

# A G E N D A

## MONTHLY MEETING OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

Monday, April 4, 2022 @ 11:00 AM

1. Call meeting to order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Minutes Approval – March 7, 2022, Monthly Meeting.
4. Recognition of any person wishing to address the Board.
5. Presentation by Alicia Juhl with Henderson, Hutcherson & McCullough of IDB Audit Report ending June 30, 2021.
6. Volkswagen Finance Report presented by Eleanor Liu.
7. **Resolutions:**
  - (a) Audit Management Representation Letter with Auditor.
  - (b) Environmental and Economic Infrastructure Improvement Project (e2i2) – wet-weather - revised Memorandum of Understanding with Hamilton County Wastewater Treatment Authority.
  - (c) Amazon/Cole ID/Vereit – approval of Attorney Noblett’s execution of Affidavit regarding property deed corrections.
8. **Other Business and Discussion Items:**
  - (a) Steam Logistics (John Ross Property, 329 Market Street) - executed Brownfield Voluntary Agreement and Notice of Land Use Restrictions.
  - (b) Website.
9. Adjournment.

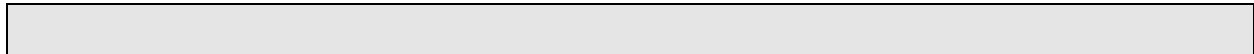


**INDUSTRIAL DEVELOPMENT BOARD  
MONTHLY MEETING MINUTES  
John P. Franklin Sr. City Council Building  
Chattanooga, Tennessee  
for  
March 7, 2022  
11:00 AM**

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

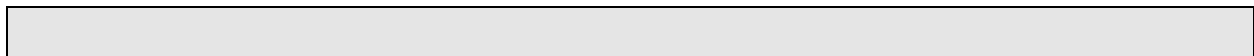
Also present were Phillip A. Noblett (Counsel for the Board), Geoffrey Meldahl (Ironworker/Caleb), and Eleanor Liu (City Finance).

Mr. Rodgers called the meeting to order. It was confirmed that a quorum was present to conduct business, and the meeting was duly advertised.



**MEETING OF FEBRUARY 7, 2022 – MINUTES APPROVAL**

On motion of Mr. Adkins, seconded by Ms. Jones, the minutes of the February 7, 2022, meeting were unanimously approved.



**PERSONS ADDRESSING THE BOARD**

**GEOFFREY MELDAHL**

Geoffrey Meldahl addressed the Board with a protest against the wording on the agendas which are extremely difficult for the average, interested citizens. When a resolution on the current agenda comes up, he looks at it and says what is this, what PILOT or agreement does it pertain to. Whoever is putting the agenda together probably has a much better sense of what these things mean and implications for the City, and if it were possible to move in the future forward with a synopsis or summary of which PILOT it pertains to, or if it is a PILOT, or what the general implications are for the City and what ordinary citizens might find of interest. He imagines it is a small tweak to some legal language, but when you look at the agenda, he is trying to learn more about how the IDB works and government in general. If it were possible, to give a cliff notes version of what each of these agenda items means going forward would be immensely helpful.

The minutes for the IDB especially are always fantastically thorough and good work to the secretary that makes it work as good as they are. It is very easy to understand what happens after the fact but looking at the agenda, it is often difficult to undertake what is going to be happening ahead of time, and whether it is a meeting that someone would be interested in, or what will be going on.

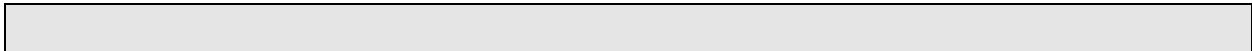
Mr. Rodgers asked Mr. Meldahl if he was with the Caleb organization and if he has been here before. Mr. Meldahl's occupation is as an Iron Worker, and he is lucky enough to be in the past local. Mr. Rodgers thanked him for sharing his thoughts.



### **CHAIRMAN'S REPORT**

Mr. Rodgers thanked Ms. Jones for chairing the last meeting. Mr. Rodgers apologized about the confusion in December about the scheduled meetings. We did not have a January meeting, and he was not present in February. Mr. Rodgers is certainly interacting with Mr. Noblett and Ms. Manalla to try to make sure we do not have that situation come up again. As the Board members know that our meetings are established once a month and published, and there should be no surprises to the public or to anybody else within the City. Mr. Rodgers emphasized the importance of the Board being respectful of their time and wants to stick to that. If a special meeting is necessary, it needs to be, in fact, special, and not something just unexpected.

Mr. Jermaine Freeman (Economic Development Office) is normally here and apologized for not being here today. He is out-of-town. He did mention about the City's new IT Director will be helping out with the website.



### **VOLKSWAGEN FINANCE REPORT**

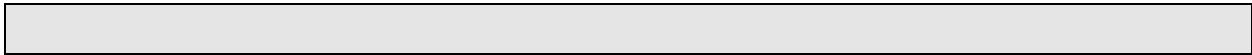
Ms. Eleanor Liu did not have a report. There is slow activity. There will be a report next month.



### **NEW BUSINESS**

Mr. Rodgers asked Mr. Noblett if it was necessary to read the whole resolution on the agenda. Mr. Noblett stated that we need to read the whole caption because that is what the Board is authorizing. Mr. Noblett will explain what this confusing language is after Mr. Rodgers reads the resolution.

Mr. Rodgers shares Mr. Meldahl's concerns and thinks they are legitimate and fair concerns, if the Board is going to publicize an agenda up front and expect the public to participate and understand what is going on. Even more specifically to the Board, if the Board is going to be prepared for these meetings and have the ability to have meaningful discussions, the Board needs to know what it is the Board is talking about. The Board laughed after being asked if they understood the caption on the agenda. Mr. Rodgers is going to try to work to see what we can do to make sure in advance that when we present an agenda, that the resolutions are written in such a fashion that the Board can at least understand what piece of property it is dealing with, and they do not have to go to the Register's Office to try to find some deed to see what this is about.



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

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA TO EXECUTE A SECOND AMENDMENT TO LEASE AGREEMENT AND MEMORANDUM OF LEASE AND A CONFIRMATION OF LIEN RELATED TO A FEE AND LEASEHOLD DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING DATED AS OF DECEMBER 7, 2012 (THE "DEED OF TRUST") EXECUTED BY COLE ID CHATTANOOGA TN, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND THE IDB TO WILLIAM L. ROSENBERG, TRUSTEE FOR THE BENEFIT OF MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, A NEW YORK LIMITED LIABILITY COMPANY ("ORIGINAL LENDER"), WHICH DEED OF TRUST WAS RECORDED ON JANUARY 2, 2013, AS INSTRUMENT NUMBER 2013010200126 IN BOOK 9836, PAGE 892 IN THE REGISTER'S OFFICE OF HAMILTON COUNTY, TENNESSEE (THE "REGISTER'S OFFICE") AND ENCUMBERS THE PREMISES DESCRIBED ON EXHIBIT A ATTACHED HERETO (THE "PREMISES").

Mr. Noblett explained that this resolution involves a refinancing document for the banks to make sure that they know they have some aspect of a revised security in the property next to the Amazon plant. The Amazon property, and this is well before Mr. Noblett was involved in giving them advice in 2010, had a PILOT Agreement for the development of that area.

The State of Tennessee came in during the course of this process and got a portion of the frontage to make a roundabout. It took a small portion .02% of one acre that needed to be revised in these documents so that they could get their financing straight, and it would not include that for future times. This takes out as you can see on the Second Amendment to the Lease Agreement there have been two amendments over the term since 2010. This one small amendment in here takes out a small portion of the property of .207 acres more or less which is involving that

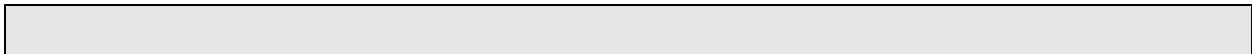
roundabout. That apparently occurred back in 2014, and they are trying to get their security straight for the future for when they are refinancing the property.

