



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
JUNE 27, 2019
AGENDA

1. Call Meeting to Order
2. Approval of minutes from the TLDA meetings of May 9, 2019 and June 13, 2019
3. Consideration for approval of revisions to the TLDA Audit Committee Charter
4. Submission of revised Letter from Benton and Decatur Counties
5. Report on the notification from the City of Paris submitted to comply with TLDA SRF Policy and Guidance for Borrowers
6. Report on S&P Global Ratings for TLDA
7. Public hearing on and approval of the TLDA Debt Management Policy
8. Report on awarding principal forgiveness on SRF loans
9. Consider for approval the following Clean Water State Revolving Fund (CWSRF) loans:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate
Cleveland, CW7 2019-431	\$ 1,593,900	\$177,100	\$ 1,771,000	1.37%

10. Consider for approval the following Drinking Water State Revolving Fund (DWSRF) loans:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate
Bell Buckle, DW7 2019-218	\$ -	\$325,000	\$ 325,000	0.00%

11. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
May 9, 2019

The Tennessee Local Development Authority (the Authority or TLDA) met on Thursday, May 9, 2019, at 1:15 p.m. in House Hearing Room II, First Floor, Cordell Hull Building, 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 Stuart McWhorter, Department of Finance and Administration

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

Dr. Kenneth Moore, House Appointee
Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Lee, Governor

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 (OSLF) to perform a roll call:

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

Mr. Hargett asked for a motion to approve the minutes of the March 8, 2019, TLDA meeting. Mr. Hargett made a motion to approve the minutes, and Mr. Wilson seconded the motion. Ms. Thompson performed a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was consideration of approval for a Drinking Water State Revolving Fund (DWSRF) loan. He asked Ms. Leslie Gillespie-Marthaler, Director of State Revolving Fund (SRF) for the Tennessee Department of Environment and Conservation (TDEC) to present the loan request. Ms. Gillespie-Marthaler first presented the unobligated fund balance. She stated the balance was \$88,579,529 as of February 8, 2019. The balance decreased a total of \$42,809,917 due to a transfer of funds from the DWSRF to the Clean Water SRF leaving a final balance of \$45,769,612. Upon approval of the loan request to be presented totaling \$3,288,000, the funds available for loan obligations would be \$42,481,612.

Ms. Gillespie-Marthaler also noted that following the transfer of funds from the DWSRF, the funds available for CWSRF loan obligations would be \$94,375,737.

She then described the DWSRF loan request.

- **City of Oak Ridge (DWF 2019-216)** Requesting \$3,288,000 for a new water treatment plant (Construction of a 16 million-gallon-per-day (MGD) water treatment plant (WTP)) planning and design loan; recommended interest rate of 1.08% based on the Ability to Pay Index (ATPI); Priority ranking 17 of 21.

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

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on SRF borrowers that have not submitted requests for project expense reimbursement. He asked Ms. Gillespie-Marthaler to present the information. Ms. Gillespie-Marthaler stated that TDEC's staff had called five entities, including Chapel Hill, Franklin, Hallsdale-Powell Utility District, Jackson Energy Authority, and Memphis to inquire about inactivity on previously approved SRF loans. She reported that Chapel Hill, Franklin, and Hallsdale-Powell were in compliance with their construction completion dates, and that TDEC expected pay requests from them in the near future. Jackson Energy Authority was also in compliance; however, it had requested an extension on April 18, 2019, which was still under review. She continued by saying that although Memphis was currently in compliance, TDEC would be contacting them to inquire about a possible extension on its project. Mr. Hargett asked who TDEC's contact was for Memphis. She replied that it was Mr. Scott Morgan. No action was required.

Mr. Hargett stated that the last item on the agenda would be a request from Benton County and Decatur County to modify two SRF loan repayment schedules related to the Benton-Decatur Special Sewer District due to financial and economic distress. He called upon Ms. Thompson to present the request. Ms. Thompson stated that the OSLF had received a request from Benton and Decatur Counties for consideration by the TLDA to modify and provide payment relief for two SRF loan repayment schedules related to the Benton-Decatur Special Sewer District (District). She reported that the District had lost six of its sixteen customers, had incurred costs related to system improvements, and was experiencing system compliance issues. Ms. Thompson further stated that the Tennessee Department of Economic and Community Development had identified both Benton and Decatur Counties as Tier 4 At-Risk, and that the District was referred to the Water and Wastewater Financing Board (WWFB) on February 8, 2019 by the Division of Local Government Audit due to indications of financial distress. She then noted that the request letter contained an error regarding USDA Rural Development funding awarded to Benton County for the District. The letter stated that USDA rural funding had been borrowed, when in fact funding was provided in the form of grants. The Counties would be submitting a revised letter to clarify the types of USDA funding received as well as their intent to apply for additional funds. Staff recommends that consideration of their request be contingent upon receipt of that revised letter. Ms. Thompson continued by saying that the Counties requested a 23-month relief period followed by a reduced interest rate of 1.03% at the end of that period on the remaining outstanding principal balance. In accordance with the TLDA/SRF Policy and Guidance for Borrowers, Ms. Thompson said that staff recommends approval of an initial 11-month period (instead of 23 months) as shown in the proposed schedule modification that was included in the meeting packet. The relief period would be from August 2019 through June 2020, and upon completion of a review by the WWFB, the Counties would then be allowed to submit another

request for additional relief. Ms. Thompson informed the TLDA that representatives from the Counties were present to make a statement regarding the request, to express their concerns, and to answer questions. She said that, John Greer, the Comptroller's Utilities Specialist, would also be presenting information regarding the oversight process of the District by the WWFB.

Mr. Hargett then recognized Benton County Mayor Brett Lashlee who introduced himself. He said even as a new mayor, it did not take long to realize that the District's financial model was not working due to many factors, one of which was the unpredicted loss of District customers. Mayor Lashlee also stated that he was reliant on the expertise of his county engineer for guidance and advice from a county's perspective. He then referred to the 11-month relief period recommended by OSLF staff and asked that the TLDA instead consider for approval the original request of 23 months. He noted that the District would increase rates effective July 1, 2019 and that Love's Truck Stop had committed to building at the interstate exit, but it would not be completed until January or February 2020. Mr. Hargett asked if the TLDA members had any questions for Mayor Lashlee. Mr. Wilson responded by asking if Benton and Decatur would have equal accountability during the relief period. Mayor Lashlee responded affirmatively. Mr. Hargett then asked if the Authority had any other questions for Mayor Lashlee. Hearing none, he thanked those in attendance, and stated that the OSLF, TDEC, and the Authority members' respective offices were very interested in finding a solution that would help Benton and Decatur Counties, as well as the District. He then recognized Mr. John Greer to comment on the WWFB oversight process. Mr. Greer began by saying that the District was referred to the WWFB for defaulting on its SRF loans. He stated that he planned to attend the District's May 17, 2019 meeting, would gather financial documents from the District, and would request a third-party rate analysis. He stated that the WWFB would like to help in any way possible, and that the District would be under the Board's oversight until it was back on track. Mr. Hargett asked if there were any other questions or comments. There were no further questions or comments.

Mr. Hargett acknowledged the difference between the 11-month relief period recommended by OSLF staff and the 23-months requested by Benton-Decatur. He asked Mr. Greer if the WWFB would be comfortable with 23-month conditions. Mr. Greer replied that the proposed 11-month relief period was reasonable, and that it would allow the WWFB time to review the District in order to make further recommendations to the TLDA. Mr. Hargett thanked Mr. Greer, and asked Ms. Thompson if there was any information to add. She confirmed there was nothing to add. Mr. Hargett then addressed Mayor Lashlee saying the 23-month request was understandable, but the TLDA felt the OSLF staff recommendation of an 11-month relief period was fair. He asked for a recommendation to adopt, and if Authority members had any other questions or comments. Mr. Wilson commented that the TLDA was doing this with the understanding that the District could come back and submit a request for additional relief. Mr. Hargett agreed and stated that the Authority was very interested in its success. He then asked if there were any further comments. There was no further discussion.

Mr. Hargett made a motion to approve the staff's recommendation, and Mr. Lillard seconded the motion. Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

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

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

Mr. Wilson— Aye
Dr. Moore— Aye
Mr. Wolfe— Aye

The meeting was adjourned.

