the Executive Conference Room, Ground Floor, State Capitol, 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

The following member participated telephonically as authorized by Tennessee Code Annotated Section 8-44-108:

Mr. Pat Wolfe, Senate Appointee

The following members were absent:

The Honorable Bill Haslam, Governor
Dr. Kenneth Moore, House Appointee

Recognizing a physical quorum present, Mr. Hargett called the meeting to order, and asked Ms. Sandi Thompson, TLDA Assistant Secretary and the Director of the Office of State and Local Finance to perform a roll-call:

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

Mr. Hargett asked for a motion to approve the minutes of the May 16, 2018, TLDA meeting. Mr. Lillard made a motion to approve the minutes, and Mr. Wilson seconded the motion. Ms. Thompson performed a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was consideration of approval for Clean Water State Revolving Fund loans (CWSRF). He asked Ms. Paula Mitchell, Deputy Director of Operations for the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources to present the requests. Ms. Mitchell first presented the unobligated fund balance. She stated the balance was \$39,895,683 as of May 16, 2018. Upon approval of the loan requests to be presented totaling \$1,350,500, the funds available for loan obligations would decrease to \$38,545,183. She then presented each of the following loan requests:

- Cleveland (CW6 2018-415)—Requesting \$1,000,000 (\$900,000 (90%) loan; \$100,000 (10%) principal forgiveness) for collection system expansion (Installation of approximately 7,750 LF of sewer lines to replace septic tanks in the area south of APD 40 between South Lee Highway and I-75 Exit 20); recommended interest rate of 1.56% based on the Ability to Pay Index (ATPI).

- Cleveland (SRF 2018-416)—Requesting \$350,500 for collection system expansion (Installation of approximately 7,750 LF of sewer lines to replace septic tanks in the area south of APD 40 between South Lee Highway and I-75 Exit 20); recommended interest rate of 1.56% based on the ATPI.

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

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

The motion was unanimously approved.

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

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

The meeting was adjourned.

Approved on this ____ day of _____, 2018.

Respectfully submitted,

Sandra Thompson
Assistant Secretary



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

July 6, 2018

CITY OF MEMPHIS
Request for TLDA Approval of Additional Debt issuance

The City of Memphis (the "City") is requesting approval from the Tennessee Local Development Authority (TLDA) to issue the Sanitary Sewerage System Revenue and Refunding Bonds, Series 2018 (the "Series 2018 Bonds") with a lien position senior to its outstanding State Revolving Fund (SRF) loan agreements. 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 \$62,000,000.

1. The requestor is a:

☐ Utility District or Water/Wastewater Authority 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 ☐ 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 new money and refunding debt issuance.

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

3. The purpose of the proposed debt issuance is:

X Refunding

X New Money

4. Description and Additional Information:

The City plans to issue an estimated \$54,915,000 Series 2018 Bonds by competitive sale at a premium of \$7,076,956. The proceeds of the Series 2018 Bonds will be used to finance approximately \$50,000,000 of various capital projects for its Sewer System and to refund \$11,145,000 Sanitary Sewerage System Revenue Bonds, Series 2007 to produce projected net present value savings of \$863,349 or approximately 7.746% of the refunded principal amount

5. The debt rating of the borrower is:

Please indicate N/R if not rated.

Aa3 Moody's

AA+ Standard and Poor's

N/R Fitch

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

Loan Type	Loan Number	Total Loan Amount*	Loan Disbursements To Date (as of 6/25/2018)	Outstanding Loan Balance, if applicable (as of 6/25/2018)	Maximum Annual Debt Service (MADS) **
SRF/Sewer	CWF 06-195	\$3,988,541	\$3,988,541	\$3,204,430	\$255,732
SRF/Sewer	CWF 13-309 ¹	\$9,466,276	\$9,466,276	\$9,356,461	\$509,844
SRF/Sewer	CWF 13-311	\$100,000,000	\$71,387,637	\$71,387,637	\$5,385,931
SRF/Sewer	CWF 15-355 ²	\$25,000,000	No Activity	NA	\$1,346,483
SRF/Sewer	CWF 18-409 ²	\$11,000,000	No Activity	NA	\$595,938
				Total	\$8,093,928

*The total loan amount is net of principal forgiveness. For projects in repayment, the loan amount is either the final disbursements or total disbursements to date.

**MADS is an estimate until the loan is in repayment.

Notes

1. Estimated MADS will increase if the remaining authorized loan amount is spent.
2. There has been no activity on this loan. The MADS estimate assumes the entire amount of the approved loan will be spent.

