TENNESSEE LOCAL DEVELOPMENT AUTHORITY
JULY 20, 2020
AGENDA

1. Call Meeting to Order

2. Minutes

    - Approval of minutes from the TLDA meeting of June 25, 2020

    - Correction of minutes from the TLDA meeting of May 21, 2020

3. Report on the Tennessee Local Development Authority Bond Indebtedness

4. Review of the Tennessee Local Development Authority Debt Policy

5. Report on the notifications received from the cities of Lawrenceburg and Spring Hill submitted to comply with TLDA SRF Policy and Guidance for Borrowers

6. Consider for approval the following CWSRF loan:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term
Springfield, SRF 2020-447	$ 6,200,000	$ -	$ 6,200,000	0.78%	20

7. Consider for approval the following DWSRF loan:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term
Huntingdon, DWF 2020-225	$ 150,000	$ -	$ 150,000	0.09%	5

8. Presentation on the 2020 Ability to Pay Index

9. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
June 25, 2020

Pursuant to the provisions of Executive Order 16, as amended by Executive Order 34, the Tennessee Local Development Authority (the "Authority" or "TLDA") met on Thursday, June 25, 2020, at 3:15 p.m. via WebEx Events with certain members being physically present in the Volunteer Conference Center, Second 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 P. Wilson, Comptroller of the Treasury
The Honorable David H. Lillard, Jr., State Treasurer (participated electronically)
Commissioner Butch Eley, Department of Finance and Administration
Dr. Kenneth L. Moore, House Appointee (participated electronically)

The following members were absent:

The Honorable Bill Lee, Governor
Mr. Pat Wolfe, Senate Appointee

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 conduct a roll-call:

Mr. Eley—Present
Mr. Wilson—Present
Mr. Hargett—Present
Dr. Moore—Present

Recognizing a quorum present, Mr. Hargett read the following statement:

"Governor Bill Lee, a member of this entity, has previously declared a state of emergency to facilitate Tennessee's response to Coronavirus Disease 2019 (COVID-19). His Executive Order No. 16, as amended by Executive Order No. 34, allows governing bodies to meet electronically regarding essential business in light of COVID-19, so long as they provided electronic access to the public and met certain safeguards established in that Order to ensure the openness and transparency of the proceedings. In the Notice for this meeting, we indicated the meeting would be held in the Video Conference Center, which is currently closed to the public, as well as conducted through WebEx Events and provided information and the steps for public electronic participation. At this time we need a motion to make a determination pursuant to the provisions of Executive Order 16, as amended, that meeting electronically and electronic access is necessary to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak and the matters listed on the agenda for this meeting relate to the essential business of this board and the necessary safe guards have been taken."

Mr. Hargett made a motion to approve the necessity pursuant to Executive Order 16 , and Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Eley—Aye
Mr. Wilson— Aye
Mr. Hargett— Aye
Dr. Moore—Aye

The motion carried to conduct the TLDA meeting in this manner.

Mr. Lillard joined the meeting at 3:48 p.m.

Mr. Hargett stated that the first item on the agenda was the approval of the minutes from the May 21, 2020, and June 9, 2020 TLDA meetings. Mr. Hargett made a motion to approve the minutes, and Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item on the agenda was a request from the City of Memphis to issue United States Department of Agriculture (USDA) and Water Infrastructure Finance and Invocation Act Loan Program (WIFIA) Bonds in an amount not to exceed $159,000,000 and Sewer System Revenue Bonds in an amount not to exceed $124,000,000 senior to its State Revolving Fund (SRF) loans. He called upon Ms. Thompson to present the request. Ms. Thompson stated that The City of Memphis (the "City") was requesting approval from the TLDA to modify the lien position of its existing SRF loan agreements to be subordinate to a proposed WIFIA Bond in an amount not to exceed $159,000,000 and proposed Sewer System Revenue and Refunding Bonds, which would be issued simultaneously with the WIFIA Bonds, in amount not to exceed $124,000,000. She stated that the request for subordination was due to the bonds being issued pursuant to the 1981 Bond Resolution or Master Resolution which stated that the City would not hereafter create or permit the creation of or issue any revenue bonds, notes, warrants or other obligations or create any additional indebtedness which rank on a parity with or have priority over the charge and lien on Revenues except that additional series of Bonds. She continued, saying that the request for approval was required by provisions set forth in the (SRF) loan agreement and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*. Ms. Thompson noted that there was additional description/information in the meeting packets. She stated that approval of the request would allow the City to continue with the issuance of its bonds within the revenue bond program and take advantage of additional refunding opportunities. Ms. Thompson then stated that the City had a debt rating of Aa2 by Moody's and AA+ by Standard and Poors (S&P). She further stated that it had a history of timely repayments on its outstanding SRF loans, had timely filed its FY2019 audit, and that it would have sufficient revenues with an operating income of $35,500,000 reflected in its most recent financial statements. She noted that the City's current and projected debt service coverage ratio either met or exceeded the 1.2 times requirement, and that the City was not under the jurisdiction of the Water and Wastewater Financing Board. Ms. Thompson concluded, saying that based on the analysis conducted by the OSLF, the City would have sufficient cash and revenues to meet its obligations, and it appeared to meet TLDA's guidelines for approval to issue additional bonds with a senior lien position to its outstanding SRF loan agreements. Mr. Hargett acknowledged that Ms. Shirley Ford, Chief Financial Officer with the City, was in attendance of the meeting electonically. Ms. Ford then thanked the members for taking the time to review the City's request, and stated that she also appreciated the input and support from the OSLF.

Mr. Hargett asked if there was any questions for Ms. Ford or Ms. Thompson. Hearing none, Mr. Hargett made a motion to approve, and Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item was consideration and adoption of the Post-Issuance Compliance Procedures (PICP). He recognized Ms. Thompson to present the request. Ms. Thompson stated that staff was requesting consideration and adoption of the PICP manual. She stated that the State of Tennessee (the "State") was an issuer of public securities, and in order to comply with certain requirements associated with being such an issuer, the State had established the PICP, which were also revised and updated periodically. Furthermore, she stated that such procedures ensure the State's ongoing compliance with federal tax laws, continuing disclosure obligations, and bond covenants. She noted that the procedures had been circulated to board members and staff, and that it had been updated by the Comptroller's office, reviewed by bond counsel, the AGs office, and the TLDA's financial advisor. Ms. Thompson concluded, saying that staff was presenting the procedures to the board for consideration and adoption and that she would be happy to answer any questions.

Mr. Hargett asked if there was any discussion. Hearing none, Mr. Wilson made a motion to approve, and Mr. Lillard seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Eley—Aye
Mr. Wilson— Aye
Mr. Hargett— Aye
Mr. Lillard—Aye
Dr. Moore—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. Lillard seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The meeting was adjourned.

Approved on this _____ day of __________, 2020.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
May 21, 2020

Pursuant to the provisions of Executive Order 16, as amended by Executive Order 34, the Tennessee Local Development Authority (the Authority or TLDA) met without a physical location on Thursday, May 21, 2020, at 12:20 p.m. via WebEx. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present via WebEx:

> The Honorable Justin P. Wilson, Comptroller of the Treasury
> Kevin Bradley, Proxy for the Honorable David H. Lillard, Jr., State Treasurer
> Angela Scott, Proxy for Commissioner Butch Eley, Department of Finance and Administration

The following members were absent:

> The Honorable Bill Lee, Governor
> Dr. Kenneth L. Moore, House Appointee
> Mr. Pat Wolfe, Senate Appointee

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 conduct a roll-call:

Mr. Hargett—Present
Mr. Wilson—Present
Mr. Bradley—Present
Ms. Scott—Present

Recognizing a quorum present, Mr. Hargett read the following statement:

> "Governor Bill Lee, a member of this entity, has previously declared a state of emergency to facilitate Tennessee's response to Coronavirus Disease 2019 (COVID-19). His Executive Order No. 16, as amended by Executive Order No. 34, allows governing bodies to meet electronically regarding essential business in light of COVID-19, so long as they provided electronic access to the public and met certain safeguards established in that Order to ensure the openness and transparency of the proceedings. In the Notice for this meeting, we indicated the meeting would be conducted through WebEx Events and provided information and the steps for public electronic participation. At this time we need a motion to make a determination pursuant to the provisions of Executive Order 16, as amended, that meeting electronically without a physical location is necessary to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak and the matters listed on the agenda for this meeting relate to the essential business of this board and the necessary safe guards have been taken."