Approved on this ____ day of _____, 2019.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

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TENNESSEE LOCAL DEVELOPMENT AUTHORITY
June 13, 2019

The Tennessee Local Development Authority (the TLDA) met on Thursday, June 13, 2019, at 9:00 a.m. in the State Capitol, Executive Conference Room, Ground Floor, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

William Wood, Proxy for the Honorable Justin Wilson, Comptroller of the Treasury
The Honorable David Lillard, State Treasurer
Angela Scott, Proxy for Commissioner Stuart McWhorter, Department of Finance and Administration

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

Dr. Kenneth Moore, House Appointee
Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Lee, Governor

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 (OSLF) to perform a roll call:

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

Mr. Hargett stated that the item for consideration was a two-part request from the Erwin Utilities Authority (the “Authority”). The first (item 2a on the agenda) would be for the EUA to assume the Town of Erwin’s (the Town) State Revolving Fund loan obligations, and the second (item 2b) would be to issue Water and Sewer Revenue Bonds in an amount not to exceed \$3,525,000 on parity with its SRF loans. He inquired if Erwin representatives were present. Mr. Richard Dulaney with Raymond James and Associates responded affirmatively and stated that he was the EUA’s municipal advisor. Mr. Hargett welcomed him, and then stated that without objection both requests would be considered at the same time. Hearing none, he called upon Ms. Thompson to present the requests.

Ms. Thompson stated that the Authority submitted two requests to the OSLF. The first request was for it to assume the Town’s SRF loan obligations, and the second request was for approval to issue Water and Sewer Revenue Bonds in an amount not to exceed \$3,525,000 on parity with its SRF loans. She stated that the Town is permitted by Municipal Energy Act to create the Authority as a public corporation and political subdivision of the State of Tennessee from its utilities and pursuant to this Act, the Authority 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 Authority. Upon approval of the transfer of the Town’s SRF loan obligations to the Authority, the Authority is required, pursuant to the loan agreements for revenue entities and TLDA SRF Policy and Guidance for Borrowers, to obtain approval from the TLDA to issue additional debt.

She also stated that the Office of State and Local Finance, the Attorney's General's (AG) Office, The Tennessee Department of Environment and Conservation's (TDEC's) SRF Program staff and its Office of General Counsel had all reviewed the requests.

Ms. Thompson continued and stated that the Town adopted a resolution on May 13, 2019, which permitted it to take all necessary steps to form the Authority and to transfer all of the Town's utility assets to the Authority on the condition that the Authority assume all liabilities of the Town's utility debt. She said that the execution of new loan documents in the name of the Authority and an Assignment, Assumption, and Termination agreement is required. She noted that these documents were prepared by TDEC and reviewed by its OGC and the AG's Office and are pending execution by the Authority. She stated that the outstanding balance of the five SRF loan obligations totaled approximately \$5.2 million dollars. All loans are in repayment and current, and the Authority would be required, and had indicated that it would, fund a security deposit equal to max annual debt service (MADS) for each of the SRF loans totaling \$273,672. She also stated that the Town's Board of Public Utilities had timely filed its audited financial statements with the Division of Local Government Audit through the fiscal year ended June 30, 2018. The Authority's first year of operations would be fiscal year 2020 beginning July 1, 2019, and its loan agreements would require it to file an annual audit report with the Comptroller's Office. She stated that the debt service coverage ratios for the Town's water and wastewater systems for fiscal year 2018 are 5.88 and 1.90 times respectively. The Authority's projected debt service coverage ratios, once it assumes the SRF loans and issues the new debt, exceeds the TLDA's 1.2 times minimum requirement for FY2019 through FY2022.

Ms. Thompson then provided information about the proposed Series 2019 Bonds and stated that the Bonds are proposed to be sold via competitive sale on June 17th and closed prior to June 30th and the proceeds from the bond sale would be used to retire bonds previously issued by the Town for the water and wastewater utility as required by the Municipal Energy Act. She said that the Authority's municipal advisor, had advised that it would be cost prohibitive to issue the public market bonds on a subordinate basis to the SRF loans. Ms. Thompson noted that the TLDA's current lien position would be improved if the TLDA grants parity because 4 of the 5 SRF loans are currently subordinate to some of the Town's outstanding utility debt. She stated that the Authority recently received an "A" rating (stable) from S&P.

Ms. Thompson stated that based on the OSLF analysis and considering the Authority would assume the operations of the Town's board of public utilities, the Authority should have the capacity to assume the Town's SRF loans and to meet its other debt obligations. Further, the Authority appears to meet the requirements for approval to issue debt to retire the Town's outstanding utilities debt on parity with the SRF loans. She stated that staff recommends the TLDA's approval of these requests contingent upon the execution of the required documents.

Mr. Hargett asked if there were any questions regarding the requests. Hearing none, he inquired if Mr. Dulaney would like to comment. Mr. Dulaney responded by saying that everything seemed in order and that the Board of Public Utilities had been managed well over the years. Mr. Hargett then inquired if Ms. Felicia Freeman, TDEC's Environmental Manager of the Division of Water Resources/SRF, had any questions or comments. She stated that TDEC had no additional comments.

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

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

The motion was unanimously approved.

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

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

The meeting was adjourned.

Approved on this _____ day of _____, 2019.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Tennessee Local Development Authority Audit Committee Charter

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IntroductionPurpose

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The primary purpose of the Committee is to assist the Tennessee Local Development Authority (i.e.- Authority) in fulfilling its oversight with respect to:

- The financial reporting process;
- The system of internal controls and risk management;
- ~~The internal audit and external audit process; and~~
- The standards of professional conduct

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The Audit Committee's responsibility is one of oversight, recognizing ~~that~~ the Authority's management, which is housed within the Office of the Comptroller of the Treasury ~~Division of Bond Finance~~Office of State and Local Finance, is responsible for:

- ~~Preparing the financial statements, is~~
- ~~Subject to the financial and accounting policies of the State of Tennessee, is accountable for~~
- ~~Implementing and monitoring internal controls and compliance with laws and regulations, and that~~
- ~~The Comptroller of the Treasury is statutorily responsible for financial compliance and auditing~~

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Purpose and Mission

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The Audit Committee is appointed by the Authority to assist ~~the~~ Authority members in fulfilling their responsibility to the General Assembly, the citizens of the State of Tennessee and the Authority's bondholders in the oversight of the quality and integrity of the Authority's financial accounting and reporting practices. The Audit Committee's role also includes a particular focus on the Authority's processes to manage business and financial risk, and compliance with significant applicable legal, ethical, and regulatory requirements. The Committee shall provide a forum for communication among the auditors, management and the members of the Authority.

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OrganizationComposition and Qualifications

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The Audit Committee shall be a standing committee of the Authority and shall consist of five ~~ex-officio~~ members. The members of the Audit Committee shall be independent and have the appearance of independence of any conflicts of interest in regards to their duties as members of the Audit Committee. The Board has the responsibility to ensure the audit committee chair has the requisite accounting/business management background to discharge the duties of the audit committee. The audit committee membership should have an adequate background and education to discharge their duties.

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The Audit Committee shall consist of:

- ~~The~~ State Treasurer,
- ~~The~~ Secretary of State,
- ~~The~~ Commissioner of Finance and Administration,
- ~~The~~ House Appointee and the Senate Appointee, and their successors in office by virtue of their incumbency in such offices and without further appointment or qualification.

The State Treasurer shall serve as Chairman for the Audit Committee. The Audit Committee may appoint a member of staff to serve as its Secretary.

~~The audit committee membership should have an adequate background and education to discharge their duties.~~

~~The members of the Audit Committee should be independent of any conflicts of interest or from any appearance of other interests that are in conflict with their duties as members of the audit committee. A majority of the Audit Committee shall constitute a quorum.~~

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Meetings

~~The Audit Committee shall meet to discuss internal and external audit reports as well as other business no less often than once per year. The Audit Committee shall meet to discuss the external audit report and other business as necessary, but not less than once annually.~~ The Committee shall also meet at the request of the Comptroller of the Treasury. Participation in committee meetings may be in person or via teleconferencing with designated representatives as permitted by state law or regulation.

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The Audit Committee shall abide by the notice requirements of the Authority. All meetings of the Audit Committee shall be subject to the open meetings provisions of Title 8, Chapter 44, *Tennessee Code Annotated*, except that, as provided by Section 4-35-108(b), *Tennessee Code Annotated*, the Committee may hold confidential, nonpublic executive sessions to discuss:

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1. Items deemed not subject to public inspection under Sections 10-7-503 and 10-7-504, *Tennessee Code Annotated*, and all other matters designated as confidential or privileged under this code;
2. Litigation;
3. Audits or investigations; and
4. Matters involving information under Section 4-35-107(a), *Tennessee Code Annotated*, where the informant has requested anonymity.

