

**TENNESSEE LOCAL DEVELOPMENT AUTHORITY**  
**October 24, 2019**

The Tennessee Local Development Authority (the Authority or TLDA) met on Thursday, October 24, 2019, at 9:00 a.m. in 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:

William Wood, Proxy for the Honorable Justin P. Wilson, Comptroller of the Treasury  
 Ashley Fuqua, Proxy for the Honorable David H. Lillard, Jr., State Treasurer  
 Angela Scott, Proxy for Commissioner Stuart C. McWhorter, Department of Finance and Administration  
 Dr. Kenneth L. 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:

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

Mr. Hargett asked for a motion to approve the minutes of the September 19, 2019 TLDA meeting. Dr. Moore made a motion to approve the minutes, and Mr. Wood seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was a request from the City of Crossville to issue refunding bonds in an amount not to exceed \$28,100,000 on parity with its SRF loans. He called on Ms. Thompson to present the request. Ms. Thompson stated that as required by the provisions set forth in the SRF loan agreements and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*, the City was requesting approval to issue bonds on parity with its SRF loans. The proposed debt would be in an amount not to exceed \$28,100,000 and would be issued in three series of bonds. She explained that two out of the three series would be issued as balloon debt due to the structure of the bonds being refunded. Furthermore, she stated that the TLDA's approval of those issuances would be subject to receiving the Comptroller's approval to issue with a balloon debt structure. She stated that ratings were not yet determined on the proposed debt and noted that the City was not under the jurisdiction of the Utility Management Review Board (UMRB).

or the Water and Wastewater Finance Authority (WWFA). Ms. Thompson then reported that the OSLF had conducted a review and determined that the City appears to meet TLDA's guidelines for approval to issue refunding bonds with parity lien position. She continued, saying that its debt service coverage ratio met requirements, it had a history of timely repayment on its current SRF loans, and the City should have sufficient cash and revenues to meet its obligations. Ms. Thompson stated that staff recommends approval of the bonds contingent upon receiving the Comptroller's approval to issue the Series A and Series C bonds as balloon indebtedness. Mr. Hargett acknowledged the City's Municipal Advisor in attendance, Mr. Larry Kidwell, and asked if he would like to address the TLDA. Mr. Kidwell responded saying he had no additional comments.

Mr. Hargett asked if the TLDA had any comments or questions. Hearing none, Dr. Moore made a motion to approve, and Mr. Wood seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a request from the Hallsdale-Powell Utility District (the District) to issue Revenue Refunding and Improvement Bonds in an amount not to exceed \$42,000,000 senior to its SRF loans. He recognized Ms. Thompson to present the request. Ms. Thompson stated that in order to meet the required provisions set forth in the *TLDA/SRF Policy and Guidance for Borrowers*, the District was requesting approval to issue up to \$42,000,000 in Water and Sewer Revenue Refunding and Improvement Bonds with a senior lien position to its current outstanding SRF loan agreements. Proceeds of the bonds would be used to fund improvements to the District and to refund its outstanding 2013 Rural Development loans, as well as two SRF loans. She reported that the refunding portion of the bonds would produce an estimated present value savings of close to \$1,000,000, and that the District anticipates a AA rating from Standard and Poor's (S&P). In regard to the District's compliance with its outstanding SRF loan covenants, she stated that repayments have been timely, the required security deposit was fully funded, and that its financial statements were also submitted timely. She stated that based on the analysis conducted by the OSLF, the District's current and projected debt service coverage ratio meets or exceeds the 1.20 times requirement through fiscal year 2022, and that it should have sufficient cash and revenues to meet its obligations. Ms. Thompson stated that the District appeared to meet the TLDA's guidelines and that staff recommends approval of the issuance. Mr. Hargett questioned if debt service coverage ratios were projected through fiscal year 2023 as it stated in the meeting materials. Ms. Thompson replied that it was a typographical error. Mr. Hargett then acknowledged Alex Buchanan, Bond Counsel for the District, and inquired if he would like to address the TLDA. Mr. Buchanan responded saying he had no additional comments.

