Tennessee Local Development Authority
August 24, 2026
Agenda

1. Call meeting to order, establish that there is a 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 July 27, 2026, meeting

3. Consideration and approval of revisions to the TLDA State Infrastructure Fund Policy and Guidance for Borrowers

4. Consideration and approval of a request from the City of Columbia to issue WIFIA debt in an amount not to exceed $315,000,000 on parity with its SRF loan

5. Annual report on Tennessee Local Development Authority Debt and Loan Programs

6. Annual review of the Tennessee Local Development Authority Debt Management Policy

7. 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://comptroller.tn.gov/office-functions/sgf/sgf-calendar/2026/8/24/tennessee-local-development-authority-meeting.html.

TENNESSEE LOCAL DEVELOPMENT AUTHORITY

July 27, 2026

The Tennessee Local Development Authority (the "TLDA" or the "Authority") met on Monday, July 27, 2026, at 9:05 a.m., CT, in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. Comptroller Jason Mumpower was present and presided over the meeting.

Additional Members Physically Present

- Chris Mustain, Proxy for the Honorable Tre Hargett, Secretary of State
- The Honorable David H. Lillard, Jr., State Treasurer
- Commissioner Jim Bryson, Department of Finance and Administration
- Mayor Paige Brown, House Appointee
- Mayor Rollen "Buddy" Bradshaw, Senate Appointee

Absent Member

- The Honorable Bill Lee, Governor

Quorum Establishment

With a physical quorum present, Comptroller Mumpower called the meeting to order.

Requests for Public Comment

In accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines, Comptroller Mumpower stated that four requests for public comment had been received and noted that all four requests were received after the deadline for submission pursuant to TLDA policy. Comptroller Mumpower made a motion to allow public comment, and Commissioner Bryson seconded the motion. Comptroller Mumpower called for a vote, and the motion passed unanimously. Comptroller Mumpower explained that TLDA policy allowed two speakers in favor of an item and two speakers opposed to an item. He stated that one speaker requested to speak in opposition to agenda items number 4 and 5, and three speakers requested to speak in favor of agenda item number 4. He motioned to allow all four speakers to provide public comment, and Commissioner Bryson seconded the motion. Comptroller Mumpower called for a vote, and the motion passed unanimously. Comptroller Mumpower asked the speakers to come forward in the order in which the requests were received.

- Mr. Jason Gilliam spoke in opposition to agenda item number 4 regarding the City of Columbia's (Columbia) request for a $75,000,000 State Revolving Fund (SRF) loan and in opposition to agenda item number 5 regarding Columbia's request to issue a WIFIA loan on parity with the proposed SRF loan. He stated that he is a resident of Maury County and that he and other residents do not support Columbia's proposed project. He stated that the cost of the project was exorbitantly high and would put the ratepayers in debt for 30 years. He stated that he had concerns about a Columbia Power and Water Systems (CPWS) board member's comment from a special called meeting regarding CWPS's ability to repay the proposed debt. He stated that the project was not in the best interest of the system's ratepayers and was too costly in relation to the benefits that project would provide.

- Mr. David Money spoke in support of agenda item number 4 regarding Columbia's SRF loan request. He introduced himself as the Director of the Tennessee Duck River Developmental Agency (DRDA) and stated that DRDA supports CPWS's pipeline project. He stated that the proposed project has been supported by feasibility studies since 2000. He stated that in 2011, a comprehensive regional supply plan identified the project as a cornerstone alternative and that the plan was reevaluated for feasibility in 2025. He stated that the project will meet the needs of Maury County for 50 years and that DRDA has obligated $10,000,000 for the project.

- Mr. Carter Napier spoke in support of agenda item number 4 regarding Columbia's SRF loan request. He introduced himself as the City Administrator for the City of Spring Hill (Spring Hill). He stated that Spring Hill's mayor and board of aldermen passed a resolution in support of CPWS's project and Spring Hill supports the SRF loan request.

- Mr. Dan Allen spoke in support of agenda item number 4 regarding Columbia's SRF loan request. He introduced himself as the Assistant City Administrator for Spring Hill and the General Manger for Spring Hill Water. He reiterated that Spring Hill supports the project. He addressed issues and public commentary regarding the downstream intake project. He stated that Spring Hill has a contract to purchase 3,000,000 gallons of water per day from CPWS and future agreements and partnerships will increase water intake to 8,000,000 gallons per day. He stated that this is a proportional increase in comparison to other customers and stated that Spring Hill, CWPS, and Columbia have a longstanding partnership.

Comptroller Mumpower thanked the speakers.

Approval of Minutes

Comptroller Mumpower stated that the first item of business was approval of the minutes from the June 22, 2026, TLDA meeting. Commissioner Bryson moved approval of the minutes, and Treasurer Lillard seconded the motion. Comptroller Mumpower asked if there was any discussion. Hearing none, he called for a vote.

The minutes were approved.

Clean Water State Revolving Fund (CWSRF) Loan Requests

Comptroller Mumpower stated that the next item on the agenda was consideration of approval of State Revolving Fund Clean Water Loans and recognized Ms. Vena Jones, Program Manager at the Tennessee Department of Environment and Conservation (TDEC), to present the loan requests. Ms. Jones first provided the fund balance report, stating that the unobligated balance as of June 22, 2026, was $375,398,724. Upon approval of the loan requests being presented totaling $7,543,000, the projected fund balance would be $367,855,724. Ms. Jones further reported that as of June 22, 2026, the unobligated balance for the Emerging Contaminants Fund was $1,736,000. She then proceeded to present the clean water loan requests.

Pikeville CWSRF

Applicant	Loan Number	Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term (Years)
Pikeville	CW23 2025 500-01	$3,550,000	$1,450,000	$5,000,000	1.40%	20

Ms. Jones first presented Pikeville's loan request noting that they are economically disadvantaged. Comptroller Mumpower made a motion to approve the loan request, and Treasurer Lillard seconded the motion.

Comptroller Mumpower asked if there was any additional debt being issued for this project. Ms. Jones explained that the project was initially expected to be funded entirely with American Rescue Plan (ARP) grant funds; however, the cost was higher than estimated resulting in the need for additional funds to complete the project. In addition to ARP and SRF funds, she noted the use of Community Block Development Grant funds. Comptroller Mumpower asked about debt service requirements and the life of the project compared to the life of the debt service. Ms. Jones confirmed that all debt service for this project was factored into the financial sufficiency review and that the asset life did not exceed the life of the debt service. The board further discussed measures of affordability and Ms. Jones stated that the loan was within range of what was considered affordable based on a national metric which looks at the rates as a percent of household income

Comptroller Mumpower called for a vote and all members responded affirmatively. The loan was approved.

Maynardville CWSRF

Applicant	Loan Number	Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term (Years)
Maynardville	2024-10783	$71,500	$71,500	$143,000	1.45%	5

Ms. Jones next presented Maynardville's loan request noting that they are economically disadvantaged. Comptroller Mumpower moved approval of the loan request, and Treasurer Lillard seconded the motion. Comptroller Mumpower asked if the project included other debt. Ms. Jones responded that the SRF loan was the only debt but noted that the loan was only for the planning and design and that Maynardville would later have a better understanding of construction costs and may apply for additional SRF funds in the future.

Comptroller Mumpower called for a vote and all members responded affirmatively. The loan was approved.

Pegram CWSRF

Applicant	Loan Number	Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term (Years)
Pegram	CWB22 2026-504	$2,400,000	$0	$2,400,000	3.31%	20

Ms. Jones presented Pegram's loan request noting that they are not economically disadvantaged, and therefore, they did not qualify for principal forgiveness. Comptroller Mumpower moved approval of the loan request, and Commissioner Bryson seconded the motion. Comptroller Mumpower asked if additional debt was associated with the project and about the life of the loan compared to the life of the project. Ms. Jones confirmed this loan is the entire amount to be issued for the Pegram project and that the project would reasonably serve the community for 20 years.

Comptroller Mumpower called for a vote and all members responded affirmatively. The loan was approved.

Drinking Water State Revolving Fund (SRF) Loan and Lien Modification Request

Columbia

Comptroller Mumpower stated that the next item on the agenda was a drinking water loan request from the City of Columbia (Columbia) and that it had two parts. He stated that the first part of the request was the consideration of a request to issue the proposed SRF loan on parity with its Water System Anticipation Notes, Series 2023 and Series 2025 (the "Notes"). He recognized Ms. Kayla Carr, Director of the Division of State Government Finance and TLDA Assistant Secretary, to describe the request. Ms. Carr explained that the City had issued the Notes as interim financing and that the City planned to pay off these loans with proceeds of a Water Infrastructure Finance and Innovation Act (WIFIA) financing. She stated that since these Notes were already outstanding, the bank holding the notes had consented to give the SRF loan the improved parity status. Ms. Carr explained that the City was requesting that the Notes, the SRF loan, and anticipated WIFIA bonds all be on parity, but the latter was a separate agenda item.

Comptroller Mumpower then asked Ms. Jones to present the second part of the request for approval of a $75,000,000 SRF loan. Ms. Jones first provided the fund balance report. The unobligated balance at June 22, 2026, was $163,943,968. With the return of $376,016 of unused funds and upon approval of the $75,000,000 loan request to be presented, the fund balance would become $89,319,984. Ms. Jones further reported that as of June 22, 2026, the unobligated balance for the Drinking Water Emerging Contaminants Fund was $25,177,245 and the unobligated balance for Lead Service Line Fund was $202,501,082. Ms. Jones then presented the loan request.

Applicant	Loan Number	Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term (Years)
Columbia	2024-10571	$75,000,000	$0	$75,000,000	3.06%	30

Ms. Jones stated that the loan request is for planning, design, and construction to expand capacity at their existing drinking water treatment plant. Ms. Jones explained that Columbia Power and Water Systems (CPWS) was currently operating above 90 percent of its drinking water plant capacity and must expand the water treatment plant to maintain compliance with the Safe Drinking Water Act. She noted that the $75,000,000 SRF loan before the Authority was the first portion of a two-phase $135,000,000 SRF financing package, for the expansion of the water plant. She stated that Columbia was also seeking a WIFIA loan and that $70,000,000 of WIFIA proceeds would be used for the construction of the water plant in conjunction with SRF funds. She also confirmed that TDEC had evaluated the City's finances including both SRF phases and the projected WIFIA debt and found them sufficient. Ms. Jones further described the project's useful life, anticipated at 30 to 50 years. She discussed rate increases, noting that rates would still be in an affordable range. Comptroller Mumpower made a motion to approve the request, and Commissioner Bryson seconded the motion.