Written minutes covering all meetings and actions of the Audit Committee shall be prepared and ~~shall be kept maintained~~ on file in the Office of the Comptroller of the Treasury Division of ~~Bond Finance Office~~ and State and Local Finance.

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Minutes of meetings ~~that are~~ exempt from the open meetings provisions of Title 8, Chapter 44, *Tennessee Code Annotated*, by Section 4-35-108(b), *Tennessee Code Annotated*, will not be open to public inspection.

AUTHORITY

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The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility including:

- Oversee resolution of any disagreements between management and the auditor regarding financial reporting
- Seek any information required from employees whom are directed to cooperate with such requests
- Meet as needed with officers, state auditors or legal counsel
- Requiring internal auditors to report directly to the Audit Committee

Powers and Duties

~~The Audit Committee shall have the power and duty to take whatever actions the Committee deems necessary in carrying out its responsibilities, including, but not limited to:~~

1. ~~Seeking any information that the Committee requires from employees or external parties; and~~
2. ~~Meeting with the Authority, the Authority's management, internal or external auditors, legal counsel, or others.~~

|

Adopted ~~May 12, 2009~~ Date TBD
Revised MM DD YYYY

DRAFT

Responsibilities

Audit Committee responsibilities include:

For each of the topics addressed below, the responsibilities of the Audit Committee are:

Financial Reporting Process

- Review significant accounting and reporting standards, as applicable; ~~and~~
- Review financial statements and the comprehensive annual financial report

Internal Controls & Risk Management

- ~~Review management's processes for monitoring~~ Review with management the adequacy of internal controls for compliance with policies, plans, procedures, laws, and regulations;
- Understand the scope of internal and external auditors' review of internal controls;
- Inquire of management and auditors about significant risks and how those risks are managed;
- Review management's processes for assessment of risk, including fraud risk, for adequacy; ~~and~~
- ~~Review risk assessment results ensuring internal controls sufficiently mitigate assessed risks in the agency.~~ Review documentation of assessment results to determine that internal controls are sufficient to mitigate the assessed risks in the agency.

Internal & External Audit

- Review reports issued by internal and external auditors;
- Ensure management has taken appropriate action on audit recommendations made by the internal or external auditors;
- Discuss the proposed scope and approach of the external audit and subsequently the results of the audit with representatives of the Comptroller of the Treasury, including any difficulties encountered during the course of the audit; ~~and~~
- Encourage internal or external auditors to discuss any issues of concern with the ~~a~~ Audit Committee.

Standards of Conduct

- Immediately report any fraud to the Comptroller of the Treasury's Office;
- ~~Communicate to management their responsibility for preventing, detecting, and reporting fraud, waste, and abuse, and reporting any instances of fraud, waste, and abuse to the Audit Committee and to the Comptroller of the Treasury;~~
- Review communications from management to authority personnel concerning their obligation to prevent, detect, and report fraud, waste and abuse as well as reporting any instances of fraud, waste and abuse to the Audit Committee and the Comptroller of the Treasury;
- Ensure ~~that~~ procedures exist for the receipt, retention, and treatment of complaints about accounting, internal controls, or auditing matters;
- Regularly update the board about Audit Committee activities and make appropriate recommendations; ~~and~~

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Adopted ~~May 12, 2009~~ Date TBD
Revised MM DD YYYY

- Periodically review and amend, ~~as necessary,~~ the Audit Committee Charter.

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Audit Committee Relationship with Management

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- Review management’s assertion ~~that~~ internal controls are effective and adequate;
- Evaluate whether management is setting the appropriate ‘control culture’ and ‘tone at the top’ by communicating the importance of internal controls and risk management; ~~and~~
- Ensure a confidential mechanism is in place for staff to report any suspected fraud, abuse, or other complaints related to operations to the Audit Committee.

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Approved this _____ day of _____, ~~2009~~2019

Chairman, TLDA Audit Committee

Adopted by TLDA Board

Date

Chairman

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Secretary

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BENTON COUNTY TENNESSEE
COUNTY MAYOR
BRETT LASHLEE

23 April 2019

Mrs. Sandi Thompson,

I write this on behalf of myself, Decatur County Mayor Mike Creasy, and Russell Keeton who is Chairman of the Benton-Decatur Special Sewer District.

After several communications as to the concern that both Benton and Decatur County Government share regarding our oversight of the Benton-Decatur Special Sewer District (BDSSD) and its stressed financial conditions, I want to provide a synopsis of their current situation in hopes that it will allow for a better understanding of the challenges ahead not only for the BDSSD, but also Benton and Decatur County Governments. My hopes are that this will draw your interest and concerns of our challenging road ahead and possibly result in an opportunity to address the Board in upcoming meetings and to convey directly our approach to these challenges.

The BDSSD was formed almost 20 years ago with a “if we build it, they will come” expectation. Unfortunately, both our rural counties were in denial of our continuous declining economic state that began nearly a decade before and would continue to this current date. The original initiative of designing a sanitary sewer system was well intentioned - To promote economic development at Interstate 40 Exit #126, an Exit that is mutually shared by both Benton and Decatur Counties. While there is little question that the development of a sanitary sewer system at our Interstate exit was an essential factor in achieving the somewhat limited commercial development that currently exists at the Interchange, the financial model and operational conditions simply were not well planned out. As a result, a sewer district that went into operation with excellent intentions and great hopes associated with long-term commercial and industrial development seemed to be doomed before it ever got off the ground.

Now we are faced with a small and declining customer base paying extraordinarily high rates, and the current operational model is stifling potential economic growth at an area that really should be booming. Our current customer base, as shown in Table 1, indicates the number of active customers as well as their average monthly usage and subsequent average monthly sewer bill.



1 Court Square
Room 102
Camden, TN 38320

PHONE (731) 584-6011
FAX (731) 584-9718
EMAIL MAYOR@BENTONCOUNTYTN.GOV
WEBSITE WWW.BENTONCOUNTYTN.GOV

TABLE 1:

Customer	MO. AVERAGES	
	Gallons Used	Sewer Billing
Dept of Transportation Rest Areas	142,138	\$2,807.24
North 40 Truck Stop	220,965	\$4,364.05
Days Inn	132,894	\$2,624.66
Marathon	28,161	\$556.19
Teazers	2,652	\$52.37
Wilson Patterson	2,713	\$53.59
Bennie Inman	2,210	\$40.56
Shell	9,955	\$196.62
Dotties Marine	34,841	\$688.11
126 Truck Wash	68,302	\$1,349.00
TOTAL MONTHLY	644,831	\$12,732.38
TOTAL ANNUAL		\$152,788.61

To compound our dilemma, due to the age of our system (20 Years) and recent failures to meet our National Pollutant Discharge Elimination System (NPDES) Compliance requirements, we have contemplated that we may have to seek additional funding or grants through USDA or Rural Development Agency to make necessary improvements to our Sewage Treatment Plant.

The net financial result of the new improvements is that we have been forced to raise rates yet again, with the proposed rates (effective July 2019) structured as follows:

- First 2,000 Gallons \$60.00 (minimum)
- Next 48,000 Gallons \$20.00 per 1,000 Gallons
- All Over 50,000 Gallons \$22.00 per 1,000 Gallons

The current rate in effect is \$19.75 per 1,000 gallons.

In order to compare the sewer rates for BDSSD with other similar utilities, we assembled the following information, shown in Table 2 below. The utilities are ranked from lowest to highest rate per 5,000 gallons.



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TABLE 2:

Area Rate Comparison

Table of Sewer Rates in Force				
#	City/Town	# Sewer Customers	Rate (per 5,000 gal)	Rank
1	Adamsville	833	\$20.80	11
2	Alamo	1109	\$13.60	4
3	Bolivar	2400	\$12.69	2
4	Brownsville	4822	\$14.77	6
5	Centerville	1260	\$40.14	26
6	Clifton	522	\$20.90	12
7	Collinwood	362	\$34.00	25
8	Covington	3300	\$26.59	16
9	Dyer	954	\$29.75	21
10	Dyersburg	7450	\$25.54	15
11	Henderson	2244	\$17.51	9
12	Hohenwald	1900	\$40.51	27
13	Jackson	28653	\$12.23	1
14	Lawrenceburg	4993	\$42.40	28
15	Lexington	3402	\$27.00	17
16	Linden	522	\$19.81	10
17	Loretto	755	\$32.50	24
18	Oakland	3050	\$13.75	4
19	Paris	4376	\$26.20	19
20	Pulaski	3020	\$25.20	14
21	Ripley	2824	\$29.73	20
22	Savannah	3436	\$30.03	22
23	Selmer Existing	2014	\$15.05	7
24	Selmer Proposed	2014	\$24.28	14
25	Somerville	1472	\$31.75	23
26	Trenton	2110	\$28.00	18
27	Union City	5103	\$17.40	8
28	Waynesboro	781	\$22.65	13
29	Whiteville	519	\$13.53	3
	Minimum =	\$12.23		
	Average =	\$24.42		
	Maximum =	\$42.40		



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From the proposed BDSSD Rate Structure presented in Table 2, you can calculate that the sewer bill for a customer using 5,000 gallons would be \$120.00, or **nearly triple** the maximum rate charged by similar systems surrounding the BDSSD. Since its inception, the BDSSD has lost six (6) of its original 16 customers. We understand that the high rates have been a significant factor in the customers leaving.