Mr. Hargett asked if there were any further questions or discussion. Hearing none, he made a motion to approve, and Mr. Wood seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item of business was a request from Loudon and Monroe Counties to issue Water and Sewer Revenue Bonds for the Tellico Area Services System (the System) in an amount not to exceed \$6,500,000 on parity with its SRF loans. Mr. Hargett called upon Ms. Thompson to present the request. Ms. Thompson stated that in

consideration of the TLDA/SRF policy and guidance, the System was requesting approval from the TLDA to issue Water and Sewer Revenue Bonds jointly with Loudon County and Monroe County in an amount not to exceed \$6,500,000 on parity with its outstanding SRF loans. She stated that the debt would be jointly issued by the counties and payable solely from the System's revenues. Ms. Thompson stated that in regard to the System's compliance with its covenants for the SRF loan program, the System had a history of timely repayments on its current SRF loans, its debt service coverage ratio exceeds the 1.20 times requirement, and it appears to have sufficient cash and revenues to meet its obligations. She further stated that the System anticipates a credit rating from S&P on the proposed debt to be between an A+ and AA-. She noted that the System filed its audited financial statements nine days late. Ms. Thompson stated that based on the analysis conducted by the OSLF, the System appears to meet TLDA guidelines for approval to issue revenue bonds on parity with its outstanding SRF loan agreements. Therefore, staff recommends approval. Mr. Hargett recognized Mr. Jeff Oldham, Bond Counsel for the System, who responded saying he had no additional comments.

Mr. Hargett moved approval of staff's recommendation, and Mr. Wood seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item of business was a request from the Water Authority of Dickson County (WADC) to issue Revenue Refunding Bonds in an amount not to exceed \$18,500,000 on parity with its SRF loans. Mr. Hargett again recognized Ms. Thompson to present the request. Ms. Thompson stated that in order to comply with *TLDA/SRF Policy and Guidance for Borrowers*, the WADC was requesting approval from the TLDA to issue Water and Wastewater Revenue Refunding Bonds in an amount not to exceed \$18,500,000 on parity with its outstanding SRF loan agreements. She said that bond proceeds would be used to refund its current outstanding Series 2013 Refunding and Improvement Bonds and to pay additional costs of the bonds to be issued. She stated that the credit rating for this issuance had not yet been determined. Ms. Thompson said that the OSLF conducted an analysis of the WADC and determined that repayment on current SRF loans were timely, it had a debt service coverage ratio that meets or exceeds the required 1.20 times, and it had sufficient cash and revenues to meet obligations. Its audited financial statements were submitted timely as well. She noted that a security deposit was on file in the amount of \$790,000. Ms. Thompson stated that the WADC appears to meet TLDA's guidelines for approval to issue the additional bonds. Therefore, staff recommends approval. Mr. Hargett recognized Mr. Kidwell and inquired if he had anything to add. Mr. Kidwell replied that he had nothing further to add to Ms. Thompson's thorough analysis. Mr. Hargett acknowledged the fast pace of the meeting and credited it to the hard work and thorough examination of agenda items by the OSLF staff as well as others involved in representation of the items. Ms. Thompson added to that by saying that the OSLF staff had a checklist of items/information needed for each analysis, and that the process took about a week. The goal was to gather and determine that all information was accurate and provided in a timely manner. Mr. Hargett thanked Ms. Thompson and said that he appreciated the way it was presented.

Mr. Hargett asked if there was any further discussion. Hearing none, he moved approval, and Dr. Moore seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration of approval for Clean Water State Revolving Fund (CWSRF) loans and stated that the TLDA would take-up the three loans at once unless there was objection. Hearing none, he asked Dr. Leslie Gillespie-Marthaler to present the loan requests. Dr. Gillespie-Marthaler first presented the unobligated fund balance. She stated the balance was \$103,002,744 as of September 19, 2019. Increases to that balance include an EPA Capitalization Grant, State Match funds, and three loan reductions totaling \$25,157,695. Upon approval of the loan requests to be presented totaling \$33,000,000, the funds available for loan obligations would be \$95,160,439. She then described the CWSRF loan requests.

- **Oliver Springs (CW7 2019-437)** Requesting \$500,000 (\$500,000 (100%) principal forgiveness) for a planning and design for a water loss remediation project. This was a pilot project to address significant water loss; letter submitted for late audit filing; recommended interest rate of 0.00% based on the Ability to Pay Index (ATPI); Priority ranking 66 of 73 (FY 2019).
- **Dyersburg (CG7 2020-439)** Requesting \$2,500,000 (\$2,000,000 (80%) loan; \$500,000 (20%) principal forgiveness) Planning and Design loan for infiltration and inflow correction within the sewer collection system; This was a pilot project to address flood resilience; letter submitted for late audit filing; recommended interest rate of 0.38% based on the ATPI; priority ranking 71 of 72 (FY 2018).
- **Chattanooga (SRF 2018-406-01)** Requesting \$30,000,000 for an infiltration and inflow correction – wet weather storage, Phase 1 (Construction of three 10 million-gallon (MG) equalization basins, one 30 MG pump station and associated appurtenances; recommended interest rate of 1.17% based on the ATPI; priority ranking 63 of 73 (FY2019).