Board Discussion

Comptroller Mumpower stated that Ms. Jones had satisfactorily answered his questions about useful life and debt service coverage at this and last month's meeting. He then stated that he understood that the Duck River Planning Partnership (DRPP) had unanimously voted to support the SRF loan funding, but not necessarily the proposed WIFIA loan that was a separate agenda item, and asked Ms. Jones for confirmation. Ms. Jones responded that her understanding was the same, and she introduced Mr. David Salyers, Commissioner of TDEC and member of the DRPP, who confirmed the DRPP's unanimous support of the SRF loan.

Comptroller Mumpower clarified that his motion was to approve the SRF loan on parity with the outstanding Notes. He noted that approval of parity would improve SRF's lien position because SRF would otherwise be in a subordinate position. Commissioner Bryson asked Ms. Jones if TDEC considered the Note in its financial sufficiency review. Ms. Jones explained that the WIFIA loan would be used to extinguish the Note, and the amount of the Note was considered as part of the total WIFIA funding that was factored into the financial sufficiency review. Mayor Bradshaw expressed concerns about the useful life of the expanded plant capacity considering the large population growth that Maury County is experiencing. He asked Columbia if they had a plan to control growth. Columbia Mayor Chaz Molder responded that impact fees have been instituted for water and wastewater connections. He stated that these fees will help to offset the cost of growth. Comptroller Mumpower reiterated that the SRF loan will finance the expansion of plant capacity which is necessary from a public health standpoint because the current water treatment plant is operating beyond a safe capacity level.

Comptroller Mumpower called for a vote and all members responded affirmatively. The loan was approved on parity with the existing Notes.

Request to Issue Additional WIFIA Debt with a Modified Lien Position

Comptroller Mumpower stated that the next item for consideration was a request from Columbia to issue WIFIA debt in an amount not to exceed $315,000,000 on parity with its SRF loan which was just approved. He recognized Ms. Carr to present the item. Ms. Carr described the request stating that $70,000,000 of the proceeds would be used to repay the Notes connected to plant expansion project. She stated that according to Columbia, this project addresses a critical need to provide water to customers throughout Maury County and that the project would include a new intake along the western portion of Maury County. Further, the intake and raw water pumps will be able to convey up to 32 million gallons of water per day. She stated that Columbia is requesting for this debt to be issued on parity with its SRF loan. Comptroller Mumpower made a motion to approve the item, and Commissioner Bryson seconded the motion. Comptroller Mumpower asked if there were questions from the members.

Treasurer Lillard asked Ms. Jones if SRF's debt service coverage requirements would still be met upon issuance of the WIFIA loan. Ms. Jones confirmed that the requirement would be met with the projected rate increases approved by Columbia. Treasurer Lillard stated that Columbia would need to keep tight controls around costs which could exceed current estimates. He further noted that while Columbia had made efforts to obtain public input from surrounding communities that those communities did not have a representative on Columbia's board. He stated that generally he preferred that formal public meetings be held in those areas that were affected to obtain public input. He stated that such meetings could help to provide the public with a better understanding of the project. He noted, however, that the TLDA is not a policy making body of the State, and stated that he hoped that the Governor and the General Assembly would consider legislation to require utilities to hold a formal public hearing in outside areas to obtain input from the public.

Commissioner Bryson stated that he understood the need for the water treatment plant; however, he recognized that data would be forthcoming from the DRPP. Mayor Brown inquired if Columbia had the ability to make adjustments to the project to align with forthcoming recommendations.

Commissioner Salyers responded that he chaired the DRPP and the DRPP had been meeting for over a year. He explained that Columbia's larger project plan has three parts: 1. Water treatment plant, 2. Transmission line, and 3. Intake. He stated that in addition to Columbia's project being reviewed by the DRPP, it had been vetted by other engineering organizations and other organizations with expertise. He stated that other studies have been done, but that Columbia's project is likely the only solution that could be implemented in the next five years. Commissioner Salyers stated that the DRPP's final report is expected to be released in November and that formal recommendations would be released in September. Mr. Jack Baxter, Interim CEO for CPWS stated that WIFIA was scheduled to close before the release of the recommendations. Mr. Baxter stated that the construction manager had secured a guaranteed maximum price for the project and emphasized the importance of being able to proceed with the project. He noted however that modifications could be made to the project to align with recommendations and such modifications would be allowable under the WIFIA program. Commissioner Bryson stated that DRPP was important to assess the best plan for the Duck River watershed and expressed the importance of considering DRPP's recommendations before the project moves forward. The Comptroller asked if the relocation of the intake was mandated by either TDEC or EPA. Commissioner Salyers responded that relocation is necessary to obtain the amount of water needed.

Mayor Bradshaw asked about the current residential user rate. Ms. Ashley Maddux, Chief Financial Officer for CPWS, responded that there is a five-year rate increase schedule. She stated the residential rate was initially $34.75 and is now $41.70 after the first scheduled rate increase. Comptroller Mumpower asked Ms. Maddux to review the approved five-year rate schedule. Ms. Maddux explained that the schedule contemplated rate increases up to 20 percent each year. The rates per 5000 gallons (including usage and customer charge) from 2025-2030 are as follows: $34.75, $41.70, $50.02, $60.04, $72.03, and $86.43. Mayor Bradshaw asked how rates are compared to other systems. Ms. Maddux responded that rates are currently in the lower tier and increases would bring rates into the upper third quadrant in comparison to nearby systems.

Commissioner Bryson asked about risk to WIFIA funding if the TLDA delayed its approval. Mr. Jeff Oldham, counsel to CPWS with Bass Berry and Sims, responded that a small delay of a few days would likely not be an issue, but he was uncertain of how the EPA would react to a longer delay and hurdles in obtaining necessary approval. Comptroller Mumpower reminded the Authority that Columbia could decline the loan and move forward with the project without TLDA approval of a parity position, but that would cost the ratepayers more money. He inquired about when WIFIA is expected to close. Mr. Baxter responded that the EPA had recently communicated its intent to close prior to Labor Day. Mayor Molder stated that approval of parity would not impair or diminish the DRPP's work or ability to determine an alternative to sourcing the water and that CWPS would be able to align with those recommendations. Mayor Molder stated that Columbia would like the TLDA to consider approval to preserve their ability to obtain low-cost financing. He stated if WIFIA is ready to close and parity has not been obtained, then Columbia would need to proceed with the WIFIA loan without the SRF loan resulting in an estimated additional cost of $50,000,000 to the ratepayers.

Commissioner Bryson stated that the risk of the DRPP having a different recommendation seems low, but he would like all parties to be in agreement prior to the TLDA's approval of parity. Comptroller Mumpower asked when the DRPP could have a recommendation. Commissioner Salyers responded that the DRPP could possibly discuss affirming the project at its August 10th meeting.

Mayor Brown asked for more information on the impact of a deferral. Mr. Baxter explained that construction could reasonably start in late September or October, but the concern of the deferral is rather about jeopardizing their ability to secure low-cost loans from both WIFIA and SRF. Comptroller Mumpower stated that he believes that having the DRPP recommendations would be in Columbia's best interest. Commissioner Bryson stated that if the DRPP could provide affirmation of Columbia's project at its next meeting, then the concerns of the TLDA could likely be resolved at the next TLDA meeting. Treasurer Lillard recommended that Commissioner Salyers and Commissioner Bryson meet with Governor Lee and have him contact the federal Office of Management and Budget and the federal bureau involved to ensure that the WIFIA loan will not be jeopardized.

Comptroller Mumpower moved to defer the request to the next TLDA meeting expected to be on August 24th, noting that a special-called meeting could be held if necessary. Treasurer Lillard seconded the motion.

Comptroller Mumpower called for a vote and all members responded affirmatively. The item was deferred.

Report on the SRF Priority Ranking Lists

Ms. Jones provided a cumulative summary of priority ranking list data for years 2019-2025. She stated that the clean water program had 299 requests totaling $1.4 billion and 87 of those were funded in the amount of $612 million, and 29 requests, in the amount of $316 million, are still in process. She stated that the drinking water program had 326 requests during this timeframe totaling $1.1 billion. She stated that 84 loans were funded in the amount of $252 million and that 28 requests were still in progress totaling $300 million. She noted that some requests were duplicative requests meaning that a request not funded in one year could appear on a subsequent priority ranking list. She explained that the SRF program has implemented stricter expectations for timeliness and would bypass applicants who were not ready to move forward in a timely manner. The Comptroller acknowledged the report.

Town of Brighton Notification

Comptroller Mumpower stated that the next item was a report on the notification submitted by the Town of Brighton in accordance with TLDA SRF Policy and Guidance for Borrowers. He recognized Ms. Carr to present the item. Ms. Carr reported that the Town would be issuing a $270,000 Water System Revenue and Tax Capital Outlay Note for improvements to its water system. She noted that the financing would be subordinate to the Town's existing SRF loans. She stated that this notification required no action by the Authority. Comptroller Mumpower acknowledged that the Authority was duly notified.

Adjournment

Hearing no further business, Comptroller Mumpower moved to adjourn, and Commissioner Bryson seconded the motion. All members responded affirmatively.

The meeting was adjourned.

Approved on this 24th day of August, 2026.

