



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
NOVEMBER 24, 2025
AGENDA

1. Call meeting to order, establish that there is a physical quorum, and receive public comments on actionable items in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines
2. Approval of minutes from the October 20, 2025, meeting
3. Consideration and approval of the following State Revolving Fund Drinking Water Loan:

	SRF Base Loan	Principal Forgiveness Standard	Principal Forgiveness Emerging Contaminants	Total Request	Interest Rate	Term
Clifton, DW20 2025-279-01	\$ 4,382,554.00	\$ -	\$ 1,392,282.00	\$ 5,774,836.00	2.00%	20

4. Consideration and approval of the TLDA's SRF Policy and Guidance for Borrowers
5. Consideration and approval of a Resolution of the Tennessee Local Development Authority concerning appointment of an Assistant Secretary
6. Report on the notification from the City of Munford submitted to comply with *TLDA SRF Policy and Guidance for Borrowers*
7. Report on the notification from the Metropolitan Government of Nashville and Davidson County submitted to comply with *TLDA SRF Policy and Guidance for Borrowers*
8. Report on the notification from the Town of Carthage submitted to comply with *TLDA SRF Policy and Guidance for Borrowers*
9. Adjourn

The Board meeting will be held in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, 425 Rep. John Lewis Way N., Nashville, TN. Board members are allowed to participate by electronic means. The public may attend in person or virtually by using the following link: <https://www.comptroller.tn.gov/office-functions/sgf/sgf-calendar/2025/11/24/tennessee-local-development-authority-board-meeting.html>

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
October 20, 2025

The Tennessee Local Development Authority (TLDA) met on Monday, October 20, 2025, at 2:18 p.m., CT, in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. Secretary of State Tre Hargett was present and presided over the meeting.

The following members were also present:

The Honorable Jason E. Mumpower, Comptroller of the Treasury
The Honorable David H. Lillard, Jr., State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration

The following members participated electronically as authorized by Tennessee Code Annotated § 8-44-108:

Mayor Rollen “Buddy” Bradshaw, Senate Appointee
Mayor Paige Brown, House Appointee

The following member was absent:

The Honorable Bill Lee, Governor

Recognizing a physical quorum present, Secretary Hargett called the meeting to order and asked Ms. Sandra Thompson, TLDA Assistant Secretary and the Director of the Division of State Government Finance (SGF) to conduct a roll call:

Treasurer Lillard—Present
Secretary Hargett—Present
Comptroller Mumpower—Present
Commissioner Bryson—Present
Mayor Brown—Present
Mayor Bradshaw—Present

Secretary Hargett, in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines, asked Ms. Thompson if any requests for public comment had been received. Ms. Thompson responded that no requests for public comment had been received.

Secretary Hargett stated that the first item of business was approval of the minutes from the July 21, 2025, TLDA meeting. Comptroller Mumpower moved approval of the minutes, and Commissioner Bryson seconded the motion. Secretary Hargett asked if there was any discussion. Hearing none, he asked Ms. Thompson to conduct a roll call vote:

Treasurer Lillard—Aye
Secretary Hargett—Aye
Comptroller Mumpower—Aye
Commissioner Bryson—Aye
Mayor Brown—Aye
Mayor Bradshaw—Aye

The minutes were unanimously approved.

Secretary Hargett stated that the next item on the agenda was the consideration and approval of a Clean Water State Revolving Fund (CWSRF) loan. Secretary Hargett recognized Ms. Vena Jones, Program Manager at the Tennessee Department of Environment and Conservation (TDEC), to present the CWSRF unobligated balance report and loan

request. Ms. Jones reported that, as of June 23, 2025, the Unobligated Fund Balance for the Clean Water State Revolving Fund (CWSRF) Loan Program was \$226,720,407. She stated that since that date, the balance had increased by \$137,408,666. This increase was attributed to fiscal year 2025 principal and interest repayments, fiscal year 2025 Treasury interest earnings, federal fiscal year (FFY) 2024 capitalization grants, the FFY 2024 Infrastructure Investment and Jobs Act (IIJA) general supplemental state match, and the return of \$379,000 in unused loan funds from a Brownsville Energy Authority project. Ms. Jones stated that, upon the approval of the \$27,000,000 loan request, the remaining funds available for loan obligations in the CWSRF would total \$337,129,073. Additionally, Ms. Jones reported that the Unobligated Fund Balance for CWSRF Non-Revolving Funds was \$1,358,000 as of June 23, 2025. She explained that the balance had since increased by \$3,089,000 due to the receipt of a FFY 2024 IIJA Emerging Contaminants Grant, bringing the total available balance to \$4,447,000. Secretary Hargett then asked if there were any questions regarding the reports. Hearing none, Ms. Jones proceeded to present the CWSRF loan request:

- **Springfield (CW9 2024-489-02)** Requesting \$27,000,000 for new advanced treatment wastewater treatment plant (WWTP): Construction of a new 7.0 million gallons per day WWTP to include a new biological treatment system, influent pump stations, headworks, activated sludge treatment, and sludge digestion and management; recommended interest rate of 2.93% based on the Ability to Pay Index (ATPI); Priority ranking 5 of 104 (2022); Term: 20 years

Secretary Hargett called for a motion to approve the loan. Treasurer Lillard made a motion to approve the loan request, and Comptroller Mumpower seconded the motion. Secretary Hargett asked if there were any questions or comments. Commissioner Bryson responded affirmatively and sought clarification on the City's Maximum Annual Debt Service (MADS) exceeding 200% of its State Shared Taxes (SSTs), noting that this ratio was significantly higher as compared to most local governments with SRF loans. In response, Ms. Jones explained that TDEC had required the City to provide access to its SSTs in the event of a default. However, she clarified that the City was financially strong and generated revenues that far exceeded its debt service obligations, making the likelihood of default extremely low. She added that the City would have to default on all of its outstanding loans simultaneously to reach the 200% threshold. Based on the City's revenue strength, TDEC remained confident in its ability to meet its obligations. Commissioner Bryson then asked whether the loan approval was based solely on the City's revenues, without consideration of its SSTs. Ms. Jones confirmed that it was. Secretary Hargett asked if there were any further questions or comments. Hearing none, he asked Ms. Thompson to conduct a roll call vote:

Treasurer Lillard—Aye
Secretary Hargett—Aye
Comptroller Mumpower—Aye
Commissioner Bryson—Aye
Mayor Brown—Aye
Mayor Bradshaw—Aye

The loan request was unanimously approved.

Secretary Hargett stated that the next item on the agenda was the report on SRF borrowers that had not submitted request for project expense reimbursement. He recognized Ms. Jones to present the report. Ms. Jones presented the SRF No Activity Report and stated that several borrowers had not yet drawn funds on their SRF loans. She provided updates on several projects, explaining that delays were due to a range of factors, including coordination with American Rescue Plan Act funding and change orders, ongoing bid processes, hurricane recovery impacts, regulatory reviews, and contractor compliance issues. She stated that most borrowers were expected to submit reimbursement requests in the near future, and further details for each borrower were included in the report. Ms. Jones emphasized that the failure to draw down funds on active loans posed a challenge for the SRF program. She explained that TDEC was in the process of finalizing new loan documents to ensure compliance with updated federal regulations. She also stated that TDEC was exploring the addition of conditions that would penalize borrowers who did not submit their first reimbursement request within six months of loan execution or who had not begun construction within twelve months. Furthermore, she noted that borrowers would be required to request disbursements at least quarterly, but no more than monthly. Ms. Jones concluded by stating that TDEC hoped these

modifications would promote the timely and efficient use of SRF funds. Secretary Hargett then asked if there were any questions or comments. Hearing none, he thanked Ms. Jones for her report. No board action was required.