7. Compliance with SRF Loan Agreement:

a. Timely repayments [4.(a)]

☒ Yes ☐ No

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

☐ Yes ☐ No ☒ N/A

Amount on deposit: _____

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

The City has timely filed its audited financial statements with the Division of Local Government Audit through the fiscal year ended June 30, 2017. The audit was filed within six months after the City's fiscal year end.

d. Sufficient Revenues [7.(k)]

☒ Yes ☐ No

For the fiscal year ended June 30, 2017, the City's audited financial statements reflected operating income of \$41,063,000, and a positive change in net position of \$31,422,00, for the City's Sewer Collection and Treatment Fund. As reported on the cash flow statement, debt service payments for fiscal year 2017 were \$28,792,000 consisting of principal payments of \$24,689,000 and interest payments of \$4,103,000.

As of the fiscal year ended June 30, 2017, the City reported \$44,482,000 in cash and \$17,160,000 in investments in its Sewer Collection and Treatment Fund.

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.

☒ Yes ☐ No

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

Most Recent Fiscal Year (m)(3):

The debt service coverage ratio for the City's Sewer Collection and Treatment Fund was 1.88X for fiscal year ended June 30, 2017 (calculation performed by OSLF from information in the fiscal year 2017 financial statements). The City estimates that the debt service coverage ratio for

fiscal year 2018 will be 3.53X (from the debt service coverage ratio calculation worksheet provided by the City). The City has met the debt service coverage requirement for fiscal year ended June 30, 2017.

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

The City 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 3.25x to 2.35x for fiscal years 2019 through 2022 after the issuance of the Series 2018 Bonds. The City estimates that the debt service coverage ratio for fiscal year 2018 will be 3.53X.

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 ☒ No

If yes, reason for referral: ☐ Water Loss ☐ Financial Distress ☒ 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 ☒ N/A

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

\$ 63,721,000	Received in prior fiscal year
\$ 8,093,928	Total Maximum Annual Debt Service (with SST pledge) *
\$ 55,627,072	Unobligated SSTs

* This amount only includes estimated SRF debt service. The local government could have additional pledges against its state-shared taxes.

9. Conclusion

Based upon our analysis, the City will have sufficient cash and revenues to meet its obligations. The City appears to meet TLDA's guidelines to issue additional bonds with a senior lien position to its outstanding State Revolving Fund (SRF) loan agreements.

Attachment:

Debt Service Coverage and Three-year Financial Projections

City of Memphis, Tennessee
Current and Projected Debt Service Coverage

Attachment B

Fiscal Year	2018	2019	2020	2021	2022
Effective Date of Rate Increase	Jan-18		Jan-20		
	Base Year				
	2018	2019	2020	2021	2022
Revenues and Expenses (\$000)					
Operating Revenues	109,900	122,800	132,475	142,150	142,150
Operating Expenses	55,000	65,000	70,000	72,000	72,000
Net Revenues Available to Fund Debt Service	54,900	57,800	62,475	70,150	70,150
Debt Service					
Existing Revenue Bonds	15,281	12,503	13,066	11,466	11,431
Proposed Revenue Bonds	-	3,264	5,416	8,860	10,152
Debt Service from Other Debt	256	2,009	8,277	8,277	8,277
Total All Debt Service	15,537	17,776	26,759	28,603	29,860
Total Revenue Bond Debt Service Coverage ($\geq 1.25x$)	3.59	3.67	3.38	3.45	3.25
Total All Debt Service Coverage ($\geq 1.20x$)	3.53	3.25	2.33	2.45	2.35
Cash Reserves (\$000)	2018	2019	2020	2021	2022
Beginning Cash Reserves on Hand	43,498	90,235	71,499	46,612	43,299
Future Principal and Interest Payments	(17,776)	(26,759)	(28,603)	(29,860)	(27,380)
Reimbursement from SRF	69,000				
Surplus Cash	39,363	40,024	35,716	41,547	40,290
PAYGO	(43,850)	(32,000)	(32,000)	(15,000)	(15,000)
Ending Cash Reserves on Hand	90,235	71,499	46,612	43,299	41,209
Required Days Cash on Hand (≥ 180 days)	599	401	243	219	209
Total Funded from Revenue Bonds After PAYGO (Net Proceeds)	-	50,000	50,000	50,000	

Definitions

Revenue Bond Debt Service Coverage ($\geq 1.25x$) - Revenue Bond Debt as a percent Net Revenues.

All Bond Debt Service Coverage ($\geq 1.00x$) - All Bond Debt as a percent Net Revenues.

Days Cash on Hand - Unrestricted cash/liquid investments times 365 divided by operating and maintenance expenses, expressed in days. Does not include DSRF or bond proceeds.