Respectfully submitted,

Kayla Carr
Assistant Secretary

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

Date: August 24, 2026

To: Members of the Tennessee Local Development Authority

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

Subject: Review and updates to the *Tennessee Local Development Authority (TLDA) State Infrastructure Fund (SIF) Policy and Guidance for Borrowers*

Staff have reviewed the TLDA SIF Policy and Guidance for Borrowers (the "Policy") and have provided the following recommended changes to be approved by the TLDA:

Page(s)	**Description**
4	Updates to **Definitions** section. Tennessee Local Development Authority will now be defined as the TLDA instead of the Authority, and Tenn. Code Ann. Title 4, Chapter 31, Part 12 is being added to the definition. References to the Authority are changed to the TLDA throughout the Policy accordingly.
10-13	The Policy inadvertently refers to the SIF program as SRF, and this is being corrected.
11	**Lien Position** section: The subheading in current Policy inadvertently references UDs and Systems which are not eligible SIF borrowers, so those references are being removed. The **Lien Position** section is being revised to clarify that the TLDA will not make any representation that a debt issuance is in the best interest of the borrower. Revised language will reflect the TLDA's consideration of subordination if the granting of the request still provides adequate protection to the TLDA rather than consideration of the borrower's best interest.
12	Three factors are being added to the subsection **Factors to be Considered for a Request to Issue Additional Debt and/or Modify Lien Position** related to the balanced annual budget requirement, adoption of a debt management policy, and the borrower's selection process for professional services related to debt transactions.

13-14	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**
14	**Debt Report** section: Current Policy refers to the Debt Report as the Report on Debt Obligation. Local Government Finance advised of an official name change to this report, so this revision reflects the name change.
15	Revised section **Requirement to File Annual Audit Report (**formerly called **Filing of Annual Audit Report)** to include subsections: **Requests for SIF Loan Funding and the Audit Filing Requirement**, and **Requests to Issue Additional Debt and the Audit Filing 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.

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Introduction

The Tennessee General Assembly passed legislation in 2009 that enacted the Tennessee Transportation State Infrastructure Fund Act (“Act”). The Act created the Tennessee transportation state infrastructure fund (“SIF”). The SIF is a revolving loan program administered through the Tennessee Local Development Authority that assists government units with low-interest loans for the construction of qualified transportation projects. The purpose of this Policy and Guidance is to provide guidance to SIF borrowers.

The Tennessee Local Development Authority (“TLDA”), in consultation with the Tennessee Department of Transportation (“TDOT”), has previously established policies and other guidance to assist SIF program borrowers. TLDA and TDOT have conducted a review of these documents with regard to their clarity and efficacy for program borrowers, alignment with program goals, and compliance with program requirements. This resulting Policy and Guidance supersedes any policy or guidance previously approved by the TLDA.

Definitions

For purposes of this Policy and Guidance, terms defined in Tenn. Code Ann. Title 4, Chapter 31, Part 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.

“Act” refers to the Tennessee Transportation State Infrastructure Fund Act which is codified in Tenn. Code Ann. Title 4, Chapter 31, Part 12.

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

“Department of Transportation” or “Department” means the Tennessee Department of Transportation and its successors.

“Eligible costs” means, as applied to a qualified project to be financed with federal funds, the costs that are permitted under applicable federal laws, requirements, procedures and guidelines. As applied to all other qualified projects, “eligible costs” includes the costs of preliminary engineering, traffic and revenue studies, environmental studies, right-of-way acquisition, legal and financial services associated with the development of the qualified project, construction, construction management, facilities and other costs necessary for the qualified project. “Eligible costs” also includes project monitoring costs incurred by the department of transportation, as provided in § 4-31-1205(d).

"Eligible project" means:

a. A transportation infrastructure project, including streets, highways, bridges, tunnels and any related roadway facilities;

b. Intelligent transportation systems;

c. Air transport and airport facilities;

d. Railways and rail facilities;

e. Port facilities;

f. Mass transit systems or transit capital projects;

g. Parking facilities; and

h. Pedestrian or bicycle facilities that provide public benefits by enhancing mobility or safety, promoting economic development or increasing the quality of life and general welfare of the public.

   There may be included as part of any "eligible project" all improvements, including equipment, necessary to the full utilization of the project, including site preparation, roads and streets, sidewalks, water supply, outdoor lighting, belt line railroad sidings and lead tracks, bridges, causeways, terminals for railroad, automotive and air transportation, transportation facilities incidental to the project and the dredging and improving of harbors and waterways.

"Financing agreement" means any agreement entered into between the TLDA and a qualified borrower pertaining to a loan entered into under the Act.

"Fund" or "SIF" means the Tennessee transportation state infrastructure fund.

"Government unit" means a county, incorporated town or city, metropolitan government, state agency, or instrumentality, authority or agency of government created by any one (1) or more of the listed entities or by an act of the general assembly, including combinations of two (2) or more of these entities, acting jointly to construct, own or operate a qualified project, or any other state authority, board, commission, agency or department that may construct, own or operate a qualified project.

"Loan" means an obligation subject to repayment that is provided by the fund to a qualified borrower for all or part of the eligible costs of a qualified project. A loan may be disbursed in anticipation of reimbursement for or direct payment of the eligible costs of a qualified project.

"Loan term" means the number of years over which the loan is to be amortized. This period shall not exceed the useful life of the project as assessed by the Department.

"Project revenues" or "revenues" mean all rates, rents, fees, assessments, charges and other receipts derived or to be derived by a qualified borrower from a qualified project or otherwise made available, including, but not limited to, tax revenues, and, as provided in the applicable financing agreement, derived from any system of which the qualified project is a part or from any other revenue producing facility under the ownership or control of the qualified borrower, including, without limitation, proceeds of grants, gifts, appropriations, investment earnings, proceeds of insurance or condemnation and proceeds from the sale or other disposition of property and from any other source as may be provided by the qualified borrower.

"Qualified borrower" means any governmental unit authorized to construct, operate, or own a qualified project that has the means necessary to repay a loan from the fund, as determined by the Department and the TLDA.

"Qualified project" means an eligible project that has been recommended by the department of transportation to receive a loan from the fund to defray an eligible cost.

"Security" means that which is determined by the TLDA to be acceptable to secure a loan to a qualified borrower under the Act and includes, but is not limited to, project revenues, ad valorem taxes, state-shared taxes, letters of credit and bond insurance.

"State-shared taxes" means 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, pursuant to Tenn. Code Ann. § 4-31-102.

Determination of Financial Eligibility

Applications for projects to be considered for a Loan from the SIF shall be sent to the Department for evaluation. The Department shall review the application and shall determine if it is an Eligible Project and, if so, whether to recommend the project to the TLDA. The Department's evaluation shall include a determination of the applicant's financial ability to repay a Loan. Preference may be given to Eligible Projects that have financial support in addition to any Loan that may be received from the Fund. The Department's recommendation shall provide the expected useful life of the project.

Upon notification from the Department that a qualified project is being recommended for a loan from the fund, the TLDA shall determine the term for the loan. The loan Term shall be established at a five, ten, fifteen, or twenty-year term, provided the loan term does not exceed the useful life of the project as recommended by the Department.

The TLDA shall establish the interest rate to be charged to the qualified borrower based on the market interest rates on the date the loan is recommended by the Department. The interest rate shall be set at 50 percent of the current market rate (defined as the MMDGO yield published in the *Bond Buyer*) for the term of the loan.

Based upon the loan term and the interest rate as determined above, the TLDA shall calculate an estimated maximum annual debt service amount. The qualified borrower may demonstrate such security by:

a. Pledging security interests in project revenues and any revenues from any other revenue producing facilities from which the qualified borrower derives project revenues to secure its obligations as provided in the Act;

b. Pledging its state-shared taxes;

c. Pledging the full faith and credit and unlimited taxing power, if any, of the qualified borrower as to all taxable property of the qualified borrower to the punctual payment of the loan; and

d. Pledging any other security determined by the TLDA to be acceptable to secure a loan under the Act.

Subsequent revisions to the project application which result in an updated recommendation by the Department shall cause the interest rate to be reset to the date of such updated recommendation of the qualified project.

Determination of Financing Terms

The TLDA shall provide to the qualified borrower an example repayment schedule based upon the loan term and interest rate as determined with its approved Financing Agreement. Such schedule should set forth the approved loan amount; interest rate; loan term; and anticipated monthly debt service, total interest, and total debt service (based upon the approved loan amount).

The financing agreement shall include provisions for the payment of interest on the outstanding balance of the loan during the construction period.

The financing agreement shall also include provisions for the payment of an administrative fee of 12 basis points (or 0.12%), calculated on the outstanding balance of the loan. Such payments shall begin during the construction period and continue over the life of the loan (as demonstrated by the inclusion of such fees in the calculation of the borrower repayment schedule.)

The financing agreement shall allow for the prepayment of all or any portion of the loan at any time without penalty.

The financing agreement shall also grant the borrower the ability to reduce its loan amount, should the project be completed with less than the approved amount of the loan having been disbursed.

Execution of Financing Agreement and Closing Documents

Upon determination that the qualified borrower has demonstrated adequate security to repay the loan, the TLDA shall distribute to the borrower a copy of the financing agreement to be executed by the qualified borrower.

In addition to the financing agreement, prior to the TLDA's consideration for approval of the loan, the qualified borrower shall have furnished to the TLDA, in form and substance satisfactory to the TLDA the following documents required for closing:

a. A copy of the resolution/ordinance passed by the government unit authorizing the government unit to enter into the loan agreement as well as a notarized certificate of the borrower certifying:

1) that the government unit has been duly created and is validly existing subdivision of Tennessee;

2) that the authorizing resolution/ordinance has not been amended, modified, supplemented, or rescinded; and

3) that the government unit understands that each request for reimbursement of expenditures submitted during the loan period constitutes a reaffirmation by the government unit as to the continuing truth and completeness of the statements and representations contained in the financing agreement.

b. A representation of the government unit as to its state-shared taxes received and any prior pledges against such; and

c. An opinion of borrower's counsel to the effect that:

1) the borrower has been duly created and is validly existing and has full power and authority (under its Charter and By-Laws or general law, if applicable, and other applicable statutes) to enter into and carry out the terms of the loan agreement;

2) the loan agreement is duly executed and constitutes a valid and binding contract of the borrower, enforceable in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium, or similar laws affecting the enforcement of creditors' rights generally;

3) the loan agreement is not in conflict in any material way with any contracts or ordinances of the borrower; and

4) there is no litigation materially adversely affecting the agreement or the financial condition of the borrower.

All such closing documents as outlined above shall be properly executed by the borrower prior to the approval of any loan.

Management of the Loan

No requests from the borrower for reimbursement shall be accepted prior to the approval of the loan. After the approval of the loan, the TLDA shall notify the borrower via a letter of the loan's approval and shall provide a copy of the fully executed, countersigned financing agreement.