Secretary Hargett stated that the next item on the agenda was the consideration and approval of the TLDA's SRF Policy and Guidance for Borrowers (SRF Policy & Guidance). He then noted that the item had been deferred to a future meeting. Ms. Thompson confirmed the deferral, and no further discussion took place on the matter.

Secretary Hargett stated that the next item on the agenda was consideration and approval of the TLDA's Tennessee Transportation State Infrastructure Fund (SIF) Policy and Guidance for Borrowers (SIF Policy & Guidance). Secretary Hargett recognized Ms. Kayla Carr, Assistant Director of SGF to present the item. Ms. Carr reported that the Public Acts of 2009, Chapter 525, established the SIF. She stated that in accordance with the Act, approximately \$2,200,000 was transferred to the fund in 2010, and the TLDA was granted authority to approve loans made from the fund. She noted that, upon recommendation from the Tennessee Department of Transportation (TDOT), the TLDA approved one loan to the City of Lakeland in March 2011. Ms. Carr further noted that no formal policies or procedures were ever adopted for the program, and no additional loan requests had come before the TLDA since that time. She continued by stating that, as part of its fiscal year 2026 budget, TDOT received an additional \$50,000,000 to allocate to the SIF. Ms. Carr added that representatives from TDOT were present, including Deputy Commissioner of Planning Preston Elliott and Director of Legislative Affairs Jay Klein, should the TLDA have any questions. Ms. Carr stated that, in anticipation of renewed activity under the SIF, staff had collaborated with TDOT to develop a policy document for the TLDA's consideration and approval. Ms. Carr noted that the proposed SIF Policy and Guidance was modeled after the TLDA's existing SRF Policy and Guidance. She explained that the SIF program would support a broad range of infrastructure projects, including streets, highways, bridges, and other roadway improvements; air transport and airport facilities; railways and rail facilities; port facilities; mass transit systems; parking facilities; and pedestrian or bicycle infrastructure, as recommended by TDOT. Secretary Hargett asked if there were any questions or comments. Hearing none, Secretary Hargett moved approval of the SIF Policy & Guidance, and Comptroller Mumpower seconded the motion. Secretary Hargett asked Ms. Thompson to conduct a roll call vote:

Treasurer Lillard—Aye
Secretary Hargett—Aye
Comptroller Mumpower—Aye
Commissioner Bryson—Aye
Mayor Brown—Aye
Mayor Bradshaw—Aye

The SIF Policy & Guidance was unanimously approved.

Secretary Hargett stated that the next item on the agenda was the report on the notification from the Town of Jasper submitted to comply with the TLDA's SRF Policy & Guidance. Secretary Hargett recognized Ms. Thompson to present the item. Ms. Thompson explained that, pursuant to the SRF Policy and Guidance, the Town of Jasper was required to notify the TLDA of its intent to incur additional debt. She reported that the Town planned to issue Revenue and Refunding Bonds in an amount not to exceed \$163,000, with a lien position subordinate to its outstanding SRF loans. Secretary Hargett noted that this was a non-voting item, and no board action was required.

Secretary Hargett stated that the next item on the agenda was the report on the notification from the Town of White Pine submitted to comply with the TLDA's SRF Policy & Guidance. Secretary Hargett recognized Ms. Thompson to present the item. Ms. Thompson explained that, pursuant to the SRF Policy and Guidance, the Town of White Pine was required to notify the TLDA of its intent to incur additional debt. She reported that the Town planned to issue Water and Sewer System Revenue and Tax Capital Outlay Notes in an amount not to exceed \$440,000, with a lien position subordinate to its outstanding SRF loans. Secretary Hargett noted that this was a non-voting item, and no board action was required.

Hearing no further business, Secretary Hargett asked for a motion to adjourn. Commissioner Bryson motioned to adjourn the meeting, and Treasurer Lillard seconded the motion. Secretary Hargett asked if there was any discussion. Hearing none, Secretary Hargett asked Ms. Thompson to conduct a roll call vote:

Treasurer Lillard—Aye
Secretary Hargett—Aye
Comptroller Mumpower—Aye
Commissioner Bryson—Aye
Mayor Brown—Aye
Mayor Bradshaw—Aye

The meeting was adjourned.

Approved on this ____ day of _____, 2025.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Loan Program
Funds Available for Loan Obligation
November 24, 2025

Unobligated Fund Balance as of July 21, 2025 **\$ 54,656,909**

Increases:

	<u>Loan Number</u>	<u>Amount</u>
SFY 2025 Principal & Interest Repayments		\$ 11,461,299
SFY 2025 Treasury Interest		\$ 5,600,972
FFY 2024 Capitalization Grant (project dollars)		\$ 5,795,050
FFY 2024 Capitalization Grant state match (SFY25)		\$ 1,569,200
FFY 2024 IIJA General Supplemental Grant (project dollars)		\$ 27,997,680
FFY 2024 IIJA General Supplemental state match (SFY25)		\$ 7,738,400

Unobligated Fund Balance as of November 24, 2025 \$ 60,162,601
\$ 114,819,510

Decreases:

	<u>Loan Number</u>	<u>Loan Amount</u>
Clifton (additional funding)	DW20 2025-279-01	\$4,382,554

Remaining Funds Available for Loan Obligations as of November 24, 2025 \$ (4,382,554)
\$ 110,436,956

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Non-Revolving Funds
Funds Available for Loan Obligation
November 24, 2025

Unobligated Emerging Contaminants Fund Balance as of July 21, 2025			\$	5,490,347
<u>Increases:</u>		<u>Loan Number</u>	<u>Amount</u>	
	FFY 2024 IIJA Emerging Contaminants Grant (project dollars)		\$	10,275,940
			\$	10,275,940
Unobligated Fund Balance as of November 24, 2025			\$	15,766,287
<u>Decreases:</u>		<u>Loan Number</u>	<u>Loan Amount</u>	
	Clifton (additional funding)	DW20 2025-279-01	\$1,392,282	
			\$	(1,392,282)
Remaining Funds Available for Loan Obligations as of November 24, 2025			\$	14,374,005

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Drinking Water State Revolving Fund (DWSRF) Non-Revolving Funds
Funds Available for Loan Obligation
November 24, 2025

Unobligated Lead Service Line Fund Balance as of July 21, 2025		\$	118,097,948
<u>Increases:</u>	<u>Loan Number</u>	<u>Amount</u>	
	FFY 2024 IIJA Lead Service Line Grant (project dollars)	\$	84,403,134
		\$	84,403,134
Unobligated Fund Balance as of November 24, 2025		\$	202,501,082
<u>Decreases:</u>	<u>Loan Number</u>	<u>Loan Amount</u>	
		\$	-
Remaining Funds Available for Loan Obligations as of November 24, 2025		\$	202,501,082

FACT SHEET

November 24, 2025

Borrower:	City of Clifton
Project Number:	DW20 2025-279-01
Requested SRF Funding:	\$5,774,836
SRF Base Loan:	\$4,382,554
DWSRF Emerging Contaminants	\$1,392,282 ¹
Term:	20 years
ATPI	30
Rate:	3.34% X 60 (Tier 2) = 2.00%
Companion Loan:	Yes

Project:

New Water Treatment Plant (WTP): Construction of a 1.5 MGD WTP to include a new raw water intake and 2,500 LF of waterline from the intake to the WTP site.

Total Project Cost:	\$26,553,636.20
Project Funding:	
SRF Loan Principal	\$ 4,382,554.00
DWSRF Emerging Contaminants	
Forgiveness (100%)	\$ 1,392,282.00
Local Funds	\$ -0-
Other Funds (Dept of Correction)	\$ 3,000,000.00
Other Funds (ARPA)	\$ 1,874,991.20
Other Funds (DWB23 2025-279)	\$15,903,809.00

County:	Wayne County
Consulting Engineer:	Heathcoat and Davis, Inc.
Priority Ranking List:	2022
Priority Ranking:	110 of 143 ²
Public Meeting:	02/24/2025

Financial Information:

Operating Revenues:	\$1,210,962
Current Rate:	\$ 36.80
Financial Review Rate:	\$ 36.80
Effective Rates, if applicable:	N/A

¹ Clifton received additional DWSRF Emerging Contaminants (PFAS) Principal Forgiveness specifically allocated for assets designed to manage per- and polyfluoroalkyl substances (PFAS) at the Clifton Water Treatment Plant.