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

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The motion carried to conduct the TLDA meeting in this manner.

Mr. Hargett asked for a motion to approve the minutes of the March 6, 2020, TLDA meeting. Mr. Bradley made a motion to approve the minutes, and Ms. Scott seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was a request from Big Creek Utility District (the "District") and recognized Ms. Thompson to present the request. Ms. Thompson stated that as required by the provisions set forth in the SRF loan agreements and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*, the District had submitted a request for approval to issue a United States Department of Agriculture (USDA) Bond in an amount not to exceed $2,600,000 with a lien position subordinate to its outstanding State Revolving Fund (SRF) loan agreements. She stated that the District had requested a waiver of section 7(m) of the loan agreements which prohibits the issuance of debt secured by a system's revenues unless the audit of the most recent fiscal year end was filed within six months of the fiscal year end. She further stated that a letter indicating the District's reasons for filing a late audit was included with the meeting materials. She continued, saying that in addition to the waiver of section 7(m), the District was also requesting approval of the proposed debt issuance. Ms. Thompson stated that the OSLF had determined the proposed debt would be secured by revenues of the wastewater system, that the District had a history of timely repayments on its SRF loans, and that it had a security deposit in place in the amount of $170,000. She reported its current and projected debt service coverage ratio had either met or exceeded the 1.2 times requirement. Furthermore, she stated that its projected revenues ranged from 1.35 times to 1.42 times through fiscal year 2023. Ms. Thompson noted that although it was not under the jurisdiction of the Utilities Management Review Board (UMRB), it was necessary to disclose that the UMRB recommended a merger between Griffith Creek Utility District and Big Creek Utility District. She stated that following the merger, Big Creek would assume the debt of Griffith Creek, including its SRF debt. She then concluded, saying that based on the analysis conducted by the OSLF, the District would have sufficient cash and revenues to meet its obligations, and it appeared to meet the TLDA's guidelines for approval to issue bonds with a subordinate lien position to its outstanding SRF loan agreements. Mr. Hargett inquired if the District's Bond Counsel, Mr. Jeff Oldham, with Bass, Berry, & Sims was present. He had not yet joined the meeting. Mr. Hargett then asked Mr. David Burn, Assistant Attorney General for the State of Tennessee, if the TLDA could make a motion to approve both items (3a. & 3b.) at the same time. Mr. Burn responded affirmatively.

Mr. Hargett asked if the members had any questions. Hearing none, he made a motion to approve item 3 (a) and (b). Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a request from the Water Authority of Dickson County (WADC) to issue promissory notes in an amount not to exceed $260,000 subordinate to its SRF loan agreements. He called upon Ms. Thompson to present the request. Ms. Thompson stated that in accordance with the *TLDA SRF Policy and Guidance for Borrowers*, the WADC had submitted a request to borrow money by way of a promissory note. She stated that the proposed debt would be subordinate to its SRF loan agreements, and further stated that the debt issuance would provide funding to purchase two large dump trucks. Ms. Thompson then stated that the borrower had a history of timely repayments on its SRF loans, had timely filed its audited financial statements, and that it had a security deposit in place in the amount of $782,000. She continued, saying that the WADC's most recent financial statements reflected a positive net change in position, and that its current and projected debt service coverage ratio met or exceeded the 1.2 times requirement. She concluded, saying that based on analysis conducted by the OSLF, the WADC would have sufficient cash and revenues to meet its obligations, and that it appeared to meet the TLDA's guidelines for approval to issue additional debt subordinate to its outstanding SRF loan agreements. Mr. Hargett inquired if Ms. Thompson's analysis was complete. She responded affirmatively. Mr. Hargett then asked Mr. Benjamin Regan, WADC's Bond Counsel, if he had anything to add. He responded, saying he had nothing further to add, and that Ms. Thompson's analysis was complete and correct.

Mr. Hargett made a motion to approve, and Ms. Scott seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The motion was unanimously approved.

Mr. Hargett then stated that the next item on the agenda was a request from Nashville Metro and Davidson County to issue three new SRF loans on parity with its outstanding Water and Sewer Revenue Bonds. Once again, he called upon Ms. Thompson to present the request. Ms. Thompson referred to Nashville Metro's SRF loans that were on today's meeting agenda to be presented to the TLDA for approval and stated that it had requested approval to issue the loans on parity with its outstanding Water and Sewer Revenue Bonds. She stated that this would provide a better lien position in securing the SRF loans and would be in the public's best interest. She noted that Metro Government understood that it must obtain the TLDA's consent to issue any future bonds on parity with its SRF loans. Mr. Hargett inquired again if Mr. Oldham was present. He also inquired if Mr. Kevin Crumbo, Metro Nashville's Finance Director, and Amanda Deaton-Moyer, Assistant Director of Metro Water Services were on the line. There was no reply. Ms. Thompson stated that they may be having difficulties with the electronic connection.

Mr. Hargett asked if there were any questions. Hearing none, he made a motion to approve, and Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The motion was unanimously approved.

Mr. Hargett inquired if Mr. Crumbo's audio was working. He answered affirmatively, stating that he was there with Mr. Oldham, Ms. Deaton-Moyer, and Metro's Deputy Law Director, Margaret Darby. Mr. Hargett then stated that Nashville Metro's request had already been approved and that the TLDA would get back to them.

Mr. Hargett stated that the next item on the agenda was a report on the notification from the City of Crossville submitted to comply with *TLDA SRF Policy and Guidance for Borrowers*. He recognized Ms. Thompson to present the report. Ms. Thompson stated that the City had submitted notification to the TLDA as required by the *TLDA SRF Policy and Guidance for Borrowers*. She stated that the proposed debt would be secured by water and sewer revenues and that it would be issued subordinate to its pledge of revenues in favor of the City's SRF loans. Mr. Hargett acknowledged that the item was a report item and no further action was necessary.

Mr. Hargett stated that the next item on the agenda was a request for consideration of approval for Clean Water State Revolving Fund (CWSRF) loans and stated that, unless there was any objection, the TLDA would hear the four loan requests prior to asking for a motion to approve. Hearing none, he recognized Ms. Felicia Freeman, Environmental Manager for the Tennessee Department of Environment and Conservation (TDEC), to present the loan requests. Ms. Freeman first presented the unobligated fund balance. She stated the balance was $62,009,399 as of March 6, 2020. Since that time, the unobligated balance had increased by $393,899 with the return of previous loan funding from Lincoln County and the City of Lewisburg. With this addition the approval of the loan requests to be presented totaling $16,018,000, the funds available for loan obligations would be $46,385,298. She then described the CWSRF loan requests.

- **Nashville Metro (SRF 2020-446)** Requesting $11,600,000 for an infiltration and inflow (I/I) correction (rehabilitation of approximately 20,550 linear feet of 8-inch to 42-inch diameter existing sewer lines by cured-in-place pipe lining; rehabilitation of approximately 110 sewer service renewals by lining and excavation methods; manhole rehabilitation and installation of clean out); recommended interest rate of 0.95% based on the Ability to Pay Index (ATPI); Priority ranking 31 of 72 (FY 2018); Term 20 years.

- **Huntland (CG6 2019-426)** Requesting $1,000,000 ($900,000 (90%) loan; $100,000 (10%) principal forgiveness) for decentralized wastewater treatment system (construction of a 0.17 million gallons per day (MGD) decentralized wastewater treatment facility and the installation of a septic tank/treatment tank effluent pumping (STEP) wastewater collection system to serve customers with failing septic tanks; recommended interest rate of 0.32% based on the ATPI; Priority ranking list 18 of 67 (FY2017); Term 30 years.

- **Huntland (SRF 2019-427)** Requesting $2,925,000 for decentralized wastewater treatment system (construction of a 0.17 MGD decentralized wastewater treatment facility and the installation of a STEP wastewater collection system to serve customers with failing septic tanks; recommended interest rate of 0.32% based on the ATPI; Priority ranking list 18 of 67 (FY2017); Term 30 years.

