

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY**  
**May 9, 2019**

The Tennessee Local Development Authority (the Authority or TLDA) met on Thursday, May 9, 2019, at 1:15 p.m. in House Hearing Room II, First Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

The Honorable Justin Wilson, Comptroller of the Treasury  
 The Honorable David Lillard, State Treasurer  
 Angela Scott, Proxy for Commissioner Stuart McWhorter, Department of Finance and Administration

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

Dr. Kenneth Moore, House Appointee  
 Mr. Pat Wolfe, Senate Appointee

The following member was absent:

The Honorable Bill Lee, Governor

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

Ms. Scott—Present  
 Mr. Lillard—Present  
 Mr. Hargett—Present  
 Mr. Wilson—Present  
 Mr. Wolfe—Present  
 Dr. Moore—Present

Mr. Hargett asked for a motion to approve the minutes of the March 8, 2019, TLDA meeting. Mr. Hargett made a motion to approve the minutes, and Mr. Wilson seconded the motion. Ms. Thompson performed a roll-call vote:

Ms. Scott—Aye  
 Mr. Lillard— Aye  
 Mr. Hargett—Aye  
 Mr. Wilson— Aye  
 Dr. Moore— Aye  
 Mr. Wolfe— Aye

The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was consideration of approval for a Drinking Water State Revolving Fund (DWSRF) loan. He asked Ms. Leslie Gillespie-Marthaler, Director of State Revolving Fund (SRF) for the Tennessee Department of Environment and Conservation (TDEC) to present the loan request. Ms. Gillespie-Marthaler first presented the unobligated fund balance. She stated the balance was \$88,579,529 as of February 8, 2019. The balance decreased a total of \$42,809,917 due to a transfer of funds from the DWSRF to the Clean Water SRF leaving a final balance of \$45,769,612. Upon approval of the loan request to be presented totaling \$3,288,000, the funds available for loan obligations would be \$42,481,612.

Ms. Gillespie-Marthaler also noted that following the transfer of funds from the DWSRF, the funds available for CWSRF loan obligations would be \$94,375,737.

She then described the DWSRF loan request.

- **City of Oak Ridge (DWF 2019-216)** Requesting \$3,288,000 for a new water treatment plant (Construction of a 16 million-gallon-per-day (MGD) water treatment plant (WTP)) planning and design loan; recommended interest rate of 1.08% based on the Ability to Pay Index (ATPI); Priority ranking 17 of 21.

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

Ms. Scott—Aye  
Mr. Lillard— Aye  
Mr. Hargett—Aye  
Mr. Wilson— Aye  
Dr. Moore— Aye  
Mr. Wolfe— Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on SRF borrowers that have not submitted requests for project expense reimbursement. He asked Ms. Gillespie-Marthaler to present the information. Ms. Gillespie-Marthaler stated that TDEC's staff had called five entities, including Chapel Hill, Franklin, Hallsdale-Powell Utility District, Jackson Energy Authority, and Memphis to inquire about inactivity on previously approved SRF loans. She reported that Chapel Hill, Franklin, and Hallsdale-Powell were in compliance with their construction completion dates, and that TDEC expected pay requests from them in the near future. Jackson Energy Authority was also in compliance; however, it had requested an extension on April 18, 2019, which was still under review. She continued by saying that although Memphis was currently in compliance, TDEC would be contacting them to inquire about a possible extension on its project. Mr. Hargett asked who TDEC's contact was for Memphis. She replied that it was Mr. Scott Morgan. No action was required.

Mr. Hargett stated that the last item on the agenda would be a request from Benton County and Decatur County to modify two SRF loan repayment schedules related to the Benton-Decatur Special Sewer District due to financial and economic distress. He called upon Ms. Thompson to present the request. Ms. Thompson stated that the OSLF had received a request from Benton and Decatur Counties for consideration by the TLDA to modify and provide payment relief for two SRF loan repayment schedules related to the Benton-Decatur Special Sewer District (District). She reported that the District had lost six of its sixteen customers, had incurred costs related to system improvements, and was experiencing system compliance issues. Ms. Thompson further stated that the Tennessee Department of Economic and Community Development had identified both Benton and Decatur Counties as Tier 4 At-Risk, and that the District was referred to the Water and Wastewater Financing Board (WWFB) on February 8, 2019 by the Division of Local Government Audit due to indications of financial distress. She then noted that the request letter contained an error regarding USDA Rural Development funding awarded to Benton County for the District. The letter stated that USDA rural funding had been borrowed, when in fact funding was provided in the form of grants. The Counties would be submitting a revised letter to clarify the types of USDA funding received as well as their intent to apply for additional funds. Staff recommends that consideration of their request be contingent upon receipt of that revised letter. Ms. Thompson continued by saying that the Counties requested a 23-month relief period followed by a reduced interest rate of 1.03% at the end of that period on the remaining outstanding principal balance. In accordance with the TLDA/SRF Policy and Guidance for Borrowers, Ms. Thompson said that staff recommends approval of an initial 11-month period (instead of 23 months) as shown in the proposed schedule modification that was included in the meeting packet. The relief period would be from August 2019 through June 2020, and upon

