



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
JUNE 13, 2019
AGENDA

1. Call Meeting to Order
2. Consideration of Requests from the Erwin Utilities Authority (EUA)
 - a. Request from the EUA to assume the Town of Erwin's State Revolving Fund loan obligations (DW0 2011-114, DG5 2017-186, DWF 2017-187, DW6 2018-206, and CG3 2014-341)
 - b. Request from the EUA to issue Water and Sewer Revenue Bonds in an amount not to exceed \$3,525,000 on parity with its SRF loans
3. Adjourn



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

June 10, 2019

ERWIN UTILITIES AUTHORITY
Request for TLDA Approval of Assignment of SRF Loan and Additional Debt Issuance with Parity Lien Position to State Revolving Fund (“SRF”) Loans

The newly created Erwin Utilities Authority (“EUA”) has submitted a request for approval from the Tennessee Local Development Authority (“TLDA”) to assume the Town of Erwin’s (“Town”) outstanding SRF Loans. In addition, the EUA will be issuing bonds in an amount not to exceed \$3.525 million to retire the Town’s currently outstanding water and wastewater utilities debt as payment to the Town under a purchase and sale agreement for the Town’s utilities, and the EUA requests that the TLDA consent to the issuance of these bonds in parity with the aforementioned SRF Loans.

The Municipal Energy Authority Act, T.C.A. § 7-36-101, et seq., (the “Act”) permits the Town to create EUA as a public corporation and political subdivision of the State of Tennessee from its utilities. Pursuant to the Act, the EUA must retire, defease or assume the outstanding debt of the Town related to its utilities as a condition of the transfer of the utilities from the Town to the EUA. The Town’s Resolution No. 1268-19 adopted on May 13, 2019, permits the Town to take all necessary steps to form the EUA and to transfer all of the Town’s utility assets to the EUA on the condition that the EUA assume all liabilities of the Town’s utility debt.

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*.

1. The requestor is a/an:

- 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 revenue bonds in parity with its outstanding SRF loan(s).
- The borrower is requesting to subordinate its outstanding SRF debt to the proposed 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:

- Refunding
- New Money

4. Description and Additional Information:

The EUA plans to issue an estimated \$3,300,000 Series 2019 Bonds by competitive sale priced with a premium of \$237,391. The proceeds of the Series 2019 Bonds will be used to retire bonds previously issued by the Town for the water and wastewater utilities as required by the Act.

5. The debt rating of the borrower is:

to be determined (Rating expected week of June 10, 2019.)

Please indicate N/R if not rated.

- Moody’s
- Standard and Poor’s
- Fitch

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

Loan Type	Loan Number	Loan Disbursements to Date (as of 5/14/2019)	Outstanding Loan Balance (as of 5/14/2019)	Maximum Annual Debt Service (MADS)
Water	DW0 11-114	\$ 700,000.00	\$ 415,146.00	\$ 35,352.00
Water	DG5 17-186	1,500,000.00	1,083,460.00	63,540.00
Water	DWF 17-187	500,000.00	488,948.00	28,236.00
Water	DW6 18-206	750,000.00	595,524.00	33,432.00
Sewer	CG3 14-341	2,919,263.00	2,641,253.84	113,112.00
				\$ 273,672.00

7. Compliance with SRF Loan Agreement (by the Town):

a. Timely repayments [4.(a)]

Yes No

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

Yes No The Authority will make the deposit upon the TLDA’s approval of the Authority’s request considered herein.

Amount to be deposited: \$273,672

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

The EUA’s first year of operations will be fiscal year 2020. The Town’s Board of Public Utilities has timely filed its audited financial statements with the Division of Local Government Audit through the fiscal year ended June 30, 2018. The audit was filed within six months after the Town’s fiscal year end.

d. Sufficient Revenues [7.(k)]

Yes No

For fiscal year ending June 30, 2018, the Town’s audited financial statements reflected operating income and change in net position for its water and wastewater systems as follows:

	Water	Wastewater
Operating Income	\$ 621,148	\$287,434
Change in Net Position	\$1,677,643*	\$ 63,908

* Includes grant revenue of \$1,132,486

Debt service payments made in FY2018 were:

	Water	Wastewater
Principal	\$ 136,392	\$ 128,120
Interest	32,559	159,378
Total Debt Service Payments	\$ 168,951	\$ 287,498

As of the end of fiscal year 2018, the Town reported cash and investments for its water and wastewater utilities as follows:

	Water	Wastewater
Cash	\$1,218,141	\$1,410,370
Investments	908,424	170,241
Total Cash	\$2,126,565	\$1,580,611

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 ratios for the Town’s water and wastewater systems for fiscal year 2018 are:

	Water	Wastewater
Debt Service Coverage Ratio	5.88	1.90

The Town has met the debt service coverage requirement for the fiscal year ending June 30, 2018.