Future Principal and Interest Payments - Principal and Interest for next fiscal year funded in current fiscal year.

Memphis SRF Loan Request

State Shared Taxes FYE 06/30/2017

Sales Tax	\$53,965,000
Income Taxes	9,063,000
Beer Taxes	312,000
Alcoholic Beverage Tax	381,000
	<u>\$63,721,000</u>

Calculation

Received in prior fiscal year	\$63,721,000
Total Maximum Annual Debt Service	<u>8,093,928</u>
Unobligated SSTs	\$55,627,072

Debt Service Payments FYE 06/30/2017

Principal Noncapital Cash Flow	\$1,955,000
Principal Capital Cash Flows	22,734,000
	<u>\$24,689,000</u>
Interest	4,103,000
Total Debt Service	<u>\$28,792,000</u>

Debt Service Coverage Calculation FYE 06/30/2017

Revenues	\$98,726,000
Expenses excluding Debt Service and Depreciation	44,666,000
Net Revenues Available to Fund Debt Service	<u>\$54,060,000</u>
Total All Debt Service Coverage	<u>1.87760489</u>

SUMMARY OF REFUNDING RESULTS

City of Memphis Sanitary Sewerage System
2018 Revenue and Refunding Bonds

Preliminary - Prepared for Office of State and Local Finance Letters (Plan of Ref/Lien Modification)

Dated Date	09/12/2018
Delivery Date	09/12/2018
Arbitrage yield	2.940717%
Escrow yield	1.777692%
Value of Negative Arbitrage	10,812.70
Bond Par Amount	10,710,000.00
True Interest Cost	2.568515%
Net Interest Cost	2.688595%
Average Coupon	4.000000%
Average Life	5.237
Par amount of refunded bonds	11,145,000.00
Average coupon of refunded bonds	4.347768%
Average life of refunded bonds	5.337
PV of prior debt to 09/12/2018 @ 2.940717%	12,111,309.59
Net PV Savings	863,349.53
Percentage savings of refunded bonds	7.746519%
Percentage savings of refunding bonds	8.061153%

Notes:

UW estimated at \$5/Bond

COI estimated

4% coupons through 2027 and 5% after with 5/23/18 MMD + 30 bps (0.30%)

Common DSRF Balance as of 6/18/18 ~ \$17,233,998.20 (Requirement of Max Annual Agg DS)



JIM STRICKLAND
MAYOR

DIVISION OF FINANCE
Shirley Ford
Chief Financial Officer

June 20, 2018

RECEIVED

JUN 22 2018

STATE AND LOCAL FINANCE

Ms. Sandra Thompson, Director
Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North, 4th Floor
Nashville, TN 37243-3400

Re: Request for State Revolving Fund Lien Modification

Dear Ms. Thompson:

Since 1981, the City of Memphis ("City" or "Memphis") has managed an active revenue bond program to finance its Sanitary Sewer System ("Sewer System") infrastructure needs. Over the last several years, the City has also been the recipient of five (5) State Revolving Fund Loans ("SRF Loans") administered through the State of Tennessee's Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs (together, the "SRF Program"). Currently, the City plans to issue Sewer System revenue and revenue refunding bonds ("Revenue Bonds") within the next several months. Pursuant to the Tennessee Local Development Authority ("TLDA") State Revolving Loan Policy, the City respectfully submits this request to modify the lien position of the existing SRF Loans in order to allow for the issuance of the proposed Revenue Bonds.

The City proposes to issue the Revenue Bonds pursuant to the City's 1981 Sewer System bond resolution ("Bond Resolution") on parity with the City's outstanding Sewer System revenue bonds and senior to the City's SRF Loans. The Bond Resolution states that no indebtedness, other than that issued under the Bond Resolution, may "rank on a parity with or have priority over the charge and lien on Revenues". Therefore, the SRF Loans must be placed in a subordinate security position prior to the issuance of the Revenue Bonds.

It is the City's position that granting the City's lien modification request will not adversely affect the security for or timely payment of the SRF Loans from available Sewer System revenues. The City is currently in compliance with its SRF Loans and covenants and is timely with payments and submissions of its financial information. The Sewer System is fiscally sound and maintains sufficient cash on hand at all times. The City Council has raised user fees as necessary and appropriate in order to fund its capital program. The City's outstanding Sewer System revenue debt is highly rated ("AA+" by S&P and "Aa3" by Moody's). Currently, as demonstrated by the financial projections provided as Attachment B, projected debt service coverage ("DSC") will significantly exceed the minimum 1.25x DSC required for all revenue bonds and the minimum 1.20x DSC for all revenue bonds including the SRF Loans over the next ten years.