The BDSSD timely filed its FY 2018 audited financial statements with the Comptroller's Division of Local Government Audit (LGA) on December 28, 2018. LGA had requested a revised report from the BDSSD auditor, and the revised report was submitted on April 17, 2019. LGA referred the BDSSD to the Water and Wastewater Financing Board on February 8, 2019.

Currently our counties are classified as At-Risk, but have for a long time been previously declared as Economically Distressed (see attached Economically Distressed Counties Map). Distressed counties are the most economically depressed counties. They rank in the worst 10 percent of the nation's counties. At-Risk counties are those at risk of becoming economically distressed. They rank between the worst 10 percent and 25 percent of the nation's counties. Additionally, the Appalachian Regional Commission (ARC) classifies all counties within the ARC Region by economic status based on the following data points: 1) unemployment rate; 2) poverty rate; and 3) per capita market income. Both Benton and Decatur counties are Tier 4 Rural Counties (See attached Tier Ratings Map) and local economies are struggling. The jointly shared Interstate Exit is our greatest hope for meaningful economic development, thus our shared focus on the elimination of significant impediments to development on our shared interstate exit. Our Tier 4 status identifies us with priority consideration and a lesser matching portion of state grants we receive due to our financial hardship and growth.

Another harsh reality we face is our sewer line infrastructure does not extend further up the roadways where we believe commercial development will occur. Recently, a Dollar General Store, logging company, asphalt plant and a restaurant opened just barely beyond range to tap onto the existing line, but easily in reach of where our current sewer service ends. Therefore, the BDSSD lost a number of potentially valuable customers. This taught us a lesson in realizing our infrastructure needs to be expanded! However, due to our current financial constraints and our annual loss of revenue, expansion is not possible without yet another associated increase to our already astronomical rates.

Our financial model does not provide the needed capital to expand and it can barely keep afloat on its monthly operational financial needs. There are several out-of-business structures in the range for the sewer line, but unless they are purchased and re-opened expanding the customer base on the existing infrastructure will be very challenging. In essence, both Benton



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and Decatur County Government is extremely concerned with our financial obligation and liability associated with sustaining the BDSSD, both operationally and for debt service obligations. We share 50/50 in a \$1.2 million SRF Loan that still has 11 years left until it is retired. I am attaching a spreadsheet showing the loan breakdown for reference. Repayment on the loans began in September 2009 and the BDSSD made the monthly payments of \$5,147 per loan (\$10,294 combined) timely until March 2018 when they began paying a reduced amount of \$877 per month per loan (\$1,754 combined). This resulted in a default. Each county subsequently brought its loan current and has since taken over the loan payments. Benton County has prepaid its loan (SRF 02-163) though July 2019, and Decatur County has been making monthly payments on its loan (SRF 02-163A). We acknowledge Benton and Decatur counties' responsibility to ensure the loans remain current and understand that the TLDA is authorized to intercept our state-shared taxes if our obligation is not met.

So, our challenge is two-fold: 1-We need a profit generating model that will allow us to bank capital monies to expand the sewer district in order to capture revenue from existing customers and ensure future commercial expansion at the interstate exit. 2-We need to alleviate the potential need for Benton-Decatur County Governments to fund either operational needs of the BDSSD or the loan payment that is draining needed cash from our general fund during a time of financial challenges for both of our rural counties. The original intent was for the BDSSD to be self-sufficient, but the Counties have assumed the loan responsibility which reflects our financial support of the entity.

There is some hint of promising days ahead. Loves Truck Stop is planning to break-ground on what will be their largest facility in Tennessee. They have advised us their estimated start date to break ground will be in mid-May 2019 and finish 7 to 8 months later and open in early 2020. However, the economic picture even with the new development is still bleak.

To address the immediate financial challenges being experienced by the BDSSD, we have initiated the following actions:

- Structuring Monthly Board meetings toward addressing a longer-term outlook of our challenges and opportunities as a Utility operating in a low-density area. Additionally, structuring financial projection worksheet and reports that allow us to see further out so as to prepare actions necessary to address the challenges and opportunities. (such projections are included in this response). In knowing this data, it aids us in how our current customers are being affected and how to propose a sensitive rate increase that helps us in the short term until we can expand the customer base.
- Per the March 2019 monthly meeting, it was decided to increase rates (as noted above). No rate increase has ever been initiated since inception. The rate increase factored in the Love's expansion and will hopefully generate the positive cash flows needed to maintain day-to-day operations and initiate routine and scheduled infrastructure maintenance.
- Request some kind of state assistance to assist us stabilizing our operations and financial needs as well as possibly positioning us for a healthier financial future for both the BDSSD and our county governments in general (see below).



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Our base desire is to request relief of our joint obligation (for both Benton & Decatur County) of both the principal and interest components of the SRF Loan payments per the scenario below. Given the circumstances as described above, we ask that you consider providing relief pursuant to the TLDA's SRF Policy and Guidance for Borrowers section titled "Modification of SRF Program Loan Repayment Schedules for Financially Distressed Borrowers".

Requested Relief (proposed schedule is attached):

- 23-month period:
 - A reduced monthly payment of \$4,118
 - 0% interest
- The remaining principal balances would be amortized over the remaining life of each loan at a reduced interest rate of 1.03% for a revised monthly debt service payment of \$5,139 per loan effective July 2021.
- Interest reduction to borrower is \$23,511 per loan or \$47,022 combined.
- 100% of principal will be repaid.

Such relief period would include the time period to run from August 2019 through June 2021 with a reduced interest rate effective July 1, 2021. This relief request time period will allow:

- A better financial forecast of the sustainability of the current operating and financial model in place which factors in the long-term impact of the newly established Love's Truck Stop.
- Needed financial operational monies to divert to a change-out of aging mechanical components needed for the filtration and discharge of treated waste-water.
- Additional funds from monthly income to be allocated toward meeting payroll needs in securing the services of an employee who will monitor the needs and demands of the sewer treatment plant
- Additional funds gained from any loan relief given will allow for the expansion of 3-phase electric into the BDSSD facility by Benton County Electric Service (estimated to cost approximately \$85,000)
- Discussions with TN Econ Development personnel on potential grants available to expand our sewer access up and down Highway 641 undeveloped roadside frontage property that will be in place if and when future establishments tap into the line. Should we be granted loan relief, we want to apply those monies toward expanding the sewer district where TN ECD could not aid us.

We hope this request and letter meets with your approval to present our case in person to the board for review and consideration. We are worried about our financial capacities in the next fiscal year budgets. We hope that you will consider our concerns, our rural economic classification, and our desire to set our BDSSD up for future success. We humbly ask for continued guidance and assistance to this request.

Respectfully,



cc: Mike Creasy, Decatur County Mayor, (via email)
Russell Keeton, BDSSD Chairman, (via email)



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100 N. Caldwell St.
P. O. Box 970
Paris, TN 38242

May 22, 2019

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

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

RE: City of Paris, Tennessee (the "City") – Sewer Revenue and Tax Bond, Series 2019 (the "Bond")

Dear Ms. Thompson:

The City proposes to issue the Bond to the United States Department of Agriculture in order to finance sewer system improvements and extensions. The Bond will be secured by a pledge of sewer revenues subordinate to the pledge of revenues in favor of the City's State Revolving Fund Loans CW5 17-381 and DWF 17-382. Please consider this letter notice of the issuance of the Bond, as required by the TLDA's SRF Policy & Guidance for Borrowers.