Requests from the borrower for reimbursement of expenditures for the qualified project shall be submitted to the Department for review. Upon notification from the Department of the amount of eligible costs to be reimbursed, the TLDA shall disburse such amount to the borrower. Such amounts which represent reimbursement for monitoring costs incurred by the Department shall be submitted on a separate invoice and shall likewise be paid to the Department.

The TLDA shall notify the qualified borrower of the monthly amount of interest to be paid subsequent to each disbursement of loan funds.

No more than 90% of the approved loan amount shall be disbursed prior to the receipt of a certificate of completion from the qualified borrower. The borrower shall certify that the construction of the project has been completed. Once the Department has received the certificate of completion and determined, by means of its monitoring of the project, that the project is in proper operation and approved, the Department shall notify the TLDA. At that time, reimbursements for the remaining 10% of the loan may be processed. Provided however, that the reimbursement is for planning or replanning and design, reimbursements for the full amount of planning, replanning or design may be disbursed prior to completion of construction.

At such time that all funds have been disbursed, the TLDA shall establish a schedule for the repayment of the loan in compliance with the terms set forth in the financing agreement and in accordance with "Determination of Financing Terms" above. Such schedule shall set forth the dates and amounts for the submission of payments to the TLDA.

If the Department shall, through its monitoring, determine that the project is complete prior to the expenditure of 90% of the funds, the Department shall notify the TLDA and the TLDA shall establish a schedule for the repayment of the loan at the reduced amount.

Repayments of loan principal and payments of interest shall be properly accounted for and recorded by the Authority. All such amounts shall remain a part of the fund.

Records of the TLDA

For each approved loan, the TLDA shall maintain copies of the project loan application submitted to the Department, the Department's recommendation letter, the fully executed financing agreement and all related closing documents.

The TLDA shall maintain financial records adequate to prepare annual financial statements for the fund and shall prepare such statements at each fiscal year end.

The TLDA shall maintain records sufficient to determine that the borrower is making the payments provided for on the repayment schedule and to provide the borrower with the balance of the loan as may be requested from time to time.

Issuance of Additional Debt

Encumbrance of State-shared Taxes

If the Borrower is entering into any additional debt that is to be secured by a pledge of state-shared taxes, the Borrower must notify the TLDA 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.

Federal or Other Assistance for the Qualified Project

If the Borrower is seeking any additional federal or state assistance for the project to be financed by the SIF loan, the Borrower must notify the Department.

Requests to Issue General Obligation Debt

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 which has specifically been pledged to the SIF loan with a security lien on parity with or senior to the SIF loan.

Requests to Issue Revenue Debt

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 that may be pledged to its SIF loan. If the revenue debt is to be secured by the revenues securing the SIF loan, but the borrower is not requesting a parity or senior lien position of the debt to be issued, the 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 borrower acknowledges that the debt will be issued subordinate to its outstanding SIF loan(s). If a borrower seeks a parity or senior lien position for the revenue debt (new money or refunding), the Borrower must submit a written request for approval from the TLDA to modify the SIF 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 Requirement to File 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 SIF program.

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 savings. In the event that a meeting of the TLDA cannot be scheduled during this timeframe, the Vice-Chairman of the TLDA is authorized to approve the issuance of refunding debt by a Borrower under the following conditions:

a. The refunding does not extend the life of the debt;

b. The refunding debt is structured to generate debt service savings of at least 3 percent net present value savings of the refunded debt;

c. 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;

d. The refunding debt will be issued subordinate to SIF debt or the lien position of the existing SIF debt will remain the same or be improved.

e. Staff has analyzed the transaction and has concluded that any prerequisites for TLDA approval of the issuance of additional debt have been met; and,

f. 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 SIF Debt

If the refunding debt will be issued to extinguish all SIF debt and the Borrower will have no other SIF 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 SIF 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 SIF Loan shall be the date that the TLDA approves the loan request (as evidenced on the SIF Loan agreement).

Following the general rule of lien priority, a new SIF 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 SIF Loan would be subordinate to the SIF Loan. How–ever, 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 SIF Loan. The TLDA would consider a request to issue a new SIF Loan on parity with such existing debt. In another instance, a Borrower with an existing SIF 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 SIF 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 SIF debt to a Borrower’s debt because it poses more risk to the SIF 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 that the granting of such request still provides adequate protection to the TLDA.

Written requests to modify an SIF 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)

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 SIF program's lien position. These factors shall include but are not limited to:

a. The Borrower's compliance with the covenants and representations set forth in its SIF Loan agreement;

b. The Borrower's amount of authorized and outstanding SIF program debt;

c. Borrower's history of timely SIF Loan repayments;

d. The Borrower's timely filing of financial statements with the Division of Local Government Audit, Tennessee Comptroller of the Treasury (See section titled Requirement to File Annual Audit Report);

e. The Borrower's compliance with state law relative to adopting a balanced annual budget (See Section titled Requirement for Balanced Annual Budget);

f. The Borrower's adoption of a debt management policy (See section titled Debt Management Policy);

g. The Borrower's selection process for professional services (See section titled Selection Process for Professionals Providing Services Related to Debt Transactions)

h. Amount and purpose of proposed debt issuance;

i. Borrower's credit rating (if applicable);

j. Borrower's current and pro-forma (projected) debt service coverage;

k. Borrower's amount of unobligated state-shared taxes (if applicable);

l. Percentage of the system's total revenues generated by its largest user(s);

m. The lien position of existing SIF debt; and

n. 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.

Consent to Modify Lien Position

Any consent by the TLDA to modify its SIF program lien position applies only to revenues pledged to serve the SIF Loan. Consent to modify the SIF 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 SIF 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 SIF Loan agreement(s) and 2) does not provide debtholders acceleration rights that are superior to, or more generous than, those provided under the SIF 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.

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.

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:

a) Issuer's Counsel
b) Bond Counsel
c) Financial Advisor
d) Dealer or Remarketing Agent
e) Issuing and Paying Agent
f) Credit/Liquidity Provider
g) Refunding Trustee
h) Verification Agent
i) Escrow Bidding Agent

Debt Report

A Debt 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 Comptroller of the Treasury, Division of Local Government Finance. The purpose of the Debt 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 Government Unit that applies for an SIF Loan but is not in compliance with this law should file the Debt Report as soon as possible and provide notification of filing to the SIF Loan program to proceed with its loan application. Furthermore, a Debt Report is required to be filed once a SIF Loan has been approved by the TLDA and the agreement has been executed by the borrower.

Instructions on how to file the Debt Report can be found on the website of the Tennessee Comptroller of the Treasury by navigating to the Local Government Finance section of the page under the Office Functions and then browsing to the Debt subheading.

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 Government Unit issuers are required to perform continuing disclosure undertakings related to Securities and Exchange Commission Rule 15c2-12 via EMMA.

Government Units 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:

a. 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

b. 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 Government Unit may need to disclose information concerning its SIF Loan on the MSRB's EMMA website. The Government Unit 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.

Requirement to File Annual Audit Report

Tennessee state law[1] requires local governments to file an annual audit report with the Office of the Comptroller of the Treasury. Furthermore, SIF program Borrowers agree to make such 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 Securities and Exchange Commission'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 SIF Loan agreement. Also, a Borrower's notification to the TLDA 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 SIF Loan Funding and the Audit Filing Requirement

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

[1] Tenn. Code Ann. §§ 6-56-105, 9-3-212, and 4-3-304(4)

Requests to Issue Additional Debt and the Audit Filing Requirement

A Borrower seeking to issue additional debt or a modification of lien position that has failed to timely file its report should include in its request to the TLDA 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.

Balanced Annual Budget Requirement

Pursuant to state law, 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 SIF loan must have an annual approved budget on file with Local Government Finance to be eligible for SIF funding. 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 SIF loan program for consideration to be eligible for an SIF 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.

Adoption of Policy and Guidance

The TLDA adopted this Policy and Guidance at its publicly held meeting on October 20, 2025, effective October 20, 2025.

The TLDA adopted revisions at its publicly held meeting on August 24, 2026.

____

Vice Chair

Tennessee Local Development Authority

August 24, 2026

City of Columbia and
Columbia Power and Water System
Approval to Issue Debt and Modification of Lien Position

The City of Columbia (the City) and its board of public utilities—Columbia Power and Water System (CWPS), has submitted the following requests to the Tennessee Local Development Authority (TLDA) for consideration and approval. The TLDA's approval for the issuance of additional debt and modification of lien position is required by provisions set forth in the State Revolving Fund (SRF) loan agreement and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*.

The City and CPWS are requesting that the TLDA approve their proposed SRF loan on parity with the City's outstanding Water System Revenue Anticipation Notes (Series 2023 & 2025) totaling $70 million. Upon approval of the SRF loan, they request approval to issue a WIFIA loan from the U.S. Environmental Protection Agency in an amount not to exceed $315 million on parity with the SRF loan. A portion of the WIFIA loan will refund the Revenue Anticipation Notes.

Update: At the July 27, 2026, TLDA meeting, the City's request for approval of the SRF loan request on parity with the Notes was approved, and the request to issue WIFIA on parity with the SRF loan was deferred and is being presented for re-consideration at the August 24th meeting.

Also, at the July 27th meeting, the TLDA had requested affirmation from the Duck River Planning Partnership (DRPP) of Columbia's project which would be funded by WIFIA proceeds. The DRPP voted to affirm the project at its August 10, 2026, meeting.

1. The requestor is a:

__ Utility District, Energy Authority, or Water/Wastewater Authority

_X_ Municipality (town/city/county)

____ General Obligation Debt

_X_ Revenue Debt

2. Lien Position:

_X_ The borrower is requesting that the proposed SRF loan be issued on a senior parity lien basis with its outstanding Notes and is also requesting that its proposed WIFIA debt be issued on a senior parity lien basis with its SRF loan being presented for approval

The City desires for the Notes, WIFIA loan and SRF loan all to be secured by a parity senior lien on the net revenues of the system pursuant to the City's master bond resolution

___ The borrower is requesting to subordinate its outstanding SRF debt to the proposed debt issuance.

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

3. The purpose of the proposed debt issuance is:

_X_ New Money

___ Refunding

4. Additional Information:

The City is pursuing three interconnected financings for a major long-term water supply program

- $70 million in interim notes (with $22 million drawn)
  - The noteholder, Truist, has consented to equal lien treatment
- $75 million SRF loan (current loan request)
  - The City is pursuing a second SRF loan in the amount of $60 million for a total of $135 million SRF funding.
- $315 million WIFIA loan (includes approximately $30 million capitalized interest and will take out the notes)

These financings are all designed to support expansion of the water treatment plant and distribution improvements.

