

TN

Department of
**Environment &
Conservation**



State of Tennessee Clean Water State Revolving Fund Annual Report Fiscal Year 2019

Tennessee Department of Environment & Conservation | CWSRF Annual Report | September 2019



Table of Contents

Executive Summary	4
Goals and Accomplishments.....	4
Financial Summary.....	5
Source and Use of Funds.....	5
Financial Overview.....	5
Types of Assistance.....	7
Financing Rates	7
Program Assistance Contracts.....	7
Provisions of the Operating Agreement and Conditions of the Capitalization Grant.....	8
Provide a State Match.....	8
Binding Commitments within One Year	9
Project Assistance, Subsidy, and Loan Terms	9
Timely Expenditure of Funds.....	11
First Use of Funds for Enforceable Requirements.....	13
Assurances of Compliance.....	13
State Environmental Review Process	13
Additional Requirements.....	14
Disadvantaged Business Requirements.....	14
Performance Evaluation Reports (PER) Recommendations and Findings.....	15
Spotlight on Communities.....	17
The City of Franklin	17
Turtle Park Pump Station.....	17
Fayetteville, TN	18

Clean Water State Revolving Fund
Draft Annual Report FY 2019
September 2019

Appendix	19
Assistance Provided in FY 2019.....	19
Loan Decreases in FY 2019	20
Project Construction Starts in FY 2019.....	21
Projects Initiated Operations in FY 2019	21
Assistance Provided by Need Category FY 2019.....	22
CWSRF Net Position FY 2019	25
CWSRF Cash Flows FY 2019.....	26
CWSRF Revenues and Expenses FY 2019.....	27
CWSRF Administrative Expenses	28

DRAFT

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Executive Summary

The State of Tennessee, Department of Environment and Conservation (TDEC), has developed its Annual Report for State Fiscal Year (FY) 2019 (July 1, 2018 - June 30, 2019). This report describes how the State of Tennessee met the goals and objectives of its Clean Water State Revolving Fund (CWSRF) Loan Program identified in the Intended Use Plan (IUP) and assisted public wastewater systems with wastewater infrastructure loans. This report details the actual use of funds, state match and principal forgiveness, among other information. A full list of all state FY 2019 loan recipients and the assistance amounts can be found in the Appendix of this report.

Goals and Accomplishments

Table 1: CWSRF Goals and Accomplishments FY 2019

Long and Short Term Goals, Objectives and Results of the Clean Water SRF Program for FY 2019			
	Goals	Objectives	Results
Long Term Goals	Provide local governments with low-cost financial assistance	Ensure financial stability of loan recipients	Fiscal responsibilities are coordinated with TDEC, the Comptroller's Office and the Dept. of Finance and Administration to ensure appropriate internal controls and proper accounting procedures
		Ensure use of GAAP	Revised operating budget, internal audit, and end of year fiscal reporting
		Obligate funds in a timely manner	Ongoing, including development of new database for tracking funds and project progress
	Protect and enhance water quality in TN by ensuring the technical integrity of funded projects	Ensure adequate and efficient project planning, design, and construction	Ongoing, including development of SOPs, financial sufficiency process, new database for tracking projects, documentation, and integration with other TDEC programs
		Maintain and award high ranking projects on the PRL	Ongoing, including updating solicitation process, created a marketing and outreach campaign, instituting new allocation of principle forgiveness; increase in solicitation response by 60%; All projects reviewed for compliance with federal crosscutting authorities and an approved SERP prior to loan award.
Short Term Goals	Maximize funds available through cooperation with EPA	Apply for CAP grant and submit IUPs	Complete, including redesign of the IUP format
		Work with all potential borrowers that have eligible projects	Ongoing including innovative pilot project strategy to strengthen and grow types of effective SRF projects
		Submit Annual Report to EPA	Ongoing, including redesign of Annual Report format
	Manage an effective and efficient CWSRF Loan	Prepare and update admin policies, guidance, and standard	Developed new SOPs for technical and financial review process, developed a streamlined contacts database

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

	Program	operating procedures	
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Financial Summary

Source and Use of Funds

The Clean Water Act allows each state flexibility establishing how much of the Capitalization Grant will be used for infrastructure loans, assistance to financially disadvantaged communities, green projects, and other technical assistance activities. The state, in turn, has the responsibility to best direct the funds to address wastewater infrastructure problems.

In state fiscal year (FY) 2019, CWSRF applied for a received a federal fiscal year (FFY) 2018 Capitalization Grant for \$23,316,000 and matched those dollars with state dollars equaling \$4,663,200. This total, \$27,979,200 represents the FY2019 appropriated dollars to be used for clean water projects and other approved technical assistance activities.

TDEC CWSRF obligated \$83,324,500 in FY 2019 with \$14,771,000 from the FFY 2018 Capitalization Grant and \$68,553,500 from the State Revolving Fund (see table 4). CWSRF provided \$1,477,100 in principal forgiveness to projects obligated from the FFY 2018 Capitalization Grant, equaling 10% of obligated dollars.

An administrative loan fee, eight (8) basis points (.008%), was charged by the Comptroller’s Office to process loan documents and payments associated with SRF loans since October 1, 2009. This year, the Comptroller’s Office collected fees in the amount of \$69,968.25. The administrative fee collected was used to process pay requests, create financial journals, process incoming payments, correspond with borrowers, review deposits and borrower balances for correctness, complete audit confirmations, assist with year-end reports, audits by the state, assist with SRF programmatic administration, and assist with TLDA board meetings.

Financial Overview

During this fiscal year the CWSRF program award sixteen (16) loans totaling \$70,785,677. Table 2 provides a breakdown of the programmatic highlights of the CWSRF.

The state has an unobligated fund balance of \$143,291,059 for FY 2019. The CWSRF does not hold an unliquidated obligations balance as of FY 2019. Details for the financial summary of CWSRF can be found in Table 3.

