

# **TENNESSEE LOCAL DEVELOPMENT AUTHORITY**

**June 13, 2019**

The Tennessee Local Development Authority (the TLDA) met on Thursday, June 13, 2019, at 9:00 a.m. in the State Capitol, Executive Conference Room, Ground Floor, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

William Wood, Proxy for 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:

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

Mr. Hargett stated that the item for consideration was a two-part request from the Erwin Utilities Authority (the "Authority"). The first (item 2a on the agenda) would be for the EUA to assume the Town of Erwin's (the Town) State Revolving Fund loan obligations, and the second (item 2b) would be to issue Water and Sewer Revenue Bonds in an amount not to exceed \$3,525,000 on parity with its SRF loans. He inquired if Erwin representatives were present. Mr. Richard Dulaney with Raymond James and Associates responded affirmatively and stated that he was the EUA's municipal advisor. Mr. Hargett welcomed him, and then stated that without objection both requests would be considered at the same time. Hearing none, he called upon Ms. Thompson to present the requests.

Ms. Thompson stated that the Authority submitted two requests to the OSLF. The first request was for it to assume the Town's SRF loan obligations, and the second request was for approval to issue Water and Sewer Revenue Bonds in an amount not to exceed \$3,525,000 on parity with its SRF loans. She stated that the Town is permitted by Municipal Energy Act to create the Authority as a public corporation and political subdivision of the State of Tennessee from its utilities and pursuant to this Act, the Authority must retire, defease or assume the outstanding debt of the Town related to its utilities as a condition of the transfer of the utilities from the Town to the Authority. Upon approval of the transfer of the Town's SRF loan obligations to the Authority, the Authority is required, pursuant to the loan agreements for revenue entities and TLDA SRF Policy and Guidance for Borrowers, to obtain approval from the TLDA to issue additional debt.

She also stated that the Office of State and Local Finance, the Attorney's General's (AG) Office, The Tennessee Department of Environment and Conservation's (TDEC's) SRF Program staff and its Office of General Counsel had all reviewed the requests.

Ms. Thompson continued and stated that the Town adopted a resolution on May 13, 2019, which permitted it to take all necessary steps to form the Authority and to transfer all of the Town's utility assets to the Authority on the condition that the Authority assume all liabilities of the Town's utility debt. She said that the execution of new loan documents in the name of the Authority and an Assignment, Assumption, and Termination agreement is required. She noted that these documents were prepared by TDEC and reviewed by its OGC and the AG's Office and are pending execution by the Authority. She stated that the outstanding balance of the five SRF loan obligations totaled approximately \$5.2 million dollars. All loans are in repayment and current, and the Authority would be required, and had indicated that it would, fund a security deposit equal to max annual debt service (MADS) for each of the SRF loans totaling \$273,672. She also stated that the Town's Board of Public Utilities had timely filed its audited financial statements with the Division of Local Government Audit through the fiscal year ended June 30, 2018. The Authority's first year of operations would be fiscal year 2020 beginning July 1, 2019, and its loan agreements would require it to file an annual audit report with the Comptroller's Office. She stated that the debt service coverage ratios for the Town's water and wastewater systems for fiscal year 2018 are 5.88 and 1.90 times respectively. The Authority's projected debt service coverage ratios, once it assumes the SRF loans and issues the new debt, exceeds the TLDA's 1.2 times minimum requirement for FY2019 through FY2022.

Ms. Thompson then provided information about the proposed Series 2019 Bonds and stated that the Bonds are proposed to be sold via competitive sale on June 17<sup>th</sup> and closed prior to June 30<sup>th</sup> and the proceeds from the bond sale would be used to retire bonds previously issued by the Town for the water and wastewater utility as required by the Municipal Energy Act. She said that the Authority's municipal advisor, had advised that it would be cost prohibitive to issue the public market bonds on a subordinate basis to the SRF loans. Ms. Thompson noted that the TLDA's current lien position would be improved if the TLDA grants parity because 4 of the 5 SRF loans are currently subordinate to some of the Town's outstanding utility debt. She stated that the Authority recently received an "A" rating (stable) from S&P.

Ms. Thompson stated that based on the OSLF analysis and considering the Authority would assume the operations of the Town's board of public utilities, the Authority should have the capacity to assume the Town's SRF loans and to meet its other debt obligations. Further, the Authority appears to meet the requirements for approval to issue debt to retire the Town's outstanding utilities debt on parity with the SRF loans. She stated that staff recommends the TLDA's approval of these requests contingent upon the execution of the required documents.

Mr. Hargett asked if there were any questions regarding the requests. Hearing none, he inquired if Mr. Dulaney would like to comment. Mr. Dulaney responded by saying that everything seemed in order and that the Board of Public Utilities had been managed well over the years. Mr. Hargett then inquired if Ms. Felicia Freeman, TDEC's Environmental Manager of the Division of Water Resources/SRF, had any questions or comments. She stated that TDEC had no additional comments.

Mr. Lillard made a motion to approve the request, and Ms. Scott seconded the motion. Mr. Hargett performed a roll-call vote:

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

The motion was unanimously approved.

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

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

The meeting was adjourned.

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

Respectfully submitted,



Sandra Thompson  
Assistant Secretary