Cole I.D. is actually the owner of the Amazon property. Amazon is still in operation and will not be changing any operations. They do not need that roundabout portion there which is now allowing people to go through Enterprise South more efficiently now. This is only the Second Amendment since that occurred, and this is just clearing up the paperwork.

Mr. Rodgers asked if it was possible for the Board in the future to get a four or five sentence memo or note that says why is this coming before the Board, and why it is being presented to the Board. Mr. Noblett stated the title lawyers are trying to straighten up what is subject to the security that they have in place on the property. It is owned, in this case while that PILOT is continuing, by the IDB and not by Cole I.D.

Mr. Hayes asked if it would make sense to put the District No. as a parenthetical on this. Mr. Noblett stated we can do that and give a short synopsis.

After further discussion, the resolution was unanimously adopted.



### **OTHER BUSINESS DISCUSSION ITEMS**

#### **(1) WEBSITE**

Mr. Rodgers stated that with regard to the website, the Board has seen some information for a means of improving the current set-up of the website available to the public, IDB, and what they do. Mr. Noblett stated we have the ability now and have put the location on the City Attorney's web page. If the Board believes we have to have an actual web page for the IDB, we can do that. We do not have that established at this point. We did use the advice of the folks in the IT Department for the City in setting up that location. They can add in categories. It is a question of how much visibility do you want to give out or if you want it somewhere other than the City Attorney's location.

This is not actually dealing with the IDB of a City because it is not the City of Chattanooga. It is a separate corporation under state law much like the Health, Educational, and Housing Facility Board. Those are separate corporations and have to be so under Tennessee law. We found another issue that is helpful for IDB activity in how contracts are administered and whether you can use design build contracts. Those are allowed for IDBs even though they might not be for cities. That is another thing we can do to develop the website. The Board can let Mr. Noblett know what can be done in addition, and we will try to do it, and we hope that everybody has had a chance to look at what is out there right now.

Mr. Hayes appreciates the accommodation of what is on the website now because there is some transparency that was not there before. Mr. Hayes asked the following questions:

- Is the Board needing the website to be more competitive in the economic development sense?
- Are there projects missing or sites looking for information that they cannot readily access?
- Is there some marketing purpose that the website needs to fulfill such that Chattanooga might really be at some disadvantage because we do not have something that looks like Knoxville or Memphis? The City of Knoxville has a very impressive looking website.
- Is it within our purview to spend IDB funds to contract for something like this? Mr. Hayes' strong guess is that the Knoxville IDB website is the work of a professional web development firm that does these for a living.
- How we pay for it, is it legal to do so, do we have to access funds for that sort of thing in a different way? These things cost some tens of thousands of dollars in his experience. The Knoxville IDB is an example.

In Mr. Hayes' personal opinion administratively, he does think that it makes a certain amount of sense to separate on-line homes for transparency purposes which is for the Board to discuss and decide if we get to the point where we are really wanting to spend money. Mr. Hayes is kind of curious on guidance on how and if we can do that.

Mr. Noblett stated that is going to depend on what funding you have available to be able to work that out if Economic Development wants to set aside a specific amount which is one way. You do have application fees coming in on PILOTs. That is one method of generating some source of income. That has always been kept separately as a separate fund, and that would be something that you have to spend.

Mr. Hayes asked if our Charter prevents the Board from spending IDB fees on things like this? Mr. Noblett stated it does not. Would we be having access to the City's Economic Development budget for generally a marketing purpose for the IDB? Mr. Noblett stated yes or an appropriation for that matter.

Mr. Rodgers stated we have to follow-up with Mr. Freeman to get his thoughts. Mr. Hayes stated he would be curious to have him comment into the record about does the Administration feel like something like this would be valuable, and the Chamber may have a perspective on that too. Mr. Hayes thinks it would be, but he would want the professionals to tell him as they are going out to find employers with a better IDB website to be a tool in the toolbox that they wished they had to compete against fair markets.

Ms. Jones stated she agrees that her main feedback was having it in its own section on the website with less links and clicks, like the Attorney's section and Boards and Commissions.

Mr. Rodgers stated that the Board should try to improve in what we can do with the current setup and if that is the long-term where we stay, at least it would be improved. Mr. Sharpley likes the setup, but if you did not know to go to the City Attorney. Mr. Parker asked are we missing anything? Is this a wise use of funds and time? Mr. Freeman would be better suited to tell the Board that. Mr. Parker stated that we have the list of PILOTs now listed. Can it be expanded to any TIFs, bonds, and the economic awards for past winners? These are the things the Board is awarding out.

Mr. Rodgers thought it was a good idea to include all that information. Mr. Sharpley asked if it would help to put the tutorial about the PILOTs and TIFs on the website? There are no limitations on space, and it can be moved to whatever site for upkeep. Maintenance is an issue to be discussed for expenses by the Board.

Mr. Rodgers stated that the Board has a consensus to move forward and improve things as we can and look into a separate site down the road. We can table that, keep it on the agenda for the next meeting, keep the discussion going, and see where this leads.

**(2) UPDATE re: NOTICE OF NON-PAYMENT ITEM FOR VOLKSWAGEN**

Mr. Noblett stated we received a notice that a subcontractor on the Volkswagen site had not been paid. We were trying to get an answer from the Volkswagen people on that. We believe that issue has been resolved but wanted to make sure that at least we have gotten any potential notices of liens on property that would be involving Volkswagen to be resolved. We have been in contact with the attorneys for Volkswagen, and they have told us they thought they had it resolved.

Mr. Rodgers asked Mr. Noblett if he could update the Board on PILOT policies. We have TIF policies, but we do not have PILOT policies. Has there been any further discussion from the City Council about having PILOT policies being written or adopted? Mr. Noblett stated not that he is aware. At this point in time, the statutory authority the IDB has for PILOTs is in writing as to what you can and cannot issue things for. Beyond that, the Council has not adopted anything further that he has seen recently. There was some discussion about doing that a number of years ago, and Mr. Hayes may have been involved in that at that point time but never anything formally adopted.

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

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**PATRICK SHARPLEY, *Secretary***

**APPROVED:**

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**JIMMY F. RODGERS, JR., *Chair***

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site,  
Volkswagen Group of America Chattanooga Operations, LLC's  
Expansion Site, Tax Increment Financing, Due Diligence Studies, and Economic Development  
Incentive Programs for the City of Chattanooga)

FINANCIAL REPORT

JUNE 30, 2021 AND 2020



**CERTIFIED PUBLIC ACCOUNTANTS**



# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site, Tax Increment Financing, Due Diligence Studies, and Economic Development Incentive Programs for the City of Chattanooga)

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# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site, Tax Increment Financing, Due Diligence Studies, and Economic Development Incentive Programs for the City of Chattanooga)

## Board Member Roster

Henry "Skip" Ireland III, Chair Appointed by City Council	2nd Term Jun 16, 2016 to Jun 16, 2022
Althea Jones, Assistant-Secretary Appointed by City Council	1st Term Jul 25, 2017 to Jun 13, 2024
James Miller Appointed by City Council	1st Term Jan 01, 2000 to Jun 13, 2024
Jimmy F. Rodgers, Vice-Chair Appointed by City Council	2nd Term Oct 07, 2020 to Oct 07, 2026
Lance Truett Appointed by City Council	1st Term Dec 15, 2020 to Dec 15, 2026
Kerry Hayes Appointed by City Council	1 <sup>st</sup> Term Apr 20, 2021 to Apr 20, 2027
Patrick Sharpley Appointed by City Council	1 <sup>st</sup> Term Jun 15, 2021 to Jun 15, 2027
James Floyd Appointed by City Council	1 <sup>st</sup> Term May 4, 2021 to Jun 13, 2022
Gordon Parker Appointed by City Council	1 <sup>st</sup> Term Apr 27, 2021 to Jun 15, 2022

The Board meets on 1<sup>st</sup> Monday of the month at 11:00 a.m. in the City Council Assembly Room, 1000 Lindsay Street, Chattanooga, TN 37402. During the COVID-19 period, the meetings take place on ZOOM.