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Table 2: Annual CWSRF Program Highlights

Annual Highlights from Clean Water SRF		
State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018		
Sixteen (16) new loans awarded	\$	83,324,500
Twelve (12) projects requested a decrease in assistance	\$	(12,538,823)
CWSRF Binding Obligations	\$	70,785,677
Six (6) new loans awarded from FFY 2018 Cap Grant	\$	14,771,000
Ten (10) loans awarded from the SRF revolving base	\$	68,553,500
Eighteen (18) total construction starts	\$	173,556,365
Ten (10) projects initiated operations	\$	116,958,777

Table 3: CWSRF Financial Summary

Financial Summary for Clean Water SRF		
State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018		
Financial Summary		Amount
Carry Over from FY 2018	\$	88,864,189
Capitalization Grant Award Available For Projects	\$	23,316,000
State Appropriations	\$	4,663,200
Administrative Costs	\$	(1,035,482)
Binding Obligations	\$	(83,324,500)
Loan Decrease	\$	12,538,823
Transfer to CW SRF FY 2019	\$	42,809,917
Principal Repayments	\$	36,829,115 ¹
Loan Interest	\$	9,441,786 ¹
Treasury Interest Income	\$	9,188,011 ¹
Unobligated Balance as of June 30, 2019	\$	143,291,059

¹ Preliminary numbers from unaudited financial statements

Types of Assistance

CWSRF provided new assistance for a variety of systems based on project needs. There was one (1) project, totaling \$3,000,000, funded to address advanced treatment at centralized wastewater plants. There were seven (7) new projects funded to arrest infiltration and inflow issues totaling \$57,430,000. CWSRF funded five (5) sewer system rehabilitation projects at \$20,614,000 and one (1) new collector system projects were funded totaling \$1,771,000. Further information on types of assistance and funding amounts can be found in the Appendix.

Financing Rates

The interest rate is based on a community's ability to pay determined through the State of TN Ability to Pay Index (ATPI). Interest rates can vary from zero to 100 percent of the interest rate reported on the 20-year Bond Buyer Index and the Municipal Market Data General Obligation Yields published every Thursday. The SRF program provides an updated interest rate weekly each Monday. The State may also recommend a reduction of the interest rate to incentivize Green Project Reserve and sustainable & resilient projects, but not below zero percent. Disadvantaged communities, as determined by the ATPI, are eligible for a lower interest rate or principal forgiveness. Communities, utility districts, and wastewater authorities may also be eligible for lower interest rates or principal forgiveness if they agree to pilot new and innovative techniques or agree to in-kind efforts that benefit the public through providing templates, education, or other actions that can broadly assist other communities in Tennessee to achieve high priority water quality goals. The interest rates for utility districts and wastewater authorities that have service areas in more than one county will be evaluated and ranked by utilizing the lowest ATPI for the county or city that directly benefit from the project(s) associated with the loan. The term of the loan is a maximum of 30 years or the useful life of the project whichever is shorter.

Program Assistance Contracts

Ability to Pay Index (ATPI)

TDEC SRF is required by the EPA to use an appropriate ATPI in order to administer SRF clean water and drinking water loans. In addition, the Water Resources Reform and Development Act (WRRDA) of 2014 requires that all state SRF programs use relevant data associated with population trends, income, unemployment, and "other" metrics in the determination of priority ranking and project scoring, tiered interest rates, distribution of additional subsidy, and eligibility for planning and design loans or other benefits for disadvantaged communities. TDEC SRF has contracted with the University of Tennessee Institute of Agriculture (UTIA) Department of Agriculture and Resource Economics Development to update the ATPI annually for all TN counties, cities, and municipalities. The CWSRF used \$45,000 in administrative funding from FFY 2019 for this purpose. The ATPI is a database of socioeconomic and financial data which serves as the foundation for an index used to help make decisions regarding determination interest rates, allocation of subsidy, and identification of options intended to benefit communities that need it the most.

Clean Water State Revolving Fund
Draft Annual Report FY 2019
September 2019

Through this contract, a consistent, transparent, and annually updated index is provided to improve decision making in loan and grant administration by TDEC and the Tennessee Department of Economic & Community Development (ECD). The ATPI will also enhance coordination between TDEC, ECD, and Tennessee USDA Rural Development regarding potential use of resources to best serve disadvantaged communities.

Targeted Technical Assistance and Training for Small and Disadvantaged Communities

TDEC SRF has contracted with the Tennessee Association of Utility Districts (TAUD) to develop a consolidated technical assistance program to provide targeted technical assistance to distressed or disadvantaged communities. This contract (using \$100,000 from FFY 2019 CWSRF admin funding) will focus on technical assistance needs for both public water and wastewater systems; managerial, financial, and technical capacities for systems; assist in reducing occurrence of health based drinking water violations; optimize resources and support to small and disadvantaged communities and systems across the state; develop new capacity to make full use of Federal Capitalization Grant set asides for drinking water; and implement priorities under TNH2O. Technical assistance will be provided at no cost to eligible communities.

Water Loss Training for Tennessee Communities

TDEC SRF has developed a contract focused on water loss training for TN communities, utilities, and commissions using a unique water loss data collection system and training methodology with a basic foundation in AWWA methods. This effort pulled \$103,000 from CWSRF and will aid utilities in determining where their water loss is originating and to help them identify mitigation actions specifically for their systems. TDEC will work directly with a contractor to develop a customized training system based on the priorities of the Water and Wastewater Financing Board and the Utility Management Review Board of the Treasury to specifically address priorities related to water loss in the State of Tennessee, and to ensure objective and reproducible results that can be used to measure water loss in TN. The developed training program is tailored to issues researched by TDEC to address the needs of the state and incorporate the priorities of TNH2O.

Provisions of the Operating Agreement and Conditions of the Capitalization Grant

Provide a State Match

State matching funds in the amount of \$4,663,200 were deposited into the SRF fund in FY 2019 to match the FFY 2018 Capitalization Grant award of 23,316,000. To date, Tennessee has received \$689,741,402 in capitalization grants from EPA. The total amount of state match required for these funds is \$130,376,149. As of June 30, 2018, \$130,376,149 (draft number) of State funds were deposited in the fund meeting the

Clean Water State Revolving Fund
Draft Annual Report FY 2019
September 2019

required amount. This is slightly less than 20% due to the additions of American Recovery and Reinvestment Act money (2009) to CWSRF that did not require a state match.

