



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES
John P. Franklin Sr. City Council Building
Chattanooga, Tennessee
for
April 4, 2022
11:05 AM**

Present were Althea Jones (Vice-Chair), Patrick Sharpley (Secretary), Gordon Parker (Assistant Secretary), Ray Adkins, and James Floyd. Absent were Jimmy F. Rodgers, Jr. (Chair) and Kerry Hayes.

Also present were Phillip A. Noblett (Counsel for the Board); Bill Payne and Jason Payne (City Engineering); Michael Marino (Jacobs Engineering); Daisy W. Madison; Eleanor Liu (City Finance); Jermaine Freeman (Economic Development); Justin Steinmann (Public Works); and Alicia Juhl (Henderson Hutcherson & McCullough).

Ms. Jones called the meeting to order and established that the meeting was duly advertised.



MEETING OF MARCH 7, 2022 – MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Mr. Parker, the minutes of the March 7, 2022, meeting were unanimously approved.



PERSONS ADDRESSING THE BOARD

There was no one present wishing to address the Board.



PRESENTATION
BY ALICIA JUHL, MANAGER
HENDERSON HUTCHERSON & MCCULLOUGH
IDB AUDIT REPORT ENDING JUNE 30, 2021

Ms. Alicia Juhl presented the IDB Audit Report ending June 30, 2021. Ms. Juhl spoke about the required communications in the audit process and will go over some of the highlights in the numbers.

The audit opinion is usually the highest of importance of those listening. This was a clean report on page 2 of the Financial Statements which is an unmodified opinion. As part of the standards, they provide reasonable assurance that the Financial Statements are free from material misstatements and are fairly presented in accordance with the U.S. Generally Accepted Accounting Principles. An audit is designed to provide reasonable but not absolute assurance. Although they do not perform the detailed examination of all transactions, there still is a risk of material misstatements not detected by them.

The plan, scope, and timing of the audit is laid out in the engagement letter. They work through that with the management and personnel. Everything went as planned. Regarding significant accounting policies, there were no new disclosures applicable for the IDB audit report ending June 30, 2021. There were no disclosures reflected in the financials that need to be looked at.

Accounting estimates were evaluated and the most significant was relied to allowance for bad debt on Southeast Tennessee Development loans. The management and staff were very cooperative throughout the process providing what was needed to perform their procedures and to come to their opinion today to present the report.

As far as they are aware, there were no consultations with other auditors or accountants, and through the audit process, they did not propose any adjusting journal entries or any uncorrected misstatements in the audit. They decided to test the numbers. It is not necessarily designed for fraud or deficiencies in term of controls, but as they go through the process, they definitely bring those things to the Board's attention. They did not become aware of any through this process. There will be a representation letter that will be signed after approval by the Board that signifies the Board's approval of the audit.

Statements of Net Position on pages 8 and 9 state Assets and Liabilities and Net Position which reflect a certain period of time which is June 30, 2021. This is looked at from year to year. You can see fluctuations, but with the nature of the activities of the Board, it is project based. You will see the fluxes in revenue in some years of expenses and different activities that result in more cash or cashless. These statements include all of the projects, TIFs, Economic Development incentives, and also the due diligence statement.

Cash did increase by 78% this year. There was a little bit more activity with the inclusion of more studies with due diligence. There was an increase in receivables which is more of a timing thing when funds are available to pay or when the shared expenses are sent out. Current Assets changed by less than 1%. In conjunction with the receivables, you see some fluctuation in liabilities than the prior year. There was a little more activity through the projects this year.

Total Current Liabilities and Total Current Assets calculate the current ratio to show whether an organization is able to meet its current liabilities. The organization's current ratio is 2.87. As a benchmark, you want to be between 1.5 and 3. The Board is well within that recommended range.

In Net Position, there is an increase of \$581,265. On page 10, there is the activity that resulted in that position increase. Similar to last year, there were revenues from the City, County, State, and an addition of TVA with the due diligence studies. There were some fluctuations in the expenses for the TIFs.

The Cash Flow Statement identifies the category of business that came in and out in cash and taking out the accrual side of the numbers on page 11 of the financials. The no disclosures on pages 13-19 will highlight each of the significant accounting policies used. There are combined schedules in the back for details of the programs on pages 20-23 that will give the analysis.



VOLKSWAGEN FINANCE REPORT

Ms. Eleanor Liu stated that since last October there have been very few transactions. The presentation of this report has changed from monthly to quarterly. There is nothing to report. There were no transactions. Expenditures are the same. Overall percent, spent, encumbered, and contingencies are at 98.84%.



On motion of Mr. Parker, seconded by Mr. Sharpley,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR AND CITY FINANCE OFFICER TO EXECUTE A MANAGEMENT REPRESENTATION LETTER FOR THE AUDITOR, HENDERSON, HUTCHERSON & McCULLOUGH, PLLC, FOR FISCAL YEAR ENDING JUNE 30, 2021.

Mr. Noblett stated this resolution allows the auditor to do the work again for the year. It has already been signed at this point in time by the Chief Finance Officer for the City. Ms. Jones will need to sign the letter today to authorize that to occur.

After further discussion, the resolution was unanimously adopted.