- **Caryville-Jacksboro (CW8 2020-444)** Requesting $493,000 ($443,700 (90% loan; $49,300 (10%) principal forgiveness) for wastewater treatment plant improvements (construction of 3rd clarifier and associated appurtenances project; recommended interest rate of 0.54% based on the ATPI; Priority ranking list 1 of 82 (FY2019); Term 20 years

Mr. Hargett stated that Nashville Metro was available to answer any questions. Hearing none, he made a motion to approve the loans, and Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration of approval for Drinking Water State Revolving Fund (DWSRF) loans. He stated that the TLDA would hear the two loan requests prior to asking for a motion to approve. He then called upon Ms. Freeman to present the loan requests. Ms. Freeman stated the DWSRF unobligated balance was $70,213,713 as of March 6, 2020. Upon approval of the loan requests to be presented totaling $32,493,000, the funds available for loan obligations would be $37,823,928. She then described the DWSRF loan requests.

- **Nashville Metro (DG8 2020-223)** Requesting $5,000,000 for green – distribution system improvements (construction of a new 2.5 million gallon (MG) 38th Ave water storage tank; upgrade/improvements to the 8th Ave water storage tank; and replacing approximately 14, 340 linear feet (LF) of 2-inch through 8-inch diameter cast iron waterlines with 8-inch diameter waterlines in the 12th Ave S area; recommended interest rate of 0.65% based on the ATPI; Priority ranking 10, 27, 28 of 43 (FY2019); Term 20 years.

- **Nashville Metro (DWF 2020-224)** Requesting $27,493,000 for green- distribution system improvements (construction of a new 2.5 MG 38th Ave water storage tank; upgrade/improvements to the 8th Ave water storage tank; and replacing approximately 14, 340 LF of 2-inch through 8-inch diameter cast iron waterlines with 8-inch diameter waterlines in the 12th Ave S area; recommended interest rate of 0.95% based on the ATPI; Priority ranking list 10, 27, 43 of 21 (FY2018); Term 20 years.

Mr. Hargett again stated that Nashville Metro was present to answer questions. Hearing none, he made a motion to approve the loans, and Mr. Wilson seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on SRF borrowers that had not submitted a request for project expense reimbursement. He called upon Ms. Freeman to present the report. Ms. Freeman stated that all borrowers listed on the report were in compliance with their project schedules; however, TDEC was in the process of reviewing a request from Lebanon to revise its schedule. She noted that both Cleveland and Lebanon were preparing to submit requests for reimbursement, and that Dyersburg and Bell Buckle had already submitted their requests to the SRF loan program. She then reported that the Hamilton County Water and Wastewater Treatment Authority had planned to exhaust funds from its capitalization grant loan before requesting reimbursements from its SRF loan. In addition, Chattanooga and Humboldt were also supplemental loans and planned to exhaust funds from two other loans before drawing down on the accounts listed in the report. She stated that although the Jasper loan project was in compliance, it had encountered some issues with its contractor. The Town had indicated to the SRF loan program that it should be able to resolve the dispute by September of this year. She continued, saying that the City of Johnson City was in compliance, but that it was unsure of its path forward with funding for the project due to construction bids that came back higher than expected. The City would notify TDEC how it planned to proceed.

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

Mr. Hargett— Aye
Mr. Wilson— Aye
Mr. Bradley— Aye
Ms. Scott—Aye

The meeting was adjourned.

Approved on this _____ day of __________, 2020.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Tennessee Local Development Authority

Bonds Outstanding

As of June 30, 2020

(Unaudited)

	Total	Final Maturity
Bonds Outstanding:		
2006 A Bonds	$ 75,000	March 2021
2006 B Bonds	$1,460,000	March 2029
	$1,535,000	

Tennessee Local Development Authority

DEBT MANAGEMENT POLICY

Prepared by:

Division of State Government Finance

Table of Contents

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 Division of State Government Finance (the "SGF") serves as staff to the Authority. Both the Director of the SGF 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 Division of State Government 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 SGF will schedule rating agency calls and/or visits prior to the issuance of bonds.

The Office of the Comptroller of the Treasury through the SGF, 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 SGF 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 SGF 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 SGF 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 SGF regarding Authority matters.

B. Bond Counsel

Bond counsel shall be engaged through the SGF 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 SGF 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 SGF (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 SGF) 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 SGF), 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 SGF.
- 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 SGF) 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 SGF 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.

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 on or after February 27, 2019:

- 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.

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

1. After a public hearing on December 7, 2011, the Authority adopted this Policy, effective December 7, 2011.
2. The Authority amended this policy on May 11, 2017, effective May 11, 2017
3. The Authority amended this policy on June 27, 2019, effective June 27, 2019
4. The Authority amended this policy on July 20, 2020, effective July 20, 2020

Vice-Chair

Tennessee Local Development Authority

25 Public Square
Lawrenceburg, TN 38464

City of Lawrenceburg

(931) 762-4459
Fax (931) 762-8829

June 29, 2020

Office of Comptroller of the Treasury
Division of State Finance
First Floor
State Capitol
Nashville, Tennessee 37243-9034

Re: Notice of Intent to Issue Refunding Indebtedness
Secured by general obligation pledge and additional payable from water and sewer revenues

Dear Ladies and Gentlemen:

This notice is being given pursuant to the Tennessee Local Development Authority ("TLDA") State Revolving Fund Policy and Guidance for Borrowers (the "Policy"). This is to notify TLDA that the Lawrenceburg, Tennessee (the "City") intends to issue additional bond indebtedness (the "Refunding Indebtedness") to pay off certain of its existing State Revolving Fund loans. The City is in the process of authorizing the issuance of the Refunding Indebtedness as general obligation indebtedness that is additionally payable from but not secured by the City's revenues from its water and sewer system. If there is additional information needed by TLDA that would be helpful, please let me know and I will be happy to endeavor to provide the same.

Very truly yours,

Chris Shaffer
City Administrator

amount not to exceed: $7,450,000

City of
SPRING HILL
TENNESSEE

June 18, 2020

Office of Comptroller of the Treasury
First Floor
State Capitol
Nashville, Tennessee 37243-9034

Re: Notice of Intent to Issue Refunding Indebtedness
Secured by general obligation and subordinate water and sewer
Net Revenue pledge

Dear Ladies and Gentlemen:

This notice is being given pursuant to the Tennessee Local Development Authority ("TLDA") State Revolving Fund Policy and Guidance for Borrowers (the "Policy"). This is to notify TLDA that the City of Spring Hill, Tennessee (the "City") intends to issue additional bond indebtedness (the "Refunding Indebtedness") to pay off certain of its existing State Revolving Fund loans. The City has passed a resolution that authorizes the issuance of the Refunding Indebtedness as general obligation indebtedness and further secured, on a subordinate basis, by a lien on the City's net revenues from its water and sewer system. Pursuant to the Policy, the City hereby acknowledges that the Refunding Indebtedness, upon issuance, will have a lien subordinate to the liens on net revenues from the City's water and sewer system pledged in favor of any SRF loans that remain outstanding after the issuance of the Refunding Indebtedness. If there is additional information needed by TLDA that would be helpful, please let me know and I will be happy to endeavor to provide the same.

Very truly yours,

Victor Lay
City Administrator

$10,068,465 SRF outstanding at $ 7/10/2020

199 Town Center Parkway
P. O. Box 789
Spring Hill, TN 37174

CITY OF SPRING HILL TENNESSEE

Phone 931.486.2252
Fax 931.486.0516
www.springhilltn.org

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
July 20, 2020

Unobligated Balance as of May 21, 2020			**$**	**46,385,298**
Increases:	**Loan Number**	**Amount**		
Remaining match for the FY2020 state requirement	*	$ 2,640,100		
Town of Oakland	SRF 2016-369	$ 9,122		
City of Oak Ridge	SRF 2017-396	$ 764,195		
City of Millersville	CW6 2017-391	$ 36,022		
			$	**3,449,439**
Unobligated Balance as of July 20, 2020			**$**	**49,834,737**
Decreases:	**Loan Number**	**Amount**		
City of Springfield	SRF 2020-447	$ 6,200,000		
			$	**(6,200,000)**
Remaining Funds Available for Loan Obligations			**$**	**43,634,737**

*The total state match requirement was $4,616,400. SRF requested a budget expansion for the balance of $2,640,100 and received approval as 06/30/2020.