Binding Commitments within One Year

TDEC made sixteen (16) binding commitments to provide assistance equal to 120% of the amount for each quarterly grant payment within one year after receiving the grant payment pursuant to 35.3135(c). The FY 2019 Capitalization Grant plus state match totaled \$27,979,200. The potential loan awards for FY 2019 as presented in the FY 2018 Intended Use Plan proposed projects that totaled \$245,930,074. TDEC agreed to make binding commitments totaling \$83,324,500 by June 30, 2019.

Binding commitments by quarter:

First Quarter (October 1- December 31, 2018)	\$12,974,000
Second Quarter (January 1, - March 31, 2019)	\$63,909,500
Third Quarter (April 1, - June 30, 2019)	\$1,771,000

Project Assistance, Subsidy, and Loan Terms

The CWSRF Operating Agreement requires reporting of loan terms annually for new assistance projects. Table 4 details the loan terms established in the CWSRF binding commitments from FY 2019.

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Table 4: Details for Binding Commitment in FY 2019

Binding Commitments and Loan Terms for Clean Water SRF State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018								
	Agreement Date	Loan Recipient	Loan Number	Loan Term	Interest Rate	Loan Amount	Base	Principal Forgiveness
FY 2019 Capitalization Grant	07-17-2018	Goodlettsville	CG6 2018-419	20 years	1.90%	\$ 1,000,000	\$ 900,000	\$ 100,000
	11-26-2018	Hamilton Co WWTA	CW7 2019-424	20 years	2.35%	\$ 3,000,000	\$ 2,700,000	\$ 300,000
	02-08-2019	Chattanooga	CW7 2019-428	20 years	2.05%	\$ 3,000,000	\$ 2,700,000	\$ 300,000
	02-08-2019	Humboldt	CW7 2019-432	20 years	0.97%	\$ 3,000,000	\$ 2,700,000	\$ 300,000
	03-08-2019	Smyrna	CG7 2019-423	30 years	1.71%	\$ 3,000,000	\$ 2,700,000	\$ 300,000
	06-27-2019	Cleveland Utilities	CW7 2019-431	20 years	1.37%	\$ 1,771,000	\$ 1,593,900	\$ 177,100
	Total from FY 2019 Capitalization Grant						\$ 14,771,000	\$ 13,293,900
CWSRF Revolving Fund	07-17-2018	Goodlettsville	SRF 2018-420	20 years	1.90%	\$ 3,200,000	\$ 3,200,000	\$ -
	08-20-2018	Rocky Top	SRF 2018-418	5 years	0.50%	\$ 470,000	\$ 470,000	\$ -
	11-26-2018	Hamilton Co WWTA	SRF 2019-425	20 years	2.35%	\$ 2,474,000	\$ 2,474,000	\$ -
	11-26-2018	Springfield	SRF 2019-422	20 years	1.30%	\$ 7,500,000	\$ 7,500,000	\$ -
	02-08-2019	Chattanooga	SRF 2019-429	20 years	2.05%	\$ 21,000,000	\$ 21,000,000	\$ -
	02-08-2019	Cleveland	SRF 2018-416	20 years	1.56%	\$ 379,500	\$ 379,500	\$ -
	02-08-2019	Humboldt	SRF 2019-433	20 years	0.97%	\$ 7,900,000	\$ 7,900,000	\$ -
	02-08-2019	Memphis	SRF 2019-421	20 years	1.20%	\$ 6,500,000	\$ 6,500,000	\$ -
	02-08-2019	Springfield	SRF 2019-422	20 years	1.30%	\$ 19,000,000	\$ 19,000,000	\$ -
	03-08-2019	Lewisburg	SRF 2017-390	20 years	1.05%	\$ 130,000	\$ 130,000	\$ -
	Total from CWSRF Revolving Fund						\$ 68,553,500	\$ 68,553,500

Timely Expenditure of Funds

The State of Tennessee's CWSRF program provides timely disbursements of funds for projects. This assists the state in reducing unliquidated obligations. When a loan is executed, the date is set for the first repayment based on the scheduled completion date for project construction. The fixed repayment date is rarely revised to accommodate project delays and serves as incentive for timely construction of the project.

TDEC generally processes disbursement requests within the required timeline, which is thirty (30) calendar days of receipt. This requirement is per CFR §200.305 (Payment) which states, "reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per §200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper."

TDEC CWSRF disbursed \$21,390,743.00 in FY 2019. With each disbursement to loan recipients, the state provided the necessary match. This activity occurred in the 4th Quarter. Table 5 provides details of disbursement totals by project through FY 2019.

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Table 5: Disbursement Totals for CWSRF in FY 2019

Disbursement Totals from Clean Water SRF State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018					
Loan Recipient	Loan Number	Federal Dollars	State Match	Total Disbursement	
Memphis	SRF 2015-355	\$ 1,774,466.52	\$ 354,978.48	\$ 2,129,445.00	
Memphis	SRF 2015-355	\$ 480,999.93	\$ 96,223.07	\$ 577,223.00	
Memphis	SRF 2015-355	\$ 870,268.52	\$ 174,095.48	\$ 1,044,364.00	
Memphis	SRF 2013-311	\$ 2,345,741.17	\$ 469,260.83	\$ 2,815,002.00	
Trenton	CW4 2017-386	\$ 238,244.64	\$ 47,660.36	\$ 285,905.00	
Paris	SRF 2017-382	\$ 148,560.72	\$ 29,719.28	\$ 178,280.00	
Springfield	SRF 2019-422	\$ 1,216,713.83	\$ 243,401.17	\$ 1,460,115.00	
Springfield	SRF 2019-422	\$ 692,224.81	\$ 138,478.19	\$ 830,703.00	
McMinnville	CG3 2015-353	\$ 27,115.58	\$ 5,424.42	\$ 32,540.00	
Springfield	SRF 2019-422	\$ 1,297,095.61	\$ 259,481.39	\$ 1,556,577.00	
Lewisburg	CW6 2017-389	\$ 129,386.49	\$ 25,883.51	\$ 155,270.00	
Memphis	SRF 2013-309	\$ 1,779,692.98	\$ 356,024.02	\$ 2,135,717.00	
Rocky Top	SRF 2018-418	\$ 77,670.23	\$ 15,537.77	\$ 93,208.00	
Jackson Energy	SRF 2018-418	\$ 49,291.36	\$ 9,860.64	\$ 59,152.00	
Rocky Top		\$ 36,272.72	\$ 7,256.28	\$ 43,529.00	
Jackson Energy	CG4 2016-362	\$ 95,352.02	\$ 19,074.98	\$ 114,427.00	
Hamilton Co	SRF 2017-393	\$ 1,346,180.32	\$ 269,300.68	\$ 1,615,481.00	
Oakland	SRF 2016-369	\$ 198,479.56	\$ 39,705.44	\$ 238,185.00	
Trenton	CW4 2017-386	\$ 220,101.20	\$ 44,030.80	\$ 264,132.00	
Troy	CG5 2017-397	\$ 160,801.90	\$ 32,168.10	\$ 192,970.00	
Troy	CG5 2017-397	\$ 39,998.40	\$ 8,001.60	\$ 48,000.00	
Trenton	CW4 2017-386	\$ 247,311.77	\$ 49,474.23	\$ 296,786.00	
Oakland	SRF 2016-369	\$ 318,893.91	\$ 63,794.09	\$ 382,688.00	
Fayetteville	SRF 2018-408	\$ 151,048.96	\$ 30,217.04	\$ 181,266.00	
Trenton	SRF 2017-392	\$ 79,758.48	\$ 15,955.52	\$ 95,714.00	
Fayetteville	SRF 2018-408	\$ 186,992.52	\$ 37,407.48	\$ 224,400.00	
Chattanooga	SRF 2016-357	\$ 3,131,185.58	\$ 626,387.42	\$ 3,757,573.00	
Chattanooga	CW6 2018-405	\$ 389,425.26	\$ 77,903.74	\$ 467,329.00	
Memphis	SRF 2015-355	\$ 95,631.17	\$ 19,130.83	\$ 114,762.00	

