

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
August 17, 2017

The Tennessee Local Development Authority (the "Authority" or "TLDA") met on Thursday, August 17, 2017, at 10:00 a.m. in the Tennessee State Capitol, Executive Conference Room, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

The Honorable David Lillard, State Treasurer
The Honorable Justin Wilson, Comptroller of the Treasury
Commissioner Larry Martin, Department of Finance and Administration
Dr. Kenneth Moore, House Appointee

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

Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Hargett called the meeting to order and asked Ms. Sandra Thompson, Director of the Office of State and Local Finance ("OSLF") to call the roll:

Mr. Wolfe — Present
Mr. Martin — Present
Mr. Hargett — Present
Mr. Wilson — Present
Mr. Lillard — Present
Dr. Moore — Present

Mr. Hargett stated that the first item on the agenda was to approve the minutes of the previous TLDA meeting held on June 22, 2017. Mr. Martin made a motion to approve the minutes, Mr. Lillard seconded the motion, and Ms. Thompson called the roll:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item on the agenda was an update on Williamson County's QECB suballocation request, which the TLDA had granted contingent approval at the previous TLDA meeting held on June 22, 2017. Mr. Hargett recognized Ms. Sandi Thompson, OSLF, who stated that the TLDA had granted approval contingent on the receipt of signed resolutions from the Williamson County Commission. Ms. Thompson stated that the Office of State and Local Finance had received the resolutions from Ms. Alexa Voytek, Tennessee Department of Environment and Conservation ("TDEC"), on July 27, 2017. Ms. Thompson then stated that on August 8, 2017

OSLF and the Attorney General's office confirmed that the resolutions did satisfy the TLDA's conditions for approval. Mr. Hargett asked if there were any questions. Hearing none, he continued.

Mr. Hargett then stated that the next item on the agenda was a report on the notification by the Town of Decatur (the "Town") that was submitted to comply with TLDA State Revolving Fund ("SRF") Policy and Guidance. Mr. Hargett recognized Ms. Thompson who stated that OSLF received a notice from the Town informing the TLDA that they plan on issuing debt that would be subordinate to its SRF loans. Ms. Thompson stated that this notice is all that is required, as they are not required to request or obtain an approval from the TLDA. Mr. Hargett asked if there were any questions. Hearing none, he continued.

Mr. Hargett stated that the next item was a request by the First Utility District of Tipton County (the "District") to issue refunding debt on parity with its SRF Loans. Mr. Hargett recognized Ms. Thompson who stated that the District was required to submit a request to issue this refunding debt on parity with its SRF loans. Ms. Thompson stated that they did have several criteria they did need to meet in order to receive approval for that. Ms. Thompson stated that the local finance analysts in OSLF did review this request and determine that they did meet all of the criteria. This included providing an annual report for its most recent fiscal year, demonstrate that they had met the requirements for the 1.20X debt service coverage, and they showed that net revenues from the system for the next three fiscal years would be sufficient to provide the 1.20X debt service coverage as well. Ms. Thompson stated OSLF concluded that the District did meet the criteria in accordance with the SRF policy and guidance.

Mr. Wilson made a motion to approve the request, Mr. Martin seconded the motion, and Ms. Thompson called the roll:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was the consideration of a request by the Watauga River Regional Water Authority (the "Authority") to issue refunding debt on parity with its SRF loan. Mr. Hargett recognized Ms. Thompson who stated that OSLF is required to review and make sure that they comply with the criteria under the SRF policy and guidance. Ms. Thompson stated that the refunding would result in a net present value debt service savings of \$413,000 or 5.59% of the refunded principal amount. OSLF did receive the audited financial statements in the required time. The Authority expects a bond credit rating of "A," and they are currently under the jurisdiction of the Water and Wastewater Review Board (WWRB) for two years of negative change in net position. Ms. Thompson explained that since instituting a required rate change the Authority experienced a positive change in net position in 2016. Ms. Thompson stated that based on OSLF analysis, the Authority would have sufficient cash and revenues to meet the required 1.20X debt service coverage, and the proposed issuance will maintain the current parity lien position that the Authority's bonds have with its SRF loan. Mr. Hargett recognized Mr. Wilson who asked if the Authority was not increasing its indebtedness and only refunding its indebtedness. Ms. Thompson stated that the proposed issuance was only a refunding. Mr. Wilson then asked if the proposed issuance would have the same parity status that the current outstanding bonds have which Ms. Thompson affirmed they would.

Mr. Wilson made a motion to approve the request, Mr. Martin seconded the motion, and Ms. Thompson called the roll:

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

The motion was unanimously approved.

Mr. Hargett then stated that the next item on the agenda was the presentation of the priority ranking lists for the Clean Water and Drinking Water State Revolving Funds. Mr. Hargett recognized Mr. Sherwin Smith, TDEC, who stated that these were the lists for the fiscal year 2017 rating cycle because the Environmental Protection Agency (“EPA”) was one year behind TDEC’s 2018 fiscal year cycle. Mr. Smith stated that the priority ranking lists are prepared from project requests that TDEC receives from local governments, authorities, and utility districts. Mr. Smith stated that he would be glad to answer any questions there might be. Mr. Hargett asked about loans number two and three with each having a score of 117 priority points, and asked why they were not tied for second place. Mr. Smith explained that when a tie occurred they looked at ability to pay and population. Mr. Smith stated that the smaller and less affluent community would receive priority to break a tie. Mr. Hargett asked if there were any questions. Hearing none, he continued.