FACT SHEET
July 20, 2020

Borrower:	City of Springfield
Project Number:	SRF 2020-447
Requested SRF Funding:	$6,200,000
Term:	20 years
Rate:	0.78% = 1.56 x 50%

Project:

Pump Station/Collection System Replacement (Installation of approximately 10,000 LF of 8-inch thru 18-inch diameter gravity sewer with approximately 50 new manholes; and the construction of pump stations at Locust Street and Bransford to eliminate SSOs).

Total Project Cost:	$6,200,000
Project Funding:	
SRF Loan Principal	$6,200,000
Local Funds	$ -0-
Other Funds	$ -0-
County:	Robertson County
Consulting Engineer:	Gresham Smith Partners, LLC
Priority Ranking List:	FY 2019
Priority Ranking:	43 of 78
Public Meeting:	May 18, 2020

Financial Information:

Operating Revenues:	$7,032,613
Current Rate:	$73.53
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	6,941
Audit Report Filed:	12/18/2019 (Timely)
Financial Sufficiency Review:	04/21/2020

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

FACT SHEET
July 20, 2020

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: $2,253,508

MADS:	Prior Obligations:	$1,812,079
	Proposed loan(s):	
	SRF 2020-447	$ 334,909
		$2,146,988

MADS as a percentage of SSTs: 95.27%

REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
FOR TAX REVENUE ENTITIES
CITY OF SPRINGFIELD
SRF 2020-447

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 $2,253,508.

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	SRF 2016-360	$6,503,649	$0	$306,660
SRF/Sewer	SRF 2019-422	$26,500,000	$0	$1,505,419

* 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 $1,812,079.

(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 $1,812,079.

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	SRF 2020-447	0.78%	$6,200,000	$0	$334,909

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is $334,909.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is $106,520.

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 20th day of May, 2020.

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

LOCAL GOVERNMENT

BY: Ann Schneider

Mayor Ann Schneider

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, City of Springfield, 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.

Ann Schneider | May 20, 2020

Mayor Ann Schneider | **Date**

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
May 21, 2020
Revised

Unobligated Balance as of March 06, 2020				**$ 70,213,713**
Increases:	**Loan Number**		**Amount**	
Warren County Utility District	DW4 2015-158	*	$ 63,324	
Town of Gainesboro	DG5 2016-183	*	$ 39,891	
				$ 103,215
Unobligated Balance as of May 21, 2020				**$ 70,316,928**
Decreases:	**Loan Number**		**Loan Amount**	
City of Nashville	DWF 2020-224		$ 27,493,000	
City of Nashville	DG8 2020-223		$ 5,000,000	
				$ (32,493,000)
Remaining Funds Available for Loan Obligations				**$ 37,823,928**

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
July 20, 2020

Unobligated Balance as of May 21, 2020				**$**	**37,823,928**
Increases:	**Loan Number**		**Amount**		
Big Creek Utility District	DWF 2017-189	*	$ 43,969		
				$	**43,969**
Unobligated Balance as of July 20, 2020				**$**	**37,867,897**
Decreases:	**Loan Number**		**Loan Amount**		
Town of Huntingdon	DWF 2020-225		$ 150,000		
				$	**(150,000)**
Remaining Funds Available for Loan Obligations				**$**	**37,717,897**

FACT SHEET
July 20, 2020

Borrower:	Town of Huntingdon
Project Number:	DWF 2020-225
Requested SRF Funding:	$150,000
Term:	5 years
Rate:	0.09% = 0.90% X 10%

Project:

A Planning and Design loan for the Distribution System Improvements (replacing existing waterlines on Main Street; extending waterlines to customers along Hwy 77; and replacing existing water meters with AMR meters).

Total Project Cost:	$150,000
Project Funding:	
SRF Loan Principal	$150,000
Local Funds	$ -0-
Other Funds	$ -0-
County:	Carroll County
Consulting Engineer:	J. R. Wauford & Company, Consulting Engineers, Inc.
Priority Ranking List:	FY 2019
Priority Ranking:	48 of 57
Public Meeting:	May 18, 2020

Financial Information:

Operating Revenues:	$2,290,623
Current Rate:	$32.75
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	2,467
Audit Report Filed:	02/04/2020 (Late)
Financial Sufficiency Review:	03/18/2020

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

FACT SHEET
July 20, 2020

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: $531,952.00

MADS:	Prior Obligations:	$ 98,671.20
	Proposed loan(s):	
	DWF 2020-225	$ 30,069.00
		$128,740.20

MADS as a percentage of SSTs: 24.20%

REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
FOR TAX REVENUE ENTITIES
TOWN OF HUNTINGDON
DWF 2020-225

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 $531,952.00.

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	CGA 2009-251	$2,840,000.00	$1,704,000.00	$98,671.20

* 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 $98,671.20.

(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 $0.00.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is $98,671.20.

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	DWF 2020-225	0.09%	$150,000	$0.00	$30,069

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is $30,069.00.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is $403,211.80.

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 27th day of May, 2020.

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

LOCAL GOVERNMENT

BY: Dale R Kelley

Mayor Dale R. Kelley

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, the Town of Huntingdon, 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.

Dale R Kelley

Mayor Dale R. Kelley

May 27, 2020

Date

Town of Huntingdon

Established 1822
*Honoring our Heritage ** Shaping our Future*

July 15, 2020

Ms. Sandi Thompson
Comptroller of the Treasury
Division of State Government Finance
4th Floor, Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243-3400

RE: Audit Submission Delay – Plan of Action

Dear Ms. Thompson,

In response to your letter and request dated July 14, 2020, the Town of Huntingdon understands the importance of annual auditing. Our Auditors, Alexander Thompson Arnold PLLC (ATA), do audits and reporting for many communities. There have been two primary barriers to the timely submission of our annual audits: (1) ATA schedules Huntingdon's audit late in the year—typically sometime between late November early December; and (2) ATA conducts audits for the Industrial Development Board (IDB) and the Carroll County Watershed Authority simultaneously, thus it takes longer to prepare three annual audits reports. We understand that although proper procedures for extension requests were filed through the Comptroller's Office, TLDA and LGA do not grant these permissions. Until notification of TLDA's concerns, the Town was not aware of the untimely submissions' potential effect on SRF funding.

The Town works diligently with the auditors, providing proper quiet and clean space for their reviews, supplying all requested information promptly, and presenting all information in an organized fashion. We will continue to work with our auditors to improve our systems in an effort to submit our annual audit reports to the Comptroller on time. In response to the concerns of your letter, we have contacted ATA in an attempt to schedule the FY 2019-2020 audit earlier. ATA is scheduled to audit Huntingdon, the IDB, and CCWA's financial records the week of October 19, 2020; approximately 3-5 weeks earlier than usual. The importance of timely submission this year, and in years to follow has been thoroughly communicated to ATA and they have pledged their effort to do so.

We hope this letter provides the additional clarification and commitment you, TLDA, and the are seeking. However, please do not hesitate to contact me if you have any questions, concerns, or need additional information.

Sincerely,

Dale R. Kelley

Dale R. Kelley
Mayor

19810 East Main Street ** P.O. Box 668 ** Huntingdon, TN 38344 ** Phone 731.986.2900 ** Fax 731.986.2919
E-mail: huntingdoncityhall@huntingdonch.com * * * Web-site: www.huntingdontn.com

TENNESSEE COMPTROLLER OF THE TREASURY

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

July 14, 2020

Dale R. Kelley
Mayor
City of Huntingdon
PO Box 668
Huntingdon, TN, 38344

Dear Mr. Kelley:

Staff to the Tennessee Local Development Authority (TLDA) met on July 13, 2020, to review agenda items for the upcoming July 20, 2020, TLDA meeting which includes the City's request for funding from the State Revolving Fund (SRF) program. The Tennessee Department of Environment and Conservation (TDEC) provided staff with a copy of a letter regarding the City's late audit filing. The reason cited for the delinquency was the audit firm's delay with beginning and completing the audit. Although the letter states that an extension from the Comptroller's office was requested, please be aware that there is no provision in the audit contract for filing annual audit reports later than six months after the fiscal year end, and the Division of Local Government Audit (LGA) does not grant permission to extend contracted filing deadlines. The SRF loan agreement and state law require local governments to file the audit report within six months of fiscal year end. Failure to timely file reports **may delay or result in disapproval** of SRF funding requests.