Per the City, the Project or Long-Term Water Supply Program (the "Program" or "LTWSP") addresses a critical need that CPWS has to provide water to its customers throughout Maury County. The Program consists of a new intake along the Duck River in the western portion of Maury County. The intake and associated raw water pumps will be able to convey up to 32 million gallons of water per day through a 16.8 miles, 36-inch diameter raw water transmission main. The water will be delivered to the existing Columbia Water Treatment Plant that will be undergoing an expansion as part of the Program from its currently rated 20 million gallons of water per day up to 32 million gallons of water per day.

The City states that the LTWSP is critical long term drought resilience for Maury County. After the 2007/2008 drought, the Duck River Development Authority (DRA) began a multi-year, comprehensive evaluation of options for providing drought resiliency for the entire upper Duck River watershed. A new intake located on the western edge of Maury County and accompanying treatment was one of the two physical improvements recommended for drought resiliency in the watershed after years of analysis of viable options. In addition to the drought resiliency of the new supply, the additional capacity provided as part of the LTWSP will enable CPWS to provide clean, safe drinking water to Maury County for the foreseeable future. Without additional supply and treatment capacity, growth in Maury County would essentially stop until a new source of water was found and project implemented to provide that water to Maury County.

Water Rate Study

A water rate study, dated April 29, 2026, was conducted by Raftelis. The results of the study were presented and approved by the Columbia City Council on January 8, 2026. Over the next five years, the rates are scheduled to increase by 20 percent. However, an annual cost of service study is required to be completed to ensure rate categories are properly charged according to the cost of service. The City notes that the 20 percent increases are a maximum and if the studies dictate lower rate increases than 20 percent, CPWS will make its recommendation accordingly. The City notes that even with the rate increases, rates will be in the median range of nearby utilities.

5. The debt rating of the borrower is:

Please indicate N/R if not rated.

____N/R____ Moody's
____N/R____ Standard and Poor's
____N/R____ Fitch

6. The following SRF Loan has been approved:

Applicant	Loan Number	Base Loan	Principal Forgiveness	Principal Forgiveness Emerging Contaminants	Total Request	Interest Rate	Term (Years)
Columbia	2024-10571	$75,000,000	$0	$0	$75,000,000	3.06%	30

7. Compliance with SRF Loan Agreement:

a. Timely repayments [4.(a)]

____ Yes ____ No __X_N/A

Note: The City's loan request was approved by the TLDA on July 27. 2026, and no funds have been disbursed to the borrower.

b. Security Deposit (UDs and Authorities) [8.] **N/A**

__ Yes ____ No

Amount on deposit: $

c. State-Shared Taxes (Municipalities) [8.]

$ 7,239,384 SSTs received in prior fiscal year
$ 3,823,620 Total MADs of proposed SRF loan
$ 3,415,764 Unobligated SSTs

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

The City and CWPS timely filed their audited financial statements with the Division of Local Government Audit within six months of fiscal year-end.

e. Sufficient Revenues [*7.(k)*]
_X_ Yes ____ No
For the fiscal year ended June 30, 2025, the City's audited financial statements reflected operating income of $6,103,830 for the Water Fund, and a positive change in net position of $18,129,782. The statement of cash flows reflected debt service payments of $1,360,282.

At June 30, 2025, the City reported unrestricted cash and cash equivalents of $6,892,153 for the Water Fund, and restricted cash and cash equivalents of $3,096,949.

f. Debt Service Coverage Ratios [*7.(l) and (m)(3) & (4)*]

_X_ Yes ___ No

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

Most Recent Fiscal Year (m)(3):

For fiscal years 2024 through 2025 the City reported the following debt service coverage ratios.

Fiscal year	Debt service Coverage Ratio
2024	4.50x
2025	6.50x

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

Fiscal years 2024 and 2025 are before the issuance of the new debt and fiscal years 2027-2029 are post issuance.

Fiscal year	Debt service Coverage Ratio
2027	6.56x
2028	3.33x
2029	3.42x

g. Is the entity currently under the jurisdiction of the Tennessee Board of Utility Regulation (TBOUR)? [*7.(n)*]
____ Yes _X_ No

If yes, reason for referral: ___ Water Loss ____ Financial Distress ____ Administrative Review

8. For recently created systems, has TBOUR approved a petition for the incorporation of the system?
____ Yes ____ No _X_ N/A

9. If the proposed issuance is heightened-risk debt, has the entity obtained approval from the Comptroller's Office?

____Yes ____ No __X__ N/A

10. Has the entity adopted and filed a budget with the Comptroller's Office pursuant to Tenn. Code Ann. § 4-3-305?

__X__ Yes _____ No

11. Has the entity adopted and filed a debt management policy with the Comptroller's Office pursuant to Tenn. Code Ann. § 9-21-134?

_X__ Yes ____No

a. Has the entity demonstrated compliance with the process set forth in its debt management policy for selecting professional service providers?

__X__Yes ____ No

The City and CPWS state that all bond counsel, municipal advisors, and rate consultants engaged for the Project were selected based on required skill and expertise, on familiarity with City and System needs, and in accordance with the provisions of the applicable City debt management policies.

They also note that while no new formal procurement was required for this project, the City did use a Request For Proposal (RFP) in 2015 for selecting its financial advisor, and CPWS previously engaged its financial advisor through a structured evaluation process before the 2021 bond issue. The City and CPWS state that budgeted financing costs for the Project have been publicly disclosed to both the City Council and the CPWS Board of Directors.

12. Conclusion

Based on the information provided, staff finds that the City and CWPS have demonstrated compliance with the applicable requirements of the TLDA SRF Policy and Guidance for Borrowers and concludes that the criteria necessary for the TLDA's consideration of a shared parity lien position among the Notes, SRF loan, and proposed WIFIA Bonds have been met.

STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
NASHVILLE, TENNESSEE 37243-0435

DAVID W. SALYERS, P.E.
COMMISSIONER

BILL LEE
GOVERNOR

August 17, 2026

Kayla Carr, Director, State Government Finance
Tennessee Local Development Authority, Assistant Secretary
Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243

RE: Duck River Watershed Planning Partnership Deliberation on the Columbia Power & Water System's Long-Term Water Supply Program

Dear Director Carr:

The Duck River Watershed Planning Partnership reviewed and deliberated on outstanding elements of the Columbia Power & Water System's Long Term Water Supply Program during our meeting on August 10, 2026.

Matt Wheeler, P.E., CPWS VP of Water Resources, presented an overview of the *Williamsport Downstream Intake and Expanded Transmission Line Project* to the Partnership.
His presentation is available at this link and on the DRWPP web page at: www.tn.gov/environment/duckriverpartnership.html and addressed these key elements:

- **What about Other Alternatives?:** Isn't there a cheaper, faster way to do the same thing?
- **Public Involvement:** Has the public had an opportunity to provide input and comment?
- **Why the Rush?:** Can't we just pause and study this some more?
- **Fit with Governor's Executive Order and DRWPP:** Does this work conflict with efforts underway by the Governor's Partnership?

During discussion that followed, Partnership members acknowledged the implementation of the CPWS Long Term Water Supply Program would include approved and permitted project elements with funding identified to address CPWS' critical capacity issues, improve flow management, and potable reuse return in the Duck River while providing expanded options for regionalization arrangements and long-term conveyance (pipeline) alternatives to the Tennessee River.

Members also noted the intent and ability of CPWS to move forward with alternative financing to implement these necessary projects at a higher cost to the rate payers if state (State Revolving Fund) and federal funding (Water Infrastructure Finance and Innovation Act or WIFIA) sources were not authorized by TLDA. State Rep. Marsh noted his desire to avoid additional interest expense of up to $50 million dollars for the project that would be absorbed by rate payers.

Maury County Mayor Sheila Butt shared valid concerns from some stakeholders in this situation, including CPWS wholesale water customers in the county not having direct representation in the governance overseeing this program, plan, and financing. She stated CPWS should consider expanding their governance to include representation for wholesale customers that purchase water from CPWS as a measure of fairness, and that would also serve as a prelude to discussion of how a regionalization strategy would be developed to Long-term benefit citizens of Columbia, Maury County, and the entire Duck River Watershed. When a CPWS representative was asked if CPWS would be open to expanded and/or equal governance, CPWS said the organization is open to exploring all options for the purpose of regionalization.

I'll note that TDEC oversees 123 water systems across the state that purchase water from wholesalers, similar to how Maury County Water System purchases water from CPWS. Most of these wholesale purchase arrangements use long-term contractual agreements rather shared governance. We anticipate that the outcomes of the DRWPP's Regionalization Study conducted by Water Finance Exchange will provide insights and options for entities operating under these arrangements in the Duck River Watershed and be applicable to other areas of the state.

As the CPWS Long Term Water Supply Program was developed and set in motion before Executive Order 108, the Planning Partnership commissioned a range of studies on demands and needs in the Duck River and regionalization opportunities for utilities in the area. These studies were not charged with finding alternative water sources for Maury County, but they have confirmed regionalization opportunities should be evaluated in parallel with deployment of infrastructure investments in the CPWS Long Term Water Supply Program, as those elements were the most practical, actionable, and affordable for communities in the Lower Duck Watershed in the near and over the long-term.

As an outcome of this deliberation, the CPWS Long Term Water Supply Program was recognized as complementary to Gov. Lee's Executive Order 108 and objectives charged to the DRWPP. The program's implementation would not negatively impact the direction nor foreclose on draft recommendations under consideration of the DRWPP.

I closed the discussion by acknowledging that the CPWS Program has undergone rigorous permitting and engineering analyses as well as an in-depth evaluation of alternatives. Project approval of these elements at multiple levels in our department reflects TDEC's priority to ensure delivery of high-quality drinking water to the people of Tennessee.