CERTIFIED PUBLIC ACCOUNTANTS  
CHATTANOOGA | MEMPHIS

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF STATE AWARDS

To the Board of Directors  
The Industrial Development Board of the City of Chattanooga  
Chattanooga, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site and Volkswagen Group of America Chattanooga Operations, LLC Partnership Agreement; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinions, the financial statements referred to above present fairly, in all material respects, the financial position of the Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site and Volkswagen Group of America Chattanooga Operations, LLC Partnership Agreement; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga), and the changes in its financial position and its cash flows as of and for the years ended June 30, 2021 and 2020, in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the entity's basic financial statements. The accompanying schedule of expenditures of state awards and combining program schedule are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of state awards and combining program schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards and combining program schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022 on our consideration of the entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Chattanooga, Tennessee  
February 4, 2022

*Henderson Hutcherson*  
*is McCullough, PLLC*

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site, Tax Increment Financing, Due Diligence Studies, and Economic Development Incentive Programs for the City of Chattanooga)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Industrial Development Board of the City of Chattanooga (IDB) was established in 1967 for the purpose of undertaking financing and development of projects to promote industry, trade, commerce, tourism, recreation, and housing construction in Chattanooga.

Pursuant to a July 2008 Memorandum of Understanding (MOU), as amended, by and among Volkswagen Group of America, Inc., the State of Tennessee, Hamilton County, the City of Chattanooga, the Chattanooga Area Chamber of Commerce and the Industrial Development Board, the IDB was awarded \$210.8 million in grants from the State of Tennessee as incentives to build a billion-dollar automotive plant; an additional \$46 million in local government funding were also pledged. In June 2014, a second MOU was entered into whereby the state awarded an additional \$165.8 million in incentives. An additional \$52.5 million was pledged by the City and County to be shared equally. In June 2017, an amendment increased the State incentive to \$168.9 million. These additional capital contributions support a Volkswagen Group of America Chattanooga Operations, LLC (VWGoA) expansion to include a production line for a new sports utility vehicle and a national research and development center.

As VW began to expand its production capacities to include electric car in Chattanooga plant in the coming years, a Letter of Intent (LOI) was signed between VW, Hamilton County, City, and IDB on January 11, 2019. It stipulates while VW is making an estimated \$800 million additional investment, City and County will each provide \$2.5 million to the IDB for construction of certain capital projects for the benefit of the VW at the site.

In fiscal year 2014, IDB entered into a Tax Incremental Financing (TIF) agreement with Black Creek, LLC after the City Council approved the economic impact plan on resolution 27143 dated June 9, 2012. In fiscal year 2018, IDB entered into another TIF agreement with Evergreen Real Estate after the City Council approved the economic impact plan on resolution 29336 on February 20, 2018. In fiscal year 2020, IDB entered into the third TIF agreement for the East Chattanooga Rising Development Area. City Council approved the economic impact plan on resolution 30147 on December 3, 2019. One of the world's biggest paint and coating makers, Nippon Paint, is to build a 270,000 square foot manufacturing complex on site. While undertaking the site development construction, City of Chattanooga agreed to loan \$4 million to IDB to finance certain tax increment eligible cost relating to the construction in November of 2020. This loan is considered a conduit debt, so it is only disclosed on the City of Chattanooga's Comprehensive Annual Financial Report. The TIF agreement refunds taxes to support infrastructure and commercial real estate development. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation, less allowable city and county expenses.

In fiscal year 2015, the City of Chattanooga's Department of Economic Development began a program called Economic Development Incentive Program (EDIP) to assist, support and incentivize local businesses and workforce to develop and grow. Since 2015, through City appropriation and the Economic Development Lease Payment from qualifying businesses, EDIP has been expanded into the following programs:

- Growing Small Business Incentive Plan which provides incentives for small businesses with 100 or fewer employees in the city to create more jobs.
- Technology Workforce Development brings city residents, technology companies and our workforce training partners together to train and reskill residents to embrace the future of Chattanooga.

(Continued)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Small Business Construction Mitigation Grant awards qualified businesses that are impacted by construction project in the city.
- Renewing Chattanooga helps combat blight, vacant, and abandoned properties in underserved communities throughout the city that fall into despair.
- Business Development fund dollars are used to encourage private investment and existing businesses retention. Eligible expenses range from site surveys and property appraisals to marketing initiatives and matching grant opportunities
- Innovation grant funds are used to award businesses with innovative products, systems or technologies while create ten or more Chattanooga-based full-time jobs.

Started in fiscal year 2016, IDB began to receive Economic Development Lease Payment from qualifying businesses. These lease payments are In Lieu of Property Tax Payment and is to be used to fund the EDIP programs directed by the City Mayor.

On October 8, 2020, IDB entered into a grant agreement with the Tennessee Valley Authority (TVA) to study a future enterprise project site in Chattanooga. The suitable preparation of the project site will attract more businesses to relocate here and advance job creation and job retention in the county and State. Of the project cost \$698,000, TVA is to provide 50 percent while the Hamilton County and IDB provide equal share of the remaining 50 percent.

As members of the Industrial Development Board of the City of Chattanooga, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Volkswagen Group of America, Inc.'s Project Site ("Project Site"), Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site ("Expansion Site"), Tax Increment Financing ("TIF"), Due Diligence Studies, and Economic Development Incentive Programs ("EDIP") for the City of Chattanooga for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented herein in conjunction with additional information provided in the notes to the basic financial statements, which can be found beginning on page 12 of this report.

### Financial Highlights

- Net position at the end of the most recent fiscal year is \$441.2 million. \$439.0 million of that amount is invested in the development of the Project Site and Expansion Site of VWGoA automotive plant.
- Net position increased \$581,265 primarily due to \$625,403 Economic Development Lease Payment collected from qualifying businesses.
- Due Diligence Studies expensed \$389,316 in grant cost in the first year of the grant.

### Overview of Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the financial statement of the Project and Expansion Site of VWGoA along with certain other economic development incentives managed for the City of Chattanooga and Hamilton County. Operations are accounted for in a single proprietary fund. The basic financial statements consist of financial statements and related notes to the financial statements.

The *Statement of Net Position* presents financial information on the Project and Expansion Site's assets and liabilities with the difference reported as net position. Net position is primarily invested in leased assets and represents the amount of grants dollars expended to build and equip the Project and Expansion Site. Costs incurred by VWGoA are not included.

(Continued)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported on an accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, financial transactions are reported in this statement for some items that will only result in cash flows in future fiscal periods.

*Notes to the Financial Statements* provide additional information that is essential for a full understanding of the data provided in the financial statements.

The financial statements can be found beginning on page 8 of this report; notes to the financial statements can be found beginning on page 12 of this report.

### Financial Analysis

Assets exceeded liabilities by \$441.2 million at the close of the most recent fiscal year; of this amount, \$439.0 million reflects investment in leased assets (e.g., land, buildings and infrastructure). An additional \$28,971 is restricted for construction and another \$2.1 million is restricted for Economic Development Incentive Programs.

	Net Position		
	June 30, 2021	June 30, 2020	June 30, 2019
Current and other assets	\$ 2,617,694	\$ 1,243,835	\$ 3,040,577
Noncurrent asset	428,960	500,000	-
Leased assets	<u>439,036,981</u>	<u>438,884,473</u>	<u>420,738,128</u>
Total assets	<u>442,083,635</u>	<u>440,628,308</u>	<u>423,778,705</u>
Current liabilities	<u>912,187</u>	<u>38,125</u>	<u>1,566,012</u>
Net position			
Investment in capital assets	439,065,952	438,884,473	420,738,128
Restricted	<u>2,105,496</u>	<u>1,705,710</u>	<u>1,474,565</u>
Total net position	<u>\$ 441,171,448</u>	<u>\$ 440,590,183</u>	<u>\$ 422,212,693</u>

Total assets increased \$1.5 million. Cash on hand increased \$915,764 mostly due to Economic Development Lease Payment collected during the year. Receivables increased \$458,095 for the anticipated grant reimbursement from TVA, Hamilton County, and City of Chattanooga. The \$874,062 increase in liabilities is due to some payments made after June 30, 2021. There is no long-term debt associated with the Project and Expansion Site.