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

Based on the Town’s projections of its net revenues and debt service payments for fiscal year 2019 and EUA’s projections for fiscal years 2020 through 2022, OSLF calculated projected debt service coverage ratios, as follows:

	FY 2019	FY 2020	FY 2021	FY 2022
Projected Debt Service Coverage Ratios:				
Water	2.97	2.43	1.96	1.90
Wastewater	2.11	1.97	1.95	1.94

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 (with SST pledge)*
\$ _____ Unobligated SSTs

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

9. Conclusion

Based upon our analysis and considering EUA will assume the operations of the Town's board of public utilities, EUA will have the capacity to assume the Town's SRF loans and to meet its other debt obligations. Further, EUA appears to meet the requirements for approval to issue debt to retire the Town's outstanding utilities debt on parity with the SRF loans. A security deposit of \$273,672 will be required of the EUA upon the TLDA's approval of EUA's request.

Attachment:

Debt Service Coverage and Financial Projections

ERWIN UTILITIES AUTHORITY
Debt Service Coverage and Financial Projections

ERWIN UTILITES AUTHORITY - WATER

	AUDITED			FORECAST			
	2016	2017	2018	2019	2020	2021	2022
Operating Revenue	\$ 2,224,285	\$ 2,310,665	\$ 2,501,125	\$ 2,356,000	\$ 2,373,670	\$ 2,391,473	\$ 2,409,409
Operating Expenses	1,431,957	1,474,838	1,507,230	1,612,100	1,657,500	1,707,200	1,756,900
Depreciation	367,144	369,410	372,747	391,507	397,757	404,182	410,607
Operating Income	\$ 425,184	\$ 466,417	\$ 621,148	\$ 352,393	\$ 318,413	\$ 280,091	\$ 241,902
Non Operating Income	2,951	5,511	5,546	13,511	13,511	13,511	13,511
Non Operating Expenses	(25,628)	(26,813)	(32,559)	(44,646)	(49,840)	(45,929)	(41,252)
Income before Contributions & Transfers	\$ 402,507	\$ 445,115	\$ 594,135	\$ 321,258	\$ 282,084	\$ 247,673	\$ 214,161
Capital Contributions/Grants	1,932,000	34,498	1,132,486	954,014	-	-	-
Transfers (PILOT)	(54,707)	(57,703)	(48,978)	(57,703)	(60,000)	(61,000)	(62,000)
Change in Net Position	\$ 2,279,800	\$ 421,910	\$ 1,677,643	\$ 1,217,569	\$ 222,084	\$ 186,673	\$ 152,161
Beginning Cash & Cash Equivalents	\$ 850,941	\$ 1,340,864	\$ 828,125	\$ 1,218,141	\$ 1,121,327	\$ 838,640	\$ 783,683
Change in Cash	489,923	(512,739)	390,016	(96,814)	(282,687)	(54,957)	(232,208)
Ending Cash & Cash Equivalents	\$ 1,340,864	\$ 828,125	\$ 1,218,141	\$ 1,121,327	\$ 838,640	\$ 783,683	\$ 551,475
Cash Flow							
Net Cash Provided (Used) by							
Operating Activities	\$ 866,644	\$ 919,504	\$ 1,948,685	\$ 743,900	\$ 716,170	\$ 684,273	\$ 652,509
Capital & Related Financing activities	(324,663)	(577,561)	(1,511,450)	(1,196,522)	(952,368)	(691,741)	(836,228)
Investing activities	2,649	(796,979)	1,759	413,511	13,511	13,511	13,511
Non-Capital Financing Activities	(54,707)	(57,703)	(48,978)	(57,703)	(60,000)	(61,000)	(62,000)
Net Increase (Decrease) in Cash	\$ 489,923	\$ (512,739)	\$ 390,016	\$ (96,814)	\$ (282,687)	\$ (54,957)	\$ (232,208)
Net Revenues	\$ 792,328	\$ 835,827	\$ 993,895	\$ 743,900	\$ 716,170	\$ 684,273	\$ 652,509
Debt Service:							
Principal	\$ 123,621	\$ 127,417	\$ 136,392	\$ 205,890	\$ 245,028	\$ 289,112	\$ 289,447
Interest	25,628	26,813	32,559	44,646	49,840	59,129	53,881
Total Debt Service	\$ 149,249	\$ 154,230	\$ 168,951	\$ 250,536	\$ 294,868	\$ 348,241	\$ 343,328
Debt Service Coverage Ratio	5.31	5.42	5.88	2.97	2.43	1.96	1.90