² The project ranked #110 of 143 on the 2022 priority ranking List.

FACT SHEET
November 24, 2025

Residential User Charge:	5,000 gal/month
Customer Base:	585
Audit Report Filed:	12/28/2024 (Timely)
Approved Annual Budget:	Yes
Additional Revenue Recommended:	No
Financial Sufficiency Review:	10/14/2025
Updated Financial Sufficiency Review:	N/A

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

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: \$443,024

MADS:	Prior Obligations:	\$325,332
	Proposed loan(s):	
	DW20 2025-279-01	<u>\$266,052</u>
	Totals	<u>\$591,384</u>
MADS as a percentage of SSTs:		133.49%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF CLIFTON
DW20 2025-279-01**

As security for payments due under a State Revolving Fund (SRF) Loan Agreement, a local government pledges user fees, 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 \$443,024.00.

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*	Principal Forgiveness Emerging Contaminants	MADS**
SRF/Sewer	DWB23 2025-279	\$5,715,812.52	\$4,999,996.48	\$5,188,000.00	\$325,332.00

* 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 \$325,332.00.

(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				
TLDA/Public Health				
TLDA/Transportation				

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 \$325,332.00.

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	Principal Forgiveness Emerging Contaminants	Anticipated MADS
SRF/Water	DW20 2025-279-01	2.00%	\$4,382,554.00	\$0.00	\$1,392,282.00	\$266,052.00

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$266,052.00.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is -\$148,360.00.

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 23rd day of October, 2025.

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

LOCAL GOVERNMENT

BY:


Mark Staggs, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION

(FORM CT-0253)

CITY OF CLIFTON

DW20 2025-279-01

Pursuant to Tenn. Code Ann. § 9-21-134, 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. § 9-21-134 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 it 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 Clifton, attests that it is in compliance with Tenn. Code Ann. § 9-21-134 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 to this rule.



Mark Staggs, Mayor

October 23, 2025

Date

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



JASON E. MUMPOWER
Comptroller

Date: November 24, 2025

To: Members of the Tennessee Local Development Authority

From: Ms. Sandi Thompson, Director, Division of State Government Finance,
Assistant Secretary to the Authority

Subject: Review and updates to the *Tennessee Local Development Authority Policy and Guidance for Borrowers*

Staff have reviewed the Tennessee Local Development Authority (TLDA) Policy and Guidance for Borrowers (the “Policy”) and have provided the following recommended changes to be approved by the TLDA:

Page(s)	Description
2	Updates to Definitions section. Borrowers are now defined as any entity that has been approved for an SRF loan. Loans are categorized by whether or not a Borrower receives ad valorem taxes and/or state-shared taxes (AVT Loan vs Non-AVT loan). Municipal borrowers are now referred to as AVT-Borrowers, and utility districts and systems are now referred to as Non-AVT Borrowers throughout the Policy.
3	Updates to the Non-AVT Borrowers section (previously referred to as UDs and Systems): Requests from Non-AVT Borrowers to Issue Additional Revenue Debt to clarify that TLDA approval is required even if the additional debt will be issued subordinate to SRF loans.
7-8	Three factors were added to the section Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position including adopting a balanced budget, adoption of a debt management policy, and the selection process for professional services.
8-9	Addition of Debt Management Responsibilities section including the following subsections: Debt Management Policy , Safeguards for Issuances of High-Risk Debt , and Selection Process for Professionals Providing Services Related to Debt Issuance

- 15 Revised section **Requirement to File Annual Audit Report** to include subsections: **Requests for SRF Loan Funding and the Audit Filing Requirement**, and **Requests to Issue Additional Debt and the Audit Filing Requirement**.
- 16 Updated **Single Audit Requirement** section to reflect an increase to the threshold of federal funds received from \$750,000 to \$1,000,000 and clarified that SRF borrowers are required to consider all SRF funding received as federal for purposes of the single audit requirement.
- 16 Addition of **Balanced Annual Budget Requirement** section. Local governments are prohibited from issuing additional debt unless they are in compliance with state law that requires local officials to adopt a balanced annual budget and submit the budget to the Comptroller's Office for approval
- Various Non-substantive revisions and corrections throughout the Policy as part of our normal editing process performed during the review.

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

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

Introduction

The Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs (together, the SRF program) are federal-state partnerships of which the purpose is to provide financial assistance with low-cost financing to address federal and state health, safety, and environmental requirements for clean water and safe drinking water. The United States Environmental Protection Agency (EPA) has federal oversight of the operation of the SRF programs and, since the inception of both programs, has provided funding for the programs through annual capitalization grants. However, no guarantee exists that these programs will continue to receive such grants in perpetuity. Through the SRF program, local governments and water systems are eligible to apply for federally subsidized, low-cost, loans to finance infrastructure improvements to meet these requirements. The purpose of the Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers (Policy and Guidance) is to provide guidance to SRF program borrowers.

Over the years, the Tennessee Local Development Authority (TLDA) has established policies and other guidance to assist Borrowers. The TLDA has conducted a review of these documents with regards to their clarity and efficacy for borrowers, alignment with SRF program goals, and compliance with SRF program requirements. This resulting Policy and Guidance supersedes any policy or guidance previously approved by the TLDA.

The Tennessee General Assembly passed legislation in 2015 and 2021 to allow privately-owned for-profit community public water systems and wastewater treatment systems (Private Systems) to borrow and access funding from the Drinking and Clean Water SRF programs. Refer to the section titled Privately Owned For-Profit Community Public Water and Wastewater Systems for more information on the enacted legislation. At the time of the approval of this Policy and Guidance, no loans had been made to Private Systems nor had any applications been received.

Definitions

For purposes of this Policy and Guidance, terms defined in Tenn. Code Ann. Title 68, Chapter 221, Parts 10 and 12, shall have the same meaning as defined in those parts unless the context otherwise requires. Any subsequent amendment to definitions in those parts or statutes cited in the definitions below is hereby incorporated by this Policy and Guidance.

“AVT Loan” means a loan made pursuant to the SRF loan program which is secured, in part, by ad valorem taxes or by unobligated state shared taxes.

“Non-AVT Loan” means a loan made pursuant to the SRF loan program which is not secured in any part by ad valorem taxes or by unobligated state shared taxes.

“Borrower” is any entity for which a loan pursuant to the SRF loan program has received final approval by the TLDA in accordance with Tenn. Code Ann. § 68-221- 1005(c) or Tenn. Code Ann. § 68-221-1205(g) until such loan has been paid in full.

“State-shared taxes” are taxes imposed and collected by the state pursuant to law and allocated by law to local government units, whether allocated for a particular purpose or for the general use of such local government units as defined in Tenn. Code Ann. § 4-31-102(20).

“Tennessee Local Development Authority” or “TLDA” is the entity created by Tenn. Code Ann. Title 4, Chapter 31.

“Tennessee Department of Environment and Conservation” or “TDEC” is the department created by Tenn. Code Ann. § 4-3-501.

Issuance of Additional Debt

Purpose

The SRF program provides Borrowers with federally subsidized, low-cost loans to fund water and wastewater projects; however, the SRF program may not be able to meet all the financing needs of all Borrowers or potential borrowers. Borrowers may also need to issue additional debt to address their project funding needs. By blending a below market interest rate loan from the SRF with higher rate debt sold in the public market, a Borrower may lower or reduce overall costs. As a result, their customers could incur lower average user fees than would be available if such Borrowers relied solely upon the issuance of capital markets debt. The TLDA has a responsibility to ensure the financial stability and integrity of the SRF program through the repayment of monies from its Borrowers. The TLDA also recognizes Borrowers may need funding beyond what the SRF program can provide. Therefore, the TLDA carefully considers a request from a Borrower to issue additional debt that could in effect impair the security of the Borrower's SRF loan. This also includes a Borrower's request to modify the lien position of its SRF loan relative to the new debt.