(Continued)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Changes in Net Position

	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2019
<b>Revenues</b>			
City of Chattanooga	\$ 813,156	\$ 545,013	\$ 461,619
Hamilton County payment	440,598	254,681	219,476
State of TN	-	665,312	-
TVA	194,658	-	-
Econ. Dev. Incentive Revenue	625,403	387,273	554,939
Allowance for bad debt	<u>(71,040)</u>	<u>-</u>	<u>-</u>
Total revenues	2,002,775	1,852,279	1,236,034
<b>Expenses</b>			
TIF expenses	1,059,096	799,694	681,095
Grant expenditures	389,316	-	-
Grant award	22,927	150,913	215,001
Other expenditures	<u>-</u>	<u>665,312</u>	<u>-</u>
Total expenses	1,471,339	1,615,919	896,096
Operating income (loss)	531,436	236,360	339,938
<b>Capital grants and contributions:</b>			
State grant 3.1	-	17,777,321	-
City of Chattanooga 6.2	70,904	179,297	1,154,996
Hamilton County 6.2	76,254	184,512	1,160,085
Transfer out	<u>(97,329)</u>	<u>-</u>	<u>-</u>
Total capital contributions	<u>49,829</u>	<u>18,141,130</u>	<u>2,315,081</u>
Change in net position	<u>581,265</u>	<u>18,377,490</u>	<u>2,655,019</u>
Net position, beginning	<u>440,590,183</u>	<u>422,212,693</u>	<u>419,557,674</u>
Net position, ending	<u>\$ 441,171,448</u>	<u>\$ 440,590,183</u>	<u>\$ 422,212,693</u>

That state grant was ended March 2020. The change in net position for this fiscal year increased slightly. It mainly contributed from the collection of Economic Development Lease Payments from area businesses and the reimbursement of the new TVA grant.

**Analysis of Budget Variations**

The budget for the Project and Expansion Site is on a cumulative basis. The difference reflects the amount of grant revenue remaining within the grant period.

(Continued)



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Budgetary Highlights

	Estimated Revenues	Actual Revenues
Revenue source:		
State of Tennessee 6.1	\$ 92,919,998	\$ 92,919,998
State of Tennessee 6.2	72,705,000	72,705,000
State of Tennessee 9.10	1,965,905	1,965,905
State of Tennessee 3.1	168,877,867	168,877,867
Local 6.2 1st MOU	40,000,000	39,946,743
Local 6.2 2nd MOU	52,500,000	52,032,213
Letter of Intent	5,000,000	-
Private donations	90,525	90,525
	<u>\$ 434,059,295</u>	<u>\$ 428,538,251</u>

### Leased Assets

The Project and Expansion Site's investment in leased assets is \$439.0 million. The investment in leased assets includes land and leased assets for the building and equipment. There is no depreciation recorded as this entire investment is leased to VWGoA under a 30 year Payment-in-Lieu-of-Tax Agreement provision in the MOU. The lease expires July 2038.

### Leased Assets

	2021	2020	2019
Land	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Depreciable leased assets	<u>429,036,981</u>	<u>428,884,473</u>	<u>410,738,128</u>
Total capital assets	<u>\$ 439,036,981</u>	<u>\$ 438,884,473</u>	<u>\$ 420,738,128</u>

### State Grants Status

The Project Site and Expansion Site state grants are budgeted on a cumulative grant basis. Ending dates for the grants are as follows:

State grant 6.1	Expired June 30, 2015	\$ 96,019,864
State grant 6.2	Expired June 30, 2015	\$ 72,705,000
State grant 9.10	Expired April 30, 2017	\$ 1,766,200
State grant 3.1	Expired March 6, 2020	\$ 168,877,867

### Requests for Information

This financial report is designed to provide a general overview of the Industrial Development Board of the City of Chattanooga activities related to the Project and Expansion Site of VWGoA, and certain other economic development incentives managed for the City of Chattanooga and Hamilton County. Questions concerning any of the information provided in this report should be addressed to the City of Chattanooga Finance Department who is acting as the fiscal agent of the board.

City of Chattanooga Finance Department  
101 East 11<sup>th</sup> Street; Suite 101  
Chattanooga, Tennessee 37402  
(423) 643-7363  
www.chattanooga.gov

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of  
America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and  
Economic Development Incentive Programs for the City of Chattanooga)

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

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<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,083,550	\$ 1,167,786
Receivables:		
City of Chattanooga	97,329	-
Hamilton County	242,157	76,049
TVA	<u>194,658</u>	<u>-</u>
Total current assets	<u>2,617,694</u>	<u>1,243,835</u>
<b>NONCURRENT ASSETS</b>		
Leased assets, land	10,000,000	10,000,000
Leased assets, depreciable	429,036,981	428,884,473
Account Receivable - Southeast Tennessee Development District	26,402	-
Notes receivable - Southeast Tennessee Development District, net of allowance for bad debt	<u>402,558</u>	<u>500,000</u>
Total noncurrent assets	<u>439,465,941</u>	<u>439,384,473</u>
<b>TOTAL ASSETS</b>	<u>\$ 442,083,635</u>	<u>\$ 440,628,308</u>

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of  
America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and  
Economic Development Incentive Programs for the City of Chattanooga)

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

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	<b>2021</b>	<b>2020</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Due to City of Chattanooga	\$ 284,168	\$ 38,125
Accrued liabilities - Project & Expansion Site	2,005	-
Accrued liabilities - TIF	313,288	-
Accrued liabilities - Due Diligence Studies	215,397	-
Accrued liabilities - EDIP	<u>97,329</u>	<u>-</u>
Total current liabilities	<u>912,187</u>	<u>38,125</u>
<b>NET POSITION</b>		
Investment in leased assets	439,036,981	438,884,473
Restricted for construction	28,971	28,971
Restricted for interlocal government agreement cost	3,603	8,953
Restricted for TIF	1,500	1,500
Restricted for economic development incentive programs	<u>2,100,393</u>	<u>1,666,286</u>
Total net position	<u>441,171,448</u>	<u>440,590,183</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 442,083,635</u>	<u>\$ 440,628,308</u>

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>REVENUES</b>		
City of Chattanooga	\$ 813,156	\$ 545,013
Hamilton County	440,598	254,681
State of Tennessee	-	665,312
TVA	194,658	-
Economic development incentive program grant revenue	625,403	387,273
Allowance for bad debt	(71,040)	-
	<u>2,002,775</u>	<u>1,852,279</u>
Total revenues		
<b>EXPENSES</b>		
Tax increment financing expenses	1,059,096	799,694
Due diligence studies	389,316	-
Economic development incentive program grant awards	22,927	150,913
Other grant expenditures	-	665,312
	<u>1,471,339</u>	<u>1,615,919</u>
Total expenses		
<b>OPERATING INCOME (LOSS)</b>	<u>531,436</u>	<u>236,360</u>
Capital Contributions		
Grant revenue - State grant 3.1	-	17,777,321
City of Chattanooga local matching funds	70,904	179,297
Hamilton County local matching funds	76,254	184,512
Transfers out	(97,329)	-
	<u>49,829</u>	<u>18,141,130</u>
Total capital contributions		
<b>CHANGE IN NET POSITION</b>	581,265	18,377,490
<b>NET POSITION, beginning</b>	<u>440,590,183</u>	<u>422,212,693</u>
<b>NET POSITION, ending</b>	<u>\$ 441,171,448</u>	<u>\$ 440,590,183</u>