It is the City's intention to continue to utilize the SRF Program, in conjunction with an active revenue bond program. Without the requested lien modification for the proposed and future revenue bond issues, the City's cost of capital for Sewerage System Revenue Bonds could increase significantly which would put a strain on the

City's ability meet its significant capital needs (see "EPA Consent Decree" below) thus placing the health, safety and welfare of the citizens of Memphis at risk.

Background

The Sewer System serves approximately 261,000 industrial, commercial and residential customers. Annual revenues (FY2018) exceed \$109 million with annual expenditures in excess of \$55 million. The City also maintains at all times over 180 days of operating cash (approximately \$35 - \$40 million annually) in order to manage the Sewer System effectively. The City's capital improvement program ("CIP") for the Sewer System is expected to exceed \$800 million over the next ten years. A large portion of these CIP needs consists of three large capital outlays: 1) the settlement of a consent decree (see explanation of the Final Consent Decree below) in the amount of \$325 million; and 2) major upgrades to the City's sewage treatment plants, the Maxson (South) plant and the Stiles (North) plant, in the amounts of \$170 million and \$151 million, respectively. Other CIP needs include routine expenditures associated with environmental, safety and maintenance improvements necessary to maintain a sound and functioning Sewer System. A summary of the City's Sewer System CIP program is shown below:

	Fiscal Year										
Type of Assets (\$000)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Sewer System Projects											
Consent Decree	50,000	50,000	40,000	40,000	40,000	35,000	30,000	15,000	15,000	10,000	325,000
Maxson (South) Process Upgrades	20,000	37,500	37,500	37,500	37,500						170,000
Stiles Biosolids		5,000	10,000	7,000	7,000	7,000	7,000	7,000			50,000
Urban Service Area Improvements				8,000	8,000	8,000	8,000	8,000	8,000	8,000	56,000
Stiles (North) Process Upgrades					5,750	10,750	15,000	40,000	40,000	40,000	151,500
System Maintenance	8,000	8,000	8,000	8,000	8,000	8,000	8,000	10,000	10,000	10,000	86,000
Total	78,000	100,500	95,500	100,500	106,250	68,750	68,000	80,000	73,000	68,000	838,500

Final Consent Decree

On September 20, 2012, U.S. District Judge Samuel H. Mays, Jr., entered an Order Granting Joint Motion of Consent Decree ("Consent Decree") requested by the United States Department of Justice, the Environmental Protection Agency ("EPA"), the Tennessee Department of Environment and Conservation ("TDEC"), the Tennessee Clean Water Network and the City (collectively, the "Parties"). Pursuant to the terms of the Consent Decree, in addition to establishing priority geographical areas for rehabilitation and assessment of sewer infrastructure and stipulating penalties for any future violations, the Parties negotiated the following obligations of the City: 1) payment of a civil penalty; 2) development and implementation of management operations and maintenance programs; 3) requirement to submit certain quarterly, semi-annual and annual reports to the EPA and TDEC; and 4) completion of certain operational and capital improvements to the City's wastewater collection and treatment system at an approximate cost of \$325 million over a ten-year period. The Consent Decree officially started on September 20, 2012. The City has completed approximately \$100 million of the Consent Decree expenditures to date.

City Participation in the SRF Loan Program

Based on the Consent Decree mandate and the size of the City's CIP budget, the City began to seek out federal programs which offered lower cost financing opportunities to help finance the Sewer System's aging

infrastructure. Subsequently, the City began utilizing the SRF Program more aggressively in 2013. Currently, there are five (5) SRF loans outstanding or approved in the approximate principal amount of \$151 million:

SRF Loans Outstanding (000)	Purpose	Authorized Loan Size	Outstanding Balance	Status
Existing				
SRF #1 - 2006 - 195	Loosahatchie Interceptor	\$ 3,989	\$ -	Amortizing
SRF #2 - 2013 - 309	Stiles (North) Plant	11,000	1,550	Expending
SRF #3 - 2013 - 311	Consent Decree	100,000	28,600	Expending
SRF #4 - 2015 - 355	Maxson (South) Plant	25,000	N/A	Approved
SRF #5 - 2018 - 409	Maxson (South) Plant	11,000	N/A	Approved
Total SRF Loans		\$ 150,989	\$ 30,150	

City's Sewer System Revenue Bond Program

Prior to entering into the SRF Program, the City financed its Sewer System infrastructure needs through its existing revenue bond program. Currently, the City has revenue and revenue refunding bonds outstanding in the aggregate principal amount of \$78 million.