This section provides guidance to Borrowers that plan to issue additional debt, clarifies the TLDA's position with respect to requests from Borrowers to modify the TLDA's lien position on an SRF loan, and outlines factors the TLDA should contemplate when considering a Borrower's request to modify such lien position.

Non-AVT Borrowers

Requests from Non-AVT Borrowers to Issue Additional Revenue Debt

Any additional debt issued by a Non-AVT Borrower will be payable from the same revenues that are pledged to repay such Borrower's SRF loan and must first meet all representations and covenants in such Borrower's SRF loan agreement. A Non-AVT Borrower that seeks to issue additional revenue debt must submit a request for approval in writing to the TLDA prior to the issuance of such debt even if the additional debt is to be issued subordinate to the SRF debt. A Non-AVT Borrower that seeks either a parity or senior lien position for its proposed debt must also request approval of the TLDA to modify lien position. (See sections titled Lien Position and Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position.)

In order to allow adequate time for such consideration, all written requests should be submitted to the TLDA at least 45 days prior to the anticipated sale date.

For revenue debt that is being issued solely to refund previously outstanding debt, approval may be granted by the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

Non-AVT Borrowers should always consult their bond or disclosure counsel to obtain advice on the appropriate disclosure to be made in offering documents for any new debt issued relative to the lien position of any SRF loan.

Security and Representations and Covenants Required for Consideration of Non-AVT Borrower's Request to Issue Additional Revenue Debt

Non-AVT Borrowers have not pledged any state funds that can be intercepted in the event of an SRF loan payment default; therefore, these entities are required to secure their SRF loans with user fees and other revenues collected by the Non-AVT Borrowers. To secure these loans, procedures and loan covenants relating to these entities have been established to the effect that a Non-AVT Borrower is required to pledge and assign any funds that are payable to it from various sources.

The requirements summarized below are stipulated in the representations and covenants of the SRF loan agreements for Non-AVT Borrowers. Upon entering into an SRF loan agreement, a Non-AVT Borrower is required:

- To do, file or cause to be done or filed any action or statement required to perfect or continue the lien(s) or pledge(s) granted or created under the loan agreement;
- To establish and collect, and to increase user fees and charges sufficient to meet a 1.20x debt service coverage to net revenues. Net revenues are gross earnings, fees and charges, net of current expenses. Current expenses are those incurred in the operation of the system, determined in accordance with generally accepted accounting principles (GAAP), including the reasonable and necessary costs of operating, maintaining, repairing, the water/wastewater system, salaries, wages, cost of material and supplies, and insurance premiums, but specifically excluding depreciation and debt service payments; and
- To ensure that no additional debt payable from the revenues of the water/wastewater system will be issued or entered into unless:
 - (1) Prior approval is received from the TLDA;
 - (2) The annual audit required by the terms of the loan agreement for the most recent fiscal year has been delivered not later than six months after the end of such fiscal year [See section titled Filing of Annual Audit Report];
 - (3) The covenant that requires 1.20x debt service coverage to net revenues has been met for the most recent fiscal year;
 - (4) The net revenues of the water/wastewater system for the next three fiscal years ending after the issuance of the additional debt shall be sufficient to meet a 1.20x debt service coverage to net revenues; and
 - (5) The Non-AVT Borrower has adopted a revised schedule of rates and fees and taken action to put such revisions in effect at or prior to the issuance of the additional debt.

As additional security for an SRF loan, prior to the first disbursement of funds under an SRF loan agreement, a Non-AVT Borrower must deposit with the TLDA an amount of cash equal to the maximum annual debt service on such SRF loan (or a portion of such amount, to be paid in up to four equal installments in accordance with the section titled Incremental Funding of Security Deposit). The security deposit must be funded from cash available to a Non-AVT Borrower

meaning that no portion of a security deposit may be funded with proceeds from the SRF loan.

AVT Borrowers

Requests from AVT Borrowers to Issue General Obligation Debt

AVT Borrowers are not required to seek approval from, or provide notification to, the TLDA to issue general obligation debt unless the general obligation debt is also secured by a pledge of revenues derived from a water/wastewater system with a security lien on parity with or senior to the SRF loan(s). In such case, see section titled Requests from AVT Borrowers to Issue Revenue Debt.

Requests from AVT Borrowers to Issue Revenue Debt

AVT Borrowers are not required to seek approval from, or provide notification to, the TLDA to issue revenue debt that will be secured by a source of revenue other than the revenues of its water/wastewater system. If the revenue debt is to be secured by the revenues of the water/wastewater system, but the AVT Borrower is not requesting a parity or senior lien position of the debt to be issued, the AVT Borrower must only provide a written notification to the TLDA at least 45 days prior to the sale of the debt. No approval is required from the TLDA, and the notice must include a statement that the AVT Borrower acknowledges that the debt will be issued subordinate to its outstanding SRF loan(s). If an AVT Borrower seeks a parity or senior lien position for the revenue debt (new money or refunding), the AVT Borrower must submit a written request for approval from the TLDA to modify the SRF program's lien position at least 45 days prior to the sale date of any revenue debt (new money or refunding). (See sections titled Lien Position) Please refer to section titled Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position for information used to analyze requests.

To recognize the time sensitivity in issuing refunding debt, if the additional revenue debt is being issued to refund previously outstanding debt, a Borrower may seek approval from the Vice-Chairman of the TLDA, as outlined below in the section titled Approval for the Issuance of Refunding Debt.

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

Borrowers should always consult bond or disclosure counsel when issuing revenue debt to obtain advice on the appropriate disclosure to be made in offering documents concerning the lien position of the SRF program.

Encumbrance of State-shared Taxes

If the additional debt is to be secured by a pledge of State-shared taxes, an AVT Borrower must submit a written request for approval from the TLDA to encumber the AVT Borrower's State-shared taxes, and the TLDA must approve any encumbrance of the AVT Borrower's State-shared taxes prior to the issuance of any such new debt. Such request should be submitted at least 45 days in advance of the proposed sale date of such debt or as soon as possible.

Approval for the Issuance of Refunding Debt

Time Sensitivity

The issuance of refunding debt usually progresses through an accelerated timetable to take advantage of market conditions to achieve certain debt service savings. If a meeting of the TLDA

cannot be scheduled within this timeframe, the Vice-Chairman of the TLDA is authorized to approve the issuance of refunding debt by a Borrower under the following conditions:

- The refunding does not extend the life of the debt;
- The refunding debt is structured to generate debt service savings of at least 3 percent net present value savings of the refunded debt;
- Documentation is provided to the Vice-Chairman, in the form of a projected savings report certified by a financial advisor or underwriter, demonstrating such savings can be achieved;
- The refunding debt will be issued subordinate to SRF debt or the lien position of the existing SRF debt will remain the same or be improved;
- Staff has analyzed the transaction and has concluded that any prerequisites for TLDA approval of the issuance of additional debt have been met; and
- The Borrower agrees to provide a final savings report to the Vice-Chairman, that shows the actual savings achieved by the refunding.

A written request must be submitted to the TLDA at the same time that the plan of finance for the issuance of refunding debt is submitted to the Director of the Division of Local Government Finance pursuant to Tenn. Code Ann. § 7-82-501. The Vice-Chairman will report any such approvals at the next meeting of the TLDA. At that time, or as soon as it is available, the Vice-Chairman will provide the final savings report to all members of the TLDA for review. Please refer to section titled Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position for information used to analyze requests.