Mr. Hargett made a motion to approve the loans, and Dr. Moore seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The motion was unanimously approved.

Mr. Hargett stated that the next item was a report on DWSRF unobligated balance. He recognized Dr. Leslie Gillespie-Marthaler to present the report. Dr. Gillespie-Marthaler stated the DWSRF unobligated balance was \$42,071,612 as of September 19, 2019. Since that time, the balance had increased by a total of \$19,538,755 due to an EPA Capitalization Grant, State Match funds, and a loan decrease for the Town of Troy. She concluded by saying this amount increased TDEC's unobligated balance to \$61,610,367. Mr. Hargett asked if anyone had questions about the report. Hearing none, he moved on to the next agenda item.

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 recognized Dr. Gillespie-Marthaler to present the report. She began by saying all 13 borrowers listed on the SRF report had been contacted to inquire about inactivity on previously approved SRF loans. She stated that those currently in compliance with construction and completion dates included Chattanooga, Cleveland, Franklin, Goodlettsville, Hamilton County, Lewisburg, Lincoln County, Memphis, and Smyrna. She then said that the Hallsdale-Powell Utility District informed TDEC that it would be terminating its contract for cause and processing loan decreases, and that Jasper had also reported it was considering termination of its contract due to a non-responsive contractor. She stated that there were a few borrowers with reimbursement requests in the works, and the remaining borrowers on the list were in the process of collecting invoices and preparing to request reimbursement through SRF. Mr. Hargett thanked Dr. Gillespie-Marthaler and then asked if the TLDA had any questions about the report. Hearing none, he moved on to the next agenda item.

Mr. Hargett once again recognized Dr. Gillespie-Marthaler to present a report of the Ability to Pay Index (ATPI). Dr. Gillespie-Marthaler stated that the ATPI was developed by the University of Tennessee, and that it was required by law under the Water Resources Reform and Development Act for administration of the SRF program. She first presented TDEC's new policy on the interest rate determination for cities and municipalities. Referring to the table listed in the policy, she said that TDEC would apply that information along with the weekly market rate to determine the recommended rates for SRF loans. She stated that considerations of other rate adjustments would be made at the time of the loan applicant's financial sufficiency review and then clearly stated in all loan documents submitted to the TLDA for approval. She stated that the market rate was published in the Bond Buyer's Index and provided to TDEC by the OSLF. She noted that the ATPI would be updated annually to better reflect the affordability of our cities and municipalities. Dr. Gillespie-Marthaler then presented the next policy which showed the process for setting interest rates for CW and DW SRF loan applicants on a county level. She explained that the exact procedures and processes taken in the first policy (cities and municipalities) would be used to determine interest rates for counties as well. Mr. Hargett thanked TDEC for the report. No action required.

Mr. Hargett stated that the final item on the agenda was a discussion regarding the Request for Proposal (RFP) for Financial Advisor. He recognized Ms. Thompson to present the RFP and acknowledged the final copy she had distributed which was not included in the meeting materials. Ms. Thompson stated that a draft of the RFP was included in the meeting packet, and that the OSLF had subsequently sent out the final copy on October 21, 2019, with the proposal due by November 12, 2019. She reported that the RFP was sent to 14 candidates and reminded the TLDA that this was a 3-year contract with the ability to extend by one year for a maximum of two years (5-year contract). Mr. Hargett commented that this was a 3-1-1. Ms. Thompson responded affirmatively. She stated that staff plans to discuss the proposals received with each of the boards the financial advisor would serve. She explained that after receiving only one response from the RFP sent five years ago, the OSLF had decided to reach out to more candidates this time with the hopes of receiving more than one response for the current RFP. Mr. Hargett then asked Ms. Thompson if she would not mind explaining why only one response was received last time. She responded affirmatively and said the two likely factors impacting the response included the State's requirement that the financial advisor be contracted for financial advisory services only; it could not also provide underwriting services, and that the firm have state-issuer experience. Mr. Hargett commented that it was not for lack of trying to find groups interested. Ms. Thompson responded affirmatively. He then stated that this was a discussion item only, to which Ms. Thompson responded affirmatively. Mr. Hargett asked if there were questions or comments. Hearing none, he thanked Ms. Thompson and staff for their hard work, saying the TLDA looked forward to a successful RFP process.


Hearing no other business, Mr. Hargett moved to adjourn. Dr. Moore seconded the motion. Mr. Hargett called upon Ms. Thompson to conduct a roll-call vote:

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

The meeting was adjourned.

Approved on this 13<sup>th</sup> day of December, 2019.

Respectfully submitted,

  
Sandra Thompson  
Assistant Secretary