Due to the City's sizable capital needs and the responsibility to complete certain projects within specific mandated deadlines, the City seeks to strategically utilize a fiscal approach of: 1) continuing to participate in the SRF Program; and 2) from time to time, issue revenue bonds to finance its capital needs or refund outstanding revenue bond issues for debt service savings.

The City is authorized to issue revenue or revenue refunding bonds through the Bond Resolution. However, the Bond Resolution states, "the City will not hereafter create or permit the creation of or issue any revenue bonds, notes, warrants or other obligations or create any additional indebtedness which rank on a parity with or have priority over the charge and lien on Revenues except that additional series of Bonds [issued under this Bond Resolution], including Bonds to refund any Bond or Bonds may be issued from time to time..."

As a requirement for the issuance of additional revenue bonds under the Bond Resolution, a minimum of 1.25x DSC must be maintained at all times as a historical test or 1.50x DSC as a future test. Pursuant to the TLDA SRF Policy & Guidance for Borrowers, a minimum of 1.20x DSC for SRF Loans must be maintained at all times. Currently, as demonstrated by the financial projections provided as Attachment B, the City expects to exceed 2.0x DSC for all debt outstanding, including SRF Loans. This projected DSC also assumes the City will issue several additional revenue bond issues over the next ten years. It is the City's opinion that the request for lien modification would not, in any way, limit the City's ability to pay debt service on the revenue bonds and SRF Loans or to provide adequate DSC as long as the SRF Loans are outstanding.

Sewer System Rate Increases

In anticipation of the need to fund this challenging capital program, the City Council has instituted several rate increases over the last eight (8) years. A general rate increase was implemented effective in 2011 to increase operating reserves as well as fund anticipated costs from the Consent Decree. More recently, two rate increases were implemented: the first became effective January 2018, and the second, a future rate increase, is set to become effective January 2020. The last two rate increases were instituted specifically to fund or finance a

portion of the Sewer System's future capital needs. It is also anticipated that the City will request additional rate increases in the future as necessary and required.

The City's sewer management team has also developed a plan to minimize debt issuance by creating a PAYGO program to fund a portion of its capital expenditures from cash on hand in order to fund more projects and lower overall interest cost. This effort, together with the SRF Program, will save the City millions of dollars in interest cost over the next 20 years. This strategy will also allow the City financing flexibility between PAYGO, the use of the SRF Program versus the issuance of revenue bonds or another available low-cost financing program.

Factors for Consideration of Lien Modification

- Compliance with SRF Loans, including the covenants and representations in SRF Loans – *As provided above, the City believes that it is in compliance with the terms of its outstanding SRF Loans.*
- Borrower's history of timely repayments of SRF Loans – *The City believes that it has consistently made timely payments on its outstanding SRF Loans.*
- Borrower's timely filing of financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury – *The City believes it has timely filed its financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury on behalf of all its outstanding SRF Loans.*
- Borrower's credit rating – *The City's Sewer System bonds are currently rated "AA+" by S&P Global Ratings and "Aa3" by Moody's Investors Service. See Attachment A.*
- Purpose and amount of proposed debt issuance – *The City plans to issue its Sanitary Sewerage System Revenue Refunding Bonds as a single series (the "Series 2018 Bonds"). The Series 2018 Bonds will include a refunding component and a new money component. The refunding component of the Series 2018 Bonds will be issued in a not-to-exceed principal amount of \$12 million and is presently expected to generate net present value savings of \$863,349 or 7.746519% as a percent of the refunded bonds. The new money component of the Series 2018 Bonds will be issued to fund \$50 million of various CIP projects as discussed above under "Background". The Series 2018 Bonds will be issued in accordance with the City's Debt Management Policy and Procedures dated April 19, 2016.*
- Current and pro-forma (projected) debt service coverage – *The current and pro forma (projected) debt service coverage currently exceeds two 2.0x DSC for all Sewer System bonds and SRF Loans, including the proposed bonds. See Attachment B.*
- Amount of unobligated state-shared taxes – *The City will not secure the Revenue Bonds with unobligated state shared tax revenues.*
- The Sewer System's reliance on revenues generated from its largest user(s) as a percentage of total system revenues – *The System's ten largest users represents \$25.9 million of Sewer System revenues of \$98.7 million; or 26.2% of all Sewer System revenues. See Attachment C.*
- The lien position of the existing SRF debt remains the same or is improved – *The security for and the ability to make timely payments for all SRF Loans remains unchanged if the City's Revenue Bonds are*

granted a senior lien position. As required by applicable bond and loan documents, the City will maintain at all times a minimum coverage of 1.20x DSC for all Sewer System revenue bonds and SRF Loans. Pursuant to the SRF Loan Agreements, the City has also made an additional pledge of state-shared taxes for the repayment of the SRF Loans.