Refunding to Extinguish all SRF Debt

If the refunding debt will be issued to extinguish all SRF debt and the Borrower will have no other SRF loan authorizations upon which funds can be drawn, then the Borrower should provide written notification to the TLDA of its intent to pay off its SRF loans in full. The repayment should occur simultaneously with the issuance/closing of the bonds.

Lien Position

Requests from Borrowers to Modify Lien Position

Generally, lien position, or lien priority, is determined by the effective date the debt. The date of any SRF loan shall be the date that the TLDA approves the loan request (as evidenced on the SRF loan agreement).

Following the general rule of lien priority, a new SRF loan would be issued with a subordinate lien position to a lien position of existing debt. Likewise, any debt issued after the approval of an SRF loan would be subordinate to the SRF loan. However, a Borrower may request a modification of such standard lien position. For example, a Borrower may have outstanding debt in the capital markets and plans to obtain an SRF loan. The TLDA would consider a request to issue a new SRF loan on parity with such existing debt. In another instance, a Borrower with an existing SRF loan agreement plans to issue additional debt in the capital market. If a Borrower requests a modification of the TLDA's lien position to the new debt, the TLDA will only consider a

modification upon demonstration from a Borrower of good cause, sufficient resources to repay the SRF loan, and ability to satisfy any other such requirements as set forth by the TLDA at the time of the request. The TLDA must give careful consideration to a request for subordination of the lien position of the SRF debt to a Borrower's debt because it poses more risk to the SRF loan program than a request for parity lien. The TLDA may approve a request for subordination under limited circumstances if a Borrower demonstrates a substantial need, meets all requirements set forth by the TLDA, and the TLDA deems such request to be in the best interest of the Borrower and the users of the Borrower's water/wastewater system.

Written requests to modify an SRF program lien position must be submitted for approval by the TLDA prior to the issuance of any such debt (new money or refunding). In order to allow adequate time for such consideration, all written requests should be submitted to the TLDA at least 45 days prior (or as soon as possible) to the anticipated sale date of such new debt. (See section Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position)

Consent to Modify Lien Position

Any consent by the TLDA to modify its SRF program lien position applies only to revenues pledged to service the SRF loan. Consent to modify the SRF lien position does not affect any pledge of State-shared taxes or any rights to security deposits held by the TLDA (if applicable).

Consent of the TLDA to modify the SRF program's lien position is subject to the condition that the documentation authorizing the new debt: 1) clearly states that debtholders have no rights to any security deposits required by, and securing, the SRF loan agreement(s) and 2) does not provide debtholders acceleration rights that are superior to, or more generous than, those provided under the SRF loan agreement(s). Neither the TLDA nor the TDEC shall have any rights to any debt service reserve fund established in favor of the new debt.

The Borrower will be responsible for ensuring completeness and accuracy of all documents. The TLDA makes no representation that the issuance of additional debt by the Borrower complies with all applicable laws, or that such issuance is in the best interest of the Borrower. The TLDA is not a municipal financial advisor and offers no financial advice to Borrowers concerning such requests.

Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position

The TLDA will analyze several factors, as appropriate, when considering requests to issue additional debt and to modify the SRF program's lien position. These factors shall include but are not limited to:

- The Borrower's compliance with the covenants and representations set forth in its SRF loan agreement;
- The Borrower's amount of authorized and outstanding SRF program debt;
- The Borrower's history of timely SRF Loan repayments;
- The Borrower's timely filing of financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury (See section titled Filing of Annual Audit Report); The Borrower's compliance with state law relative

to adopting a balanced annual budget (See section titled Requirement for Balanced Annual Budget);

- The Borrower's adoption of a debt management policy (See section titled Debt Management Policy);
- The Borrower's selection process for professional services (See section titled Selection Process for Professionals Providing Services Related to Debt Transactions);The amount and purpose of proposed debt issuance;
- The Borrower's credit rating (if applicable);
- The Borrower's current and pro-forma (projected) debt service coverage;
- The Borrower's amount of unobligated State-shared taxes (if applicable);
- The Borrower's customer concentration risk, i.e. the percentage of the water/wastewater system's total revenues generated by its largest user(s);
- The lien position of existing SRF debt; and
- The impact that the proposed project being financed will have on the health, safety, and well-being of the citizens of the state of Tennessee.

Debt Management Responsibilities

Debt Management Policy

All public entities that incur or issue debt must have a debt management policy, adopted by its governing board, that contains the minimum requirements in accordance with guidelines developed by the State Funding Board pursuant to Tenn. Code Ann. § 9-21-134. Debt management policies, including any revisions, must be filed with the Comptroller of the Treasury's Division of Local Government Finance.

Safeguards for Issuances of High-Risk Debt

Borrowers should be aware that during the 2025 legislative session, Public Chapters 17 and 218 were enacted to help the Comptroller's office oversee the financial condition of local governments and provide safeguards on the issuance of high-risk debt:

- Tenn. Code Ann § 9-21-134 was amended and now requires that local governments report to the Comptroller defaulted debt, covenant violations, and credit rating downgrades.
- Tenn. Code Ann. § 9-21-409 was amended and now requires local governments issuing debt that has heightened risk to first gain the Comptroller's approval. Heightened risk debt is debt with a variable interest rate, interest rate reset

provision, or a put option where the holder can demand repayment of the debt with a notice to the issuer.

Selection Process for Professionals Providing Services Related to Debt Issuance

When selecting a professional service provider, a public entity should consider the costs and benefits of the services and provide transparency to the public, system ratepayers, governing body, and all stakeholders. A Borrower making a request to the TLDA to issue additional debt and/or modify lien position should include information in its request that demonstrates due diligence in procuring and evaluating professional service providers engaged in assisting with debt issuance. The Borrower should demonstrate compliance with the process, as set forth in its debt management policy, for the procurement and selection of professionals and provide the latest dates when the Borrower engaged in a procurement process for professional services related to debt issuance. The Borrower may look to its financial advisor for assistance in the selection process of the professionals that will make up the financing team. This may involve developing requests for proposals (RFPs) or requests for qualifications (RFQ), performing reference checks, evaluating proposals, conducting interviews, and sharing the results with the Borrower. However, it is the responsibility of the Borrower to approve the final selections. Non-compliance with its policy or lack of transparency related to the costs may result in disapproval of a Borrower's request or may delay approval until the issues have been addressed in a satisfactory manner to the TLDA.

Professional services under this section shall refer to the following types of professional services and are applicable if the professional is engaged in the process of issuance for the proposed debt:

- Issuer's Counsel
- Bond Counsel
- Financial Advisor
- Dealer or Remarketing Agent
- Issuing and Paying Agent
- Credit/Liquidity Provider
- Refunding Trustee
- Verification Agent
- Escrow Bidding Agent

Report on Debt Obligation

A Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Division of Local Government Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information on the debt to members of the governing

or legislative body that authorized and is responsible for the debt issued.

A local government that applies for an SRF loan but 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 to proceed with its loan application. Furthermore, a Report is required to be filed once an SRF loan has been approved by the TLDA and the agreement has been executed by the borrower.

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.

Disclosure

The Electronic Municipal Market Access (EMMA) website was created by the Municipal Rulemaking Securities Board (MSRB) to provide municipal market information, such as official statements, continuing disclosure documents, advanced refunding documents, and trade data for all municipal securities in the United States. All local government issuers are required to perform continuing disclosure undertakings related to Securities and Exchange Commission (SEC) Rule 15c2-12 via EMMA.

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the 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.

A local government may need to disclose information concerning its SRF loan on the MSRB’s EMMA website. The local government should consult with bond and/or disclosure counsel to determine the appropriate disclosures. More information about EMMA can be found on the MSRB’s website.

Forgiveness of Principal

Purpose

In some cases, the annual capitalization grants from EPA may require the SRF program to set aside a portion of the federal funds to provide additional subsidy to eligible borrowers in the form of principal forgiveness, grants, or negative interest loans.