ERWIN UTILITIES AUTHORITY
Debt Service Coverage and Financial Projections

ERWIN UTILITIES AUTHORITY - WASTEWATER

	AUDITED			FORECAST			
	2016	2017	2018	2019	2020	2021	2022
Operating Revenue	\$ 1,490,951	\$ 1,476,467	\$ 1,525,554	\$ 1,570,000	\$ 1,582,560	\$ 1,595,220	\$ 1,607,982
Operating Expenses	959,627	976,942	978,745	1,000,000	1,020,000	1,040,400	1,061,208
Depreciation	243,804	244,863	259,375	270,000	270,000	270,000	270,000
Operating Income	\$ 287,520	\$ 254,662	\$ 287,434	\$ 300,000	\$ 292,560	\$ 284,820	\$ 276,774
Non Operating Income	3,082	4,304	5,208	-	-	-	-
Non Operating Expenses	(109,804)	(127,039)	(159,378)	(128,190)	(133,581)	(136,664)	(132,072)
Income before Contributions & Transfers	\$ 180,798	\$ 131,927	\$ 133,264	\$ 171,810	\$ 158,979	\$ 148,156	\$ 144,702
Capital Contributions/Grants	1,451,688	24,576	-	-	-	525,000	-
Transfers (PILOT)	(64,707)	(66,204)	(69,356)	(90,000)	(90,000)	(90,000)	(90,000)
Change in Net Position	\$ 1,567,779	\$ 90,299	\$ 63,908	\$ 81,810	\$ 68,979	\$ 583,156	\$ 54,702
Beginning Cash & Cash Equivalents	\$ 677,530	\$ 1,127,599	\$ 1,010,879	\$ 1,410,370	\$ 1,620,608	\$ 1,388,607	\$ 1,226,124
Change in Cash	450,069	(116,720)	399,491	210,238	(232,001)	(162,483)	(265,438)
Ending Cash & Cash Equivalents	\$ 1,127,599	\$ 1,010,879	\$ 1,410,370	\$ 1,620,608	\$ 1,388,607	\$ 1,226,124	\$ 960,686
Cash Flow							
Net Cash Provided (Used) by							
Operating Activities	\$ 1,250,626	\$ (205,610)	\$ 384,626	\$ 570,000	\$ 562,560	\$ 554,820	\$ 546,774
Capital & Related Financing Activities	(738,426)	150,790	79,868	(369,762)	(704,561)	(627,303)	(722,212)
Investing Activities	2,576	4,304	4,353	100,000	-	-	-
Non-Capital Financing Activities	(64,707)	(66,204)	(69,356)	(90,000)	(90,000)	(90,000)	(90,000)
Net Increase (Decrease) in Cash	\$ 450,069	\$ (116,720)	\$ 399,491	\$ 210,238	\$ (232,001)	\$ (162,483)	\$ (265,438)
Net Revenues	\$ 531,324	\$ 499,525	\$ 546,809	\$ 570,000	\$ 562,560	\$ 554,820	\$ 546,774
Debt Service:							
Principal	60,660	60,660	128,120	\$ 141,572	\$ 151,980	\$ 148,048	\$ 149,140
Interest	109,804	127,039	159,378	128,190	133,581	136,664	132,072
Total Debt Service	170,464	187,699	287,498	\$ 269,762	\$ 285,561	\$ 284,712	\$ 281,212
Debt Service Coverage Ratio	3.12	2.66	1.90	2.11	1.97	1.95	1.94



May 29, 2019

Sandra Thompson
TLDA Assistant Secretary
Comptroller of the Treasury
Office of State and Local Finance
Cordell Hull Building, 4th Floor
425 Fifth Avenue North
Nashville, TN 37243

Re: Transfer of Erwin Utilities SRF Loans

Sandra,

On behalf of the Erwin Utilities Authority ("Authority"), I request that the Tennessee Local Development Authority approve the transfer of all outstanding State Revolving Fund ("SRF") loans, including loans DW0 11-114, DG5 17-186, DWF 17-187, DW6 18-206, and CG3 14-341, from the Board of Public Utilities for Erwin, Tennessee ("Board"), to the newly created Authority. Additionally, I request that the TLDA consent to lien position parity between the aforementioned SRF loans and the forthcoming bonds, in an amount not to exceed \$3,525,000, to be issued by the Authority to retire the outstanding debt of the Board.

