

TENNESSEE LOCAL DEVELOPMENT AUTHORITY

June 27, 2019

The Tennessee Local Development Authority (the Authority or TLDA) met on Thursday, June 27, 2019, at 11:35 a.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:

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
 Dr. Kenneth Moore, House Appointee

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

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

Mr. Hargett asked for a motion to approve the minutes of the May 9, 2019 and June 13, 2019, TLDA meetings. Mr. Lillard made a motion to approve the minutes, and Ms. Scott seconded the motion. Ms. Thompson performed a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was consideration for approval of revisions to the TLDA Audit Committee Charter (Charter). He recognized Mr. Earle Pierce, Director of Internal Audit, Tennessee Department of Treasury, to present the request. Mr. Pierce said the Charter was revised to ensure it coordinates and complies with the Comptroller's guidelines for Audit Committee Charters, as well as best practices of the Institute of Internal Auditors. He stated that it was reviewed and approved at the TLDA Audit Committee meeting held earlier that day, and that an edited version of the Charter was included in the meeting packet for the TLDA's review and subsequent approval.

Mr. Hargett inquired if there were any questions or discussion. Hearing none, Mr. Lillard made a motion to approve, and Dr. Moore seconded the motion. Ms. Thompson performed a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item of business was submission of a revised letter from Benton and Decatur Counties. He recognized Ms. Thompson to present the letter. Ms. Thompson began by reminding the Authority of Benton and Decatur Counties' request letter presented at the May 9, 2019, TLDA meeting. She stated that in that letter, the Counties indicated they had outstanding loans with the United States Department of Agriculture (USDA) Rural Development, but after review, the OSLF determined that no USDA funds had been borrowed, and the Counties had only contemplated seeking that additional funding. She stated that the revised letter clarifies that information and was included with the meeting materials. Mr. Hargett commented that this was not an action item and was only for the TLDA's information. Ms. Thompson affirmed that was correct. Mr. Hargett then asked if there were any comments or questions regarding the letter. Hearing none, he continued with the agenda.

Mr. Hargett recognized Ms. Thompson to present a report on the notification submitted by the City of Paris to comply with TLDA SRF Policy and Guidance for Borrowers. Ms. Thompson stated that in order to comply with the policy and guidance for borrowers, the City of Paris submitted a letter to notify the TLDA that it was proposing to issue USDA bonds in an amount not to exceed \$2,795,000 subordinate to its SRF loans. She said the proceeds would be used to finance sewer system improvements and extensions. Mr. Hargett asked if there was any discussion. There was no discussion, and no action was required.

Mr. Hargett again recognized Ms. Thompson, who presented the report on the S&P Global Ratings for TLDA. Ms. Thompson stated that S&P Global Ratings surveils the TLDA program and periodically sends out rating reports. She noted that prior to the current report, the TLDA was rated AA+ Stable; however, since the number of program participants had dropped below ten, the new rating outlook would be reported as AA+ CreditWatch Negative. Mr. Hargett asked if there were any questions or comments about the report. No questions or comments were presented, and no action was required.

Mr. Hargett stated that the next item of business was the public hearing on and approval of the TLDA Debt Management Policy (DMP). He called upon Ms. Thompson to present the information. Ms. Thompson stated that the DMP was included in the meeting packet along with revisions proposed by staff. She said that these revisions were in response to changes made by the Securities and Exchange Commission (SEC) to Rule 15c2-12 (the Rule), effective February 27, 2019. She further stated that the Rule was designed to address fraud in the municipal securities market by enhancing transparency through requiring timely access to important information. Ms. Thompson continued by saying that the Rule added two events that would require disclosure, including incurrence of a financial obligation and events that reflect financial difficulties. She noted that the number of events increased from 14 to 16, and stated that the revisions to the policy could be found in section C, pages 14 and 15. Mr. Hargett stated that the blue-line document (DMP) was available in the meeting packet and inquired if there was any discussion. Dr. Moore responded by asking Ms. Thompson if the Tax Reform Act eliminated advanced refunding of bonds (page 5). Ms. Thompson responded by saying that the only advanced refunding disallowed under the new tax reform was tax exempt. Taxable advanced refunding was allowed.