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from local governments	\$ 1,642,009	\$ 1,852,279
Payments of grant awards and TIF expenses	<u>(671,406)</u>	<u>(1,645,919)</u>
Net cash from operating activities	<u>970,603</u>	<u>206,360</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash receipts from capital contributions	(47,500)	18,833,200
Payments for leased assets	(7,339)	(19,644,232)
Payments to Southeast Tennessee Development District	<u>-</u>	<u>(500,000)</u>
Net cash from financing activities	<u>(54,839)</u>	<u>(1,311,032)</u>
Net increase (decrease) in cash	915,764	(1,104,672)
Cash and cash equivalents - beginning	<u>1,167,786</u>	<u>2,272,458</u>
Cash and cash equivalents - ending	<u>\$ 2,083,550</u>	<u>\$ 1,167,786</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 531,436	\$ 236,360
Adjustments not affecting cash:		
(Increase) decrease in receivable - Hamilton County	(166,108)	-
(Increase) decrease in receivable - TVA	(194,658)	-
Increase (decrease) in due to others - City	173,919	-
Increase (decrease) in accrued liabilities - Due Diligence Studies	215,397	-
Increase (decrease) in accrued liabilities - TIF	313,288	-
Increase (decrease) in accrued liabilities - EDIP	<u>97,329</u>	<u>(30,000)</u>
Total adjustments	<u>439,167</u>	<u>(30,000)</u>
Net cash from operating activities	<u>\$ 970,603</u>	<u>\$ 206,360</u>

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization and Nature of Activities**

The Industrial Development Board of the City of Chattanooga (the "Board") is a public corporation formed pursuant to the provisions of Tennessee Industrial Development Corporation Act. The Board performs public functions on behalf of the City of Chattanooga (the "City"), and its purpose is to undertake the financing and development of projects to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board participates in these activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial entities. The accompanying financial statements include the activities of Volkswagen Group of America, Inc.'s Project Site ("Project Site"), Volkswagen Group of America Chattanooga Operations, LLC's (VWGoA) Expansion Site ("Expansion Site"), and Volkswagen Group of America Chattanooga Operations, LLC (VWGoA) Partnership Agreement ("Partnership Agreement"), as well as management of the City of Chattanooga's Tax Increment Financing ("TIF") program and certain economic development incentives. The accompanying financial statements do not include projects of the Board other than those specifically mentioned.

The financial statements of the Project Site have been prepared in accordance with United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies are described below.

#### **Basis of Accounting**

The accompanying financial statements are prepared using the accrual basis of accounting. The measurement focus is upon determination of financial position, changes in net position, and changes in cash flows. The accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets and liabilities (whether current or noncurrent) associated with the Board's activities are included in the statement of net position.

These financial statements distinguish operating revenues from nonoperating items. Operating revenues include city appropriation for economic development incentive programs and the accompanying schedule of expenditures of state awards includes the state activity of Project Site and Expansion Site of VWGoA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Audit Manual of the State of Tennessee, Department of Audit. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(Continued)

# **INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash balances in banks, and cash held by the City of Chattanooga as the Board's agent. At June 30, 2021 and 2020, all cash is held by the City as the Board's agent and is designated for uses authorized by capital grant contracts and the Board approving grant disbursements. The City's policies limit deposits to those instruments allowed by applicable state laws. The deposits must be covered by state depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the State Reserve Banks acting as third-party agents.

#### **Accounts Receivable**

Accounts and notes receivable are reported net of an allowance for doubtful accounts. The allowance is based on the Board's estimate of the amount of receivables that will actually be collected. Once receivables are determined to be uncollectible, they are written off through a charge against revenues. As of December 31, 2021, the board determined an allowance for doubtful accounts of \$71,000.

#### **Leased Assets**

Leased assets (including infrastructure) are recorded at historical cost. Contributed leased assets are recorded at their estimated fair market value on the date contributed. Leased assets include public domain infrastructure assets consisting of buildings, roads, streets and sidewalks, sewers, lighting systems, and drainage systems. The Project Site and Expansion Site define leased assets as assets with an estimated useful life of three years or greater.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Any costs incurred for repairs and maintenance are expensed as incurred. Because the Board holds these assets in a lease for the Project Site and Expansion Site, no depreciation expense was recorded for the years ended June 30, 2021 and 2020.

#### **Net Position**

The Board's financial statements utilize a net position presentation. Net position is categorized as investment in leased assets, restricted and unrestricted. As of June 30, 2021 and 2020, the Project Site and Expansion Site have no debt related to leased assets.

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Net Position** (Continued)

Investment in Leased Assets – is intended to reflect the portion of net position which is associated with non-liquid leased assets less outstanding leased asset related debt.

Restricted Net Position – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. The Board's policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted Net Position – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, the Board has the unrestricted authority to revisit or alter these managerial decisions.

#### **Program Revenues**

The Board is a recipient of grant revenues for the Project Site and the Expansion Site and recognizes these revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the Project Site before the eligibility requirements are met are reported as deferred revenues. Some grants and contributions consist of resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the Board.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



# **INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

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### **NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND SIGNIFICANT AGREEMENTS**

The Board has an administrative services agreement with the City of Chattanooga. The City provides administrative services to the projects and programs covered by these financial statements at no cost. These services include but are not limited to legal, financial management, accounting and reporting, clerical and other ordinary, necessary services for oversight, including the retention and maintenance of records.

#### **Project Site**

During the fiscal year ended May 31, 2009, Volkswagen Group of American, Inc. (VW) announced its decision to build a \$1 billion automotive production facility in Chattanooga, Tennessee. The announcement was the culmination of years of extensive economic development efforts by the City. The VW facility is expected to contribute to the economic expansion of the City and the surrounding region for years to come. The Project Site is being developed for the VW facility.

In connection with the development of the VW Project Site, the Board, the City, Hamilton County, Tennessee (the "County"), the State of Tennessee (including various state agencies), and the Greater Chattanooga Area Chamber of Commerce (the "Chamber") executed a Memorandum of Understanding (MOU). The provisions of the MOU include:

- Term of 30 years, to expire July 2038
- Identification of land parcels for the Project Site and Expansion Site
- State and local tax incentives
- Making the Project Site available and suitable for use by VW
- Training and administrative assistance
- Commitments of the City, the County, and the State of Tennessee
- Development of a Welcome Center

During the year ended May 31, 2009, the Board was awarded state grants for the Project Site, as follows:

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND SIGNIFICANT AGREEMENTS (Continued)

#### Project Site (Continued)

1. Volkswagen Grant 6.1 totaling approximately \$79.6 million was awarded by the Tennessee Department of Finance and Administration for the development of the Project Site. In subsequent grant amendments, this amount was increased to \$96,019,864.
2. Volkswagen Grant 6.2 totaling approximately \$70 million was awarded by the Tennessee Department of Finance and Administration to provide additional infrastructure at the Project Site. The City and the County also committed to provide \$20 million each over four years for infrastructure.
3. Volkswagen Grant 9.10 totaling \$1,766,200 was awarded by the Tennessee Department of Economic and Community Development for the design and installation of sign for VWGoA facility and workforce recruitment campaign.

With funding from a Tennessee General Assembly appropriation, Volkswagen Grant 6.1 was initially awarded in July 2008. The State of Tennessee decided in June 2009 to utilize bond proceeds rather than an appropriation to fund the Project Site. As a result, Volkswagen Grant 6.1 was amended. The amendment caused the Board to obtain additional documentation from contractors developing the Project Site in order to comply with the amended grant. The Volkswagen Grant 9.1 was amended by the State of Tennessee, Department of Economic and Community Development, and the Industrial Development Board of the City of Chattanooga for an additional \$1,766,200 to be awarded by the Tennessee Department of Finance and Administration. This amendment was made effective as of December 31, 2013.

The City and the County have worked diligently to develop the Project Site, and have provided funding, when needed, to prevent any interruptions in the development of the Project Site, and to ensure the Project Site is available and suitable for the VW facility. Pursuant to the MOU, the City and County transferred land with a fair market value of \$10,000,000 to the Project Site during the 2010 fiscal year.