Mr. Hargett then stated that the next item was to consider for approval several Clean Water SRF loans and recognized Mr. Sherwin Smith to present the balance of the fund. Mr. Smith stated that the unobligated balance as of the June 22, 2017 meeting was \$125,619,788, and that there was an increase to the fund due to decreases in previous loans of \$1,120,529 with a final balance of \$126,619,788. Mr. Smith then stated that the projects for approval totaled \$19,125,725, which would leave a remaining unobligated balance of \$107,614,592. Mr. Hargett stated that, without objection, all loans would be considered as one item.

Mr. Smith then presented the following loan requests:

- Hallsdale-Powell Utility District (CW6 2017-394)—Requesting \$1,000,000 (\$900,000 (90%) loan; \$100,000 (10%) principal forgiveness) for the Beaver Creek Interceptor Improvement Project. The Project includes the replacement of approximately 11,500 linear feet (LF) of 36-inch diameter interceptor sewer with a new 48-inch diameter interceptor sewer with new manholes, rehabilitation/replacement of approximately 16,700 LF of 6-inch through 24-inch diameter existing collector sewers and associated manholes, and the installation of approximately 425 LF of new collector sewer and associated manholes; recommended interest rate of 1.93% based on the Ability to Pay Index (ATPI).
- Hallsdale-Powell Utility District (SRF 2017-395)—Requesting \$12,100,000 for the Beaver Creek Interceptor Improvement Project. The Project includes the replacement of approximately 11,500 linear feet (LF) of 36-inch diameter interceptor sewer with a new 48-inch diameter interceptor sewer with new manholes, rehabilitation/replacement of approximately 16,700 LF of 6-inch through 24-inch diameter existing collector sewers and associated manholes, and the installation of approximately 425 LF of new collector sewer and associated manholes; recommended interest rate of 1.93% based on the Ability to Pay Index (ATPI).
- Troy (CG5 2017-397)—Requesting \$625,725 (\$531,866 (85%) loan; \$93,859 (15%) principal forgiveness) for I & I (infiltration/inflow) corrections and collection system rehabilitation; recommended interest rate of 0.39% based on the ATPI.
- Water Authority of Dickson County (CG5 2017-384)—Requesting \$1,340,185 (\$268,037 (20%) loan; \$1,072,148 (80%) principal forgiveness) for water meter replacements (GREEN); recommended interest rate of 1.03% based on the ATPI.
- Water Authority of Dickson County (SRF 2017-385)—Requesting \$4,059,815 for water meter replacements (GREEN); recommended interest rate of 1.03% based on the ATPI.

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Mr. Martin made a motion to approve the loans, Mr. Lillard seconded the motion, and Ms. Thompson called the roll:

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

The motion was unanimously approved.

Mr. Hargett then stated that the next item on the agenda was to consider the drinking water loans for approval and recognized Mr. Sherwin Smith to present the Drinking Water balance sheet. Mr. Smith stated that the unobligated balance as of the June 22, 2017 was \$41,562,788. Mr. Smith then explained that the fund had an increase of \$47,161 due to decreases in previous loans resulting in a balance of \$41,609,949. Mr. Smith stated that the projects to consider for approval totaled \$2,949,950, which would leave a remaining unobligated balance of \$38,659,999. Mr. Hargett stated that, without objection, all loans would be considered as one item.

Mr. Smith then presented the following loan requests:

- Paris (DWF 2017-195)—Requesting \$750,000 for water treatment plant (“WTP”) improvements and Volunteer Drive water tank rehabilitation; recommended interest rate of 1.18% based on the Ability to Pay Index (ATPI).
- Paris (DW6 2017-196)—Requesting \$1,000,000 (\$800,000 (80%) loan; \$200,000 (20%) principal forgiveness) for water treatment plant (“WTP”) improvements (replace aging treatment process-Phase II); recommended interest rate of 1.18% based on the Ability to Pay Index (ATPI).
- Paris (DWF 2017-197)—Requesting \$500,000 for water treatment plant (“WTP”) improvements (replace aging treatment process-Phase II); recommended interest rate of 1.18% based on the Ability to Pay Index (ATPI).
- Troy (DW4 2017-198)—Requesting \$699,950 (\$524,962 (75%) loan; \$174,988 (25%) principal forgiveness) ~~(\$1,000,000 (\$800,000 (80%) loan; \$200,000 (20%) principal forgiveness)~~ for water system improvements; recommended interest rate of 0.39% based on the Ability to Pay Index (ATPI).

Mr. Martin made a motion to approve the loans, Mr. Wilson seconded the motion, and Ms. Thompson called the roll:

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

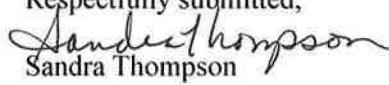
The motion was unanimously approved.

Hearing no other business, Mr. Wilson made a motion to adjourn the meeting, Mr. Hargett seconded the motion, and Ms. Thompson called the roll:

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

The motion was unanimously approved.

Approved on this 22nd day of September, 2017.

Respectfully submitted,

Sandra Thompson
Assistant Secretary