The City's funding request will be included on the upcoming agenda with the understanding that the City will take action to remedy its late filings. Therefore, please submit a plan of action to the TLDA as soon as possible. You may submit it via email to Sandi.Thompson@cot.tn.gov or by mail to: Comptroller of the Treasury, Cordell Hull Building, Division of State Government Finance, 4th Floor, 425 Fifth Avenue North, Nashville, TN 37243-3400

Please contact LGA for clarification on audit contract requirements. LGA may be able to provide helpful guidance on the City's specific situation. Information on the SRF program's audit filing requirement is contained in the TLDA's SRF Policy and Guidance for Borrowers which can be obtained online at: https://www.comptroller.tn.gov/boards/tennessee-local-development-authority/tlda-information/policies.html. If you should have any questions, please let me know.

Sincerely,

Sandra W Thompson

Sandra W. Thompson
Director
Office of State Government Finance
Assistant Secretary to the TLDA
Tennessee Comptroller of the Treasury

cc: Jerry Durham, Assistant Director, LGA
Jean K. Suh, Contract Audit Review Manager, LGA
Felicia D. Freeman, Environmental Manager, TDEC

Town of Huntingdon

Established 1822
*Honoring our Heritage ** Shaping our Future*

June 4, 2020

Ms. Felicia Freeman
Department of Environment and Conservation
State Revolving Fund Loan Program
12th Floor, William R. Snodgrass Tennessee Tower Building
312 Rosa L. Parks Avenue
Nashville, Tennessee 37243

RE: Audit Submission Delay

Dear Ms. Freeman,

The Town of Huntingdon understands the importance of annual auditing. Our Auditors, Alexander Thompson Arnold PLLC, do audits and reporting for many communities. They do not make their way around to Huntingdon until fairly late in the year, and usually require an extension from the Comptroller's Office. Additionally, the Town has multiple entities for the auditors to cover including the Industrial Development Board and Carroll County Watershed Authority. The Town, IDB, and CCWA all have grants to include in the reviews as well. All of these are done at once, demanding more time and involvement from the auditors.

Although the audit reports have been tardy over the past five years, it is our understanding that Alexander Thompson Arnold PLLC has submitted the proper extension requests to the Comptroller's and submitted accordingly. The Town works diligently with the auditors, providing all requested information in a prompt and timely manner. We will continue to work with our auditors to improve our systems in an effort to submit our annual audit reports to the Comptroller on time. If extensions are needed, we will make sure they are requested, and strive to submit as quickly as possible.

We hope this letter provides the information you are seeking. However, please do not hesitate to contact me if you have any questions, concerns, or need additional information.

Sincerely,

Dale R. Kelley

Dale R. Kelley
Mayor

Department of Environment & Conservation

2020 ATPI Update

Vena Jones
Sreedhar Upendram

Outline

- 2020 ATPI
- Determining the Affordability Score
- Establishing 2020 ATPI
- 2019 vs 2020 ATPI – Counties and Cities
- Principal Forgiveness Threshold
- ATPI and SRF Interest Rates

Proposed Variable Addition for 2020

2019 ATPI

- 4 Variables for affordability score
  - Median household income
  - Unemployment
  - Food stamp dependence
  - Families in poverty

2020 ATPI

- 7 Variables for affordability score
  - Median household income
  - Unemployment
  - Food stamp dependence
  - Families in poverty
  - **Bond rating**
  - **Debt**
  - **Change in population**

ATPI Criteria and Economic Trend Data

- WRRDA (2014) <u>minimum</u> criteria for assessing community ability to pay:
  - ✓ Population trend
  - ✓ Income
  - ✓ Unemployment
  - ✓ "Any other metrics"

- The new version includes multi-year trends on the following:
  - ✓ **Census Data** - Population, income, age, poverty, food stamp dependence and household makeup
  - ✓ **Economic Data** - Unemployment, inflation, property taxes, land values
  - ✓ **Financial Data** - Bond rating, 20-year bond-buyer index, debt, full market property value, tax collection rates

Variables for Datasets

- Data validity
  - Annual data – population, debt, bond rating, median household income, poverty rate and food stamp
  - Monthly data – unemployment
- County datasets – have most of the information
- City datasets
  - Bond rating - 142 out of 346 (41%)
  - All other variables have data for almost all cities/municipalities (98%+)
  - No penalty for missing data

Does adding variables affect affordability score?

- We conductivity a sensitivity analysis calculating affordability scores using 4 vs 7 variables
- 2019 Version

	# of cities	% Cities
ATPI 60 or less	258	74.4%
ATPI 50 or less	213	61.4%
ATPI 40 or less	157	45.2%

2020 Version

	# of cities	**% Cities**
ATPI 60 or less	265	76.6%
ATPI 50 or less	224	64.7%
ATPI 40 or less	168	48.6%

- By including more variables, we were able to bring in slightly more communities to available subsidies and technical assistance
- More precise evaluation of communities economic position

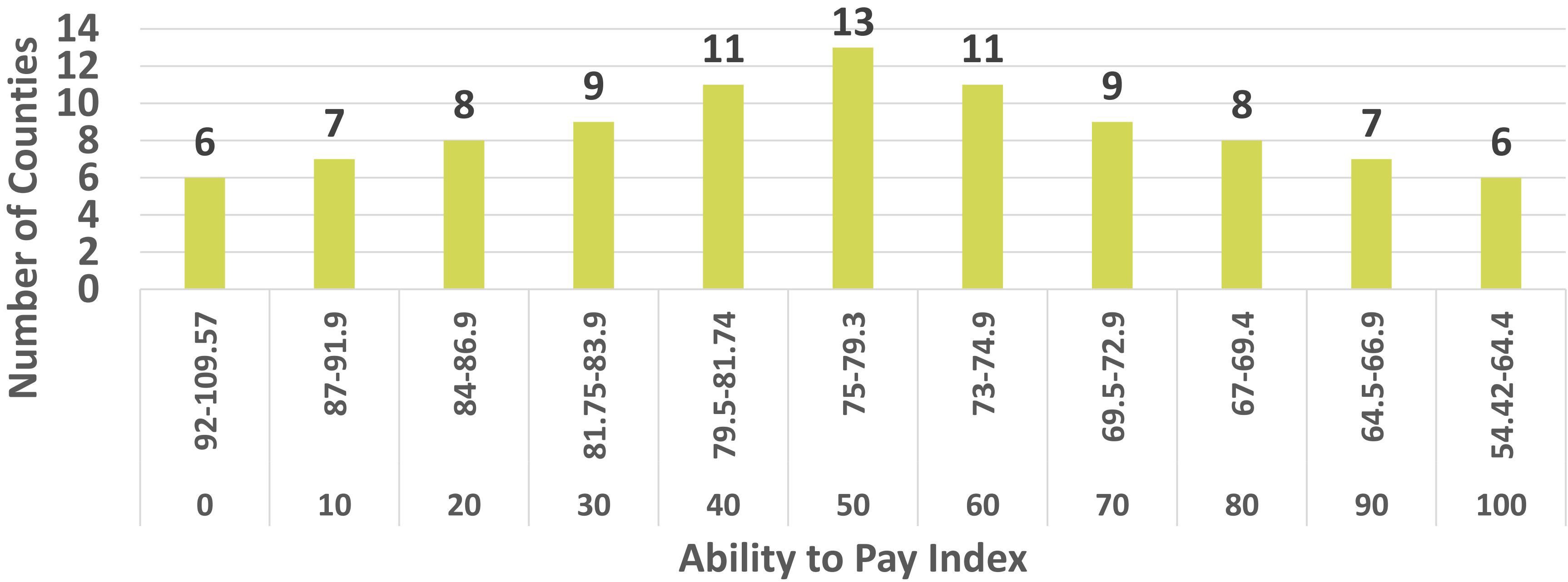
TN

Validity of 2020 ATPI Affordability Score

- Affordability score is simple average of 7 variables
- Better predictor of affordability than
  – Simple average of 4 variables
  – Weighted average of 7 variables
- Did not penalize small and disadvantaged communities
- Validated the Governor's Distressed Communities