- Impact on the health, safety, and well-being of the people of the State of Tennessee – *The City is currently under a Consent Decree to fund a significant portion of its capital program over the next ten years. Permitting this lien modification will allow the City to more efficiently fund its capital program according to the timeline mandated by the Consent Decree. The inability to strategically fund the City's sizeable capital program would be detrimental to the health, safety and well-being of the citizens of Memphis.*

Summary

The City would like to emphasize that the Sewer System is represented by an experienced sewer management staff, maintains sufficient revenues at all times in order to service its debt obligations, has the support of the City Council to enact necessary rate increases, maintains strong cash balances in the case of an emergency, and maintains the financial flexibility to adjust its debt decisions when necessary and prudent.

The City is very appreciative of the opportunity to participate in the SRF Program and respectfully requests the TLDA to grant the lien modification. Thank you for the opportunity to present to the TLDA. If you have any questions, please do not hesitate to contact me at (901) 636-6374 or shirley.ford@memphistn.gov, or André D. Walker, Deputy Director of Finance at (901) 636-6324 or andre.walker@memphistn.gov.

Sincerely,



Shirley Ford
Chief Financial Officer

c: André D. Walker, Deputy Director of Finance
Carol Ward, Debt Coordinator
Cherrell Hawkins, Financial Analyst
Cheryl Hearn, Assistant City Attorney
Pamela Z. Clary, Co-Financial Advisor
Lauren Lowe, Co-Financial Advisor
Ricardo Callender, Co-Financial Advisor
Lillian M. Blackshear, Esquire, Co-Disclosure Counsel
Jeff Oldham, Esquire, Co-Disclosure Counsel
T. Kevin Bruce, Co-Disclosure Counsel
Charles E. Carpenter, Esquire, Bond Counsel
Corbin I. Carpenter, Esquire, Bond Counsel

MOODY'S

INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moody's.com

June 11, 2014

Mr. Brian Collins
City of Memphis, TN, Sanitary Sewer Enterprise
125 N. Main Street
Memphis, TN 38103

Dear Mr. Collins :

We wish to inform you that on June 3, 2014, Moody's Investors Service reviewed and assigned a rating of **Aa3** to the City of Memphis, TN, Sanitary Sewer Enterprise, Sanitary Sewerage System Revenue Refunding Bonds, Series 2014.

In assigning such rating, Moody's has relied upon the truth, accuracy and completeness of the information supplied by you or on your behalf to Moody's. Moody's expects that you will, on an ongoing basis, continue to provide Moody's with updated information necessary for the purposes of monitoring the rating, including current financial and statistical information.

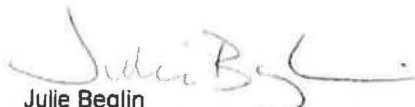
Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit www.moody's.com.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Moses Kopmar at 212-553-7106.

Sincerely,



Julie Beglin
VP-Senior Analyst/Manager

cc: Ms. Pamela Clary
Comcap Advisors
1708 Monroe Avenue
Memphis, TN 38174



500 North Akard Street
Lincoln Plaza, Suite 3200
Dallas, TX 75201
tel (214) 871-1400
reference no.: 1348069

May 30, 2014

City of Memphis
125 N. Main Street
Memphis, TN 38103
Attention: Mr. Brian Collins, Director of Finance

Re: US\$29,870,000 City of Memphis, Tennessee, Sanitary Sewerage System Revenue Refunding Bonds, Series 2014, dated: Date of delivery, due: July 1, 2027

Dear Mr. Collins:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "AA+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the

rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

A handwritten signature in black ink that reads "Standard & Poor's". The script is fluid and cursive, with the ampersand being particularly stylized.

Standard & Poor's Ratings Services

th
enclosures

cc: Ms. Belinda Boulter Whitaker
Mr. Dana Jeanes
Ms. Pamela Z. Clary



Standard & Poor's Ratings Services

Terms and Conditions Applicable To Public Finance Credit Ratings

General. The credit ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. Credit ratings and other views of Ratings Services are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. Unless otherwise indicated, the term "issuer" means both the issuer and the obligor if the obligor is not the issuer.

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Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate a credit rating and any related analytical reports, including the rationale for the credit rating, unless the issuer specifically requests in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of the issuer or at the issuer's request. Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' credit ratings criteria from time to time and Ratings Services may modify or refine its credit ratings criteria at any time as Ratings Services deems appropriate.

Reliance on Information. Ratings Services relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with credit ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors. Credit ratings, and the maintenance of credit ratings, may be affected by Ratings Services' opinion of the information received from issuers, their agents or advisors.