State grants 6.1 and 6.2 related to the Project Site ended effective June 30, 2015 and state grant 9.10 related to the Project Site ended effective April 30, 2017.

(Continued)

# **INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

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### **NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND SIGNIFICANT AGREEMENTS (Continued)**

#### **Expansion Site**

In June 2014, a second MOU was entered into whereby the state awarded an additional \$165,778,000 in incentives subject to annual appropriation by the legislature in fiscal year 2016. An additional \$52.5 million was pledged by the City and County to be shared equally; of which \$20 million was appropriated in fiscal year 2015 and \$6,250,000 was appropriated in fiscal year 2016 by the City. The County appropriated the full amount in fiscal year 2015. These additional capital contributions support a VWGoA expansion to include a production line for a new sports utility vehicle and a national research and development center. In June 2017, an amendment was awarded which increased the State incentive to \$168,877,867. During fiscal year 2018, all grant expenditures were covered by local matching dollars. No state grant funds were requested during the year.

#### **Tax Increment Financing (TIF)**

The Board is the administrative agent of the City of Chattanooga's TIF program. TIF's are arrangements in which taxes are refunded to help develop or redevelop areas with the City. These agreements are authorized by T.C.A. section 13-20-205. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation, less allowable municipal expenses.

The first TIF administering by the Board is the Black Creek Mountain. Tax year 2011 serves as the base year for the tax increments. The arrangement, approved in 2012, is effective for twenty years.

In May 2018, the Board approved the Development and Financing Agreement with Evergreen Real Estate regarding the M.L. King Extension Project to the Riverfront.

In fiscal year 2020, the Board took on the third TIF with the City of Chattanooga as the developer to complete the required significant public road and infrastructure upgrade in the Chattanooga East area. This project will enable Nippon Paint Automotive American to open its plant on site.

#### **Economic Development Incentive Programs (EDIP)**

The Board administers certain economic development incentive programs for the City of Chattanooga Department of Economic Development.

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND SIGNIFICANT AGREEMENTS (Continued)

#### **Economic Development Incentive Programs (EDIP) (Continued)**

Growing Small Business is the first program established in IDB. It provides incentives for businesses with one hundred or fewer employees that create five or more jobs within the prior twelve months. \$200,000 was provided by the City since the beginning of the program in 2015.

Economic Development Fee is a program that receives and holds the lease payments from the qualifying businesses. The money is used for City's economic development as directed by the Mayor of the City. \$500,000 was distributed among three EDIP programs in fiscal year 2020 so to fulfill each program's mission. Amid the onset of COVID-19, \$500,000 was disbursed as a part of the City's \$2.5 million 90-Day Stabilization Fund. As a "bridge" loan assistance until small businesses can apply and receive assistance from the federal government, this \$500,000 provided immediate relief to small businesses that have been adversely impacted by the executive orders issued by the Governor and Mayor to slow the spread of COVID-19. The loans term generally last between five to seven years.

Technology Workforce Development is a program that helps to ensure Chattanooga's residents have the skills and training needed to work in the growing tech sector of the community. \$100,000 was provided in 2015 and additional \$350,000 was provided by the City in 2018. \$50,000 was disbursed to Enterprise Center for the COVID-19 Coronavirus Digital Access Project for K-12 students in underserved communities.

Small Business Construction Mitigation Grant is a program that provides assistance to qualifying small businesses that are impacted by construction project in the city. \$25,000 was provided in 2016 and additional \$19,000 was provided by the City in 2018.

Renewing Chattanooga is a program that intends to provide façade grants for the physical renovation of disinvested and blighted properties in underserved communities throughout the City. This is a tool kit to help combat blight, vacant, and abandoned properties that fall into disrepair.

Business Development's mission is to encourage private investment and existing businesses retention. In fiscal year 2020, \$25,000 was disbursed to the Chattanooga Chamber of Commerce for a marketing campaign on behalf of small businesses impacted by the Coronavirus executive order closures.

Innovation program awards businesses with innovative products, systems or technologies while create local jobs.

# **INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

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### **NOTE 3 – CONTINGENCIES**

The Project Site has received state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. Management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

The Board is involved in certain claims arising from normal business activities. Management believes that neither the financial position nor results of operations of the Project Site will be materially affected by the final outcome of these proceedings.

### **NOTE 4 – RISK AND UNCERTAINTIES**

During the year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. While management cannot quantify the financial impacts to the Board as of the date of the independent accountant's auditor's report, management believes that a material impact on the Board's financial position and results of future operations is reasonably possible.

### **NOTE 5 – SUBSEQUENT EVENTS**

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Except for the matter discussed in the following paragraph, management has not identified any other items requiring recognition or disclosure.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2021

<b>ASSETS</b>					
	<b>Project and Expansion Site</b>	<b>Tax Increment Financing</b>	<b>Due Diligence Studies</b>	<b>Economic Development Incentive</b>	<b>Total</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 314,788	\$ -	\$ 1,768,762	\$ 2,083,550
Receivable:					
City of Chattanooga	-	-	97,329	-	97,329
Hamilton County	144,828	-	97,329	-	242,157
TVA	-	-	194,658	-	194,658
	<u>144,828</u>	<u>314,788</u>	<u>389,316</u>	<u>1,768,762</u>	<u>2,617,694</u>
Total current assets					
	<u>144,828</u>	<u>314,788</u>	<u>389,316</u>	<u>1,768,762</u>	<u>2,617,694</u>
<b>NONCURRENT ASSETS</b>					
Leased assets, land	10,000,000	-	-	-	10,000,000
Leased assets, depreciable	429,036,981	-	-	-	429,036,981
Cash - Southeast Tennessee Development District	-	-	-	26,402	26,402
Note Receivable - Southeast Tennessee Development District	-	-	-	473,598	473,598
Allowance for bad debt	-	-	-	(71,040)	(71,040)
	<u>439,036,981</u>	<u>-</u>	<u>-</u>	<u>428,960</u>	<u>439,465,941</u>
Total noncurrent assets					
	<u>439,036,981</u>	<u>-</u>	<u>-</u>	<u>428,960</u>	<u>439,465,941</u>
<b>TOTAL ASSETS</b>	<u>\$ 439,181,809</u>	<u>\$ 314,788</u>	<u>\$ 389,316</u>	<u>\$ 2,197,722</u>	<u>\$ 442,083,635</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2021

	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
<b>CURRENT LIABILITIES</b>					
Due to City of Chattanooga	\$ 110,249	\$ -	\$ 173,919	\$ -	\$ 284,168
Accrued liabilities - Project & Expansion Site	2,005	-	-	-	2,005
Accrued liabilities - TIF	-	313,288	-	-	313,288
Accrued liabilities - Due Diligence Studies	-	-	215,397	-	215,397
Accrued liabilities - EDIP	-	-	-	97,329	97,329
	<u>112,254</u>	<u>313,288</u>	<u>389,316</u>	<u>97,329</u>	<u>912,187</u>
Total current liabilities					
<b>NET POSITION</b>					
Investment in leased assets	439,036,981	-	-	-	439,036,981
Restricted for construction	28,971	-	-	-	28,971
Restricted for interlocal government agreement costs	3,603	-	-	-	3,603
Restricted for TIF	-	1,500	-	-	1,500
Restricted for economic development incentive programs	-	-	-	2,100,393	2,100,393
	<u>439,069,555</u>	<u>1,500</u>	<u>-</u>	<u>2,100,393</u>	<u>441,171,448</u>
Total net position					
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 439,181,809</u>	<u>\$ 314,788</u>	<u>\$ 389,316</u>	<u>\$ 2,197,722</u>	<u>\$ 442,083,635</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