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Totals for Disbursement in FY 2018	\$ 17,824,906.14	\$ 3,565,836.86	\$ 21,390,743.00
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The pace rate for the State cumulatively is 95 percent (the national average is 99 percent). CWSRF has slightly fallen off our pace as we continue to modernize the program. The TDEC SRF program has gone through significant changes, including a new Director and new staff. The change in management required the program evaluate and re-valuate current processes, slightly delaying the execution rate of loans. CWSRF expects to pick up the pace in FY2020, exceeding the current pace and striving for a rate on par with the national average. At this rate (95%), the state disbursed a total of \$1,560,495,539 from the CWSRF.

First Use of Funds for Enforceable Requirements

Since FY 1992, the State of Tennessee certifies that the "first use" requirement of the Clean Water Act §602(b)(5) has been fulfilled. All National Municipal Policy projects are on compliance schedules to meet the enforceable requirements of the Clean Water Act.

Assurances of Compliance

TDEC SRF ensures all activities in the Clean Water program comply with all state and federal requirements. This includes requiring recipients of funds directly made available by capitalization grants to comply with applicable federal authorities. The State attests adherence to the rules of cash draws. All cash draws for administrative assistance were made after costs had been incurred and in compliance with federal rules. The State attests to complying with state and federal requirements concerning grant payments and expenditures. TDEC SRF certifies state laws regarding commitments and expenditure of revenue is followed. Further, the state attests to accepting grant payments in accordance with the negotiated payment schedule.

TDEC SRF ensures each financial assistance recipient provides assurances of compliance with all applicable federal and state requirements. These assurances include all financial requirements, adhering to generally accepted accounting principles, government accounting standards, and compliance with the federal Single Audit Act. These assurances shall be incorporated into the loan or bid documents (where applicable) to assure compliance with all state and federal regulations.

State Environmental Review Process

During FY 2019, the TDEC SRF program conducted environmental reviews on all \$212 projects funded projects in accordance with the State Environmental Review Process. It was determined that no Environmental Impacts Statements (EIS) were necessary, instead an Environmental Assessment (EA) / Finding of No Significant Impact (FNSI) or Categorical Exclusion (CE) were issued for each project.

Additional Requirements

Disadvantaged Business Requirements

TDEC negotiated with EPA Region 4 an overall fair share objective of 2.60% for construction and 5.20% for supplies, services and equipment for Minority Business Enterprise (MBE) and 2.60% for construction and 5.20% for supplies, services, and equipment for Women's Business Enterprise (WBE) participation on CWSRF projects. During FY 2019, a total of \$256,059,782.80 procurement contracts were awarded. Of this amount, there were twelve (12) MBE contracts totaling \$13,456,315.20. There were five (5) WBE contracts totaling \$ 938,922.46. The percentages of participation on MBE and WBE contracts awarded were 5.26% and 0.37%, respectively.

Davis Bacon Wage Rate

The FFY 2018 CWSRF Capitalization Grant requires the Davis-Bacon Act wage rules to apply to all assistance agreements made in whole or in part with funds appropriated under the FFY 2018 Capitalization Grant. The SRF Loan Program along with the Department of Labor provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting.

American Iron, Steel, and Manufactured Goods

TDEC SRF attests to the adherence of projects by loan recipients for the requirements of the American Iron and Steel (AIS) provision. The AIS provision requires Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a public water system or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014.

The AIS provision is a permanent requirement for all CWSRF projects. The America's Water Infrastructure Act of 2018 extends the AIS provision for DWSRF projects through Fiscal Year 2023.

Green Project Reserve

The FFY 2018 CWSRF Capitalization Grant requires a portion of the funds to be allocated towards subsidy for green projects. The amount allowed for subsidization is a minimum of \$2,316,000, or 10% of the grant award. The state met this requirement with two (2) of loan recipients eligible for the Green Project Reserve. The total dollar amount of \$4,000,000 received subsidization in the form of principal forgiveness for GPR designated projects.

Additional Subsidization (Principal Forgiveness)

In FY 2019 TDEC SRF awarded six (6) projects with subsidization in the form of principal forgiveness. The total amount of subsidization was \$1,477,100 or 10% of the obligated FFY2019 Capitalization Grant.

Clean Water State Revolving Fund
Draft Annual Report FY 2019
September 2019

In addition, Tennessee's CWSRF Loan Program developed a new initiative in late FY 2019. The small and disadvantaged community principal forgiveness initiative is a process that portions funds for disadvantaged communities with an Ability To Pay of less than 60%. These communities are eligible for a range of principal forgiveness from a portion of the project through the total project receiving principle forgiveness.