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Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Rating Services has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

Disclaimer of Liability. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.

City of Memphis, Tennessee
Current and Projected Debt Service Coverage

Attachment B

Fiscal Year	2018	2019	2020	2021	2022
Effective Date of Rate Increase	Jan-18		Jan-20		
	Base Year				
	2018	2019	2020	2021	2022
Revenues and Expenses (\$000)					
Operating Revenues	109,900	122,800	132,475	142,150	142,150
Operating Expenses	55,000	65,000	70,000	72,000	72,000
Net Revenues Available to Fund Debt Service	54,900	57,800	62,475	70,150	70,150
Debt Service					
Existing Revenue Bonds	15,281	12,503	13,066	11,466	11,431
Proposed Revenue Bonds	-	3,264	5,416	8,860	10,152
Debt Service from Other Debt	256	2,009	8,277	8,277	8,277
Total All Debt Service	15,537	17,776	26,759	28,603	29,860
Total Revenue Bond Debt Service Coverage (> = 1.25x)	3.59	3.67	3.38	3.45	3.25
Total All Debt Service Coverage (> = 1.20x)	3.53	3.25	2.33	2.45	2.35
Cash Reserves (\$000)	2018	2019	2020	2021	2022
Beginning Cash Reserves on Hand	43,498	90,235	71,499	46,612	43,299
Future Principal and Interest Payments	(17,776)	(26,759)	(28,603)	(29,860)	(27,380)
Reimbursement from SRF	69,000				
Surplus Cash	39,363	40,024	35,716	41,547	40,290
PAYGO	(43,850)	(32,000)	(32,000)	(15,000)	(15,000)
Ending Cash Reserves on Hand	90,235	71,499	46,612	43,299	41,209
Required Days Cash on Hand (> = 180 days)	599	401	243	219	209
Total Funded from Revenue Bonds After PAYGO (Net Proceeds)	-	50,000	50,000	50,000	

Definitions

Revenue Bond Debt Service Coverage ($\geq 1.25x$) - Revenue Bond Debt as a percent Net Revenues.

All Bond Debt Service Coverage ($\geq 1.00x$) - All Bond Debt as a percent Net Revenues.

Days Cash on Hand - Unrestricted cash/liquid investments times 365 divided by operating and maintenance expenses, expressed in days. Does not include DSRF or bond proceeds.

Future Principal and Interest Payments - Principal and Interest for next fiscal year funded in current fiscal year.

**City of Memphis, Tennessee
Sanitary Sewerage System
Ten Largest Industrial Customers
Fiscal Year 2017**

Name	Total Sewer Fee ^(a) (Thousands of Dollars)	Annual Flow (Millions of Gallons)
Solae (Protein Technologies)	\$ 8,375	1,278
Chemours (DuPont)	3,818	1,684
Memphis Cellulose (Buckeye)	3,454	1,322
KTG USA	2,763	1,000
PMC Biogenix (Chemtura Corp.)	1,560	534
Valero (Premcor) Refining	1,547	682
American Yeast	1,432	276
Blues City Brewery	1,023	308
Riviana Foods	994	151
Fleischmann's Yeast Inc.	927	202
Total of 10 Largest Customers	\$ 25,893	7,437
Percent of Overall System Total	26.2%	14.2%
Total	\$ 98,726	52,195

(a) Total Sewer Fee includes charges for biochemical oxygen demand, suspended solids and flow.

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
July 17, 2018

Unobligated Balance as of June 19, 2018 \$ 38,545,183

Increases:

Early Payoffs (See note * below)	\$ 507,624	
Loan Decrease (See note ** below)	<u>\$ 12,746,351</u>	
		\$ 13,253,975

Unobligated Balance as of July 17, 2018 \$ 51,799,158

Applicants:

	<u>Loan Number</u>	<u>Loan Amount</u>	
Goodlettsville (Subsidized @ \$100,000)	CG6 2018-419	\$ 1,000,000	
Goodlettsville	SRF 2018-420	<u>\$ 3,200,000</u>	
			\$ 4,200,000

Remaining Funds Available for Loan Obligations \$ 47,599,158

Adjustments to Prior Loans

* Early Payoff

Crossville	SRF 2001-156	\$ 163,532	
Crossville	SRF 2010-261	<u>\$ 344,092</u>	
		<u>\$ 507,624</u>	

** Loan Decrease

Springfield	SRF 2016-360	<u>\$ 12,746,351</u>	
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FACT SHEET