Sincerely,

Carlton Gerrell
Mayor of Paris
26550716.1

Summary:

**Tennessee Local Development
Authority; State Revolving
Funds/Pools**

Primary Credit Analyst:

Erin Boeke Burke, New York + 1 (212) 438 1515; Erin.Boeke-Burke@spglobal.com

Secondary Contact:

Scott D Garrigan, New York (1) 312-233-7014; scott.garrigan@spglobal.com

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Rationale

Summary:

Tennessee Local Development Authority; State Revolving Funds/Pools

Credit Profile		
Tennessee Local Dev Auth SRFPOOL		
Long Term Rating	AA+/Watch Neg	On CreditWatch Negative

Rationale

S&P Global Ratings placed its 'AA+' rating on Tennessee Local Development Authority's bonds outstanding on CreditWatch with negative implications.

The CreditWatch placement reflects the decline in the number of participants in the pool as the program has wound down. As the number of participants has dropped below ten, the remaining bonds could now reflect the lowest-rated participant depending on our view of the level of pledged reserves available to avail the authority of any shortfall.

We will resolve the CreditWatch once we complete our review of the creditworthiness of the remaining participants and reserves.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Tennessee Local Development Authority



DEBT MANAGEMENT POLICY

Prepared by:
Office of State and Local Finance

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Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by governments, the issuance process for such debt, and the management of the debt portfolio. A debt management policy tailored to the needs of the Tennessee Local Development Authority (the "Authority"): (1) identifies policy goals and demonstrates a commitment to long-term financial planning; (2) improves the quality of decisions concerning debt issuance; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the Authority is well-managed and able to meet its obligations in a timely manner.

Debt levels and their related annual costs are important financial considerations that impact the use of current resources. An effective debt management policy provides guidelines for the Authority to manage its debt program in line with those resources.

In 1978, the General Assembly created the Authority [Sections 4-31-101 et seq., Tennessee Code Annotated]. The Authority is a corporate governmental agency and instrumentality of the State of Tennessee (the "State"). The Authority is comprised of the Governor, the Secretary of the State, the State Comptroller of the Treasury, the State Treasurer, the Commissioner of Finance and Administration, a Senate appointee and a House appointee.

The Authority is authorized to issue debt to (i) loan funds to local governments for sewage treatment and waterworks (the "State Loan Programs"), capital projects, firefighting equipment, and airport facilities; (ii) loan funds to certain small business concerns for pollution control equipment; (iii) make funds available for loans for agricultural enterprises; (iv) make loans to not-for-profit organizations providing certain mental health, mental retardation, and alcohol and drug services (the Community Provider Pooled Loan Program or the "CP Program"); (v) make loans to local government units to finance construction of capital outlay projects for K-12 educational facilities; (vi) make payment on covered claims against insurers operating in this state which have been deemed insolvent as the result of a natural disaster; and (vii) make the proceeds available to petroleum underground storage tank board for purposes of providing for the reimbursement of reasonable and safe cleanup of petroleum sites. The aggregate amounts outstanding for certain programs are limited as follows: \$10,000,000 for firefighting equipment; \$200,000,000 for airport facilities; \$50,000,000 for pollution control equipment; \$50,000,000 for mental health, mental retardation, and alcohol and drug services; \$30,000,000 for agricultural enterprises; \$15,000,000 for petroleum underground storage tank cleanup costs; and \$75,000,000 for capital outlay projects for K-12 educational facilities.

The Authority issues debt only pursuant to the provisions of the TLDA State Loan Programs General Bond Resolution adopted by the Authority on August 3, 1982 as amended and supplemented and restated and readopted on March 14, 1985 and as amended on May 17, 1989. This Policy applies only to that program. The TLDA has oversight for the State Revolving Fund and State Infrastructure Loan Programs; however, since debt is not issued for these programs they are not included in this policy.

The Office of State and Local Finance (the "OSLF") serves as staff to the Authority. Both the Director of the OSLF and the Assistant to the Comptroller for Public Finance serve as the Assistant Secretary to the Authority.

Goals and Objectives

The Authority is establishing this debt policy as a tool to ensure that financial resources are adequate to meet the Authority's long-term debt program and financial planning. In addition, this Debt Management Policy (the "Policy") helps to ensure that financings undertaken by the Authority satisfy certain clear objective standards designed to protect the Authority's financial resources and to meet its long-term capital needs.

A. The goals of this Policy

- To document responsibility for the oversight and management of debt related transactions;
- To define the criteria for the issuance of debt;
- To define the types of debt approved for use within the constraints established by the General Assembly;
- To define the appropriate uses of debt;
- To define the criteria for evaluating refunding candidates or alternative debt structures; and
- To minimize the cost of issuing and servicing debt.

B. The objectives of this Policy

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
- To identify legal and administrative limitations on the issuance of debt;
- To ensure the legal use of the Authority's debt issuance authority;
- To maintain appropriate resources and funding capacity for present and future capital needs;
- To protect and enhance the Authority's credit rating;
- To evaluate debt issuance options;
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
- To manage interest rate exposure and other risks; and
- To comply with Federal Regulations and generally accepted accounting principles ("GAAP").

Debt Management/General

A. Purpose and Use of Debt Issuance

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State (including Title 4, Chapter 31, and Title 68, Chapter 221, Parts 2 and 5, Tennessee Code Annotated), pursuant to resolutions adopted by the Authority.

- Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs of projects as authorized by the bond authorization and a resolution of the Authority.
- Bonds may be issued to refinance outstanding debt.

B. Debt Capacity Assessment

The dollar amount of debt that the Authority may issue and that may be outstanding for the State Loan Programs is not limited by statute; however, debt issued for this program shall be “limited special obligations” of the Authority payable solely from and secured by payments made by local government units, or state-shared taxes withheld, pursuant to loan program agreements.

C. Federal Tax Status

- **Tax-Exempt Debt** - The Authority will use its best efforts to maximize the amount of debt sold under this Policy using tax-exempt financing based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints.
- **Taxable Debt** - The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt.

D. Legal Limitations on the Use of Debt

- No debt obligation shall be sold to fund the current operation of any state service or program.
- The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized and applied to fund loan program agreements only when the ratio of unobligated state-shared taxes complies with state statutes, including any pledge of the statutory reserve fund.
- Notes may be issued only when the Comptroller has filed a certificate as required by TCA Section 4-31-108(f), including the certification that loan program agreements are in place that will utilize at least 75% of the note proceeds.

Types of Debt

A. Bonds

The Authority may issue limited special revenue bonds, backed by payment pursuant to loan program agreements. These bonds may be:

- **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond.
 - Serial Bonds
 - Term Bonds
- **Variable Interest Rate Bonds** – Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity,

bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.

B. Short-Term Debt

Pending the issuance of the definite bonds authorized by the bond authorizations, the Authority may issue short-term debt in the form of Bond Anticipation Notes ("BANs"). Such debt shall be authorized by resolution of the Authority. These BANs may be used to fund projects during their construction period to take advantage of lower short-term interest rates.

- **Fixed Rate Notes** – Notes issued for a period of time less than eight years at a fixed interest rate.
- **Variable Rate Notes** – Notes which bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.
- **Commercial Paper ("CP")** – CP is a form of bond anticipation note that has a maturity up to 270 days, may be rolled to a subsequent maturity date and is commonly used to finance a capital project during construction. It can be issued incrementally as funds are needed.
- **Revolving Credit Facility** – A form of bond anticipation note involving the extension of a line of credit from a bank. The bank agrees that the revolving credit facility can be drawn upon incrementally as funds are needed. The draws upon the line of credit may bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing credit agreement.

Debt Management Structure

The Authority shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Authority's authorizing resolution and the State's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. The final maturity of the bond debt should be limited to 30 years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier.

The final maturity of notes and any renewals is limited to eight years from the date of issue of the original notes unless the Authority has begun repayment of principal and the ultimate maturity of the notes will not exceed 30 years from the date of first issuance or the date the project is deemed complete or placed in service, whichever is earlier.

B. Debt Service Structure

Debt issuance shall be planned to achieve level debt service unless otherwise determined by the Authority. The Authority shall avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements.

No debt shall be structured with other than at least level debt service unless such structure is specifically approved by a majority vote of the members of the Authority.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call features should be structured to provide the maximum flexibility relative to cost. The Authority will avoid the sale of long-term non-callable bonds absent careful evaluation by the Authority with respect to the value of the call option.

D. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Authority.

Refunding Outstanding Debt

The Authority may refinance outstanding bonds by issuing new bonds. Authority staff with assistance from the Authority's financial advisor ("Financial Advisor") shall have the responsibility to analyze outstanding bond issues for refunding opportunities, whether for economic, tax-status, or project reasons. Consideration shall be given to anticipated costs and administrative implementation and management.