Environmental Results

Projects are entered into the Public Water Benefits Reporting System database quarterly. This database is current for all projects funded in Tennessee during FY 2019. Reports are electronically available to the USEPA for all Drinking Water SRF loans.

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Performance Evaluation Reports (PER) Recommendations and Findings

The USEPA Region 4 SRF program conducted a Financial and Compliance Audit Report of the TDEC CWSRF program in December 2018. The audit resulted in no observations of findings. There were several items

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

identified by USEPA that require action to improve efficiencies in the CWSRF program. Table 6 is a review of those recommendations and the action TDEC CWSRF has taken for program improvement.

Table 6: CWSRF Recommendations based on USEPA Compliance Audit

Item	Action Needed	Status
Update CWSRF Operating Agreement	Update to reflect: Water Resources Reform and Development Act (WRRDA), and any changes to the Tennessee program	Currently working with USEPA R4 to update and will finalize by December 31, 2019
Add American Iron and Steel and Davis-Bacon to CWSRF inspection checklist		Completed
Update CWSRF loan agreements to include the most recent American Iron and Steel and Davis-Bacon provisions		Completed
Institute a loan fee to meet State match requirements for EPA CWSRF Capitalization Grant	May require amendment to language in TN Code 68-221-1004 to allow for fee collection and creation of an account for deposit	Currently coordinating with SLF and EPA R4 to determine fee details

Spotlight on Communities

The City of Franklin

The City of Franklin experienced significant growth in the past two decades. Looking to the future, the city recognized the need to expand the wastewater treatment plant. The expansion would not only help prepare for future growth, but right-sizing the facility would also assist in protecting the streams these systems discharge into. Hydraulic and biological improvements at the City's existing WWTP were identified as the most cost effective, efficient, and environmentally protective method for improvements that will also build additional capacity to accommodate future growth.

The City had a triple-bottom line approach to the WWTP expansion. The increased capacity of the plant and innovative components for UV disinfection, sludge management, and biogas provided environmental, financial and social benefits for years to come.

Project Highlights

- Beneficial reuse of treated effluent
- New UV disinfection system will dramatically cut energy consumption saving water and power
- New biosolids treatment system will save nearly \$60 million dollars over the system life-cycle and eliminate over 3 million miles of truck travel and emissions
- Recapture of biogas will generate power for the plant itself. The plant will save \$8.5 million dollars in electricity costs and provide a closed loop system for methane production and a 60% reduction in greenhouse gas emissions

The City of Franklin is along the Harpeth River, home to many threatened aquatic species, including the Slenderhead darter which inhabits in the river at the site of the updated wastewater treatment plant. Improving the functional capacity at the plant could also improve the environment for fish and aquatic life.

Turtle Park Pump Station

The City of Oak Ridge's Turtle Park Pump Station (TPPS) is the main pump station for pumping all of the City's municipal wastewater to the wastewater treatment plant. The 30 million gallons per day station was last upgraded in the 1990s. The City of Oak Ridge requested funds to upgrade the aging facility. TDEC SRF recognized the value of upgrading the pump station, not only for station efficiencies, but for the incredible potential in energy savings at the station, and therefore awarded a Clean Water State Revolving Fund loan for \$3.1 million.



Clean Water State Revolving Fund
Draft Annual Report FY 2019
September 2019

Project Highlights

- Modification of the existing wetwell
- Replaced existing pumps, motors, valves, and associated piping
- Replaced the emergency generator and performed electrical and control upgrades

Fayetteville, TN

The City of Fayetteville struggled with TDEC sanitary sewer permit compliance requirements for years. In 2017 the community was issued an Agreed Order from the state for chronic overflows. These chronic overflows were the result of inflow and infiltration in the collection system. Overflows create a potential public health hazard due to the discharge of untreated sewage. In Fayetteville these chronic overflows discharged into a 303(d) listed stream for E. Coli, compounding the issue. From a natural resource perspective, excessive I/I flows impact valuable natural resources and deplete plant capacity. Inflow of groundwater can also affect the hydrology in nearby streams reducing in stream hydrology and impacting fish and aquatic life. Therefore, CWSRF teamed up with the city to address these serious concerns with a 4,000,000 SRF loan to rehabilitate approximately 36,175 LF of gravity sewer lines.

Project Highlights

- Line rehabilitation through a combination of pipe bursting, open-cut, CIPP lining methods, and point repairs
- rehabilitate approximately 120 manholes
- CCTV investigation and rehabilitation or replacement of sewer service laterals
- Work completed to date includes 19,300 LF of pipe bursting and CIPP, 40 manhole rehabs, and 227 service replacements.

Fayetteville is in the Elk River Basin, and Exception TN Waters, and in the middle of a zone of significant biological diversity. Federally endangered species like the Birdwing Pearlymussel, Fine-rayed Pigtoe, Shiny Pigtoe, Cumberland Monkeyface, Cracking Pearlymussel, Boulder Darter, and Asheys Darter, call area "home". Human health and safety always play a big role in the funding decision making, but when we can couple that with efforts to protect unique habitats, the benefits are multiplied.

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Appendix

Assistance Provided in FY 2019

State of Tennessee
 Detailed Listing of Assistance Provided
 Reporting Year 2019

Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements	NIMS Current Year Change	Year End
New Assistance							
CG62018-419		7/17/2018	7/17/2018	Goodlettsville	1	1,000,000	1,000,000
CG72019-423		11/5/2018	11/5/2018	Smyrna	1	3,000,000	3,000,000
CW72019-424		11/26/2018	11/26/2018	HamiltonCoWWTA	1	3,000,000	3,000,000
CW72019-428		2/8/2019	2/8/2019	Chattanooga	1	3,000,000	3,000,000
CW72019-431		6/27/2019	6/27/2019	Cleveland	1	1,771,000	1,771,000
CW72019-432		2/8/2019	2/8/2019	Humboldt	1	3,000,000	3,000,000
SRF2018-418		8/20/2018	8/20/2018	Rocky Top	1	470,000	470,000
SRF2018-420		7/17/2018	7/17/2018	Goodlettsville	1	3,200,000	3,200,000
SRF2019-421		2/8/2019	2/8/2019	Memphis	1	6,500,000	6,500,000
SRF2019-422		11/26/2018	2/8/2019	Springfield	1	26,500,000	26,500,000
SRF2019-425		11/26/2018	11/26/2018	HamiltonCoWWTA	1	2,474,000	2,474,000
SRF2019-429		2/8/2019	2/8/2019	Chattanooga	1	21,000,000	21,000,000
SRF2019-433		2/8/2019	2/8/2019	Humboldt	1	7,900,000	7,900,000
New Assistance to Report:					13	82,815,000	82,815,000



Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Loan Decreases in FY 2019

Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements	NIMS Current Year Change	Year End
<u>Changes in Assistance</u>							
CG22014-333		6/18/2014	9/11/2018	Hallsdale-Powell UD	0	-3,175,567	940,833
CG22015-351		2/26/2015	11/28/2018	Fayetteville	0	-163,849	1,536,151
CG52018-402		1/25/2018	2/8/2019	Lenoir City	0	-10,737	1,289,263
CW42015-348		2/26/2015	8/29/2018	Oliver Springs	0	-21,373	3,436,627
SRF2011-289		11/1/2011	2/19/2019	Chattanooga	0	-1,128,758	18,871,242
SRF2012-307		6/25/2013	4/8/2019	Chattanooga	0	-1,495,855	31,604,145
SRF2013-318		6/18/2014	5/9/2019	Chattanooga	0	-3,443,791	63,356,209
SRF2013-320		6/25/2013	10/19/2018	Cleveland	0	-4,612	8,169,388
SRF2014-339		10/8/2014	9/12/2018	Murfreesboro	0	-2,760,960	29,739,040
SRF2016-366		3/10/2016	7/23/2018	Camden	0	-164,624	1,832,376
SRF2017-383		3/21/2017	11/6/2018	Jackson Energy Authority	0	-103,742	1,296,258
SRF2017-390		3/13/2018	4/9/2019	Lewisburg	0	130,000	205,000
SRF2018-404		1/25/2018	9/12/2018	Oliver Springs	0	-64,955	120,045
SRF2018-416		6/19/2018	2/8/2019	Cleveland	0	379,500	730,000
Changes in Assistance to Report:					0	-12,029,323	163,126,577
						70,785,677	245,941,577



Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Project Construction Starts in FY 2019

State of Tennessee
 Detailed Listing of Construction Starts
 Reporting Year 2019

Project Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Construction Start Date	Borrower	Number of Agreements	NIMS Current Year Change	Year End
Prior Assistance Year Projects								
CG52017-375		9/22/2017	9/22/2017	11/30/2018	Franklin	1	1,500,000	1,500,000
CW6 2017-389		3/13/2018	3/13/2018	12/3/2018	Lewisburg	1	1,000,000	1,000,000
CW62018-399		3/13/2018	3/13/2018	12/4/2018	Chapel Hill	1	788,750	788,750
CW62018-405		1/25/2018	1/25/2018	7/17/2018	Chattanooga	1	1,000,000	1,000,000
CW62018-415		6/19/2018	6/19/2018	11/19/2018	Cleveland	1	1,000,000	1,000,000
SRF2018-369		6/22/2017	6/22/2017	12/31/2018	Oakland	1	1,010,365	1,010,365
SRF2017-376		9/22/2017	9/22/2017	11/30/2018	Franklin	1	78,500,000	78,500,000
SRF2017-390		3/13/2018	4/9/2019	12/3/2018	Lewisburg	1	205,000	205,000
SRF2017-398		9/22/2017	9/22/2017	11/30/2018	Franklin	1	20,000,000	20,000,000
SRF2018-406		1/25/2018	1/25/2018	7/17/2018	Chattanooga	1	17,100,000	17,100,000
SRF2018-410		5/16/2018	5/16/2018	10/15/2018	Hallsdale-Powell UD	1	4,548,250	4,548,250
SRF2018-416		6/19/2018	2/8/2019	11/19/2018	Cleveland	1	730,000	730,000
SRF2018-417		3/13/2018	3/13/2018	7/2/2018	Cleveland	1	10,000,000	10,000,000
Prior Assistance Year Projects to Report:						13	137,382,365	137,382,365
New Assistance								
CG62018-419		7/17/2018	7/17/2018	1/2/2019	Goodlettsville	1	1,000,000	1,000,000
CW72019-424		11/26/2018	11/26/2018	6/10/2019	HamiltonCoWWTA	1	3,000,000	3,000,000
SRF2018-420		7/17/2018	7/17/2018	1/2/2019	Goodlettsville	1	3,200,000	3,200,000
SRF2019-422		11/26/2018	2/8/2019	12/3/2018	Springfield	1	26,500,000	26,500,000
SRF2019-425		11/26/2018	11/26/2018	6/10/2019	HamiltonCoWWTA	1	2,474,000	2,474,000
New Assistance to Report:						5	36,174,000	36,174,000



Projects Initiated Operations in FY 2019

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

State of Tennessee
 Detailed Listing of Initiation of Operations
 Reporting Year 2019

Project Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Initiation of Operations Date	Borrower	Number of Agreements	NIMS Current Year Change	Year End
Prior Assistance Year Projects								
CG32015-353		4/15/2015	4/15/2015	9/20/2018	McMinnville	1	4,000,000	4,000,000
CG42017-356		4/6/2017	4/6/2017	3/19/2019	Oak Ridge	1	2,000,000	2,000,000
CG52018-402		1/25/2018	2/8/2019	9/21/2018	Lenoir City	1	1,289,263	1,289,263
CW62017-391		6/22/2017	6/22/2017	1/15/2019	Millersville	1	518,000	518,000
SRF2012-307		6/25/2013	4/8/2019	8/15/2018	Chattanooga	1	31,604,145	31,604,145
SRF2013-318		6/18/2014	5/9/2019	7/2/2018	Chattanooga	1	63,356,209	63,356,209
SRF2014-336		3/10/2016	3/10/2016	11/27/2018	Camden	1	7,358,000	7,358,000
SRF2015-342		4/15/2015	4/15/2015	10/4/2018	Lenoir City	1	1,833,160	1,833,160
SRF2017-396		6/22/2017	6/22/2017	2/19/2019	Oak Ridge	1	3,100,000	3,100,000
SRF2018-412		5/16/2018	5/16/2018	11/27/2018	Camden	1	1,900,000	1,900,000
Prior Assistance Year Projects to Report:						10	116,958,777	116,958,777
Changes in Assistance								
CG22014-333		6/18/2014	9/11/2018	6/6/2017	Hallsdale-Powell UD	0	-3,175,567	940,833
CG22015-351		2/26/2015	11/28/2018	9/22/2017	Fayetteville	0	-163,849	1,536,151
CW42015-348		2/26/2015	8/29/2018	2/8/2018	Oliver Springs	0	-21,373	3,436,627
SRF2011-289		11/1/2011	2/19/2019	8/28/2017	Chattanooga	0	-1,128,758	18,871,242
SRF2013-320		6/25/2013	10/19/2018	6/29/2018	Cleveland	0	-4,612	8,169,388
SRF2014-339		10/8/2014	9/12/2018	9/20/2017	Murfreesboro	0	-2,760,960	29,739,040
SRF2016-366		3/10/2016	7/23/2018	9/12/2016	Camden	0	-164,624	1,832,376
SRF2018-404		1/25/2018	9/12/2018	2/8/2018	Oliver Springs	0	-64,955	120,045
Changes in Assistance to Report:						0	-7,484,698	64,645,702
							109,474,079	181,604,479