JULY 17, 2018

Borrower: City of Goodlettsville
Population: 15,921
County: Davidson County
Consulting Engineer: Trestles, LLC
Project Number: CG6 2018-419
Priority List Ranking/Points: 67(FY 2017)/30
Recommended Term: 20 years
Recommended Rate: $(2.69 \times 80\%) - (0.25\%) = 1.90\%$
Project Description: City Wide Sewer Rehabilitation

Total Project Cost: \$ 4,200,000

Sources of Funding:

SRF Loan Principal (90%)	\$ 900,000
Principal Forgiveness (10%)	\$ 100,000
Other Funds (SRF 2018-420)	\$ 3,200,000
Local Funds	\$ -0-

State-Shared Taxes: \$ 2,312,462

Debt Service:

Prior Loans: (including SRF)	\$ 493,748	21.35%
Proposed Loan:	<u>\$ 246,571</u>	<u>10.66%</u>
Total:	\$ 740,319	32.01%

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

Current Rate: \$ 42.93

Audit Report:

Due Date 12/31/17
Received Date: 12/29/17 (Timely)

Public Meeting: June 26, 2018

Goodlettsville
CG6 2018-419
Contract/Agmt

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
Goodlettsville CG6 2018-419**

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 \$2,312,462.

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

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max: Annual Debt Service
SRF/Sewer	CWA 2009-224	\$12,500,000	\$5,000,000	\$493,748

- (b) The maximum aggregate annual debt service is \$493,748.

- (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	1.90%	\$1,000,000	\$100,000	\$54,125
SRF/Sewer	1.90%	\$3,200,000	-	\$192,446

- (b) The anticipated maximum aggregate annual debt service is \$246,571.

- (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 \$740,319.

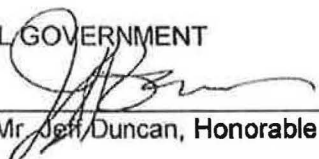
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$1,572,143.

Duly signed by an authorized representative of the Local Government on this 25th day of May, 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:


Mr. Jeff Duncan, Honorable Mayor

FACT SHEET

JULY 17, 2018

Borrower: City of Goodlettsville
Population: 15,921
County: Davidson County
Consulting Engineer: Trestles, LLC
Project Number: SRF 2018-420
Priority List Ranking/Points: 67(FY 2017)/30
Recommended Term: 20 years
Recommended Rate: $(2.69 \times 80\%) - (0.25\%) = 1.90\%$
Project Description: City Wide Sewer Rehabilitation

Total Project Cost: \$ 4,200,000

Sources of Funding:

SRF Loan Principal	\$ 3,200,000
Other Funds (CG6 2018-419)	\$ 1,000,000
Local Funds	\$ -0-

State-Shared Taxes: \$ 2,312,462

Debt Service:

Prior Loans: (including SRF)	\$ 493,748	21.35%
Proposed Loan:	<u>\$ 246,571</u>	<u>10.66%</u>
Total:	\$ 740,319	32.01%

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

Current Rate: \$ 42.93

Audit Report:

Due Date 12/31/17
Received Date: 12/29/17 (Timely)

Public Meeting: June 26, 2018

Goodlettsville
SRF 2018-420
Contract/Agmt

**REPRESENTATION OF THE LOCAL GOVERNMENT
AS TO LOANS AND STATE-SHARED TAXES
Goodlettsville SRF 2018-420**

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 \$2,312,462.
- (2) (a) The prior loans which have been funded for which the Local Government has pledged its State-Shared Taxes are as follows:

Loan Type	Loan #	Original \$/Amt	Principal Forgiven	Max: Annual Debt Service
SRF/Sewer	CWA 2009-224	\$12,500,000	\$5,000,000	\$493,748

- (b) The maximum aggregate annual debt service is \$493,748.

- (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	1.90%	\$1,000,000	\$100,000	\$54,125
SRF/Sewer	1.90%	\$3,200,000	-	\$192,446

- (b) The anticipated maximum aggregate annual debt service is \$246,571.

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

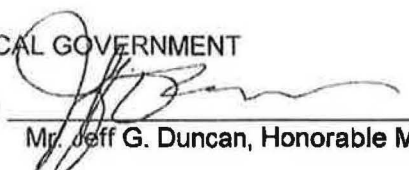
Type of Obligation	Identifying #	Original \$/Amt	Max. Annual Pledge of State-Shared Taxes
N/A			

- (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 \$740,319.
- (6) The amount set forth in Subparagraph (1) less the amount set forth in Subparagraph (5) is \$1,572,143.

Duly signed by an authorized representative of the Local Government on this 25th day of May, 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: 
Mr. Jeff G. Duncan, Honorable Mayor