The DRWPP voted 12-2, with three abstentions, to affirm the CPWS Long Term Water Supply Program elements of a Williamsport Downstream Intake and Expanded Transmission Line Project and include it in the DRWPP *Final Report & Recommendations*.
This means the full CPWS Long Term Water Supply Program will be included as affirmed in the *Final Report & Recommendations* that will be submitted to Gov. Lee, Speaker Sexton and Lt. Gov. McNally this fall.

I appreciate the opportunity to share the Duck River Watershed Planning decision to affirm these important water supply, utility management, and community development activities for the region. As TDEC Commissioner and Chairman of the Duck River Watershed Planning Partnership, I urge TLDA to take final steps to approve the state and federal funding prepared for this critical water supply project.

Sincerely,

David W. Salyers, P.E.
Duck River Watershed Planning Partnership, Chairman

June 9, 2026

VIA E-MAIL (kayla.carr@cot.tn.gov and alicia.west@cot.tn.gov)

Ms. Kayla Carr, Assistant Secretary
Tennessee Local Development Authority
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, Tennessee 37243

RE: City of Columbia – Request for Parity Status with Proposed SRF Loan

Dear Ms. Carr:

As you know, the City of Columbia, Tennessee (the "City"), and its board of public utilities – Columbia Power and Water Systems ("CPWS"), are seeking the approval of the Tennessee Local Development Authority ("TLDA") for a State Revolving Fund loan in an amount up to $75,000,000 for certain water treatment plant expansion and distribution system improvements (the "SRF Loan"). The City is also planning to borrow up to $315,000,000, which includes a projected $30,000,000 in capitalized interest, for water system projects pursuant to a loan agreement with the United States Environmental Protection Agency (the "EPA") and authorized by the Water Infrastructure Finance and Innovation Act, codified as 33 U.S.C. §§ 3901-3915 (the "WIFIA Loan"). The City currently has outstanding its $40,000,000 draw-down Water System Revenue Anticipation Note, Series 2023 and $30,000,000 draw-down Water System Revenue Anticipation Note, Series 2025 (collectively, the "Notes"), approximately $22 million of which has been drawn to date. The Notes provide interim financing for the City in anticipation of the WIFIA Loan. The Notes will be retired with the proceeds of the initial draw of the WIFIA Loan.

The WIFIA Loan, the Notes and the SRF Loan are all part of the financing necessary to fund a critical long-term water supply project (the "Project") for the City's water system, which is operated by CPWS (the "System"). Please see the attached Exhibit A for a summary of the Project, including a description of the critical need for and importance of the Project. The City plans for the Notes and the WIFIA Loan to be payable from and secured by the same senior lien on the net revenues of the System pursuant to the terms of the City's master water bond resolution (the "Master Bond Resolution"). Because of the timing of approval of the SRF Loan, the SRF Loan, if approved, will be executed and delivered after the execution and delivery of the Notes but prior to the execution and delivery of the WIFIA Loan. The City desires for the Notes, WIFIA Loan and SRF Loan all to be secured by the same senior lien on System net revenues. Truist Commercial Equity, Inc. ("Truist"), as holder of the Notes, has consented to the execution and delivery of the WIFIA Loan and SRF Loan on a parity of lien with the Notes. See the credit agreement amendments by and between Truist and the City attached to this letter and referenced below. Pursuant to TLDA Guidelines and in the event the SRF Loan is approved by the TLDA, we hereby request that the TLDA (1) acknowledge the issuance of the SRF Loan on parity with the Notes pursuant to the terms of the Master Bond Resolution and (2) consent to the issuance of the WIFIA Loan on parity with the SRF Loan.

As indicated by the relative par amounts of the Notes, WIFIA Loan and SRF Loan, the WIFIA Loan is the largest financing component of the Project. The City would not be able to access the financing under the WIFIA Loan if the lien position of the SRF Loan was superior to that of the WIFIA Loan. In addition to a lien on System net revenues, the SRF Loan would, by its terms, have the added security of the City's ad valorem pledge and state-shared taxes, which added security are unavailable to both Truist under the Notes and the EPA under the WIFIA Loan.

In further support of the above parity request, the City cites the following:

1. The attached debt service coverage schedules showing historical debt service coverage for System debt.

2. The attached Raftelis report, including future debt service coverage schedules for the System. See page 9, as such page number is printed on the study. (See page 11 for the schedule without the SRF Loan.) The attached Raftelis report also includes a rate study for the System. See pages 7 through 10, as such page numbers are printed on the study. These rate increases had to happen quickly to build up the cash necessary for large debt service payments occurring in Fiscal Year 2031. While CPWS's water rates were in the lowest quartile before March 2026, the increases over the next five years will still have them in the median range of nearby utilities. Each year, a cost-of-service study will be completed to ensure each rate category (residential, commercial, industrial, inside-city, outside-city, resale, etc.) are properly charged the cost to serve them. All capital assets will be allocated by purpose to capture those expenses and debt requirements in the studies as well. The 20% increases were set as a ceiling. If the studies dictate lower rate increases than 20%, that is what CPWS will recommend at that time.

3. The attached credit agreement amendments relating to each of the Notes, to be signed by Truist, the City and CPWS this week with an effective date of June 18, 2026, expressly consenting to the execution and delivery of the WIFIA Loan and SRF Loan on parity with the Notes.

4. The attached term sheet for the WIFIA Loan.

5. The representations, certifications and submissions of the City and CPWS made in connection with the request for approval of the SRF Loan indicating compliance with the TLDA requirements and sufficient resources to repay the SRF Loan, including the aforementioned ad valorem pledge and the amount of unobligated state-shared taxes of the City.

6. The City's and CPWS's history of timely payment of System debt.

7. The City's adoption of and adherence to its debt management policy, a copy of which is attached to this letter.

8. The City's and CPWS's professional services agreements with bond counsel, municipal advisory and rate consultant firms pursuant to written agreements, in accordance with the

City Hall 700 North Garden Street Columbia, Tennessee 38401 Phone 931.560.1520

provisions of applicable City debt management policies. The professional services firms engaged by the City and CPWS in connection with the Project financing were selected because of their skill, expertise with the proposed financings and experience with and knowledge of the City, CPWS and System. The City and CPWS have publicly disclosed to the City Council and the CPWS Board of Directors budgeted financing costs associated with the Project.

As provided above, the professional service providers engaged in connection with the Project financing were selected with due diligence and in accordance with the provisions of the City's debt management policy, though no formal procurement process was required or used for the selection specific to the Project. CPWS engaged its financial advisor in an evaluation process conducted prior to the issuance of the City's Water System Revenue Refunding Bonds, Series 2021. The City engaged in a procurement process via request for proposals (or RFP) in 2015 for the City's separate financial advisor.

9. Finally, the City cites the significance of the Project, the benefit of the Project on the health, safety and well-being of the citizens of the State of Tennessee and the necessity of the WIFIA Loan to support the Project.

If you need further information, please contact me at tjablonski@columbiatn.gov or (931) 560-1510, Ashley Maddux at ashley.maddux@cpws.com or (931) 375-7608 or Mayor Charles (Chaz) M. Moulder at chaz.molder@columbiatn.gov or (931) 560-1505. Thank you for your consideration of this request.

Sincerely,

Thad Jablonski
Assistant City Manager, City Recorder and CFO
City of Columbia

Cc: Mayor Charles (Chaz) M. Moulder (chaz.molder@columbiatn.gov)
Ashley Maddux (ashley.maddux@cpws.com)
Jeff Oldham (joldham@bassberry.com)
Lillian Blackshear (lblackshear@bassberry.com)

Tennessee Local Development Authority

Debt & Loans Outstanding

As of June 30, 2026

(unaudited)

State Loan Program Fund

Bonds Outstanding	$	55,000

State Infrastructure Fund

Loans Outstanding	$	1,037,271

Clean Water State Revolving Fund

Loans Outstanding	$	906,402,100

Drinking Water State Revolving Fund

Loans Outstanding	$	204,792,216

Tennessee Local Development Authority

Debt Management Policy

Prepared by:

Division of State Government Finance

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Debt Management Policy

Introduction

In 1978, the Tennessee General Assembly (the “General Assembly”) created the Tennessee Local Development Authority (the “Authority”) pursuant to Sections 4-31-101 et seq., Tennessee Code Annotated (Tenn. Code Ann.). 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 Division of State Government Finance (SGF) serves as staff to and performs certain duties and functions for and at the direction of the Authority. SGF is responsible for managing the debt of the State, including the issuance of all bonds and notes and the repayment of such debt. The Director of SGF serves as the Assistant Secretary to the Authority.

The Authority is authorized to issue debt to (1) loan funds to local governments for sewage treatment and waterworks facilities (the “State Loan Programs”), energy recovery facilities and solid waste resource recovery, capital projects, firefighting equipment, and airport facilities; (2) loan funds to certain small business concerns for pollution control equipment; (3) make funds available for loans for agricultural enterprises; (4) make loans to not-for-profit organizations providing certain mental health, mental retardation, and alcohol and drug services; (5) make loans to local government units to finance construction of capital outlay projects for K-12 educational facilities; (6) 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, 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 has only issued debt pursuant to the provisions of the TLDA State Loan Programs General Bond Resolution (the “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.

Purpose

A debt management policy is established to provide written guidance for a government regarding: the amount and type of debt that may be issued, the debt issuance process, management of the debt portfolio, the investment of bond proceeds, and compliance with regulatory authorities. A debt management policy tailored to the needs of the Authority: (1) identifies policy goals and demonstrates a commitment to long-term financial planning; (2) assists the Authority in its decisions concerning debt issuance; and (3) provides justification for the issuance and structure of the debt. The Authority’s compliance with its debt management policy indicates to the rating agencies and the capital markets that the Authority is well-managed with the ability to meet its obligations in a timely manner.

Annual costs related to debt 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.