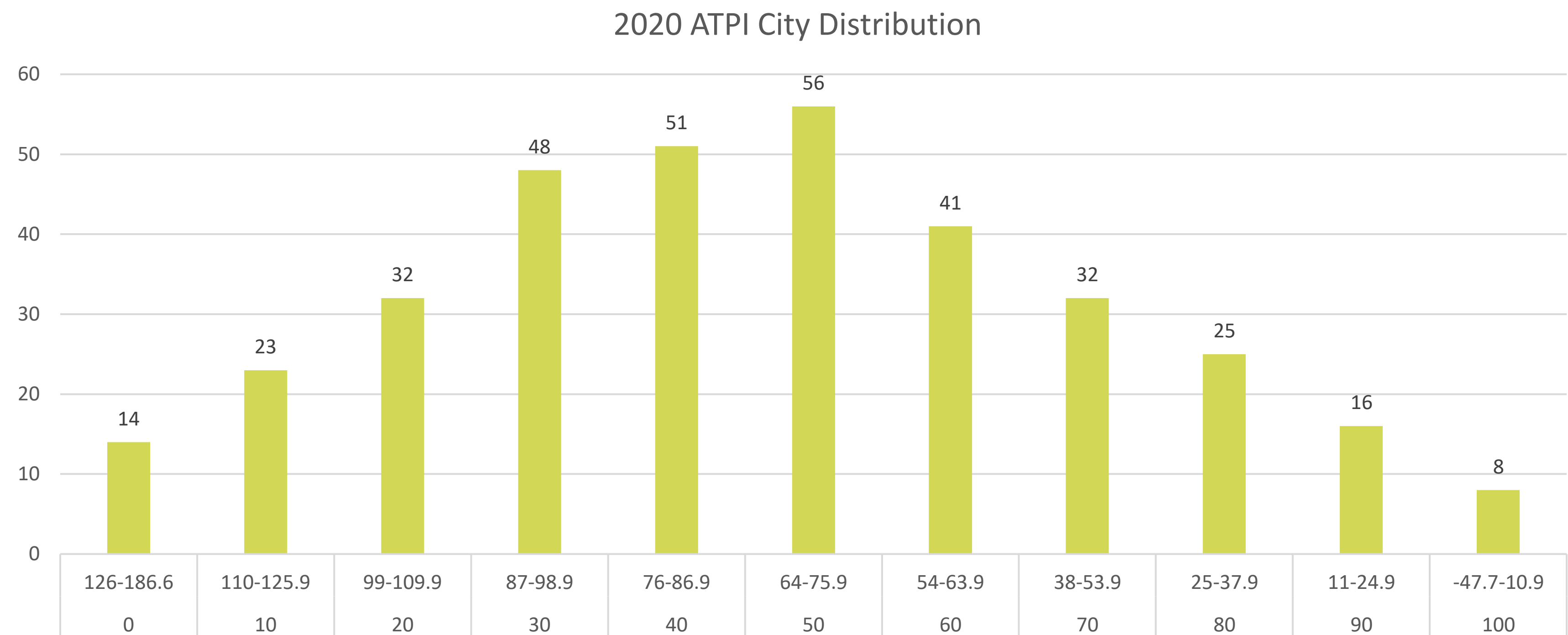
Governor's Distressed Counties List		
2019	**2020**	**County**
0	0	Bledsoe
10	0	Clay
0	10	Cocke
10	10	Fentress
0	10	Grundy
0	0	Hancock
20	20	Hardeman
40	40	Jackson
0	0	Lake
0	0	Lauderdale
40	40	McNairy
10	20	Morgan
10	10	Perry
0	0	Scott
50	70	Van Buren
20	20	Wayne

2020 County ATPI Distribution



- 2020 County ATPI:
  - 60 or less - 65 out of 95 counties (68.4%)
  - 50 or less – 54 out of 95 counties (56.8%)
  - 40 or less – 41 out of 95 counties (43.2%)

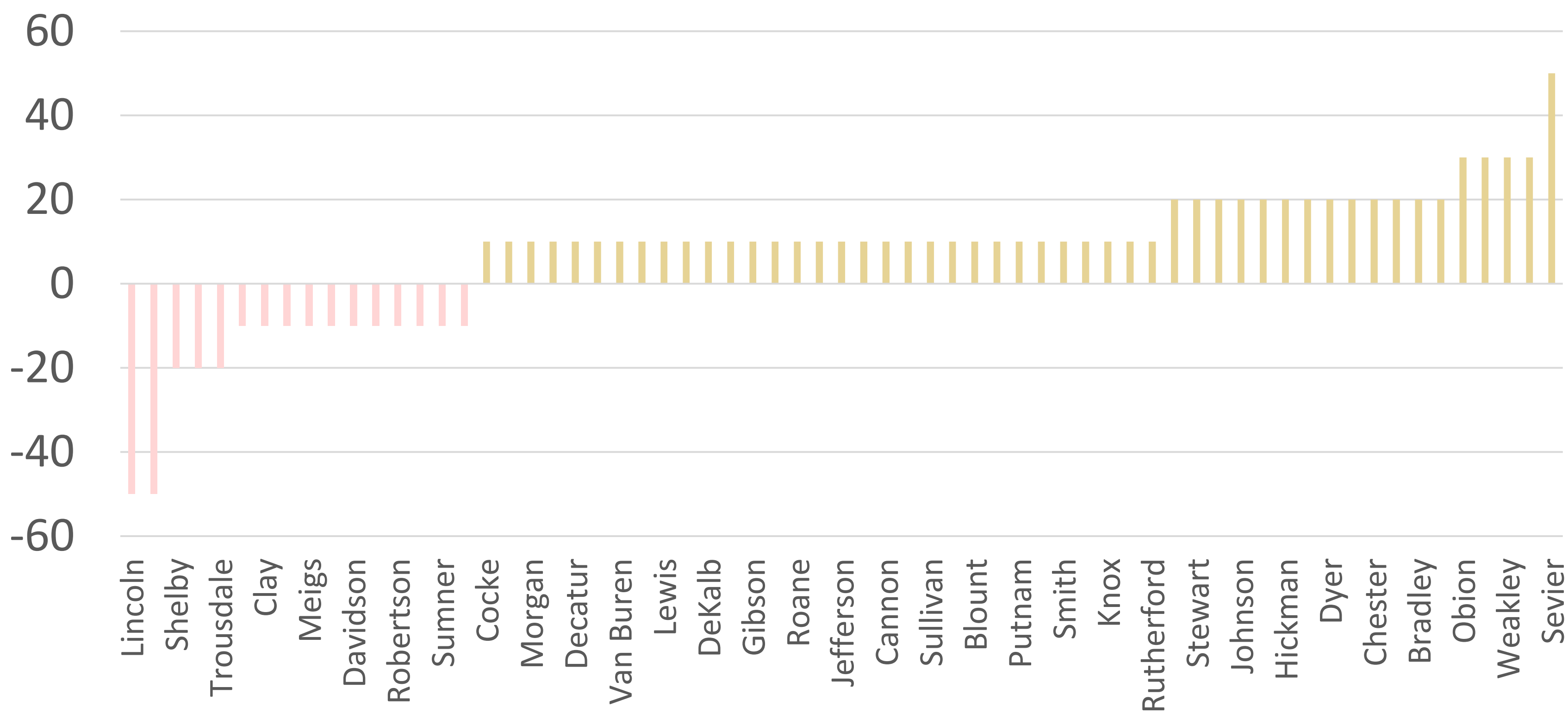
2020 City/Municipality ATPI Distribution



2020 City/Municipality ATPI:

- 60 or less – 265 out of 346 cities/municipalities (76.6%)
- 50 or less – 224 out of 346 cities/municipalities (64.7%)
- 40 or less – 168 out of 346 cities/municipalities (48.6%)