completion of a review by the WWFB, the Counties would then be allowed to submit another request for additional relief. Ms. Thompson informed the TLDA that representatives from the Counties were present to make a statement regarding the request, to express their concerns, and to answer questions. She said that, John Greer, the Comptroller's Utilities Specialist, would also be presenting information regarding the oversight process of the District by the WWFB.

Mr. Hargett then recognized Benton County Mayor Brett Lashlee who introduced himself. He said even as a new mayor, it did not take long to realize that the District's financial model was not working due to many factors, one of which was the unpredicted loss of District customers. Mayor Lashlee also stated that he was reliant on the expertise of his county engineer for guidance and advice from a county's perspective. He then referred to the 11-month relief period recommended by OSLF staff and asked that the TLDA instead consider for approval the original request of 23 months. He noted that the District would increase rates effective July 1, 2019 and that Love's Truck Stop had committed to building at the interstate exit, but it would not be completed until January or February 2020. Mr. Hargett asked if the TLDA members had any questions for Mayor Lashlee. Mr. Wilson responded by asking if Benton and Decatur would have equal accountability during the relief period. Mayor Lashlee responded affirmatively. Mr. Hargett then asked if the Authority had any other questions for Mayor Lashlee. Hearing none, he thanked those in attendance, and stated that the OSLF, TDEC, and the Authority members' respective offices were very interested in finding a solution that would help Benton and Decatur Counties, as well as the District. He then recognized Mr. John Greer to comment on the WWFB oversight process. Mr. Greer began by saying that the District was referred to the WWFB for defaulting on its SRF loans. He stated that he planned to attend the District's May 17, 2019 meeting, would gather financial documents from the District, and would request a third-party rate analysis. He stated that the WWFB would like to help in any way possible, and that the District would be under the Board's oversight until it was back on track. Mr. Hargett asked if there were any other questions or comments. There were no further questions or comments.

Mr. Hargett acknowledged the difference between the 11-month relief period recommended by OSLF staff and the 23-months requested by Benton-Decatur. He asked Mr. Greer if the WWFB would be comfortable with 23-month conditions. Mr. Greer replied that the proposed 11-month relief period was reasonable, and that it would allow the WWFB time to review the District in order to make further recommendations to the TLDA. Mr. Hargett thanked Mr. Greer, and asked Ms. Thompson if there was any information to add. She confirmed there was nothing to add. Mr. Hargett then addressed Mayor Lashlee saying the 23-month request was understandable, but the TLDA felt the OSLF staff recommendation of an 11-month relief period was fair. He asked for a recommendation to adopt, and if Authority members had any other questions or comments. Mr. Wilson commented that the TLDA was doing this with the understanding that the District could come back and submit a request for additional relief. Mr. Hargett agreed and stated that the Authority was very interested in its success. He then asked if there were any further comments. There was no further discussion.

Mr. Hargett made a motion to approve the staff's recommendation, and Mr. Lillard seconded the motion. Ms. Thompson performed a roll-call vote:

Ms. Scott—Aye  
 Mr. Lillard—Aye  
 Mr. Hargett—Aye  
 Mr. Wilson—Aye  
 Dr. Moore—Aye  
 Mr. Wolfe—Aye

The motion was unanimously approved.

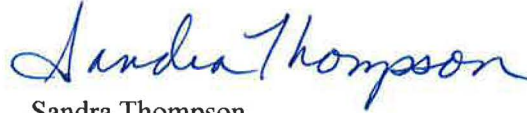
Hearing no other business, Mr. Hargett asked for a motion to adjourn. Mr. Wilson made a motion to adjourn, and Mr. Hargett seconded the motion. Ms. Thompson performed a roll-call vote:

Ms. Scott—Aye  
Mr. Lillard— Aye  
Mr. Hargett—Aye  
Mr. Wilson— Aye  
Dr. Moore— Aye  
Mr. Wolfe— Aye

The meeting was adjourned.

Approved on this 27<sup>th</sup> day of June, 2019.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sandra Thompson". The signature is written in a cursive, flowing style.

Sandra Thompson  
Assistant Secretary