**COMBINING PROGRAMS  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2021

	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
<b>REVENUES</b>					
City of Chattanooga	\$ -	\$ 715,827	\$ 97,329	\$ -	\$ 813,156
Hamilton County	-	343,269	97,329	-	440,598
TVA	-	-	194,658	-	194,658
EDIP revenues	-	-	-	625,403	625,403
Allowance for bad debt	-	-	-	(71,040)	(71,040)
	<u>-</u>	<u>1,059,096</u>	<u>389,316</u>	<u>554,363</u>	<u>2,002,775</u>
Total revenues	-	1,059,096	389,316	554,363	2,002,775
<b>EXPENSES</b>					
Tax increment financing expenses	-	1,059,096	-	-	1,059,096
Due diligence studies	-	-	389,316	-	389,316
Economic development incentive program grant awards	-	-	-	22,927	22,927
	<u>-</u>	<u>1,059,096</u>	<u>389,316</u>	<u>22,927</u>	<u>1,471,339</u>
Total expenses	-	1,059,096	389,316	22,927	1,471,339
<b>OPERATING INCOME</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,436</u>	<u>531,436</u>

(Continued)



**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

**COMBINING PROGRAMS  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2021

(Continued)	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
Capital Contributions					
City of Chattanooga local matching funds grant 6.2	70,904	-	-	-	70,904
Hamilton County local matching funds grant 6.2	76,254	-	-	-	76,254
Transfers out	-	-	-	(97,329)	(97,329)
Total capital contributions	<u>147,158</u>	<u>-</u>	<u>-</u>	<u>(97,329)</u>	<u>49,829</u>
<b>CHANGE IN NET POSITION</b>	147,158	-	-	434,107	581,265
<b>NET POSITION, beginning</b>	<u>438,922,397</u>	<u>1,500</u>	<u>-</u>	<u>1,666,286</u>	<u>440,590,183</u>
<b>NET POSITION, ending</b>	<u>\$ 439,069,555</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 2,100,393</u>	<u>\$ 441,171,448</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED JUNE 30, 2021

State Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Accrued Grant Revenue July 1, 2020	Cash Receipts	Expenditures	Accrued Grant Revenue June 30, 2021
<b>STATE GRANTS</b>					
Tennessee Valley Authority					
Due Diligence Studies	15328	\$ -	\$ -	\$ 389,316	\$ (389,316)
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 389,316</b>	<b>\$ (389,316)</b>

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion, Tax Increment Financing, and Economic Development Incentive Programs for the City of Chattanooga)

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS

JUNE 30, 2021 AND 2020

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**Basis of Presentation**

The accompanying schedule of expenditures of state awards includes the state activity of the Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site and Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Audit Manual of the State of Tennessee, Department of Audit. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. During fiscal year 2021, all grant expenditures were covered by local matching dollars.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
The Industrial Development Board of the City of Chattanooga  
Chattanooga, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.’s Project Site, Volkswagen Group of America Chattanooga Operations, LLC’s Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga), as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Project Site’s basic financial statements, and have issued our report thereon dated February 4, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Industrial Development Board of the City of Chattanooga’s internal control over financial reporting (internal control) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of the City of Chattanooga’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of the City of Chattanooga’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Project Site's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee  
February 4, 2022

*Henderson Hutcherson  
& McCullough, PLLC*



CERTIFIED PUBLIC ACCOUNTANTS  
CHATTANOOGA | MEMPHIS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE GRANT REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH GRANT PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors  
The Industrial Development Board of the City of Chattanooga  
Chattanooga, Tennessee

### **Report on Compliance for Each Grant Program**

We have audited Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)'s compliance with the types of compliance requirements described in the grant agreements that could have a direct and material effect on each of the Project Site's state grant programs for the year ended June 30, 2021. The Project Site's and Expansion Site's state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state grant programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Project Site's and Expansion Site's state grant programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Project Site's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state grant program. However, our audit does not provide a legal determination of the Project Site's compliance.

### ***Opinion on Compliance for Each State Program***

In our opinion, Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site and Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state grant programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project) is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project Site's and Expansion Site's internal control over compliance with the types of requirements that could have a direct and material effect on each state grant program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state grant program and to test and report on internal control over compliance in accordance with grant agreements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project Site's and Expansion Site's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the grant agreements. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee  
February 4, 2022

*Henderson Hutcherson*  
*& McCullough, PLLC*

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.’s Project Site, Volkswagen Group of America Chattanooga Operations, LLC’s Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_ Yes    X No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_ Yes    X None reported

Noncompliance material to financial statements noted?

\_\_\_ Yes    X No

State Awards

Internal control over state grant programs:

- Material weaknesses identified? \_\_\_ Yes    X No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_ Yes    X None reported

Type of auditor’s report issued on compliance for state grant programs:

Unmodified

Any audit findings disclosed that are required to be reported by grant agreements and contracts?

\_\_\_ Yes    X No

Identification of state grant programs:

CFDA Numbers

Name of State Program

N/A

Due Diligence Studies



**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2021**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

(Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga)

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2021**

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None reported.

**CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 VW FUNDING PROGRESS SUMMARY  
 As of Mar 24, 2022**

FIRST MOU	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Contract Amount	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
6.1 Site Preparation - State *	79,614,864	16,405,000	96,019,864	(3,099,867)	92,919,998	92,919,998	-	92,919,998	-	-	100.00%	-	-	100.00%
6.2 Infrastructure - State *	70,000,000	2,795,525	72,795,525	-	72,795,525	72,795,525	-	72,795,525	-	-	100.00%	-	-	100.00%
7.4 Training Facility - State *	40,000,000	-	40,000,000	(4,058)	39,995,942	39,995,942	-	39,995,942	-	-	100.00%	-	-	100.00%
9.10 Marketing & Public Relations - State *	1,966,200	(275)	1,965,925	(20)	1,965,905	1,965,905	-	1,965,905	-	-	100.00%	-	-	100.00%
<b>TOTAL STATE FUNDING</b>	<b>191,581,064</b>	<b>19,200,250</b>	<b>210,781,314</b>	<b>(3,103,945)</b>	<b>207,677,370</b>	<b>207,677,370</b>	<b>-</b>	<b>207,677,370</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>
6.2 Infrastructure - Local **	40,000,000	-	40,000,000	N/A	40,000,000	39,946,743	-	39,946,743	-	53,256	99.87%	-	53,256	99.87%
9.5 Welcome Center - Local	6,000,000	(6,000,000)	-	-	-	-	-	-	-	-	N/A	-	-	N/A
<b>TOTAL LOCAL FUNDING</b>	<b>46,000,000</b>	<b>(6,000,000)</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>	<b>39,946,743</b>	<b>-</b>	<b>39,946,743</b>	<b>-</b>	<b>53,257</b>	<b>99.87%</b>	<b>-</b>	<b>53,256</b>	<b>99.87%</b>
<b>TOTAL IDB FUNDING FOR FIRST MOU</b>	<b>237,581,064</b>	<b>13,200,250</b>	<b>250,781,314</b>	<b>(3,103,945)</b>	<b>247,677,370</b>	<b>247,624,113</b>	<b>-</b>	<b>247,624,113</b>	<b>-</b>	<b>53,257</b>	<b>99.98%</b>	<b>-</b>	<b>53,256</b>	<b>99.98%</b>

\* State grant 6.1, 6.2, and 7.4 ended on 6/30/2015; State grant 9.10 ended on 4/30/2017. Total of these four State grants per grant contract is \$210,781,314. \$3,103,945 was not used.

\*\* Total local infrastructure does not include 6.3 Public roads and 6.4 Railway Lines as they are not managed by the IDB.

