

**Town of Thompson's Station
Utility Board
Meeting Minutes
November 20, 2019 6:00 p.m.**

Call to Order:

The meeting of the Utility Board of the Town of Thompson's Station was called to order at 6:00 p.m. on November 20, 2019 at the Thompson's Station Community Center with the required quorum. Members and staff in attendance were: Chairman Jeff Riden, Aldermen Brian Stover, Bruce DiFrancisco, John Peterson, Skip Beasley, Brad Wilson, Town Administrator, Ken McLawhon, Finance Director, Steve Banks, Town Recorder/Clerk, Regina Fowler and Town Attorney, Kirk Vandivort.

Minutes:

- 1. Consideration of the minutes of the October 16, 2019 regular meeting were presented.**

Mr. John Peterson made a motion to approve the October 16, 2019 regular meeting minutes. The motion was seconded and carried unanimously.

Public Comments:

None

- 2. Kevin Krushenski, of the TN Municipal Bond Fund presented information to the UB for the purpose of borrowing up to \$20,000,000.00 (which is scalable) for a waste water improvement project.** This loan is a fixed rate draw loan and the example for discussion is a payback loan over twenty-five years. Under state law you may defer the first principal payment for up to 2 years. At the request of Town staff, examples were proposed for 10, 12 and the maximum 15 (town meets qualifications for 15 years) years. Interest rates start at 3.11% (10-year rate) up to 3.38% (15-year rate). The rate would be locked in for the term of the loan determined by the Town. At the end of the initial loan period it would adjust for another 10, 12 or 15 years and the rate would be locked in for that term. A notice of rate change would be sent to the Town, the percentage would be determined by the number of years. An adjustment for another, 10, 12 or 15 years and this process would continue until the loan was paid in full. Should you choose to re-finance or seek other avenues, you may do so on your anniversary date without penalty. Features include a fixed rate draw, a 3-year draw feature allowing payment of interest on the outstanding balance. You may pay up to 20% of the outstanding balance in addition to any regularly scheduled principal payment in any given year. The third feature is a very low cost of issuance 0.6% or 60 basis points in closing cost. TN Municipal Bond Fund are not financial advisors and do not intend to provide financial advice. Having no underwriters and rating agencies those type fees are eliminated thereby decreasing cost. Once the Utility Board and BOMA pass the required resolutions, the rate would be locked in until closing. If rates drop a rate modification could be modified. Should the project come in under budget the additional funds could be used for another project, as long as the projects are the same as in the resolution and it's the same type of project, those funds could be used or you may choose to

cancel the available overage which would shorten the loan and interest cost. All legal documentation is completed by TN Municipal Bond Funds staff. After UB/BOMA approval there is a mandatory twenty days protest process. During this period, financial information would be gathered. After protest period, a loan application would need to be completed. A letter from the State for their approval of the loan, which usually takes approximately one week. After approval and signing the funds are usually available within three business days. The resolution would then have to be published.

Mr. McLawhon – In terms of financing, the Town's debt limit and related discussion with the Comptroller were covered. It was also noted that Jim Marshall will be presenting an update on impact fees and MTAS will re-visit the fee structure analysis (2018). Due diligence with the State will continue to play a role, and the debt policy updated in 2011, would need to be updated. Currently our debt limit is \$5,000,000 due to our current policy. Ron Queen with the State of TN Comptroller's office said they look at our cash flow information, on the front end for bonding or loans, access our water structure and wastewater fee structure to determine if we can handle payments but they do not set debt limit specifications. BOMA will need to hear from consultants and will need a recommendation from the UB board to move forward at some point given the magnitude and cost of the decisions. Under the USDA program, on 40 years at 3% for \$20,000,000, a principal and interest payment of \$859,152 would be due annually. The Comptroller, USDA's underwriters and the TN Municipal Bond Fund would look at our financial portfolio, to review our ability to pay and see if the fee structure would need to be revisited as that's a lot of money for our small number of customers. It's imperative that we continue our financial due diligence for all those reasons. Revenue bonds would not be the full faith and credit of the town but rather the waste water funds. These funds are based on the ability to generate revenue and pay our obligations. This is a huge amount of money for a town of this size to consider. After meeting with MTAS in December, our top priority is to have the fee analysis completed hopefully by January 2020.

Of the \$20,000,000, to be obtained the design fee of \$850,000, per Barge Design could be paid via the fund this fiscal year and next. A presentation/recommendation to BOMA would be needed along with an explanation as to what this amount would be used for. As an example, what is the Town receiving for the \$20,000,000 and the timetable? The urgency of this matter needs to be understood in that a lot of things will need to come together on the front end according to best practices. A plan on how to bring this forward to BOMA is crucial. Chairman Ridsen mentioned after gathering pertinent information, waiting on the results of the impact fees study, the MTAS rate study and what the USDA program has to offer, the next couple of months and many steps later will need to culminate for a presentation/recommendation to BOMA. This process will be of the utmost importance. The Town Administrator handed out some information on Nashville's financial circumstances.

