

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY**  
**December 19, 2017**

The Tennessee Local Development Authority (the Authority or TLDA) met on Tuesday, December 19, 2017, at 11:45 a.m. in the Executive Conference Room, Ground Floor, State Capitol, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

The Honorable Justin Wilson, Comptroller of the Treasury  
 The Honorable David Lillard, Jr., State Treasurer  
 Commissioner Larry Martin, Department of Finance and Administration

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

Mr. Pat Wolfe, Senate Appointee\*  
 Dr. Kenneth Moore, House 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 to call the roll.

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

Mr. Hargett stated that the next item on the agenda was approval of the minutes of the November 8, 2017, meeting and corrections to the minutes of the June 22 and August 17, 2017, meetings. Mr. Hargett asked for a motion to approve the minutes and accept the corrections. Dr. Moore made a motion, and Mr. Wilson seconded the motion. Ms. Thompson performed a roll-call vote:

Dr. Moore—Yes  
 Mr. Martin—Yes  
 Mr. Lillard--Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes

The minutes were unanimously approved.<sup>i</sup>

Mr. Hargett asked Ms. Alexa Voytek, Program Manager, with the Tennessee Department of Environment and Conservation (TDEC), Office of Energy Programs (OEP) to provide an update on the Qualified Energy Conservation Bond (QECB) program Ms. Voytek stated that on December 7, 2017, TDEC's OEP received a letter from the City of Chattanooga requesting to reallocate the City's Large Local Jurisdiction allocation back to the State. She noted that the letter incorrectly stated the amount to be reallocated was \$1,760,919 leaving an unallocated balance of \$7,000 and that OEP had requested a revised letter to reallocate the \$7,000 back to the State. Ms. Voytek also provided an updated on the Tax Cuts and Jobs Act (the Act) that was introduced into the U.S. House of

<sup>\*i</sup> Mr. Pat Wolfe joined the meeting telephonically at approximately 11:46 a.m.

Representatives on November 2, 2017. The Act proposed a prohibition on the issuance of certain tax credit or interest subsidy bonds, to include QECBs. Ms. Voytek stated that the Act passed on December 16 and would impact the QECB program. Ms. Voytek stated that the prohibition would apply to bonds issued after December 31, 2017. Mr. Wilson asked if OEP contemplated any QECBs to be issued. Ms. Voytek responded that there were no planned issuances. There were no further questions or comments.

Mr. Hargett stated that the next agenda item was consideration of a request from the Hallsdale-Powell Utility District (the District) for the TLDA to waive requirement 7(m) set forth in its loan agreements requiring that the audit for 2017 be filed by September 30, 2017. Mr. Hargett recognized Ms. Thompson to present the request. Ms. Thompson stated that the District's audit for fiscal year 2017 was not filed by the deadline of September 30, 2017, and that that the District's loan agreements and TLDA policy require them to be filed within 6 months of the fiscal year end in order to issue additional debt payable from the revenues of its system. Therefore, the District was requesting a waiver of this requirement to proceed with its debt issuance request. Mr. Hargett asked if the District's counsel was present. Mr. Alex Buchanan, with Waller Lansden Dortch & Davis, LLP, identified himself as the District's counsel. (Other attorneys present at this meeting were Ms. Emily Urban with TDEC's Office of General Counsel and Mr. David Burn and Mr. Ryan Lee with the Attorney General's Office.) Mr. Hargett stated that he had reviewed the waiver request letter and another letter from Mr. James Smith, the District's Chief Financial Officer, concerning an extension request submitted to Local Government Audit (LGA). Mr. Hargett stated that the State does not grant extensions for contracted filing deadlines, and asked Mr. Buchanan if the District understood this. Mr. Buchanan responded that the District now understood. (A letter dated December 18, 2017, was sent to Mr. Smith from Mr. Jerry Durham, Assistant Director of LGA to clarify that there is not a provision in the audit contract for filing reports more than six months after the fiscal year end. A copy of the letter was included in the meeting materials.) Mr. Hargett stated that this was an unusual situation and that the State did not want to hinder the District from issuing additional debt intended to benefit the community it serves; however, the law dictates a filing deadline and it is important that the District follow the law. He asked Mr. Buchanan to communicate this message to the District. Mr. Buchanan asked for clarification on the six-month filing requirement and if it was a State or federal requirement. He noted that federal law allows a nine-month period for submission of annual reports. Mr. Hargett asked Mr. Burn to respond. Mr. Burn stated he believed that the six-month period was a requirement of LGA. Mr. Wilson clarified that the Single Audit Act, which allows audit reports to be filed within nine months of an entity's fiscal year end, is a federal law, but federal law does not control State law. Mr. Lillard asked if there was a limit on the waiver request. Ms. Thompson responded that the District's request letter stated that the waiver request was limited the filing of the report for fiscal year 2017 only. Ms. Thompson stated that the audit had been filed with LGA on November 1, 2017. Mr. Martin asked if there was a need for a waiver to be granted since the report was filed with LGA prior to the date of this meeting and if the Authority should only need to acknowledge that the report had been filed. Mr. Burn responded that a waiver is necessary because the loan agreements and TLDA policy require timely submission of the audit report for the District to be able to issue additional debt and that the TLDA could not approve the District's debt issuance request without the waiver. Mr. Wilson made a motion to waive the enforcement of requirement 7(m) in the District's loan agreements and to limit the waiver to the refunding request presented at this meeting. Mr. Hargett seconded the motion. Dr. Moore asked if the federal tax bill would eliminate all refundings. Mr. Wilson responded that not all refundings would be eliminated, but the legislation would eliminate advanced refundings. Ms. Thompson performed a roll-call vote:

Dr. Moore—Yes  
 Mr. Wolfe—Yes  
 Mr. Martin--Yes  
 Mr. Lillard—Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes

The motion was unanimously approved.

Mr. Hargett asked Ms. Thompson to present the next request from the District. Ms. Thompson stated that the District was requesting to issue refunding bonds in an amount not to exceed \$20,000,000 and to subordinate the lien position of its SRF loans. Ms. Thompson stated that the debt to be refunded is currently senior to the SRF loans, so the lien

position of the debt would remain the same upon approval of this request. Ms. Thompson stated that the Office of State and Local Finance had conducted a review and determined that the District had meet all requirements to issue additional debt set forth in its loan agreements and in TLDA policy except for timely filing of its 2017 audit. Ms. Thompson stated that based on the review the District has sufficient cash and revenues to meet its debt obligations and appears to meet TLDA guidelines for approval to issue additional debt except for the late filing of its audit. Mr. Wilson asked if the refunding extended the maturity of the debt. Ms. Thompson replied that it did not. Mr. Hargett moved approval of the request, and Mr. Wilson seconded the motion. Mr. Hargett asked if there were any further discussion. There was none. Ms. Thompson performed a roll-call vote:

Dr. Moore—Yes  
 Mr. Wolfe—Yes  
 Mr. Martin--Yes  
 Mr. Lillard—Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes

The motion was unanimously approved.

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

Dr. Moore—Yes  
 Mr. Wolfe—Yes  
 Mr. Martin--Yes  
 Mr. Lillard—Yes  
 Mr. Wilson—Yes  
 Mr. Hargett—Yes

The meeting was adjourned.

Approved on this 25<sup>th</sup> day of January 2018.

Respectfully submitted,



Sandra Thompson  
 Assistant Secretary