The Erwin Utilities Authority was formed under the Municipal Energy Authority Act, T.C.A. § 7-36-101 et seq. The Authority will provide electric, water, wastewater, and broadband services to the Town of Erwin and surrounding areas as a political subdivision of the State of Tennessee. The Authority will make no operational changes following the transition but will have greater flexibility to pursue future partnerships and joint ventures should those opportunities arise. The Authority will continue the mission of providing safe, reliable, and efficient services to every customer every day. Pursuant to the Municipal Energy Authority Act, the Authority must assume all assets and liabilities of the Board including the outstanding SRF loans named above. The Authority wishes for the outstanding SRF loans to remain in place with the Authority assuming the contractual obligations for the loans under the existing terms and repayment schedule. Consequently, I request that the TLDA approve the transfer of all outstanding Board SRF loans, including loans DW0 11-114, DG5 17-186, DWF 17-187, DW6 18-206, and CG3 14-341, from the Board to the Authority.

As previously discussed, the Authority must assume all assets and liabilities of the Board, included outstanding bonds, to comply with the Municipal Energy Authority Act. All outstanding bonds tied to the operations of the Board were issued in the name of the Town of Erwin and are supported by the full faith and credit of the Town's taxing authority. Consequently, those bonds must be retired with new bonds issued in the name of the Authority backed by the Authority's revenue. To facilitate the issuance of the new bonds, I request that TDLA consent to lien position parity between the aforementioned SRF loans and the new bonds to be issued by the Authority.

The Board has targeted June 30, 2019 as the final day of Board operations and July 1, 2019 as the first day of Authority operations. Because of the compressed time frame of the transition, I respectfully ask that the TLDA consider the requests as soon as possible. If you need further information, please contact myself (423-743-1826; jmumpower@e-u.cc) or our Assistant to the General Manager, Mitch Barton (423-743-1822; mbarton@e-u.cc). Thank you for your consideration of this request; I look forward to your response.

Sincerely,

ERWIN UTILITIES AUTHORITY

A handwritten signature in black ink, appearing to read "James Q. Mumpower", with a long horizontal flourish extending to the right.

James Q. Mumpower, CPA
Chief Financial Officer

Overview of Erwin Utilities Authority Transaction

The Town of Erwin proposes to transfer its utilities systems to the Erwin Utilities Authority, which has been newly created pursuant to T.C.A. Sections 7-36-101 et seq. While the Town currently operates electric, water, wastewater and telecommunications utility systems, this overview relates to the water and wastewater systems.

The Town proposes to close the transfer to the Authority no later than the end of its current fiscal year (June 30, 2019). The transfer will require that (i) the Town convey all utility assets to the Authority, and (ii) the Authority assume all utility liabilities of the Town.

The Town currently has the following water and wastewater debt:

<u>Debt</u>	<u>Approximate Issue Date</u>	<u>Water/Wastewater Revenues Pledged?</u>
TMBF Loan	2005	No
2010 GO Bonds	2010	No
SRF Loans 1 & 2	2011-2014	Yes (First and Second Liens)
2015 GO Bonds	2015	No
SRF Loans 3, 4 and 5	2017-2018	Yes (Third, Fourth and Fifth Liens)

The Authority proposes to:

1. Have the SRF Loans assigned to the Authority.
2. Issue public market revenue bonds to refund the TMBF Loan, the 2010 GO Bonds and the 2015 GO Bonds.

The Authority proposes that all Authority debt share a senior parity lien on revenues of the Authority’s water and wastewater system. This would allow the public market bonds to be issued on a senior lien basis, on parity with the SRF Loans. The Authority’s financial advisor – Raymond James & Associates – has advised the Authority that it would cost prohibitive to issue the public market bonds on a subordinate basis.