Mr. Hargett asked if there were any further questions. Hearing none, he moved approval, and Mr. Lillard seconded the motion. Ms. Thompson performed a roll-call vote:

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

Mr. Lillard— Aye
Mr. Wood— Aye

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on awarding principal forgiveness on State Revolving Fund (SRF) loans. He recognized Ms. Leslie Gillespie-Marthaler, Director of SRF for the Tennessee Department of Environment and Conservation (TDEC) to present the report. Ms. Gillespie-Marthaler began by saying that in accordance with Governor Lee's Executive Order No. 1, TDEC's SRF Loan Program would prioritize allocation of subsidy in the form of principal forgiveness and lower interest rates to communities identified as economically disadvantaged. The allocation of this subsidy would be based on the Ability to Pay Index (ATPI), which had been developed by the University of Tennessee Institute of Agriculture. She explained that the ATPI was a socioeconomic database that TDEC was required to use by the Water Resources Reform and Development Act of 2014, and that it helps with decisions regarding determination of interest rates, allocation of subsidy, and to identify options that would benefit communities that needed it most. Ms. Gillespie-Marthaler noted that TDEC would also be working closely with the Comptroller's utilities staff to ensure it was reaching those communities as well. In addition to this, she stated that subsidy may also be awarded to disadvantaged communities for green projects that meet eligibility requirements for EPA SRF Green Project Reserve, as well as other in-kind projects that serve broader State interests. She continued by saying that SRF would pilot a small number of these projects each fiscal year for small and disadvantaged communities willing to provide in-kind contributions and willing to undergo additional monitoring to determine the benefit of such projects to SRF and the State. Ms. Gillespie-Marthaler said that along with the additional monitoring, the projects would be subject to (TDEC's) internal audit to ensure funds were used appropriately. She also said that communities would sign a memorandum of agreement with SRF which specifies the scope of additional work and the benefit it provides to the public of Tennessee. Referring to the graphs provided in the meeting packet, she reported that the proportional allocation of principal forgiveness on an annual basis would likely remain consistent with past years and not exceed the trends shown in figures 1 and 2. She stated that TDEC's CW program would be required to provide a 10% minimum subsidy, and although no minimum subsidy was required for DW, TDEC had historically provided 10% for that program too. She further stated that this effort would start with the 2018 allocations, and that TDEC would be very cognizant to its revolving base and would continue to manage and maintain it in a sustainable fashion. She stated that TDEC would also provide updates to the TLDA within this year and further stated that it would be using cash flow modeling and financial perspective forecasting to ensure it was meeting mandates in order to manage resources in the best possible way. Mr. Hargett inquired if there were any questions. There were no questions or comments. No action required.

Mr. Hargett stated that the next item on the agenda was consideration of approval for a Clean Water State Revolving Fund (CWSRF) loan. He asked Ms. Gillespie-Marthaler to present the loan request. Ms. Gillespie-Marthaler first presented the unobligated fund balance. She stated the balance was \$51,565,820 as of March 8, 2019. The balance increased a total of \$42,809,917 due to a transfer of funds from the DWSRF to the CWSRF which brought the unobligated balance to \$94,375,737 as of May 9, 2019. Upon approval of the loan request to be presented totaling \$1,771,000, the funds available for loan obligations would be \$92,604,737. She then described the CWSRF loan request.

- **Cleveland (CW7 2019-431)** Requesting \$1,771,000 (\$1,593,900 (90%) loan; \$177,100 (10%) principal forgiveness) for a collection system expansion (The proposed project would consist of the installation of approximately 8,900 linear feet of sanitary sewer line within the Durkee Road/Benton Pike annexation area. Installation of this sewer line would eliminate the use of septic tanks in the area; recommended interest rate of 1.37% based on the Ability to Pay Index (ATPI); Priority ranking 18 of 50 (FY 2016).

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

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

The motion was unanimously approved.

Ms. Gillespie-Marthaler then presented the request for a DWSRF loan. She first presented the unobligated fund balance. She stated the balance was \$42,481,612 as of May 9, 2019. Upon approval of the loan request to be presented totaling \$325,000, the funds available for loan obligations would be \$42,156,612. She then described the loan request:

- **Bell Buckle (DW7 2019-218)** Requesting \$325,000 (\$0.00 (0%) loan; \$325,000 (100%) principal forgiveness) for a Main Street waterline replacement project (along State Hwy 269); recommended interest rate of 0% based on ATP. Priority ranking was 3 of 23 (FY 2017).

Ms. Gillespie-Marthaler stated that the project was currently underway. She continued by saying that the project had been delayed and that the borrower was somewhat constrained at this point as it worked with TDOT to finish. She noted that the waterline being replaced served 20% of the community's population, most of which were on a fixed income.

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

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

The motion was unanimously approved.

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

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

The meeting was adjourned.

Approved on this 19th day of September, 2019.

Respectfully submitted,

Sandra Thompson
Assistant Secretary