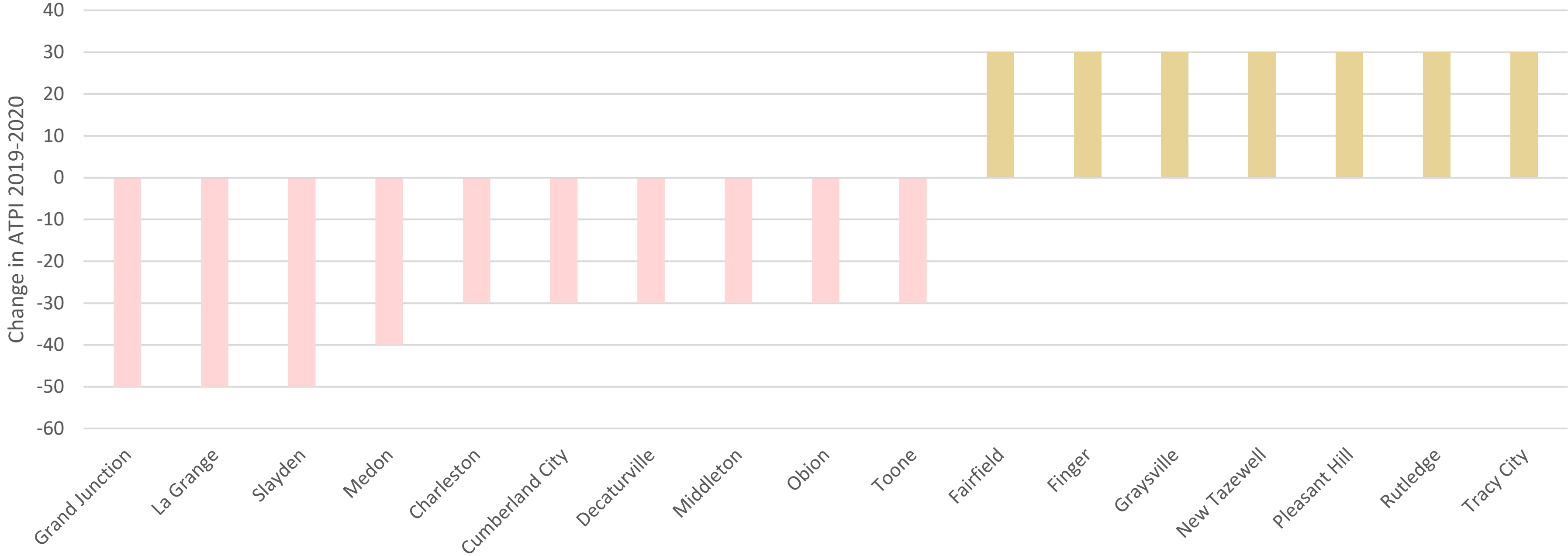
2019 – 2020 County Level ATPI Changes



Decreasing	24
No change	40
Increasing	31

Lincoln	-50		Obion	30
Maury	-50		Overton	30
Macon	-20		Weakley	30
Shelby	-20		McNairy	30
Trousdale	-20		Sevier	50

2019-2020 City/Municipality ATPI Changes



Decreasing	128
No Change	130
Increasing	88

Grand Junction	-50
La Grange	-50
Slayden	-50
Medon	-40
Charleston	-30
Cumberland City	-30
Decaturville	-30
Obion	-30
Toone	-30

Fairfield	30
New Tazewell	30
Rutledge	30
Saulsbury	30
Tracy City	30
Graysville	30
Finger	30

2020 Threshold for Principal Forgiveness

- 2020 City/Municipality ATPI

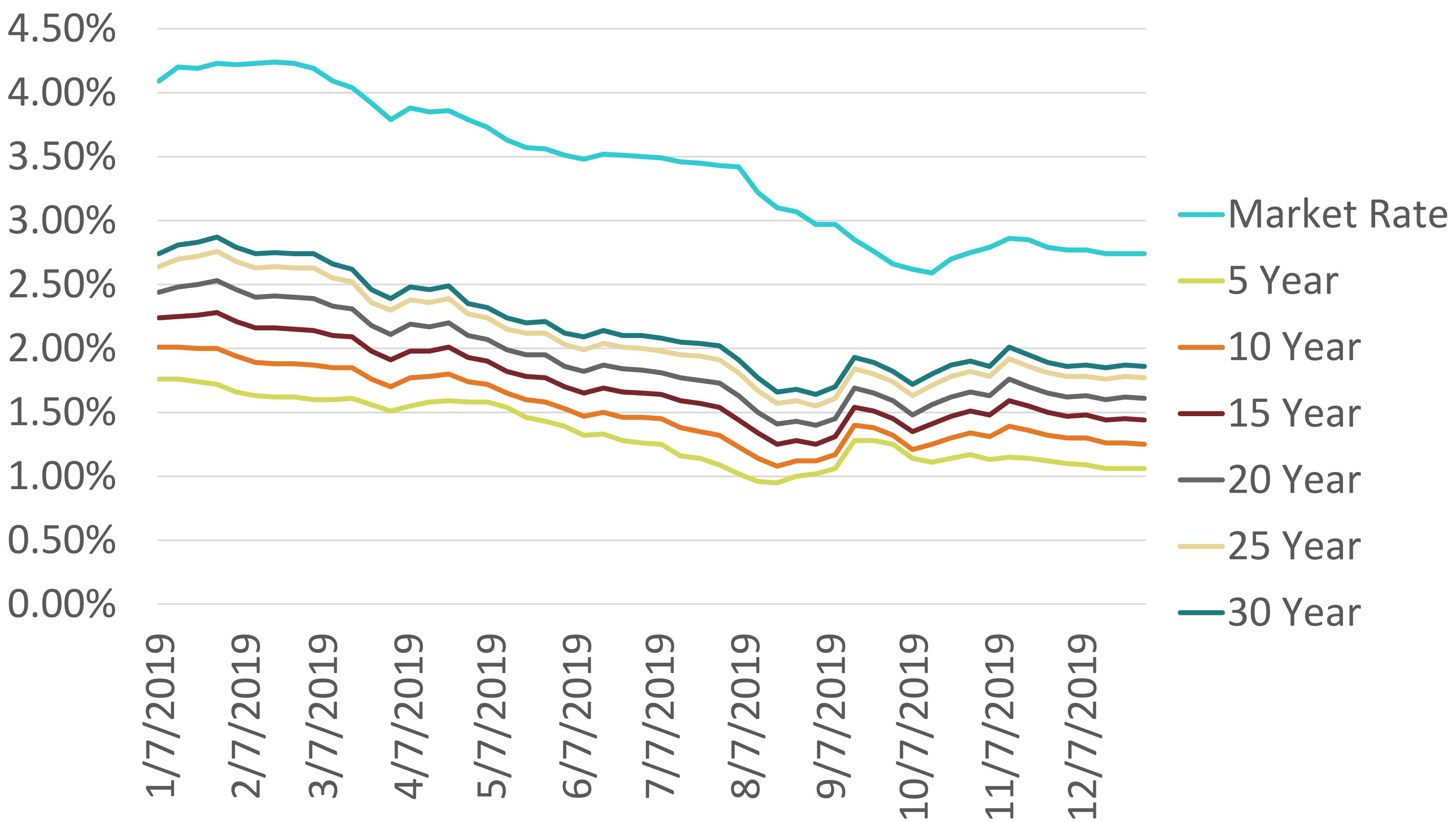
	# of cities	% Cities
ATPI 60 or less	265	76.6%
ATPI 50 or less	224	64.7%
ATPI 40 or less	168	48.6%

2020 County ATPI

	# of counties	% counties
ATPI 60 or less	65	68.4%
ATPI 50 or less	54	56.8%
ATPI 40 or less	41	43.2%

- **At ATPI of 50**
  - Reduces eligibility of subsidy by 41 cities and 11 counties
  - 11 out of 11 Governor's distressed counties eligible for subsidies
- At ATPI of 40
  - Reduces eligibility of subsidy by 97 cities and 24 counties
  - 11 out of 11 Governor's distressed counties eligible for subsidies

A Downward Trend -2019 SRF Weekly Interest Rates



2020 SRF Interest Rate Alternatives

1. Use existing SRF interest rate calculation **(Standard Method)**
   - Interest rate based on 20-year bond-buyer index and municipal market data on general obligation yields
   - ATPI X interest rate @ 5, 10, 15, 20, 25, 30 years

Alternative methods – Separate affordability score into 4 bins

2. **Additive Rate Reduction Method**
   - Interest rate based on 20-year bond-buyer index and municipal market data on general obligation yields
   - Subtract (0.0, 0.25, 0.50, 0.75) from published rates
   - Results in rates that are too low in this economic environment