Assistance Provided by Need Category FY 2019

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

State of Tennessee
 Detailed Listing of Assistance by Project Needs Categories
 Reporting Year 2019

Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements*	Project Type Amount	Projects Impacting Estuaries
CWT - Secondary Treatment							
<u>Changes in Assistance</u>							
CG22015-351		2/26/2015	11/28/2018	Fayetteville		-163,849	
SRF2011-289		11/1/2011	2/19/2019	Chattanooga		-321,809	
SRF2014-339		10/8/2014	9/12/2018	Murfreesboro		-2,760,960	
SRF2016-366		3/10/2016	7/23/2018	Camden		-164,624	
SRF2017-383		3/21/2017	11/6/2018	Jackson Energy Authority		-103,742	
Changes in Assistance to Report:					0	-3,514,984	
Total to Report for CWT - Secondary Treatment:					0	-3,514,984	
CWT - Advanced Treatment							
<u>New Assistance</u>							
CG72019-423		11/5/2018	11/5/2018	Smyrna		3,000,000	
New Assistance to Report:					1	3,000,000	
<u>Changes in Assistance</u>							
CW42015-348		2/26/2015	8/29/2018	Oliver Springs		-21,373	
SRF2012-307		6/25/2013	4/8/2019	Chattanooga		-747,828	
SRF2013-318		6/18/2014	5/9/2019	Chattanooga		-1,076,187	
SRF2017-390		3/13/2018	4/9/2019	Lewisburg		130,000	
SRF2018-404		1/25/2018	9/12/2018	Oliver Springs		-64,855	
Changes in Assistance to Report:					0	-1,780,443	
Total to Report for CWT - Advanced Treatment:					1	1,219,558	



Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements*	Project Type Amount	Projects Impacting Estuaries
CWT - Infiltration/Inflow							
<u>New Assistance</u>							
CG62018-419		7/17/2018	7/17/2018	Goodlettsville		1,000,000	
CW72019-428		2/8/2019	2/8/2019	Chattanooga		3,000,000	
SRF2018-418		8/20/2018	8/20/2018	Rocky Top		470,000	
SRF2018-420		7/17/2018	7/17/2018	Goodlettsville		3,200,000	
SRF2019-421		2/8/2019	2/8/2019	Memphis		6,500,000	
SRF2019-422		11/26/2018	2/8/2019	Springfield		22,280,000	
SRF2019-429		2/8/2019	2/8/2019	Chattanooga		21,000,000	
New Assistance to Report:					7	57,430,000	
<u>Changes in Assistance</u>							
CG22014-333		6/18/2014	9/11/2018	Hallsdale-Powell UD		-3,175,567	
SRF2011-289		11/1/2011	2/19/2019	Chattanooga		-405,450	
SRF2013-318		6/18/2014	5/9/2019	Chattanooga		-30,303	
SRF2013-320		6/25/2013	10/19/2018	Cleveland		-4,612	
Changes in Assistance to Report:					0	-3,615,932	
Total to Report for CWT - Infiltration/Inflow:					7	53,814,068	
CWT - Sewer System Rehabilitation							
<u>New Assistance</u>							
CW72019-424		11/26/2018	11/26/2018	HamiltonCoWWTA		3,000,000	
CW72019-432		2/8/2019	2/8/2019	Humboldt		3,000,000	
SRF2019-422		11/26/2018	2/8/2019	Springfield		4,240,000	
SRF2019-425		11/26/2018	11/26/2018	HamiltonCoWWTA		2,474,000	
SRF2019-433		2/8/2019	2/8/2019	Humboldt		7,900,000	
New Assistance to Report:					5	20,614,000	
<u>Changes in Assistance</u>							
CG52018-402		1/25/2018	2/8/2019	Lenoir City		-10,737	
SRF2011-289		11/1/2011	2/19/2019	Chattanooga		-401,499	
SRF2012-307		6/25/2013	4/8/2019	Chattanooga		-747,928	
SRF2013-318		6/18/2014	5/9/2019	Chattanooga		-2,337,301	
Changes in Assistance to Report:					0	-3,497,465	
Total to Report for CWT - Sewer System Rehabilitation:					5	17,116,536	
CWT - New Collector Sewers							
<u>New Assistance</u>							
CW72019-431		6/27/2019	6/27/2019	Cleveland		1,771,000	
New Assistance to Report:					1	1,771,000	
<u>Changes in Assistance</u>							
SRF2018-416		6/19/2018	2/8/2019	Cleveland		379,500	
Changes in Assistance to Report:					0	379,500	
Total to Report for CWT - New Collector Sewers:					1	2,150,500	
Grand Total					14 *	70,785,677	<i>(Line 108)</i>
Total Assistance Provided in Reporting Year					13	70,785,677	0