Goals and Objectives

The Authority has established this Debt Management Policy (the "Policy") as a tool to ensure that financial resources are sufficient to fulfill the Authority's long-term capital plan. In addition, 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. Policy Goals

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

B. Policy Objectives

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations
- To identify legal, financial, and administrative limitations on the issuance of debt
- To ensure appropriate legal use of the Authority's debt issuance authority
- To ensure the Authority maintains appropriate resources and funding capacity for present and future capital needs
- To protect and enhance the Authority's credit rating
- To evaluate and consider all possible debt issuance options
- To create and maintain transparency throughout the debt issuance and management process
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services
- To manage interest rate exposure and other risks
- To comply with federal regulations, laws of the State, 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 Tenn. Code Ann. §§ 4-31-101, et seq., §§ 68-221-201 et seq., and §§ 68-221-501,et seq.), pursuant to an authorizing resolution adopted by the Authority (Resolution).
- The Authority may issue debt to fund loans to local government units to pay costs of construction, acquisition, and improvement for sewage treatment works, waterworks, and energy recovery facilities and/or solid waste resource recovery facilities.

- In compliance with Article II, Section 24 of the Tennessee Constitution, debt may only be used to fund operating expenditures when such debt is repaid in the fiscal year issued; however, it is not the State's practice to issue debt to fund operating expenditures.
- Prior to the issuance of bonds, bond anticipation notes may be issued for project costs as authorized by the bond authorization and a supplemental resolution of the Authority.
- Bonds may be issued to refund outstanding debt.

B. Debt Service Coverage

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 as tax-exempt based on the following 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 constraints on investment of debt proceeds.
- **Taxable Debt -** The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt. However, the Authority may finance taxable projects within the permitted limits of tax-exempt financings whenever possible.

D. Legal Limitations on the Use of Debt

- 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 to maximum annual debt service 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 Tenn. Code Ann. § 4-31-108(f), including the certification that loan program agreements are in place that will utilize at least 75% of the note proceeds.
- No debt may be issued for a term that is longer than the useful life of the capital project that is funded.

E. Security

- The Authority's debt is payable from, and secured by, all income, fees, charges, receipts, earnings, and other moneys derived by the Authority in connection with the financing of the State Loan Programs by the Authority (the "Revenues"). Revenues as defined in the Resolution include:

  i. all payments made by local government units under a loan program agreement,
  ii. the earnings on the income derived from the investment of the proceeds of bonds and notes and any other moneys held by the Authority under the Resolution,
  iii. state-shared taxes, and
  iv. amounts held in the statutory reserve fund.

- The Authority's rights and interest in the loan program agreements and all moneys held under the Resolution are also pledged, assigned, and charged as additional security for the payment of principal and interest and premium, if any, on the debt.
- Debt issued under the Resolution shall be limited special obligations of the Authority payable on a parity as to principal, interest and premium, if any, with other debt issued under the Resolution.

Types of Debt

A. Long-Term Debt/Bonds

- **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond, i.e., serial bonds and term bonds.
- **Variable Interest Rate Bonds** – Bonds that bear interest at a variable or floating rate, adjusted at specified intervals (daily, weekly, or monthly) according to a specific index.
- **Capital Appreciation Bonds** – Bonds that are structured where interest on principal accrues and compounds until maturity. At maturity, the full amount of the principal and all interest accrued is repaid.

B. Short-Term Debt

The Authority may issue short-term debt from time to time as needed to fund loans for projects during the project construction period. Such debt shall be authorized by resolution of the Authority. Short-term debt is subsequently repaid with proceeds from the sale of long-term debt. Short-term debt may include:

- **Bond Anticipation Notes (BANs)** – BANs are short-term interest-bearing securities generally issued to finance capital project expenditures during construction in anticipation of permanent financing through the issuance of long-term debt.
- **Commercial Paper (CP)** – CP is a BAN that may be issued with a term of up to 270 days; and at maturity may be reissued to a future maturity date. It can be issued incrementally as funds are needed.
- **Fixed Rate Notes** – Notes issued for a period of five years or less with an interest rate that is fixed.
- **Variable Rate Notes –** Notes issued for a period of five years or less that bear interest at a variable or floating rate, adjusted at specified intervals (daily, weekly, or monthly) according to a specific index.
- **Revolving Credit Facility (RCF)** – A form of credit issued by a financial institution that provides the ability to draw on and repay during the term of the facility. The incremental drawdowns may bear interest until repaid.

Debt 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 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 debt should be limited to thirty (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 thirty (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

New money debt issuance will be issued with relatively net level debt service over the life of the debt. The Authority will avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements or capital appreciation bonds.

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 provisions 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 SGF and consultation with the financial advisor (the "Financial Advisor") with respect to the value of the call option.

D. Tender Offer/Option Bonds

The Authority may issue tender option bonds to retire all or a portion of certain outstanding bonds by making an offer to repurchase the bonds from its bondholders at a specified price during a set period of time. Note that from a bond holder's perspective, the only material difference between a called and tendered bond is that with the tender offer, the bond holder must elect to accept the repurchase offer. If the tender offer is not accepted, the bond's terms (including scheduled maturity date) remain unchanged.

E. Original Issuance Discount/Premium

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

F. Redemption Provisions

The Authority may redeem bonds in accordance with its redemption provision in its Resolution.

- **Optional Redemption**
  Bonds may be redeemed at the option of the Authority prior to their respective stated maturities.
- **Mandatory Redemption**
  The Authority may issue bonds that are subject to mandatory redemption with a call provision that would require the Authority to redeem the bonds prior to their stated maturity date.
- **Sinking Fund Redemption**
  The Authority may issue bonds that are subject to a sinking fund redemption that allows the Authority to call or redeem portions of its term bonds prior to their stated maturities with funds that have been set aside in a sinking fund for that purpose.
- **Extraordinary Redemption**
  The Authority may issue bonds that are subject to an extraordinary redemption provision that gives the Authority the right to call or redeem its bonds due to an unusual, one-time event.

Refunding Outstanding Debt

The Authority may refund (or refinance) outstanding bonds by issuing new bonds of which the proceeds are used to repay the refunded bonds. The Authority's staff with assistance from the Authority's Financial Advisor will have the responsibility to analyze outstanding bond issues for refunding opportunities. The Financial Advisor will conduct an analysis to identify all refunding candidates at least semi-annually.

A. Refunding Considerations

- **Advance Refunding** - An advance refunding may be considered when the refunding results generate a present value savings of at least 4% per series of refunded bonds. Consideration will be given to escrow efficiency when reviewing refunding candidates. Current tax law only allows taxable advance refunding transactions.
- **Current Refunding** - A current refunding will be considered when the refunding (1) results in aggregate present value savings of at least 2% per series of refunded bonds or (2) present value savings per series that is equal to or greater than twice the cost of issuance allocable to the refunding series.
- **Refunding for Other Purposes** - Bonds may be refunded if necessary (1) due to a change in the use of a project that would require a change to the tax status of the bonds, (2) because the project is sold or no longer in service while still in its amortization period, or (3) because the restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.
- **Present Value Savings Calculation** - Unless otherwise agreed upon by SGF and the Financial Advisor, the present value savings shall be calculated for each series of refunding bonds (whether or not issued at the same time) by comparing the debt service on the refunding bonds to the remaining debt service on the bonds to be refunded thereby, present valued to the issue of such refunding bonds at a discount rate equal to arbitrage yield on such refunding bonds calculated (whether for tax-exempt bonds or taxable bonds) in the same manner as arbitrage yield is calculated for federally tax-exempt bonds; provided, however, if a series of bonds is being used for the purpose of refunding bonds to be refunded and for other purposes the discount rate is equal to the arbitrage yield of the series of bonds. Percentage present value savings shall be expressed as a percentage of the par amount of such bonds to be refunded.
- **Escrow Efficiency -** Escrow efficiency is determined by dividing the present value savings by the perfect escrow cost. The perfect escrow cost for a net funded escrow is the net present value of the escrow requirements (plus the additional cash deposit on the final requirement date) discounted at the arbitrage yield to the escrow purchase date. For a gross-funded escrow, the perfect escrow cost is the sum of the escrow requirements.

After consultation with the Financial Advisor, the Comptroller may waive the foregoing refunding considerations given that the sale of refunding bonds will still accomplish cost savings to the public. Such waiver shall be reported in writing to the Authority at its next meeting.

B. Term of Refunding Issues

The final maturity of the refunding escrows will not extend beyond the fiscal year of the maturity of the originally issued debt. No backloading of debt will be permitted.

C. Escrow Structuring

The Authority will structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will seek 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.

D. Arbitrage

The Authority shall seek to optimize efficiency on refunding escrows and to avoid negative arbitrage in its refunding subject to Tenn. Code Ann. § 4-31-104(6). Any positive arbitrage will be rebated in accordance with 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 are posted for auction sale and awarded to the bidder providing the lowest true interest cost as long as the bid conforms to the requirements set forth in the official notice of sale. A competitive sale is the Authority's preferred method of sale.

B. Negotiated

While the Authority prefers to sell it bonds through a competitive sale, it recognizes that there are situations when it is best to negotiate the sale of its bonds. The underwriting team will be selected, and the underwriter's fees negotiated prior to the sale. See section below titled "Selection of Underwriting Team (Negotiated Transaction)." The Authority will consider the following factors in determining whether to conduct a negotiated sale:

- The bond structure which may require a pre-marketing effort;
  - i. Fixed or variable rate bonds
  - ii. Taxable or tax-exempt bonds
  - iii. New money or refunding bonds
- Volatility in market conditions may require flexibility in the timing of the sale;
- Size of the bond sale which may limit the number of potential purchasers;
- Legal or disclosure issues make it advisable in marketing the bonds; and/or
- Credit strength.

C. Private Placement

The Authority may consider privately placing its bonds in certain situations, such as:

- The small amount of bonds to be sold does not warrant public sale;
- The structure is complicated for a public debt issuance;
- The number of potential purchasers is limited; and/or
- The private placement results in a cost savings to the Authority in comparison to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

The primary role of the underwriter and underwriting team in a negotiated bond sale is to market the State's bonds to investors. Underwriters often provide ideas and suggestions with respect to structure, timing, and marketing process for the bonds being sold. The underwriters also work with the State's Financial Advisor and financing team in the bond rating process. The roles of the underwriter and the Financial Advisor are separate, adversarial roles that cannot be provided by the same party. The Authority shall require an underwriter to clearly identify itself in writing, whether in 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 the Authority's bonds to be sold. The underwriter must clarify its primary role as a purchaser of securities in an arms-length negotiation 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 bond 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 transaction;
- Financing ideas presented; and
- Competitive underwriting fees.