A. Refunding Proposals

Refunding opportunities shall be reported to the Authority when:

- The sale of refunding bonds produces an aggregate present value savings of at least 4.0% of the par value of the bonds to be refunded; or
- The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the Bonds; or
- The project is sold or no longer in service while still in its amortization period; or
- Restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.

If a decision to refund is based on savings, then the Authority will issue the refunding debt only after receipt of a certified analysis from the Financial Advisor that the market conditions at the time of the sale still will produce the necessary savings.

B. Term of Refunding Issues

The Authority will refund bonds within the same fiscal year of the term of the originally issued debt. No backloading of debt will be permitted.

C. Bond Structuring

The bonds will be structured to create proportional or level debt service savings.

D. Escrow Structuring

The Authority shall structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Authority will take competitive bids on any selected portfolio of securities and will award to the lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Series securities ("SLGS") are purchased directly from the Federal Government. The provider must guarantee the delivery of securities except for SLGs. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Authority from its own account.

E. Arbitrage

The Authority shall take all reasonable steps to optimize escrows and to avoid negative arbitrage in its refundings subject to the State's investment policy subject to Section 4-31-104(6) of the TCA. Any positive arbitrage will be rebated as necessary according to Federal guidelines (see also "Federal Regulatory Compliance and Continuing Disclosure – A. Arbitrage").

Methods of Sale

A. Competitive

In a competitive sale, the Authority's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. The competitive sale is the Authority's preferred method of sale.

B. Negotiated

While the Authority prefers the use of a competitive process, the Authority recognizes that some securities are best sold through negotiation. The underwriting team will be chosen and the underwriter's fees negotiated prior to the sale. See section below titled "Selection of Underwriting Team (Negotiated Transaction)." In its consideration of a negotiated sale, the Authority will assess the following factors:

- A structure which may require a strong pre-marketing effort such as a complex transaction;
- Volatility of market conditions and whether the Authority would be better served by flexibility in timing a sale;
- Size of the bond sale which may limit the number of potential bidders;
- Credit strength of the Authority and that of its borrowers;
- Whether or not the bonds are issued as variable rate demand obligations;
- Tax status of the bonds; and
- If legal or disclosure issues make it advisable in marking bonds

C. Private Placement

From time to time, the Authority may need to consider privately placing its debt. Such placement shall only be considered for debt transactions where the size is too small or the

structure is too complicated for public debt issuance, the market of purchasers is limited, and/or will result in a cost savings to the Authority relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Authority shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals (“RFP”) or in promotional materials provided to the Authority or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Authority with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm’s-length commercial transaction and that it has financial and other interests that differ from those of the Authority. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Authority or its designated official in advance of the pricing of the debt.

A. Senior Manager

The Authority with assistance from its staff and financial advisor shall select the senior manager(s) for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Authority;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Authority’s engagement;
- Financing ideas presented; and
- Underwriting fees.

B. Co-Manager

Co-managers will be selected on the same basis as the senior manager(s). The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Authority’s bonds. The Secretary or Assistant Secretary to the Authority will, at his or her discretion, affirmatively determine the designation policy for each bond issue.

C. Selling Groups

The Authority may use selling groups in certain transactions to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group, should either have a public finance department or pricing desk located within the boundaries of the State. To the extent that selling groups are used, the Secretary or Assistant Secretary of the Authority at his or her discretion may make appointments to selling groups as the transaction dictates.

D. Underwriter’s Counsel

In any negotiated sale of the Authority’s debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager

E. Underwriter's Discount

The Authority will evaluate the proposed underwriter's discount in comparison to other issues in the market. If there are multiple underwriters in the transaction, the Authority will determine the allocation of fees with respect to the management fee, if any. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined prior to the sale date. A cap on management fee, expenses and underwriter's counsel fee will be established and communicated to all parties by the Authority. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

F. Evaluation of Underwriter Performance

The Authority's staff with the assistance of the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit.

Following each sale, the Authority's staff shall provide a report (including the information contained in the paragraph above) to the Authority on the results of the sale.

Credit Quality

The Authority's debt management activities will be conducted to receive the highest credit ratings possible, consistent with Authority's financing objectives.

The Office of the Comptroller of the Treasury through the Office of State and Local Finance will be responsible for the communication of information to the rating agencies and keeping them informed of significant developments throughout the year. The Office of the Comptroller of the Treasury through the OSLF will schedule rating agency calls and/or visits prior to the issuance of bonds.

The Office of the Comptroller of the Treasury through the OSLF, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority, with the assistance of the Financial Advisor, shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

Security for the TLDA Bond Program

The Security for bonds and notes of the TLDA is the pledge of revenue received by the Authority from the borrowers and the statutory reserve fund. The moneys and securities on deposit in the Statutory Fund may only be withdrawn at the request of the Authority. If there has been a withdrawal from the Statutory Fund in any bond year, the Authority shall deposit in the Statutory Fund an amount equal to the withdrawal and interest thereon from moneys on deposit in the State Loan Program Fund or the General Fund.

For the State Loan Program, the security is the pledge of the system revenues, a general obligation pledge of the borrowing local government, the debt service reserve fund, and the intercept of state-

shared taxes. The debt service reserve fund contains a deposit from the borrower equal to one year of the maximum annual debt service. State-shared taxes may be taken if the borrower is delinquent in payments. The intercept of state-shared taxes will be tested periodically.

Credit Enhancements

The Authority will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The Authority may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when such purchase by the Authority is deemed prudent and advantageous. The primary consideration shall be based on whether such insurance is less costly. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used and will be included in the bid for the bonds and will be paid for by the purchaser of the bonds. If the Authority decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, the Authority will select a provider whose bid is most cost effective and will consider the credit quality of the insurer and that the terms and conditions governing the guarantee are satisfactory to the Authority.

B. Letters of Credit

The Authority may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous. The Authority will prepare and distribute an RFP to qualified banks or other qualified financial institutions, which includes terms and conditions that are acceptable to the Authority. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the Authority.

C. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Authority will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self-liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the Authority.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless the Authority has established a policy defining the use of such products before the transaction is considered.

Risk Assessment

The OSLF will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The OSLF will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Change in Public/Private Use

The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.

B. Default Risk

The risk that debt service payments cannot be made by the due date.

C. Liquidity Risk

The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing of short-term debt.

D. Interest Rate Risk

The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issue had been fixed.

E. Rollover Risk

The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.

G. Market Risk

The risk that in the event of failed remarketing of short-term debt, the liquidity provider fails.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. All costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. Additionally, the Authority will provide certain financial information and operating data by specified dates, and to provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure undertakings requirements of the U.S. Securities and Exchange Commission ("SOC") Rule 15c2-12. The Authority intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Authority's website within two weeks of the closing of such sale;

- Preparing and filing with the OSLF a copy of the costs related to the issuance of a bond and other information as required by Section 9-21-151, of the TCA, within 45 days of the closing of such sale, and presenting the original of such document to the Authority at its next meeting (see also “Debt Administration – B. Post Sale”); and
- Electronically submitting through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) website the information necessary to satisfy the Authority’s continuing disclosure requirements for the bonds in a timely matter (see also “Federal Regulatory Compliance and Continuing Disclosure”).

Professional Services

The Authority requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Authority. This includes “soft” costs or compensations in lieu of direct payments.

A. Issuer’s Counsel

The Authority will enter into an engagement letter agreement with each lawyer or law firm representing the Authority in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of Attorney General and Reporter for the State of Tennessee who serves as counsel to the Authority or of the Office of General Counsel, Office of the Comptroller of the Treasury, which serves as counsel to the OSLF regarding Authority matters.

B. Bond Counsel

Bond counsel shall be engaged through the OSLF and serves to assist the Authority in all its general obligation debt issues under a written agreement.

C. Financial Advisor

The Financial Advisor shall be engaged through the OSLF and serves and assists the Authority on financial matters under a written agreement. However, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which it is or has been providing advisory services. The Financial Advisor has a fiduciary duty including a duty of loyalty and a duty of care.

D. Refunding Trustee

The Refunding Trustee shall be appointed by resolution of the Authority adopted prior to the issuance of any of refunding bonds. The Refunding Trustee will be a bank, trust company or national banking association that provides Paying Agent and Registrar services.

E. Dealer

The Authority will enter into a Dealer Agreement with the appointed CP dealer. The Dealer agrees to offer and sell the CP, on behalf of the Authority, to investors and other entities and individuals who would normally purchase commercial paper.

F. Issuing and Paying Agent

The Authority covenants to maintain and provide an Issuing and Paying Agent at all times while the CP is outstanding. The Authority will enter into an Issuing and Paying Agency

Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company or national banking association that has trust powers.