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

CWSRF Net Position FY 2019

	FY 2019	FY 2018
<u>Statement of Net Position</u>		
<u>ASSETS</u>		
Current assets:		
Cash (Note 2)	448,802,942.73	423,882,516.45
Receivables		
Loans receivable	<u>36,042,666.20</u>	<u>36,059,943.52</u>
Total current assets	<u>484,845,608.93</u>	<u>459,942,459.97</u>
Noncurrent assets:		
Loans receivable	<u>646,924,583.83</u>	<u>589,305,838.07</u>
Total noncurrent assets	<u>646,924,583.83</u>	<u>589,305,838.07</u>
Total assets	<u>1,131,770,192.76</u>	<u>1,049,248,298.04</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Payable to borrowers (Note 3)	<u>173,179.27</u>	<u>95,140.36</u>
Total current liabilities	<u>173,179.27</u>	<u>95,140.36</u>
Noncurrent liabilities:		
Borrower deposits payable (Note 2)	<u>7,923,221.00</u>	<u>7,834,578.00</u>
Total noncurrent liabilities	<u>7,923,221.00</u>	<u>7,834,578.00</u>
Total liabilities	<u>8,096,400.27</u>	<u>7,929,718.36</u>
 <u>NET POSITION</u>		
Unrestricted	<u>1,123,673,792.49</u>	<u>1,041,318,579.68</u>
Total net position	<u>1,123,673,792.49</u>	<u>1,041,318,579.68</u>

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

CWSRF Cash Flows FY 2019

	FY 2019	FY 2018
<u>Statement of Cash Flows</u>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Payments for interfund services	(1,035,481.81)	(1,377,155.08)
Net cash used by operating activities	<u>(1,035,481.81)</u>	<u>(1,377,155.08)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating grants received	18,750,855.79	43,029,739.00
Transfers in	<u>47,497,317.00</u>	<u>1,802,360.53</u>
Net cash provided by noncapital financing activities	<u>66,248,172.79</u>	<u>44,832,099.53</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Loans issued and other disbursements to borrowers	(95,917,859.00)	(101,071,195.00)
Collections of loan principal	36,829,115.28	32,070,133.26
Security deposits from borrowers	282,443.00	986,208.00
Interest received on loans	9,441,786.25	9,087,900.34
Interest received on investments	9,361,190.13	5,546,210.13
Amounts repaid to borrowers	<u>(288,940.36)</u>	<u>(57,539.49)</u>
Net cash used by investing activities	<u>(40,292,264.70)</u>	<u>(53,438,282.76)</u>
Net increase (decrease) in cash	<u>24,920,426.28</u>	<u>(9,983,338.29)</u>
Cash, July 1	423,882,516.45	433,865,854.74
Cash, June 30	<u>448,802,942.73</u>	<u>423,882,516.45</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating income	<u>17,594,315.30</u>	<u>13,161,815.05</u>
Adjustments to reconcile operating income to net cash used by operating activities:		
Revenue from loans	(9,441,786.25)	(9,087,900.34)
Interest income	<u>(9,188,010.86)</u>	<u>(5,451,069.77)</u>
Total adjustments	<u>(18,629,797.11)</u>	<u>(14,538,970.11)</u>
Net cash used by operating activities	<u>(1,035,481.81)</u>	<u>(1,377,155.08)</u>

Clean Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

CWSRF Revenues and Expenses FY 2019

	FY 2019	FY 2018
<u>Statement of Revenues, Expenses, and Changes in Net Position</u>		
<u>OPERATING REVENUES</u>		
Revenue from loans	9,441,786.25	9,087,900.34
Interest income	<u>9,188,010.88</u>	<u>5,451,069.77</u>
Total operating revenues	<u>18,629,797.11</u>	<u>14,538,970.11</u>
<u>OPERATING EXPENSE</u>		
Administrative expense	<u>1,035,481.81</u>	<u>1,377,155.06</u>
Total operating expense	<u>1,035,481.81</u>	<u>1,377,155.06</u>
Operating income	<u>17,594,315.30</u>	<u>13,161,815.05</u>
<u>NONOPERATING REVENUE</u>		
Capitalization grant	<u>18,750,855.79</u>	<u>43,029,739.00</u>
Total nonoperating revenue	<u>18,750,855.79</u>	<u>43,029,739.00</u>
<u>NONOPERATING EXPENSE</u>		
Forgiveness of loan principal (Note 5)	1,487,275.28	2,198,703.87
Total nonoperating expense	<u>1,487,275.28</u>	<u>2,198,703.87</u>
Income before transfers	34,857,895.81	53,992,850.18
Transfers in (Note 4)	47,497,317.00	1,802,360.53
Change in net position	82,355,212.81	55,795,210.71
Net position, July 1	<u>1,041,318,579.68</u>	<u>985,523,368.97</u>
Net position, June 30	<u>1,123,673,792.49</u>	<u>1,041,318,579.68</u>

**Clean Water State Revolving Fund
Draft Annual Report FY 2019
September 2019**

CWSRF Administrative Expenses



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
NASHVILLE, TENNESSEE 37243-0435

DAVID W. SALYERS, P.E.
COMMISSIONER

BILL LEE
GOVERNOR

MEMORANDUM

TO: Michelle Earhart, Deputy Chief of Accounts
Department of Finance and Administration

FROM: Benny Romero, Department Controller *BLR-12-19*

DATE: 12-Aug-19

SUBJECT: Department of Environment and Conservation 327
Clean Water State Revolving Fund 33
Administrative Cost

Shown below is a detailed listing by Account of the Administrative Costs of the
Clean Water State Revolving Fund Program for Fiscal Year 2019 (July 1 - June 30) -
PERIOD 992

70100	Salaries	\$	633,239.48
70200	Benefits	\$	253,426.73
	Total Payroll Expenditures	\$	886,666.21
70300	Travel	\$	21,025.03
70600	Communication and Shipping	\$	381.72
70800	Professional Services	\$	722.22
70900	Supplies	\$	2,307.71
71000	Rent/Insurance	\$	5,026.55
71300	Contracts/grants	\$	33,474.07
71200	Award -Indemnity	\$	-
71400	Unclassified	\$	800.00
72100	Training	\$	2,490.00
72200	Data Processing	\$	3,307.31
72500	Professional Services	\$	79,280.99
89040	Indirect Costs	\$	-
	Total Other Expenditures	\$	148,815.60
	Grand Total Expenditures	\$	1,035,481.81
68090000	Interdepartmental Revenue - Clean Water		(\$1,035,481.81)