B. Co-Managers

Co-managers may be selected based on the same criteria as the Senior Manager. The number of co-managers appointed to a specific transaction may be dependent upon the transaction size 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 its bond sales 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 included in the transaction, the Secretary or Assistant Secretary of the Authority, at his or her discretion, may appoint new members to the selling group 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.

Credit Quality

The Authority will seek to achieve the highest credit ratings possible, consistent with the Authority's financing objectives. If the Authority's ratings are downgraded, the Authority will immediately review its capital funding and debt strategy and take necessary steps within its authority to avoid additional downgrades and restore its rating. If the downgrade is a result of a criteria change, SGF will work with the credit rating agencies to understand the implications of the criteria and provide a summary to the Authority.

SGF will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the Authority's debt. SGF will schedule rating agency calls and/or visits prior to the issuance of Authority debt.

SGF will provide the rating agencies with periodic updates of the general financial condition of the Authority. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Authority, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority through SGF will engage the relevant rating agencies in advance, in the event that the Authority decides to move forward with a plan of finance that includes variable rate debt, new commercial paper programs or the use of derivatives.

The Authority shall apply for ratings from at least two of the four credit rating agencies. The Authority shall fully review the contract with the rating agencies and receive an engagement letter with each respective agency prior to submitting documentation for the rating.

Credit Enhancements

The Authority may consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. The Authority may determine that a credit enhancement is necessary to sell debt in the capital market. In other cases, there may be an economic benefit to securing credit enhancement; however, cost savings would need to be demonstrated. SGF may consider the following enhancements while evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when it is deemed prudent and advantageous by the Office of the Comptroller of the Treasury through SGF. The primary consideration shall be based on whether the insurance is less costly than the present value of the difference between the interest cost on insured bonds versus uninsured bonds. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used. The purchaser will include the cost of the bond insurance (to be paid by the purchaser) in its bid for the bonds. If SGF decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, SGF will select a provider whose bid is most cost effective and will consider the credit quality of the insurer with terms and conditions governing the guarantee that are satisfactory to the Authority.

B. Letters of Credit

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

C. Liquidity

For variable rate debt that requires a liquidity facility to mitigate remarketing risk, the Authority will evaluate:

- The cost of alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and lines of credit, in comparison to the cost of the inability to issue debt due to an illiquid market;
- Whether the facility needs to be diversified among liquidity providers, to limit credit exposure to any individual liquidity provider;
- All cost components attributed to the liquidity facility, including commitment fees, standby fees, draw fees, and interest expense on amounts drawn on the facility; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the cost for self-liquidity.

The winning bid will be awarded to the bank or financial institution with the highest credit quality that provides a proposal with the lowest cost 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

SGF will evaluate each transaction to assess the types and amounts of risk associated with that transaction and consider all available means to address and mitigate the risks. 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. Private Business Use

Private business use of a project or facility that is financed with tax-exempt bonds may cause the interest on the tax-exempt bonds to be taxable to the owner of the bonds.

B. Default Risk

- **Payment (monetary) default risk** - the risk that debt service payments due from the borrowers are not received by the due date.
- **Technical default risk** - the risk that the Authority fails to comply with the covenants or conditions (non-financial terms) of its debt obligations.

C. Liquidity Risk

The risk that an illiquid capital market would impede the Authority's ability to issue or remarket debt along with the risk of having to pay a higher interest rate to the liquidity provider in the event of a failed remarketing of short-term debt.

D. Interest Rate Risk

The risk that market interest rates change based on conditions which are outside the control of the State. Debt with variable rates could be subject to interest rate volatility and based on market conditions rates could be higher than estimated. Debt that includes a requirement to be refinanced could be subject to higher interest rates in the future resulting in higher interest costs.

E. Rollover Risk

The risk of refinancing debt with the rate of interest on the new debt being greater than the original rate of interest.

F. Market Risk

Risk that may arise due to changes in the municipal or other financial markets, geopolitical events, or recessions that could result in the inability to access the financial markets or borrowing in financial markets that could result in higher than expected interest rates.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act and provide adequate notice of public meetings. The Authority shall specify on the agenda any matters related to debt issuance that are to be considered. All costs related to debt issuance, recurring and non-recurring, (including bond interest and costs of issuance) shall be disclosed to the general public in a timely manner. Additionally, in accordance with the Authority's Continuing Disclosure Undertaking (CDU), the Authority will provide certain financial information and operating data by specified dates and provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure requirements of the U.S. Securities and Exchange Commission (SEC) 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 the sale;
- Filing the Debt Report with the Authority not later than forty-five days following the issuance or execution of a debt obligation, with a copy filed with the Division of Local Government Finance (LGF) pursuant to Tenn. Code Ann. § 9-21-134; and
- Electronically submitting information necessary to satisfy the Authority's continuing disclosure requirements for the bonds through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website in a timely manner (see "Federal Regulatory Compliance and Continuing Disclosure").

Professional Services

The Authority requires all professionals engaged in assisting in the Authority's debt issuance transactions to clearly disclose all compensation and consideration received related to services provided in the "soft" costs or compensation 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 the 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, that serves as counsel to SGF regarding Authority matters.

B. Bond Counsel

Bond counsel shall be engaged through SGF and serves to assist the Authority in all matters related to its debt issues under a written engagement letter.

C. Financial Advisor

The Financial Advisor shall be engaged through SGF and serve and assist the Authority on financial matters under a written contract. 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. The Financial Advisor shall be a registered municipal advisor with the Municipal Securities Rulemaking Board (MSRB).

D. Dealer or Remarketing Agent

The Authority may enter into a Dealer Agreement with the appointed CP dealer or Remarketing Agent Agreement associated with variable rate debt offerings. The Dealer and/or Remarketing Agent agrees to offer and sell the CP, or other variable rate debt, on behalf of the Authority, to investors and other entities and individuals that purchase CP.

E. Issuing and Paying Agent

The Authority shall appoint an Issuing and Paying Agent to act as paying agent and registrar for the Authority's CP at all times while the CP is outstanding. The Authority will execute 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.

F. Credit/Liquidity Provider

The Authority shall enter into a Credit/Liquidity Agreement with the appointed provider, if deemed necessary or advisable, for the CP. The provider shall be a bank or lending institution, or the Tennessee Consolidated Retirement System (TCRS) 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.

G. 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.

H. Verification Agent

The Verification Agent will be selected through a RFP process prior to the issuance of refunding bonds, if required. The Verification Agent shall verify the cash flow sufficiency to the call date of the escrowed securities to pay the principal and interest due on the refunded bonds.

I. Escrow Bidding Agent

The Escrow Bidding Agent will be selected through a RFP process prior to the issuance of refunding bonds. With regards to structuring the refunding escrow with investment securities, the Escrow Bidding Agent will prepare bidding specifications, solicit bids for investment securities, review, and evaluate responses to the bids, accept and award bids, and provide final certification to the Authority as to completion of requirements.

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 understand 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

In planning for the sale of bonds, the procedures outlined below will be followed:

- Prior to submitting a supplemental bond resolution to the Authority for approval, the Director of SGF (the "Director"), with the assistance of the Financial Advisor, will present to the 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.
- The Director (with the assistance of SGF staff), Bond Counsel, and Financial Advisor, along with other members of the financing team will prepare the preliminary official offering document (i.e., a Preliminary Official Statement) describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- 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.

B. Preparing for Bond Closing

In preparation for the bond closing, the procedures outlined below will be followed:

- The Director (with the assistance of SGF staff), Bond Counsel, and the Financial Advisor, along with other members of the financing team will prepare the offering document (i.e. 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 Authority's staff, with assistance from 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, if applicable.
- 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 Debt Report outlining costs related to the issuance and other information set forth in Tenn. Code Ann. § 9-21-134 and present the report at the next meeting of the Authority and file a copy with LGF.
- 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 all arbitrage earnings associated with the financing and submitting any tax liability that may be owed to the Internal Revenue Service (IRS).

- 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 SGF staff) will, no less than annually, request and receive confirmation from the responsible department that there has been no change in use of tax-exempt financed facilities.

For additional information on planning and preparing for a bond sale, see Standard Operating Procedure on Bond Issuance and Checklist.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The Authority, through SGF, will comply with arbitrage requirements on invested tax-exempt bond proceeds. 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 its 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 Tenn. Code Ann. § 4-31-104(6), subject to any restrictions required pursuant to any applicable bond issuance authorization. Compliance with federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained.

Proceeds used to refund 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) shall be rated no 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 that will be sufficient without reinvestment together with any cash on deposit, to redeem the bonds to be refunded and to pay all interest due on the bonds to be refunded.

C. Disclosure

The Authority will disclose on the EMMA website the State's audited Annual Comprehensive Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings (CDUs) for the outstanding bonds no later than January 31st of each year. The Authority will timely disclose any failure to provide required annual financial information by January 31st. The Authority will also, in accordance with the CDUs, disclose on the EMMA website within ten business days after the occurrence of any of the following events relating to the bonds to which the CDUs 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 IRS of proposed or final determinations of taxability, Notice 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 the assets of the Authority, other than in the course of ordinary business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- Appointment of successor trustee or the change of name of a trustee, if material;
- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and/or
- 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 and prepare its financial reports in accordance with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the Department of Finance and Administration 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, improvements, 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 adopted and amended this Policy on May 22, 2017, effective May 11, 2017.
3. The Authority adopted and amended this Policy on July 22, 2021, effective July 22, 2021.
4. The Authority adopted and amended this Policy on July 22, 2024, effective July 22, 2024.
5. The Authority adopted and amended this Policy on June 23, 2025, effective June 23, 2025.

Vice Chair
Tennessee Local Development Authority

APPENDIX A

Annual Review

The Authority has reviewed and accepted the Debt Management Policy on:

October 8, 2014
November 19, 2015
July 20, 2020
July 26, 2022
June 27, 2023
August 24, 2026