Pursuant to Tenn. Code Ann. § 68-221-1005(*l*)(1), “[t]he department and the authority may use any federal funds allocated to the state to make loans and to subsidize loans made through the

Terms and Conditions

Project A

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Incremental Funding of Security Deposit for Non-AVT Borrowers

Purpose

Pursuant to the loan agreement, Non-AVT Borrowers are required to fund a security deposit in an amount equal to the maximum annual debt service of the SRF loan.

The loan agreement states, in part:

Prior to the first disbursement of funds under this Agreement, the [Borrower] will deposit with the Authority an amount of funds equal to the maximum annual debt service (the “security deposit”). The amount of the security deposit will be adjusted to reflect adjustments in the payment schedule.

The amount of the security deposit is calculated based on the total approved loan amount. It is important to note that the Borrower shall not use loan proceeds to fund the security deposit. A Borrower must fund the required deposit from its own resources prior to any disbursement of loan proceeds. The TLDA recognizes that, although a Borrower may have increased its user rates and fees to generate necessary cash flow needed for a project, sufficient cash flow might not be available at the beginning of a project to fully fund an upfront security deposit, since completion of the project could take one to three years. Consequently, the TLDA has authorized its Assistant Secretary, upon the concurrence of TDEC, to approve Borrower requests for incremental funding of security deposits.

Upon approval of incremental funding by the Assistant Secretary, a Borrower would be allowed to deposit with the TLDA its security deposit in up to four equal installments (see Exhibit A). The Assistant Secretary shall determine the number of installments that will be allowed, based upon the amount of the required security deposit. Upon the concurrence of TDEC with such recommendation, the Assistant Secretary will notify the Borrower of the required incremental amounts to be deposited. When the first incremental deposit is made, a pro rata share of project reimbursement requests may be disbursed. Pro rata project reimbursement disbursements will continue to be made as long as, and until, the required incremental funding is received and deposited.

Terms and Conditions

Incremental funding of a security deposit is subject to the following:

- The Borrower has submitted a written request for approval to the TLDA and has received written approval from the Assistant Secretary;
- The Borrower has provided financial statements that demonstrate the Borrower's ability to make the approved incremental installments from current and/or projected cash flows; and
- The construction completion date for the project, as outlined in the loan conditions section of the SRF loan agreement, must be at least two (2) years after the date that the loan was approved by the TLDA.

The Borrower may request disbursements in any amount and any frequency within the conditions listed above.

A Borrower who has been granted approval for incremental funding of the security deposit:

- Has no right to additional reimbursements of project costs under the SRF loan agreement until the required increment of the security deposit has been received and deposited by TLDA staff; and
- Is eligible to earn and receive interest only on the amount of the security deposit held by the TLDA.

Exhibit A

This example illustrates an example of incremental funding in which the funding for the security deposit is divided into four equal installments.

Loan Amount	\$	20,000,000
Term		20 years
Interest Rate		2.50%
Maximum Annual Debt Service	\$	1,271,767

Required Security Deposit	Reimbursement Request		
\$ 317,942	\$ 1	to	\$ 5,000,000
\$ 635,883	\$ 5,000,001	to	\$ 10,000,000
\$ 953,825	\$ 10,000,001	to	\$ 15,000,000
\$ 1,271,767	\$ 15,000,001	to	\$ 20,000,000

Modification of SRF Loan Repayment Schedules for Financially Distressed Borrowers

Purpose

The TLDA has a responsibility to ensure the integrity and financial strength of the SRF program, which relies on the borrower's repayment of monies to fund future loans. However, the TLDA recognizes that if a Borrower experiences financial distress, it may seek assistance from the TLDA through payment relief. As such, the TLDA must carefully consider any request from a Borrower that may impact the SRF program, including Borrower requests to modify loan repayment schedules. The Borrower must provide a written request to the TLDA for approval to modify an SRF loan repayment schedule.

Terms and Conditions

The TLDA may consider modification of an SRF loan repayment schedule under the following conditions:

- The Comptroller has filed a copy of the Borrower's audited financial statements with the Utility Management Review Board pursuant to Tenn. Code Ann. § 7-82-703(a), or the Borrower's audit report with the Water and Wastewater Financing Board, pursuant to Tenn. Code Ann. § 68-221-1010(a); or
- A significant event beyond the control of the Borrower occurs and impacts the

Borrower's ability to repay the SRF loan, such as:

- (1) A natural disaster; or
 - (2) Loss (or reduction in capacity) of a large customer (commercial, industrial, governmental); or
 - (3) Similar unforeseen event beyond the control of the Borrower and despite prudent action taken; or
- The TLDA deems such action to be for the benefit of the citizens of the state in the performance of essential public functions and that such action serves a public purpose in improving and otherwise promoting the health, welfare, and prosperity of the citizens of the state.

In considering a request to modify an SRF loan repayment schedule, the TLDA will take into account whether or not the Borrower has:

- Implemented or is about to implement a plan to adopt a multi-year rate increase schedule to address its financial difficulties;
- Established rates sufficient to cover debt service on a new debt issuance for capital improvements necessary to bring the Borrower into compliance with any TDEC administrative orders, including, but not limited to: Agreed Orders, Commissioner's Orders, Director's Orders, or Consent Decrees;
- A history of timely debt service payments on its SRF loan in accordance with the current payment schedule;
- A plan to attract new customers or to expand the existing customer base;
- A plan to reduce expenses or make efficiency improvements to the system; and
- A debt management policy in compliance with the State Funding Board's directive under Tenn. Code Ann. § 9-21-151 that addresses actions to be taken to avoid default or to provide adequate rates to service debt (rates will be set to provide at least a 1.20x debt service coverage).

Payment Relief

A Borrower may request payment relief from the TLDA through a reduction or waiver of the interest due on the loan for a specified time period. The TLDA may consider additional measures on a case-by-case basis, however, no principal will be forgiven except as originally contemplated under federal directives and approved by the TLDA in the loan agreement. A Borrower in financial distress with outstanding capital market securities may be required to disclose the financial distress as an event pursuant to SEC Rule 15c2-12. Borrowers should seek the advice of bond or disclosure counsel in determining what disclosure is appropriate.

Requirement to File Annual Audit Report

Tennessee state law¹ requires local governments to file an annual audit report with the Office of the Comptroller of the Treasury. Furthermore, SRF program Borrowers agree to make an annual filing as a condition of the loan agreement. A Borrower may be required to disclose audited financial information pursuant to federal law or other contractual agreements, including, but not limited to, the Federal Single Audit Act and the SEC's Rule 15c2-12 for continuing disclosure. Other such requirements do not supersede a Borrower's audit filing responsibility under Tennessee state law or covenants contained in the SRF loan agreement. Also, a Borrower's notification to the TLDA and TDEC, as described below, of a delinquent filing does not relieve it of any responsibilities related to other state contracts or contracts with federal or other agencies. The Borrower should notify other interested parties of a delinquent filing, including, but not limited to, lenders, grantors, bond counsel, regulatory boards, and federal or other state agencies and should contact other parties to determine if any additional action is necessary pursuant to other agreements.

Requests for SRF Loan Funding and the Audit Filing Requirement

Failure to file the audit report in compliance with statutory or contractual requirements may cause a delay in the approval process for SRF funding, and in certain cases may result in disapproval. SRF loan applicants that have not met the filing deadline, or anticipate a delay, should provide written notification to the TLDA and TDEC prior to the applicable deadline and provide the reason for the delinquent filing and the expected filing date.