G. Credit/Liquidity Provider

The Authority shall enter into a Credit Agreement with the appointed credit provider. A credit provider shall be a bank or lending institution that extends credit to the Authority in the form of a revolving credit facility, a line of credit, a loan or a similar credit product or as a liquidity facility for CP.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Authority shall be required to disclose to the Authority existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. This disclosure shall include such information that is reasonably sufficient to allow the Authority to appreciate the significance of the relationships.

Professionals who become involved in a debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

- Prior to submitting a bond resolution for approval, the Director of the OSLF (the "Director"), with the assistance of the Financial Advisor, will present to staff of the members of the Authority information concerning the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing, and;
- In addition, in the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.
- The Director (with the assistance of staff in the OSLF) with the advice of Bond Counsel, the Financial Advisor, and other members of the financing team, will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

- The Director (with the assistance of staff in the OSLF), Bond Counsel, and the Financial Advisor, along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds.
- The Director will present a post-sale report to the members of the Authority describing the transaction and setting forth all the costs associated with the transaction.
- Within 45 days from closing, the Director will prepare a Form CT-0253 - "Report on Debt Obligation" outlining costs related to the issuance and other information set forth in Section 9-21-151 of the TCA, and also present the original at the next meeting of the Authority and file a copy with the OSLF.
- The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the Internal Revenue Service all arbitrage earnings associated with the financing and any tax liability that may be owed.
- The Post-Issuance Compliance ("PIC") team will meet annually to review matters related to compliance and complete the PIC checklist.
- As a part of the PIC procedures, the Director (with the assistance of staff in the OSLF) will, no less than annually, request confirmation from the responsible department that there has been no change in use of tax-exempt financed facilities.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The OSLF will comply with arbitrage requirements on invested tax-exempt bond funds. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Authority will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Authority currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Authority will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available for investment by the Authority must be invested per Section 4-31-104(6) of the TCA, subject to any restrictions required pursuant to the next sentence or pursuant to any applicable bond issuance authorization. Compliance with Federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained. Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained.

Proceeds used to refinance outstanding long-term debt shall be placed in an irrevocable refunding trust fund with the Refunding Trustee. The investments (i) shall not include mutual funds or unit investment trusts holding such obligations, (ii) are rated not lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard & Poor's Global rating services and (iii) shall mature and bear interest at such

times and such amounts as will be sufficient, together with other moneys to pay the remaining defeasance requirements of the bonds to be redeemed.

C. Disclosure

The Authority will disclose on EMMA the State's and the Authority's audited Comprehensive Annual Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings for the outstanding bonds no later than January 31st of each year. The Authority will also, in accordance with the continuing disclosure undertakings, disclose on EMMA within ten business days after the occurrence of the following events relating to the bonds to which the continuing disclosure undertakings apply:

- Principal and interest payment delinquencies.
- Nonpayment-related defaults, if material.
- Unscheduled draws on debt service reserves reflecting financial difficulties.
- Unscheduled draws on credit enhancements reflecting financial difficulties.
- Substitution of credit or liquidity providers or their failure to perform.
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of such bonds or other material events affecting the tax status of such bonds.
- Modifications to rights of bondholders, if material.
- Bond calls, if material, and tender offers.
- Defeasances.
- Release, substitution or sale of property securing the repayment of the bonds, if material.
- Rating changes.
- Bankruptcy, insolvency, receivership, or similar event of the State.
- Consummation of a merger, consolidation, or acquisition involving the Authority or sale of all or substantially all of the assets of the Authority, other than in the course of ordinary business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- Appointment of successor trustee or the change of name of a trustee, if material.
- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material.
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

D. Generally Accepted Accounting Principles (GAAP)

The Authority will comply with the standard accounting practices adopted by the Governmental Accounting Standards Board when applicable.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Authority maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Authority's goals.

This policy will be reviewed by the Authority no less frequently than annually. At that time, the Director will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Adoption of the Policy

The Authority adopted this Policy at a public hearing on December 7, 2011 effective December 7, 2011.

[The Authority reviewed and adopted revisions to this Policy at public meetings on: May 11, 2017 and June 27, 2019 effective immediately.](#)

Vice-Chair

Tennessee Local Development Authority

Executive Summary: SRF Prioritization of Subsidy to Small & Disadvantaged Communities

To better support Governor Lee's Executive Order #1, the TDEC State Revolving Fund (SRF) Loan Program will prioritize allocation of subsidy (in the form of principal forgiveness and lower interest rates) to communities identified as economically disadvantaged. Allocation of SRF subsidy will be determined based on the Ability to Pay Index (ATPI) developed by the University for Tennessee Institute of Agriculture (UTIA) in 2019. The ATPI is a database of socioeconomic and financial data, including the Appalachian Regional Commission (ARC) ranking, which serves as the foundation for an index used to help make decisions regarding determination of interest rates, allocation of subsidy, and identification of options intended to benefit communities that need it the most. The ATPI is required for administration of SRF loans by the Water Resources Reform and Development Act (WRRDA) of 2014 (H.R. 3080).

Additional subsidy may also be awarded for green project that meet eligibility requirements for EPA SRF Green Project Reserve, and for projects that demonstrate an in-kind-contribution that serves broader State interests (e.g., development of templates for high priority water infrastructure needs, or new and innovative approaches that can be documented to help other communities). SRF will pilot a small number of such demonstration projects in each fiscal year for small and disadvantaged communities that are willing to provide in-kind-contribution and undergo additional monitoring to determine the benefit of such projects to SRF and the State.

The proportional allocation of principal forgiveness on an annual basis will remain consistent with past years, and shall not significantly exceed trends shown in Figures 1 and 2 below). SRF will begin cash flow modeling this year in order to better analyze and forecast impacts to the overall SRF revolving base, and to assist in making future programmatic decisions regarding fund management.

SRF will provide updates to the TLDA Board to demonstrate efficiency and effectiveness of changes outlined above.

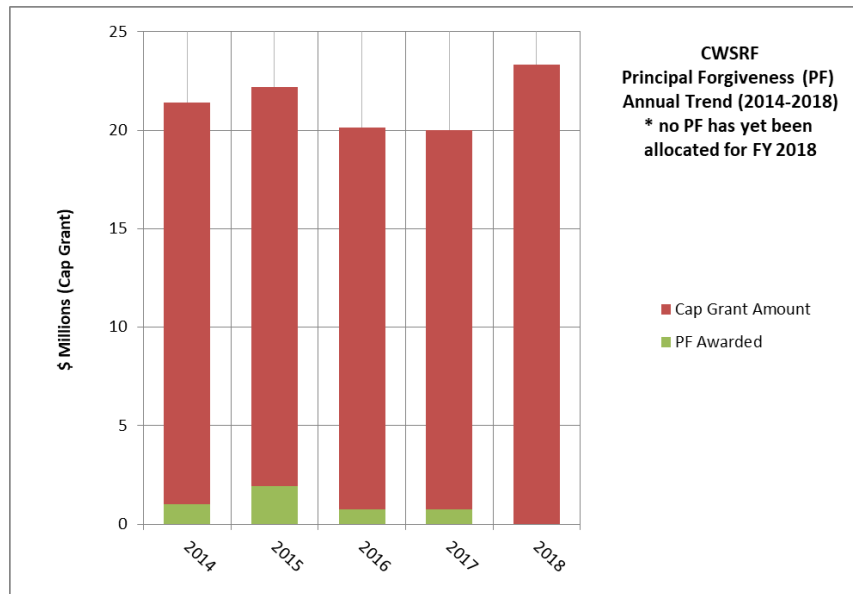


Figure 1: Annual Trend in CWSRF PF Allocation

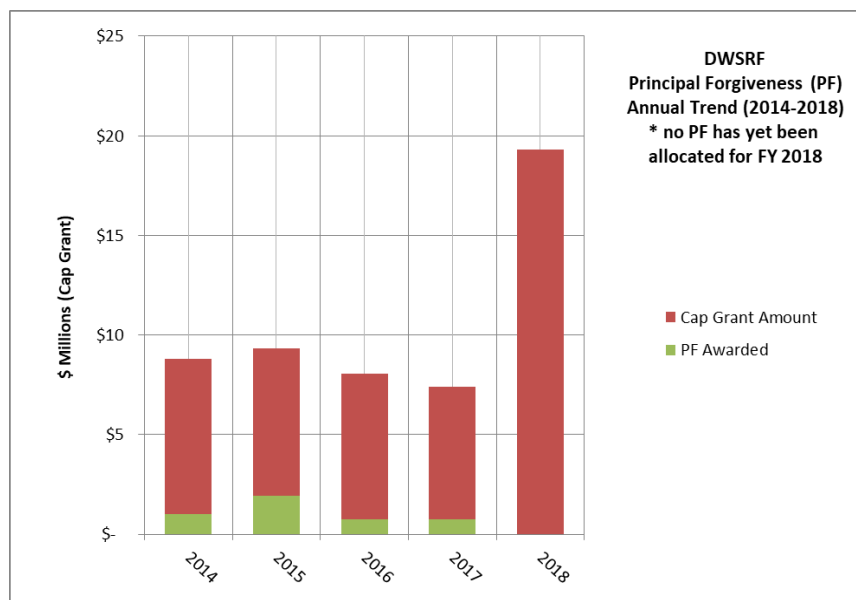


Figure 2: Annual Trend in DWSRF PF Allocation

For additional information, please contact Leslie.gillespie-marthaler@tn.gov, (615) 523-0789.