On motion of Mr. Adkins, seconded by Mr. Floyd,

A RESOLUTION TO RESCIND INDUSTRIAL DEVELOPMENT BOARD RESOLUTION CONCERNING THE ENVIRONMENTAL AND ECONOMIC INFRASTRUCTURE IMPROVEMENT PROJECT (E2I2) ADOPTED FEBRUARY 7, 2022, TO CLARIFY PROJECT FUNDING SOURCES, PROJECT OWNERSHIP, AND REGULATORY COMPLIANCE REQUIREMENTS; AND AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR TO EXECUTE A REVISED MEMORANDUM OF UNDERSTANDING WITH THE CITY OF CHATTANOOGA FOR THE DESIGN AND CONSTRUCTION OF MULTI-WET-WEATHER STORAGE FACILITIES TO REDUCE WET-WEATHER WASTEWATER OVERFLOWS WITHIN THE REGIONAL WASTEWATER COLLECTION SYSTEMS RELATIVE TO THE ENVIRONMENTAL AND ECONOMIC INFRASTRUCTURE IMPROVEMENT PROJECT (E2I2) WITH THE HAMILTON COUNTY WASTEWATER TREATMENT AUTHORITY, FOR AN ESTIMATED TOTAL PROJECT COST OF ONE HUNDRED TWENTY-FIVE MILLION DOLLARS (\$125,000,000.00).

Mr. Noblett stated that the Board previously acted on this item in February, and the City Council has done a revised resolution which simply revises the agreement previously approved to allow for the IDB to take the ownership during the construction of this project. After the construction project is completed, it will be returned back to the City in accordance with this MOU which is necessary under the agreement for the financing to be accomplished in the appropriate manner. Folks from Jacobs Engineering and the Public Works Department are here. Ms. Madison is also present.

Mr. Justin Steinmann, Assistant Director of Administration for the Waste Resources Division of Public Works was present and was happy to answer any questions. Mr. Steinmann stated the Council adopted this revised version at the meeting last week. We are clarifying funding sources and being clear that this is being funded by a combination of SRF loans, cash, and WIFIA loans. We are also clarifying that the IDB is authorizing the City to hiring a City consultant to manage and execute the e2i2 project. The MOU says the agent, but it actually is the consultant we hire as part of the process. A number of the changes were as a result of the WIFIA application process which is the loan package we are pursuing with the EPA. It is being clarified that the project would be leased to the City during the construction and then returned to the City at the end of construction. We included some additional detail on how funds would be transferred much like the Hardy Street extension, and also clarifying that if there are any additional requirements that WIFIA puts in place as part of the application approval that those be followed. That is the general summary of the changes.

Mr. Noblett stated that one of the changes from the last version of this document is under Article V, which references in that section talks about Development Authority duties. The Development Authority is the IDB who will retain ownership of the property and will lease back to the City during construction. The Development Authority will transfer all constructed infrastructure and property to the Waste Resources Division following the completion of construction and will award a design build contractor. The funds process will come through this entity in accordance with federal, state, and local requirements. Those are really the only differences from the last version which is required in order for the design build process to be concluded through the IDB.

After further discussion, the resolution was unanimously adopted.



On motion of Mr. Sharpley, seconded by Mr. Adkins,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA BOARD COUNSEL, PHILLIP A. NOBLETT, TO EXECUTE AN AFFIDAVIT OF SCRIVENER'S ERROR, IN SUBSTANTIALLY THE FORM ATTACHED, CONTAINING THE CORRECTION OF THE LEGAL DESCRIPTION OF PARCEL NO. 2 IN WARRANTY DEED DATED JULY 2, 2014, INSTRUMENT NO. 2014080400207, BOOK 10272, PAGE 44, IN THE REGISTER'S OFFICE OF HAMILTON COUNTY, TENNESSEE, RELATING TO A DRIVEWAY ON THE AMAZON SITE.

Mr. Noblett stated that last month the Board passed the approval so that the folks who were involved in the financing of Amazon's plant could have the correct description of a roundabout and driveway involved. Amazon gave us a description, but the description had an error in it. We then had to complete that so they could complete the project. That one error for the parcel was a typographical error in the legal description which was revised and will be filed with the Register of Deed's Office. The financing is now happy. That is the only issue involved here.

After further discussion, the resolution was unanimously adopted.



OTHER BUSINESS AND DISCUSSION ITEMS

Steam Logistics (John Ross Property, 329 Market Street) - executed Brownfield Voluntary Agreement and Notice of Land Use Restrictions.

Mr. Noblett stated that we have been working with the Tennessee Department of Environment and Conservation. Mr. Jermaine Freeman stated as part of the remediation process the building in question needs some environmental remediation. The IDB along with 329 Market Street will sign on as parties to a Brownfield Voluntary Agreement which ensures that the IDB is protected from any liability regarding anything having to do with how the site originally was environmentally impacted in the years past. The item is acknowledging that the signature of the Chair is needed to have the IDB sign on as a party to the Brownfield Voluntary Agreement.

Mr. Noblett stated we will also need to have a Notice of Land Use Restrictions filed with the Register of Deed's Office while the property is owned by the IDB so no one can do anything on the property that is in violation. This construction project is also at 329 Market Street since they are doing the work. They are responsible for completing that as well. Once the work is completed, the Notice of Land Use Restrictions may be lifted. That will be in place since the IDB is owner of the property during that time because it is a PILOT piece of property. Mr. Freeman stated the entire process will be overseen by the Tennessee Department of Environment and Conservation. TDEC will sign off on the document and file it with the Register of Deed's Office. This is informational for right now.

Website.

Mr. Freeman stated that he has been in contact with the Chair, and they are in the process of scheduling some time with the IT Director to talk about the website. Mr. Freeman will take any feedback to IT. Mr. Noblett stated he thinks the Chair is driving that bus. The Chair will inform the Board.

After further discussion, the meeting adjourned at 11:25 a.m.



PATRICK SHARPLEY, *Secretary*

APPROVED:



JIMMY F. RODGERS, JR., *Chair*