Requests to Issue Additional Debt and the Audit Filing Requirement

Non-AVT Borrowers

In accordance with the provisions of the SRF loan agreement, Non-AVT Borrowers are prohibited from issuing or entering into additional debt payable from the revenues of the water/wastewater system unless the annual audit for the most recent fiscal year has been delivered within six months after the end of such fiscal year. A Non-AVT Borrower who has not met this requirement and plans to issue additional debt must request a waiver of the enforcement of the requirement. The Non-AVT Borrower should include in its request to issue additional debt the reason for the delinquent filing and the expected filing date. Failure to file the audit report in compliance with statutory or contractual requirements may cause a delay in the approval process for a request, and in certain cases may result in disapproval. See section titled Requests from Non-AVT Borrowers to Issue Additional Revenue Debt.

AVT Borrowers

An AVT Borrower seeking to issue additional debt and a modification lien position that has failed to timely file its report should include in its request the reason for the delinquent filing and the expected filing date. Failure to file the audit report in compliance with statutory or contractual requirements may cause a delay in the approval process for a request, and in certain cases may result in disapproval. (See sections titled Requests from AVT Borrowers to Issue General Obligation Debt and Requests from AVT Borrowers to Issue Revenue Debt)

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

Single Audit Requirement

The Clean Water and Drinking Water SRF programs were established in each State with capitalization grants from the EPA. States use these grant funds, in addition to state funds and borrower repayments, to provide SRF loans and other types of financial assistance to qualified local governments. Local governments receiving SRF loans are considered subrecipients of federal funding.

Federal regulation, 2 CRF 200 Subpart F, requires a single audit to be performed for any assistance recipient expending \$1,000,000 in federal financial assistance from any source, including funding from the SRF loan program. SRF is required by the Federal Funding Accountability and Transparency Act of 2010 (FFATA) to report to the federal government all projects receiving federal funds and subject to federal Single Audit requirements. In some cases, large SRF loan borrowers can cover the federal funding requirements for all loans issued under a specific capitalization grant if that large loan is equal to or greater than the amount of the specific capitalization grant (equivalency). However, the availability of equivalency loans is highly variable from year to year. Therefore, unless otherwise indicated, SRF accounts for all loans as utilizing federal funds, requires borrowers to report funding as such, and to comply with single audit requirements.

Any questions regarding sources of funds and/or federal and state audit and compliance requirements under OMB's administrative requirements, cost principles, and TDEC loan/grant agreements, should be directed to TDEC at ask.srf@tn.gov.

Balanced Annual Budget Requirement

Pursuant to state law², local officials are required to adopt a balanced annual budget and submit the budget to the Division of Local Government Finance in the office of Comptroller of the Treasury for approval. If a local government's budget is not approved, then that local government may not issue debt or financing obligations. Local governments pursuing an SRF loan must have an annual approved budget on file with Local Government Finance to be eligible for SRF funding. Local governments, not in compliance with this requirement at the time of application, will be bypassed for consideration for SRF funding in the current cycle and will not be eligible again until the next funding cycle. In the case of an emergency, the Division of Local Government Finance may waive the requirement of budget approval to allow a local government to enter into an emergency financial transaction. The local government should contact the Division of Local Government Finance to request a waiver. If a waiver is granted, the local government may provide the waiver to the SRF loan program for consideration to be eligible for an SRF loan. The local government should be in receipt of the waiver at the time of application. The Tennessee Budget Manual for Local Governments is located in the "Budgets" category for "Local Government Finance" on the website of the Tennessee Comptroller of the Treasury.

² Tenn. Code Ann. §§ 7-36-113, 7-82-501, 9-21-404, 68-221-611, and 68-221-1306

Privately Owned For-Profit Community Public Water and Wastewater Systems

On April 20, 2015, Tenn. Code Ann. § 68-221-1203(6) was amended by Public Chapter No. 207 to allow privately owned for-profit community public water systems to borrow from the Drinking Water State Revolving Fund program. On March 18, 2021, Tenn. Code Ann. § 68-221-1003(7) was amended by Public Chapter No. 99 to allow privately owned for-profit community public wastewater treatment systems to borrow from the Clean Water State Revolving Fund program.

Conditions and Requirements

Tennessee state law includes conditions and requirements for Private Systems that seek to borrow from the Drinking Water and Clean Water SRF loan programs.

Tenn. Code Ann. § 68-221-1206(f)(11) and § 68-221-1006(a) stipulate that loans may be made to Private Systems pursuant to 40 C.F.R Part 35; provided, that:

- No Private System shall be considered for loans with principal forgiveness under this program;
- Private Systems shall be categorized as one hundred percent (100%) ability to pay on the index established pursuant to § 68-221-1205 and § 68-221-1005;
- A Private System borrower shall have a debt service coverage ratio of at least 1.25;
- Private Systems shall provide security determined by the TLDA to be acceptable to secure a loan under this part; and
- The TLDA has the authority to direct a Private System to the water and wastewater financing board for compliance as set forth in § 68-221-1009 and § 68-221-1010, and by the Comptroller of the Treasury.

At the time of the approval of this Policy and Guidance, no loans have been made to Private Systems nor have any applications been received.

Adoption of Policy and Guidance

The Authority adopted this Policy and Guidance at its public meeting on September 21, 2016, effective September 21, 2016. The Authority adopted revisions at its publicly held meetings on May 5, 2018, July 21, 2021, November 29, 2023, and November 24, 2025.

Tre Hargett

Secretary of State

TLDA Vice Chair

A RESOLUTION OF THE TENNESSEE LOCAL
DEVELOPMENT AUTHORITY CONCERNING THE
APPOINTMENT OF AN ASSISTANT SECRETARY

WHEREAS, pursuant to Tenn. Code Ann. § 4-31-103, the Comptroller of the Treasury for the State of Tennessee serves as the Secretary to the Tennessee Local Development Authority (the “Authority”); and

WHEREAS, Tenn. Comp. R. & Regs. 1580-1-1-.04(3) provides that the Assistant Secretary “shall, in the absence of, or at the direction of the Secretary, or in the event of his inability, perform the duties of the Secretary and such other duties as may be prescribed by the Authority or by law from time to time”; and

WHEREAS, the Authority, by previous action, appointed Sandra N. Thompson, Director of the Division of State Government Finance within the Comptroller’s Office, as the Assistant Secretary; and

WHEREAS, Ms. Thompson will retire from State service effective November 30, 2025; and

WHEREAS, Jason Mumpower, Comptroller, has appointed Kayla S. Carr, Assistant Director of the Division of State Government Finance, to succeed Ms. Thompson as Director.

NOW, THEREFORE BE IT RESOLVED THAT:

SECTION 1. The Authority hereby appoints Kayla S. Carr as the Assistant Secretary effective November 24, 2025.

SECTION 2. The Authority acknowledges the service that Sandra N. Thompson has provided to the Authority over the past twelve years and wishes her well in her retirement.

SECTION 3. This resolution shall take effect immediately and all resolutions or parts of resolutions in conflict are hereby repealed.



JASON E. MUMPOWER
Comptroller

October 21, 2025

Mr. Dwayne Cole
Mayor
City of Munford
1397 Munford Avenue
Munford, TN 38058

Dear Mayor Cole:

This letter acknowledges that the City of Munford has provided written notice to the Tennessee Local Development Authority of its intent to enter into a loan agreement with the Public Building Authority (PBA) of the City of Clarksville and the purchaser of the PBA's bond, in an amount not to exceed \$1,200,000, to finance system improvements, acquire property, and pay for associated costs in connection with the loan. The PBA loan will be issued with a lien position that is subordinate to the lien position of its outstanding State Revolving Fund loans. In addition, this letter also acknowledges a waiver of the 45-day requirement for written notification pursuant to the TLDA SRF Policy and Guidance for Borrowers.

Please let us know if you need any additional information in this regard.

Sincerely,

A handwritten signature in black ink that reads 'Sandra Thompson'.