The current schedule contemplates that the public market bonds would be sold (via competitive sale) on June 17, and closed prior to June 30.

To accomplish the Authority’s plan, we need the TLDA and TDEC (as applicable) to:

1. Consent to the assignment of the SRF Loans from the Town to the Authority
2. Propose assignment documents to memorialize the assignment and the Authority’s obligations going forward (we assumed Tullahoma might serve as a model)
3. Agree that the SRF Loans will share a parity lien with the proposed public market bonds.

ERWIN UTILITIES AUTHORITY
ASSIGNMENT, ASSUMPTION, AND TERMINATION AGREEMENT

This is an Assignment, Assumption, and Termination Agreement (this "Agreement") by and among the Town of Erwin (the "Town"), Erwin Utilities Authority ("EUA"), the Tennessee Department of Environment and Conservation (the "Department") and the Tennessee Local Development Authority (the "Authority").

WHEREAS, the Town borrowed funds from the Wastewater Revolving Loan Fund created by the Tennessee Wastewater Facilities Act of 1987, as amended, which loan is evidenced by a loan agreement, CG3 2014-341, (the "Original Agreement A") in the original principal amount of two million, seven hundred seventy-three thousand dollars (\$2,773,000) and principal forgiveness in the amount of one hundred forty-five thousand, nine hundred sixty-three dollars (\$145,963) entered into on or about February 26, 2015, by and among the Town, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness A" (See Exhibit A, new loan agreement); and

WHEREAS, the Town borrowed funds from the Water Revolving Loan Fund created by the Drinking Water Revolving Loan Fund Act of 1997, as amended, which loan is evidenced by a loan agreement, DW0 2011-114, (the "Original Agreement B") in the original principal amount of five hundred sixty thousand dollars (\$560,000) entered into on or about March 16, 2011 by and among the Town, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness B" (See Exhibit B, new loan agreement); and

WHEREAS, the Town borrowed funds from the Water Revolving Loan Fund created by the Drinking Water Revolving Loan Fund Act of 1997, as amended, which loan is evidenced by a loan agreement, DG5 2017-186, (the "Original Agreement C") in the original principal amount of one million, one hundred twenty-five thousand dollars (\$1,125,000) entered into on or about March 21, 2017 by and among the Town, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness C" (See Exhibit C, new loan agreement); and

WHEREAS, the Town borrowed funds from the Water Revolving Loan Fund created by the Drinking Water Revolving Loan Fund Act of 1997, as amended, which loan is evidenced by a loan agreement, DG5 2017-187, (the "Original Agreement D") in the original principal amount of five hundred thousand dollars (\$500,000) entered into on or about March 21, 2017, by and among the Town, the Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness D" (See Exhibit D, new loan agreement); and

WHEREAS, the Town borrowed funds from the Water Revolving Loan Fund created by the Drinking Water Revolving Loan Fund Act of 1997, as amended, which loan is evidenced by a loan agreement, DW6 2018-206, (the "Original Agreement E") in the original principal amount of six hundred thousand dollars (\$600,000) and principle forgiveness in the amount of one hundred fifty thousand dollars (\$150,000) entered into on or about March 13, 2018, by and among the Town, the

Department, and the Authority and the outstanding balance of which is referred to as the "Outstanding Indebtedness E" (See Exhibit E, new loan agreement); and

WHEREAS, the Town has determined to transfer its water and wastewater treatment and distribution and collection facilities to EUA (a municipal energy authority created pursuant to the Municipal Energy Authority Act, Tennessee Code Annotated §§ 7-36-101, et seq.) subject to satisfaction of conditions precedent to closing; and

WHEREAS, EUA assumes each of the Outstanding Indebtedness A through E (collectively, the "Total Outstanding Indebtedness") and the Department and the Authority are willing to agree to such assumption on the conditions that the Original Agreements A through E be terminated and that EUA enter into new loan agreements (the "New Loan Agreements") with the Department and the Authority to replace the Original Agreements A through E;

NOW THEREFORE, in consideration of the previous, the parties agree as follows:

1. The Town hereby assigns all of its rights, title and interest in the Total Outstanding Indebtedness to EUA.
2. EUA hereby assumes the Total Outstanding Indebtedness of the Town and, as a condition thereof, TUA agrees that it will enter into the New Loan Agreements and that the terms and conditions of the New Loan Agreements shall be the same as those contained in the draft loan agreements attached here to as Exhibits A through E.
3. EUA agrees to be subject to the jurisdiction of the Utility Management Review Board created pursuant to Tennessee Code Annotated Title 7, Chapter 82.
4. The Department and the Authority hereby release the Town from liability for the Total Outstanding Indebtedness and terminate the Original Agreements A through E.
5. This Agreement shall not be effective until such time as each of the following events shall have occurred:
 - i. This Agreement has been executed by all parties hereto.
 - ii. EUA has furnished evidence satisfactory to the Department and to the Authority that the Town's water and wastewater systems have been transferred to EUA.
 - iii. EUA has complied with all terms and conditions of the New Loan Agreements and the New Loan Agreements have been executed by all parties thereto.
 - iv. This Agreement may be executed in one or more counterparts, each of which shall be treated as an original.

6. This Agreement may be executed in one or more counterparts, each of which shall be treated as an original.

TOWN OF ERWIN

By:

Its:

Date:

ERWIN UTILITIES AUTHORITY

By:

Its:

Date:

TENNESSEE LOCAL DEVELOPMENT AUTHORITY

By:

Its:

Date:

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

By:

Its:

Date:

RESOLUTION NO. 1268-19

A Resolution Authorizing the Mayor to form a Utility Authority pursuant to the Municipal Energy Authority Act, approving the form of Certificate of Incorporation for such Utility Authority, and authorizing the Mayor or the Mayor's designee to take such further action as is necessary to cause the transfer of assets to and the assumption of liabilities by such Utility Authority

WHEREAS, the Municipal Energy Authority Act, Tennessee Code Annotated Section 7-36-101 *et seq.* (the "Act"), authorizes a city to create an utility authority and to transfer to such authority the assets and liabilities of its electric, water, wastewater, and telecommunications systems; and

WHEREAS, the Board of Mayor and Aldermen of the Town of Erwin, Tennessee desire to form Erwin Utilities Authority (the "Authority") as an utility authority pursuant to the Act; and


WHEREAS, pursuant to the Act, the Town is authorized to transfer all of the Town's right, title and interest in and all of the assets of Town's electric, water, wastewater, and telecommunications system, which does business as Erwin Utilities ("EU"), to the Authority; and

WHEREAS, as a condition of the transfer of the Town's rights, title and interest in and all of the assets of EU to the Authority, the Authority must assume and agree to pay all liabilities associated with EU.

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the Town of Erwin, Tennessee by a two-thirds (2/3) or greater vote that:

1. The Board of Mayor and Aldermen find and determine that it is wise, expedient, necessary or advisable that an authority be formed;
2. The Mayor is authorized to take all necessary or appropriate steps to form a utility authority pursuant to the Act;
3. The certificate of incorporation for the Authority is approved in substantially the form attached hereto, with such changes as the Mayor shall approve, as evidenced by the Mayor's execution of the certificate of incorporation;
4. The Mayor and the City Recorder as the Mayor's designee are each individually authorized to take all necessary or appropriate steps to transfer all of the Town's rights, title and interest in and all of the assets of EU to the Authority, provided that as a condition to such transfer, the Authority must assume all liabilities of EU, with all such assumptions to become effective with the transfer of assets from the Town to the Authority;
5. The Mayor and the City Recorder as the Mayor's designee are each individually authorized to take such actions from time to time as are appropriate or necessary to transfer assets of EU to and to cause the assumption of liabilities of EU by the Authority; and
6. The Mayor and the City Recorder as the Mayor's designee are each individually authorized to take such further actions and to execute such agreements, documents or other agreements from time to time as may be necessary or appropriate to carry out the intent of this resolution; and
7. Upon transfer of the assets of EU to the Authority and the Authority's assumption or satisfaction of all obligations of EU, the jurisdiction and control over such systems shall be transferred to the Authority, and the Board of Public Utilities for the Town of Erwin, Tennessee shall cease to exist.

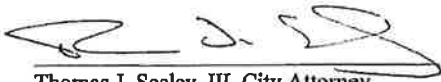
APPROVED in open meeting on the 13TH day of May, 2019.


Doris D. Hensley, Mayor

ATTEST:


Glenn Rosenoff, City Recorder

APPROVED AS TO FORM AND LEGALITY


Thomas J. Seeley, III, City Attorney

—B0704-5737-05/23/2019-8:26 AM Received by Tennessee Secretary of State Tre Hargett