3. System Operators Update/Update on I & I Investigation:

The monthly report was distributed to the UB Board for their perusal. The next step in the I & I process is to conduct smoke testing after narrowing down the scope and time frame. Matthew, Barge Designs noted that two quotes had been received for the smoke testing and their plan is to expedite this process after Thanksgiving. Canterbury residents will receive notification of the smoke testing. After that process, it will be determined if a fix can be initiated or if additional testing will need to take place.

4. Hill Property Construction Update: A UB member ask if there was any land available that the Town either owned or could purchase in the Tollgate area. Chairman Ridsen mentioned after hopefully going on-line in February/March, and after getting in two good months in April/May the levels will hopefully be reduced.

5. Whistle Stop Farms/31 Pipeline Update: Matthew, Barge Design noted that the focus at this time is on Phase I (46 units) where wastewater will flow south to the Heritage Commons facility. In the next six months focus will be placed on Phase II for design plans. A rough timeline for construction upgrades for the 2nd phase to be tied in to the plant is roughly a year. Matthew felt that the major hold up would more than likely be the arrival of the pumps. UB wanted to know if ordering the pumps could be expedited to eliminate waiting time. UB wanted to determine if the purchase of said pumps could be purchased by the Town using our tax-exempt status in lieu of the contractors making the purchase. It was noted that contractors do not pay sales tax on said items however, the attorneys might be able to negotiate the markup on the pumps with the contractor. A document is being drawn up to be brought back to the working group for review. This document will contain capacity information and the development of sewer capacity reservation process.

6. USDA Program Update: Ken and Steve, met with a representative regarding the USDA program. Jonathan of Barge Design was present, and Alderman Stover called in from California. USDA made it quite clear that due to household income, Thompson's Station would not qualify for a grant. He also mentioned that if they went with the 40-year program at 3% interest, the interest rate could never increase once set however, it could decrease. The USDA program is a very lengthy process. You may pay the loan off early without penalty. Due to the amount of the loan it would have to be approved on the Federal level adding to the complexity and time frame. Mr. Stover wanted to know if we could proceed immediately. First, the design component will need to be presented to BOMA. There is a design, permitting, environmental report indicating environmental impact proponents to this program. Matthew of Barge Design indicated that the fees required for permits are in the design fee.

7. **Critz Lane Participation Agreement & Sewer Tap Agreement Update:** The Town is awaiting the fully executed documents from all entities. This project entails 69 sewer taps that is being deferred from Canterbury. It is anticipated this project is moving forward and real estate closings could occur in the next 45 – 60 days.
8. **Wastewater Capacity Reservation Policy:** Matthew, with Barge Design, mentioned the wastewater capacity reservation policy is in draft form. Upon completion a proposed draft will be provided for review. The policy will generally consist of four steps. The first will be for an applicant to complete a capacity request application with pertinent information regarding the proposed development. The next step will be to review the request and the information provided by the applicant. The results of the review will be transmitted to the developer. If the review results show a capacity deficit, the applicant will be given options to achieve the necessary capacity in the system. The applicants who wish to proceed with reserving wastewater capacity will sign an agreement and submit a reservation deposit.

Other:

9. **Discussion/Presentation of Expansion Plan to BOMA:** After much discussion there were mixed feelings as to how and when to make a presentation of the utility expansion plan to BOMA. BOMA did not want to meet twice a month therefore, they will meet at 6:00 p.m. in a work session prior to each regular monthly BOMA meeting. The Utility Board feels the presentation should be streamlined with all pertinent information available for BOMA. It should include finance/policy issues and transition information from an SBR system to an MBR system. Matthew, Barge Design feels that he can pull all pertinent information together for a 45 - minute presentation to BOMA at a work session, if directed to do so. Mr. McLawhon mentioned that a secondary meeting may need to be scheduled to present information in its entirety. Chairman Riden wants a target date for a presentation and a definitive plan on how the project can be paid. Currently, the study is incomplete. Mr. Peterson strongly feels an overview of the master plan should be pared down, include the outline of the present drip fields, the repair of cell 1 and a long-term solution from transitioning from an SBR to an MBR system, then present a recommendation and revised cost to BOMA as to funding and fees. Mr. McLawhon feels that at present, the Town should stay on task of proceeding logically, diligently and methodically in a way that's sustainable from a financial standpoint. He also believes that once the fee structure is determined, a discussion regarding privatization should/could also be discussed to round everything out. Mr. McLawhon also noted the difference in revenue bonds versus general bonds and possibly schedule a bond discussion at the UB December meeting. Mr. Di Francisco felt a status report including a time schedule of events could be presented at the January BOMA work session. This would provide BOMA a status report as to where things stand. Chairman Riden felt an updated memo included in the January BOMA packet would be enough and no presentation would be needed at the work session. Chairman Riden feels in the

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coming few weeks a direction will emerge as to what recommendation to make and how to proceed. Mr. McLawhon told the Utility Board what a hard job they have before them and how much he truly appreciates their hard work and efforts on behalf of the Town and their residents.

Announcements:

None

Adjourn:

There being no further business, the meeting adjourned at 7:53 p.m.

Jeff Risdien, Chairman