Sandra Thompson
Director
Assistant Secretary to the Tennessee Local Development Authority
Division of State Government Finance
Office of the Comptroller of the Treasury

cc: Linda Mooningham (lmooningham@tmbf.net)
Sherry Yelvington (syelvington@munfordtn.gov)
Sheila Reed (sheila.reed@cot.tn.gov)

**CITY OF MUNFORD
1397 MUNFORD AVENUE
MUNFORD, TENNESSEE 38058**

October 20, 2025

Ms. Sandra Thompson
Director
Tennessee Local Development Authority
Cordell Hull Building
425 Rep John Lewis Way N
Nashville, Tennessee 37243

Via Email

Re: City of Munford, Tennessee not to exceed \$1,200,000 Water and Sewer System PBA Loan

Dear Ms. Thompson:

The City of Munford (the "City"), intends to enter into a loan agreement with the PBA City of Clarksville and the purchaser of the PBA's bond, in the amount of not to exceed \$1,200,000, to finance a portion of the costs of improvements to the water and sewer systems of the City, the acquisition of all property real and personal appurtenant thereto and connected with such work, to pay all legal, fiscal, administrative, architectural, and engineering costs incident thereto, and costs in connection with the loan (the "Water/Sewer Loan").

The City understands that TLDA must be notified of the incurrence of debt by the City, even if the Water/Sewer Loan will not be on a parity with any SRF loans the City has outstanding.

Therefore, this is to give notice that the City acknowledges that this Water/Sewer Loan will be issued subordinate to its outstanding SRF Loans.

The bank, as the purchaser of the bond to be issued by the PBA, and as the lender under the Loan Agreement, has agreed that the Water/Sewer Loan will be subordinate to the City's outstanding SRF Loans.

The City adopted the Initial Resolution at its October 16, 2025 meeting and it will be published in the local paper as soon as possible. The City also adopted the Loan Resolution at its October 16, 2025 meeting. As soon as the 20 day protest period is up, a request for PBA loan approval will be submitted to the Comptroller's office. The purchaser has agreed to hold the existing rate of 4.99% through November 26, 2025.

The City respectfully requests that the 45 day notice period be waived. If you have any questions or need any additional information, please let me know.

Yours truly,

CITY OF MUNFORD, TENNESSEE

By: 
Dwayne Cole, Mayor



JASON E. MUMPOWER
Comptroller

November 3, 2025

Ms. Jenneen Reed
Finance Director
Metropolitan Government of Nashville and Davidson County
One Public Square, Suite 106
Nashville, TN 37201

Dear Ms. Reed:

This letter acknowledges that the Metropolitan Government of Nashville and Davidson County has provided written notice to the Tennessee Local Development Authority of its intent to revise its existing commercial paper program for Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program (the "Notes") to increase the maximum par amount of the Notes from \$200 million to \$300 million and to extend the final maturity date for such program for the Notes from January 1, 2026, to March 1, 2031. The Notes will be issued with a lien position that is subordinate to the lien position of its outstanding State Revolving Fund loans.

Please let us know if you need any additional information in this regard.

Sincerely,

A handwritten signature in black ink that reads "Sandra Thompson". The signature is fluid and cursive, with the first name "Sandra" and last name "Thompson" clearly distinguishable.

Sandra Thompson
Director
Assistant Secretary to the Tennessee Local Development Authority
Division of State Government Finance
Office of the Comptroller of the Treasury

cc: Lillian M. Blackshear (LBlackshear@bassberry.com)
Sheila Reed (sheila.reed@cot.tn.gov)



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

FREDDIE O'CONNELL
MAYOR

DIRECTOR OF FINANCE
METROPOLITAN COURTHOUSE
ONE PUBLIC SQUARE, SUITE 106
NASHVILLE, TENNESSEE 37201
PHONE: (615) 862-6151

October 31, 2025

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

Ms. Sandra Thompson, Assistant Secretary
Tennessee Local Development Authority

RE: The Metropolitan Government of Nashville and Davidson County (the "Issuer") –
Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program (the
"Notes")

Dear Ms. Thompson:

The Issuer intends to revise its existing commercial paper program for the above-referenced Notes to increase the maximum par amount of the Notes from \$200 million to \$300 million and to extend the final maturity date for such program for the Notes from January 1, 2026, to March 1, 2031. The Notes are proposed to be issued for the purpose of providing interim financing for the Issuer's water and sewer system improvements and extensions. The Issuer will send a separate request for the approval of the above amendments to the Notes to the Division of Local Government Finance. The Notes will be secured by a pledge of the Issuer's water and sewer system revenues subordinate to the pledge of such revenues in favor of the Issuer's outstanding State Revolving Fund ("SRF") Loans. Please consider this letter notice of the issuance of the Notes, as required by the Tennessee Local Development Authority's SRF Policy & Guidance for Borrowers.

Sincerely,

A handwritten signature in blue ink that reads "Jenneen Reed".

Jenneen Reed
Finance Director
The Metropolitan Government of Nashville and Davidson County



JASON E. MUMPOWER
Comptroller

November 6, 2025

Mr. Anthony Hackett
Mayor
Town of Carthage
P.O. Box 259
Carthage, TN 38058

Dear Mayor Hackett:

This letter acknowledges that the Town of Carthage has provided written notice to the Tennessee Local Development Authority of its intent to enter into a loan agreement with the Public Building Authority (PBA) of the City of Clarksville and the purchaser of the PBA's bond, in an amount not to exceed \$1,000,000, to finance system improvements, acquire property, and pay for associated costs in connection with the loan. The PBA loan will be issued with a lien position that is subordinate to the lien position of its outstanding State Revolving Fund loans.

Please let us know if you need any additional information in this regard.

Sincerely,

A handwritten signature in black ink that reads 'Sandra Thompson'.

Sandra Thompson
Director
Assistant Secretary to the Tennessee Local Development Authority
Division of State Government Finance
Office of the Comptroller of the Treasury

cc: Linda Mooningham (lmooningham@tmbf.net)
Scott Ezell (cfo@townofcarthagetn.gov)
Sheila Reed (sheila.reed@cot.tn.gov)

Town of Carthage



Anthony Hackett
Mayor

Carthage, Tennessee 37030

P.O. Box 259
314 Spring Street
(615) 735-1881

October 31, 2025

Ms. Sandra Thompson
Director
Tennessee Local Development Authority
Cordell Hull Building
425 Rep John Lewis Way N
Nashville, Tennessee 37243

Via Email

Re: Town of Carthage, Tennessee Not to Exceed \$1,000,000 Water and Sewer System PBA Loan

Dear Ms. Thompson:

The Town of Carthage (the "Town"), intends to enter into a Loan Agreement with the PBA City of Clarksville and the purchaser of the PBA's bond, in the amount of not to exceed \$1,000,000, to finance a portion of the costs of improvements to the water and sewer systems of the Town, the acquisition of all property real and personal appurtenant thereto and connected with such work, to pay all legal, fiscal, administrative, architectural, and engineering costs incident thereto, and costs in connection with the loan (the "Water/Sewer Loan").

The Town understands that TLDA must be notified of the incurrence of debt by the Town, even if the Water/Sewer Loan will not be on a parity with any SRF loans the Town has outstanding.

Therefore, this is to give notice that the Town acknowledges that this Water/Sewer Loan will be issued subordinate to its any outstanding SRF Loans.

The bank, as the purchaser of the bond to be issued by the PBA, and as the lender under the Loan Agreement, has agreed that the Water/Sewer Loan will be subordinate to any outstanding SRF Loans the Town may have.

The Town adopted the Initial Resolution at its October 2, 2025 meeting. It was published in the local paper on October 9, 2025, and October 16, 2025. The Town also adopted the Loan Resolution at its October 2, 2025, meeting. As soon as the 20-day protest period is up, a request for PBA loan approval will be submitted to the Comptroller's office. The purchaser has agreed to hold the existing rate of 4.55% through the end of December 2025.

If you have any questions or need any additional information, please let me know.

Respectfully,

By:

Anthony Hackett, Mayor