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
June 27, 2019

Unobligated Balance as of March 8, 2019			\$	51,565,820
<u>Increases:</u>				
Transfer of DW to CW (See note below) *			\$	42,809,917
				<u>\$ 42,809,917</u>
Unobligated Balance as of May 09, 2019			\$	94,375,737
<u>Increases:</u>				
			\$	-
<u>Applicants:</u>	<u>Loan Number</u>	<u>Loan Amount</u>		
Cleveland (Subsidized @ \$177,100)	CW7 2019-431	\$ 1,771,000		
			\$	<u>(1,771,000)</u>
Remaining Funds Available for Loan Obligations			\$	<u><u>92,604,737</u></u>
<u>Increases *</u>				
*Transfer of Drinking Water (Fund 36000) to Clean Water (Fund 35000) on March 12, 2019				

FACT SHEET

June 27, 2019

Borrower: City of Cleveland
Project Number: CW7 2019-431
Requested SRF Funding: \$ 1,771,000
Term: 20 years
Rate: 1.37% = (2.31 x 70%) - (0.25%)

Project:

Collection System Expansion (The proposed project will consist of the installation of approximately 8,900 LF of sanitary sewer line within the Durkee Road/ Benton Pike annexation area. Installation of this sewer line will eliminate the use of septic tanks in the area.)

Total Project Cost: \$ 1,771,000

Project Funding:

SRF Loan Principal (90%)	\$ 1,593,900
Principal Forgiveness (10%)	\$ 177,100
Local Funds	\$ -0-

County:	Bradley County
Consulting Engineer:	S & ME
Priority Ranking List:	FY 2016
Priority Ranking:	18 of 50
Public Meeting:	January 17, 2019

Financial Information:

Operating Revenues:	\$ 12,281,094
Current Rate:	\$ 34.76
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	19,056
Audit Report Filed:	12/03/2018 (timely)
Financial Sufficiency Review:	11/08/2018

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

FACT SHEET
June 27, 2019

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$ 5,997,610.

MADS:	Prior Obligations:	\$ 2,082,826
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	Proposed loan(s):	<u>\$ 91,156</u>
		\$ 2,173,982

MADS as a percentage of SSTs: 36.25%

**LOANS AND STATE-SHARED TAXES
FOR TAX REVENUE ENTITIES
Cleveland CW7 2019-431**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$ 5,997,610.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	CWA 2009-241	\$815,400	\$543,600	\$50,011
SRF/Sewer	CW0 2013-319	\$1,374,972	\$451,020	\$76,992
SRF/Sewer	SRF 2013-320	\$8,169,388	\$0	\$457,440
SRF/Sewer	CG4 2015-349	\$2,325,000	\$175,000	\$133,092
SRF/Water	DG2 2014-151	\$2,000,000	\$500,000	\$115,812
SRF/Water	DWF 2016-172	\$2,889,229	\$0	\$159,720
SRF/Water	DW6 2017-192	\$800,000	\$200,000	\$46,767
SRF/Water	DWF 2017-193	\$195,000	\$0	\$11,400
SRF/Sewer	CG3 2017-379	\$104,897	\$5,521	\$5,724
SRF/Water	DWF 2018-205	\$430,000	\$0	\$24,456
SRF/Sewer	CW6 2018-415	\$900,000	\$100,000	\$52,416
SRF/Sewer	SRF 2018-416	\$730,000	\$0	\$42,516
SRF/Sewer	SRF 2018-417	\$10,000,000	\$0	\$583,480

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$ 1,759,826.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB	BFC0100	\$4,160,000	\$0	\$323,000
TLDA/Public Health	N/A			
TLDA/Transportation	N/A			

The total MADS from section 2(b.) having a lien on SSTs is \$ 323,000.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$ 2,082,826.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	CW7 2019-431	1.37%	\$1,771,000	\$177,100	\$91,156

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$91,156.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$3,823,628.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 29th day of April, 2019.

This is the Comptroller's certificate as required by TCA 4-31-108.

LOCAL GOVERNMENT

BY:



**Mr. Tim Henderson,
President/CEO Cleveland Utilities Board**

**REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)**

Pursuant to Tenn. Code Ann. § 9-21-151, 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 of 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.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-151 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that they may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

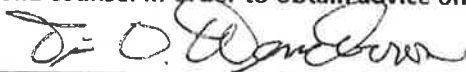
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, Tim Henderson, attests that it is in compliance with Tenn. Code Ann. § 9-21-151 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related this rule.



4-29-19

Mr. Tim Henderson, President/CEO Cleveland Utilities Board

Date

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
June 27, 2019

Unobligated Balance as of May 9, 2019			\$	42,481,612
<u>Decreases:</u>			\$	-
Unobligated Balance as of May 09, 2019			\$	42,481,612
<u>Applicants:</u>	<u>Loan Number</u>	<u>Loan Amount</u>		
Bell Buckle (Subsidized @ \$325,000)	DW7 2019-218	\$ 325,000	\$	(325,000)
Remaining Funds Available for Loan Obligations			\$	42,156,612

FACT SHEET

June 27, 2019

Borrower: Town of Bell Buckle
Project Number: DW7 2019-218
Requested SRF Funding: \$ 325,000 (Loan Increase)
Term: 20 years
Rate: 0%

Project:

Main Street Waterline Replacement Project (Along State Hwy 269)

Total Project Cost: \$ 619,000

Project Funding:

SRF Loan Principal	\$ -0-
Principal Forgiveness (100%)	\$ 325,000
Other Funds (DW6 2018-207)	\$ 294,000

County:	Bedford County
Consulting Engineer:	S & ME, Inc.
Priority Ranking List:	FY 2017
Priority Ranking:	3 of 23
Public Meeting:	January 29, 2018

Financial Information:

Operating Revenues:	\$ 748,562
Current Rate:	\$ 41.00
Effective Rates, if applicable:	\$ 42.21
Residential User Charge:	5,000 gal/month
Customer Base:	830
Audit Report Filed:	9/28/2018 (timely)
Financial Sufficiency Review:	5/22/2019

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

FACT SHEET

June 27, 2019

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$ 77,889.

MADS:	Prior Obligations:	\$ 72,136
	Proposed loan(s):	<u>\$ 0</u>
		\$ 72,136

MADS as a percentage of SSTs: 92.61%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
FOR TAX
TOWN OF BELL BUCKLE**

As security for payments due under a SRF loan agreement, a local government pledges user fees and charges and ad valorem taxes as necessary to meet its obligations under a SRF loan agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$77,889.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Water	DW1 2012-117	\$280,000	\$120,000	\$15,840
SRF/Sewer	CW1 2012-300	\$664,225	\$73,802	\$37,584
SRF/Water	DW6 2018-200	\$130,403	\$32,600	\$6,630
SRF/Water	DW6 2018-207	\$235,200	\$58,800	\$12,082

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$72,136.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB	N/A			
TLDA/Public Health	N/A			
TLDA/Transportation	N/A			

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$72,136.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Water	DW7 2019-218	0.00%	\$325,000	\$325,000	\$0

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$0.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$5,753.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 31
day of May, 2019.

This is the Comptroller's certificate as required by TCA 4-31-108.

LOCAL GOVERNMENT

BY: Ronnie Lokey
Mayor Ronnie Lokey

REQUIREMENT FOR REPORT ON DEBT OBLIGATION (FORM CT-0253)

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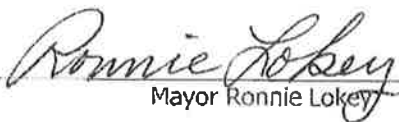
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Mayor Ronnie Lokey


Date