3. **Fixed Percent Deduction** (multiplication method)
   - Interest rate based on 20-year bond-buyer index and municipal market data on general obligation yields
   - Multiply (1.0, 0.80, 0.60, 0.40) from published rates
   - Yields majority of interest rates above 1.0% and allows for subsidization for small and disadvantaged communities

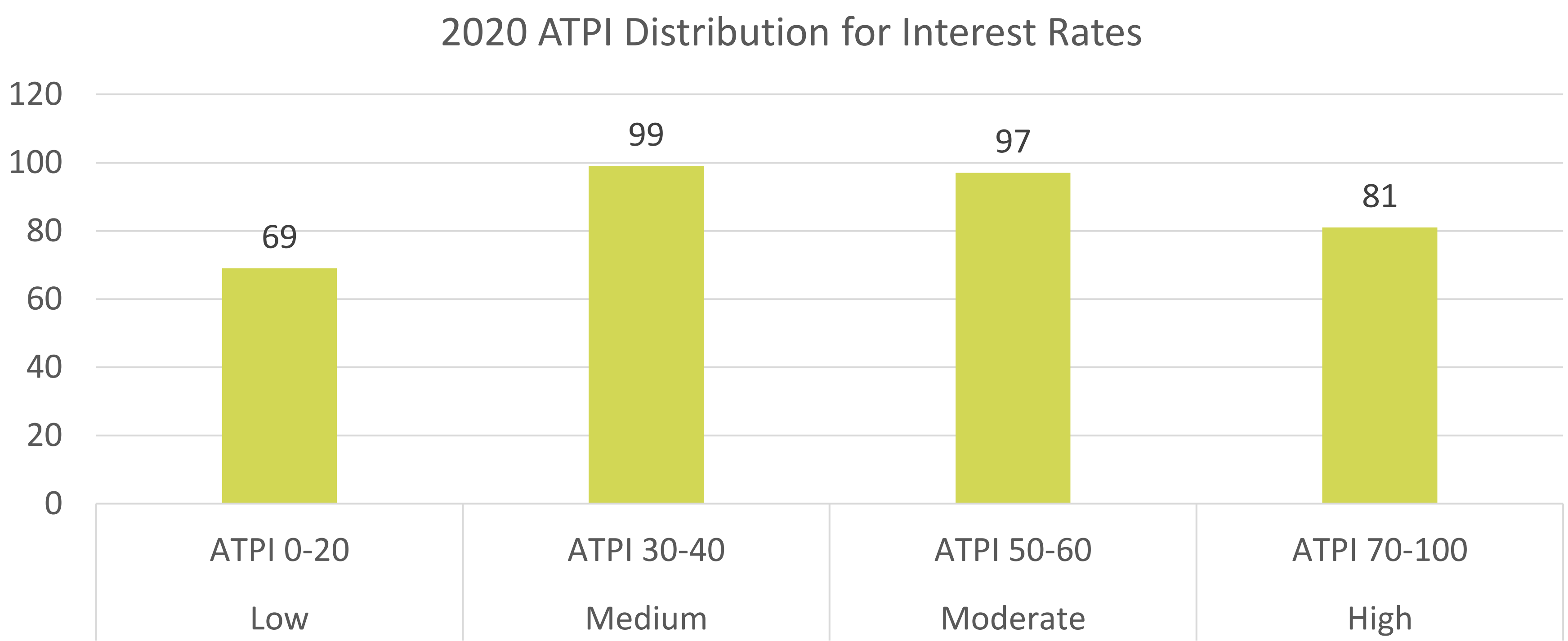
TN

Standard Method Using ATPI multiplied by Market Rate							
Market Rate	3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range	Interest Rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Market Rate x ATPI						
0		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10		0.11%	0.12%	0.13%	0.14%	0.16%	0.16%
20		0.21%	0.23%	0.26%	0.28%	0.31%	0.33%
30		0.32%	0.35%	0.38%	0.42%	0.47%	0.49%
40		0.42%	0.47%	0.51%	0.56%	0.62%	0.66%
50		0.53%	0.59%	0.64%	0.71%	0.78%	0.82%
60		0.64%	0.70%	0.77%	0.85%	0.94%	0.98%
70		0.74%	0.82%	0.90%	0.99%	1.09%	1.15%
80		0.85%	0.94%	1.02%	1.13%	1.25%	1.31%
90		0.95%	1.05%	1.15%	1.27%	1.40%	1.48%
100		1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

Most rates fall below 1% regardless of term

TN

Separate Affordability Scores into 4 Bins



- Simplify the process-aggregate data
- Equitable distribution of interest rate bins to determine the SRF awarded interest rate

Interest Rates with Additive Rate Reduction

Method Using a 0.25% Additive Rate Reduction from Market Rate								
Market Rate		3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range		Interest Rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Bin							
0-20	4	Market Rate - 0.75%	0.31%	0.42%	0.53%	0.66%	0.81%	0.89%
30-40	3	Market Rate - 0.50%	0.56%	0.67%	0.78%	0.91%	1.06%	1.14%
50-60	2	Market Rate - 0.25%	0.81%	0.92%	1.03%	1.16%	1.31%	1.39%
70-100	1	Market Rate	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

Interest Rates with Fixed Percent Deduction

Method Using Market Rate Multiplied by a Fixed Percent for Deduction								
Market Rate		3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range		Interest rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Bin							
0-20	4	Market Rate x 40%	0.42%	0.47%	0.51%	0.56%	0.62%	0.66%
30-40	3	Market Rate x 60%	0.64%	0.70%	0.77%	0.85%	0.94%	0.98%
50-60	2	Market Rate x 80%	0.85%	0.94%	1.02%	1.13%	1.25%	1.31%
70-100	1	Market Rate	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

Method Using Market Rate Multiplied by a Fixed Percent for Deduction								
Market Rate		3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range		Interest rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Bin							
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30-40	3	Market Rate x 60%	0.64%	0.70%	0.77%	0.85%	0.94%	0.98%
50-60	2	Market Rate x 80%	0.85%	0.94%	1.02%	1.13%	1.25%	1.31%
70-100	1	Market Rate	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

For 5 year loan terms, multiplying the rate by a fixed percent deduction yields the HIGHEST rates.

Method Using a 0.25% Additive Rate Reduction from Market Rate								
Market Rate		3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range		Interest Rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Bin							
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50-60	2	Market Rate x 80%	0.85%	0.94%	1.02%	1.13%	1.25%	1.31%
70-100	1	Market Rate	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

For 10-15 year loan terms, the rates are very comparable and nearly equal

Method Using a 0.25% Additive Rate Reduction from Market Rate								
Market Rate		3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range		Interest Rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Bin							
0-20	4	Market Rate - 0.75%	0.31%	0.42%	0.53%	0.66%	0.81%	0.89%
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70-100	1	Market Rate	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

Method Using Market Rate Multiplied by a Fixed Percent for Deduction								
Market Rate		3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range		Interest rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
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50-60	2	Market Rate x 80%	0.85%	0.94%	1.02%	1.13%	1.25%	1.31%
70-100	1	Market Rate	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

For 20-30 year loan terms, multiplying the rate by a fixed percent deduction yields the LOWEST rates.

Method Using a 0.25% Additive Rate Reduction from Market Rate								
Market Rate		3/30/2020	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%
ATPI Range		Interest Rate	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
	Bin							
0-20	4	Market Rate - 0.75%	0.31%	0.42%	0.53%	0.66%	0.81%	0.89%
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70-100	1	Market Rate	1.06%	1.17%	1.28%	1.41%	1.56%	1.64%

Preferred Alternatives/Conclusions

- 2020 ATPI using 7 variables
  - More precise than previous methods
  - No significant differences in a majority of community scores
- Threshold for Principal Forgiveness
  - Propose ATPI of 50
  - Lowers the high threshold of 60 from 2019
  - Still captures significant portion of TN communities
- Preferred method for calculation interest rate – **Fixed Percent Reduction** (multiplication method)
  - Fixed Percent Reduction, or multiplication method raises rates for **all communities** from Standard Method
  - Method has higher rates in short term and lower rates in long term compared to Additive Rate Reduction method
  - Using bins to simplify interest rate calculation reduces incentives for prosperous, less risky communities
  - The multipliers can be altered to reflect economic conditions on an annual basis per policy update

Questions & Discussion