SECOND MOU	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Total Amended Budget	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
3.1 Facility Development - State	165,778,000	3,099,867	168,877,867	N/A	168,877,867	168,877,867	-	168,877,867	-	-	100.00%	-	-	100.00%
<b>TOTAL STATE FUNDING</b>	<b>165,778,000</b>	<b>3,099,867</b>	<b>168,877,867</b>	<b>N/A</b>	<b>168,877,867</b>	<b>168,877,867</b>	<b>-</b>	<b>168,877,867</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>
VW SUV - Local	52,500,000	-	52,500,000	N/A	52,500,000	52,044,683	-	52,044,683	21,029	434,288	99.17%	-	434,288	99.17%
<b>TOTAL LOCAL FUNDING</b>	<b>52,500,000</b>	<b>-</b>	<b>52,500,000</b>	<b>N/A</b>	<b>52,500,000</b>	<b>52,044,683</b>	<b>-</b>	<b>52,044,683</b>	<b>21,029</b>	<b>434,288</b>	<b>99.17%</b>	<b>-</b>	<b>434,288</b>	<b>99.17%</b>
<b>TOTAL IDB FUNDING FOR SECOND MOU</b>	<b>218,278,000</b>	<b>3,099,867</b>	<b>221,377,867</b>	<b>N/A</b>	<b>221,377,867</b>	<b>220,922,550</b>	<b>-</b>	<b>220,922,550</b>	<b>21,029</b>	<b>434,288</b>	<b>99.80%</b>	<b>-</b>	<b>434,288</b>	<b>99.80%</b>

\* State grant 3.1 ended on 3/6/2020

Letter of Intent (LOI)	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Total Amended Budget	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
VW - Local	5,000,000	-	5,000,000	N/A	5,000,000	-	-	-	-	5,000,000	0.00%	-	5,000,000	0.00%
<b>TOTAL LOCAL FUNDING</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>N/A</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>
<b>TOTAL IDB FUNDING FOR LOI</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>N/A</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>

FIRST & SECOND MOU & LOI	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Total Amended Budget	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
<b>TOTAL IDB FUNDING FOR FIRST &amp; SECOND MOU &amp; LOI</b>	<b>460,859,064</b>	<b>16,300,117</b>	<b>477,159,181</b>	<b>(3,103,945)</b>	<b>474,055,237</b>	<b>468,546,663</b>	<b>-</b>	<b>468,546,663</b>	<b>21,029</b>	<b>5,487,545</b>	<b>98.84%</b>	<b>-</b>	<b>5,487,545</b>	<b>98.84%</b>

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 STATE FUNDING PROGRESS REPORT - FIRST MOU  
 As of Mar 24, 2022

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Contract Amount	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Jan 25, 2022	Change in Encumbrances	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
<b>GRANT ENDED 6/30/2015</b>																
<b>6.1 SITE PREPARATION</b>																
Clearing, Grubbing & Mass Grading	1,664,957	-	1,664,957	-	1,664,957	1,664,957	-	1,664,957	-	-	-	-	100%	-	-	100%
Grubbing & Erosion Control	2,704,391	-	2,704,391	(110,911)	2,593,480	2,593,480	-	2,593,480	-	-	-	-	100%	-	-	100%
Fine Grading (Site Pad)	50,428,531	8,949,529	59,378,060	(312,448)	59,065,612	59,065,612	-	59,065,612	-	-	-	-	100%	-	-	100%
Stone Pad	7,483,865	-	7,483,865	-	7,483,865	7,483,865	-	7,483,865	-	-	-	-	100%	-	-	100%
Stream Relocation	5,436,511	-	5,436,511	83,275	5,519,786	5,519,786	-	5,519,786	-	-	-	-	100%	-	-	100%
Detention Pond	997,907	3,604,471	4,602,378	(1,424,905)	3,177,473	3,177,473	-	3,177,473	-	-	-	-	100%	-	-	100%
North Area	-	2,358,855	2,358,855	(1,613,304)	745,551	745,551	-	745,551	-	-	-	-	100%	-	-	100%
Construction Access Roads	718,565	-	718,565	-	718,565	718,565	-	718,565	-	-	-	-	100%	-	-	100%
Rammed Aggregate Piers	1,874,615	-	1,874,615	-	1,874,615	1,874,615	-	1,874,615	-	-	-	-	100%	-	-	100%
Design, RPR, Survey, Testing, Project Support	8,305,522	1,492,145	9,797,667	278,426	10,076,093	10,076,093	-	10,076,093	-	-	-	-	100%	-	-	100%
<b>TOTAL 6.1 SITE PREPARATION *</b>	<b>79,614,864</b>	<b>16,405,000</b>	<b>96,019,864</b>	<b>(3,099,867)</b>	<b>92,919,998</b>	<b>92,919,998</b>	-	<b>92,919,998</b>	-	-	-	-	<b>100%</b>	-	-	<b>100%</b>
<b>6.2 INFRASTRUCTURE</b>																
<b>GRANT ENDED 6/30/2015</b>																
VW Test Track	1,915,000	-	1,915,000	(9,482)	1,905,518	1,905,518	-	1,905,518	-	-	-	-	100%	-	-	100%
VW Electric Transformer Station	10,945,000	-	10,945,000	(9,690)	10,935,310	10,935,310	-	10,935,310	-	-	-	-	100%	-	-	100%
VW Mixing Yard	10,025,000	-	10,025,000	1,819,244	11,844,244	11,844,244	-	11,844,244	-	-	-	-	100%	-	-	100%
VW Parking Lots for Employees	12,700,000	2,091,000	14,791,000	(1,613,586)	13,177,414	13,177,414	-	13,177,414	-	-	-	-	100%	-	-	100%
VW Tank Farm (Fluids Storage) & Utilities	30,445,000	-	30,445,000	(17,473)	30,427,527	30,427,527	-	30,427,527	-	-	-	-	100%	-	-	100%
VW Planning, Engineering, Etc	3,970,000	245,855	4,215,855	(38,079)	4,177,776	4,177,776	-	4,177,776	-	-	-	-	100%	-	-	100%
North Area Grading	-	368,145	368,145	(130,935)	237,210	237,210	-	237,210	-	-	-	-	100%	-	-	100%
North Area Non-reimbursable	-	90,525	90,525	-	90,525	90,525	-	90,525	-	-	-	-	100%	-	-	100%
<b>TOTAL 6.2 INFRASTRUCTURE</b>	<b>70,000,000</b>	<b>2,795,525</b>	<b>72,795,525</b>	-	<b>72,795,525</b>	<b>72,795,525</b>	-	<b>72,795,525</b>	-	-	-	-	<b>100%</b>	-	-	<b>100%</b>
<b>Subtotal State (6.1 &amp; 6.2)</b>	<b>149,614,864</b>	<b>19,200,525</b>	<b>168,815,389</b>	<b>(3,099,867)</b>	<b>165,715,523</b>	<b>165,715,522</b>	-	<b>165,715,522</b>	-	-	-	-	<b>100%</b>	-	-	<b>100%</b>

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 STATE FUNDING PROGRESS REPORT - FIRST MOU  
 As of Mar 24, 2022

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Contract Amount	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Jan 25, 2022	Change in Encumbrances	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
<b>7.4 TRAINING FACILITY</b> ----- GRANT ENDED 6/30/2015 -----																
Training Center	22,900,000	148,110	23,048,110	-	23,048,110	23,048,110	-	23,048,110	-	-	-	-	100%	-	-	100%
Equipment for Training Center	13,500,000	(327,889)	13,172,111	(4,058)	13,168,053	13,168,053	-	13,168,053	-	-	-	-	100%	-	-	100%
Related Planning Cost	3,600,000	179,779	3,779,779	-	3,779,779	3,779,779	-	3,779,779	-	-	-	-	100%	-	-	100%
<b>Total 7.4 ST. TRAINING FACILITY</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>	<b>(4,058)</b>	<b>39,995,942</b>	<b>39,995,942</b>	<b>-</b>	<b>39,995,942</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>100%</b>
<b>9.10 MARKETING &amp; PUBLIC RELATIONS</b> ----- GRANT ENDED 4/30/2017 -----																
9.10 Visitor's Center **	200,000	(275)	199,725	-	199,725	199,725	-	199,725	-	-	-	-	100%	-	-	100%
9.10 Capital Purchase (Roof Sign)	239,580	(30,460)	209,120	-	209,120	209,120	-	209,120	-	-	-	-	100%	-	-	100%
9.10 Capital Purchase & Professional Fees (Admin & Planning)	26,620	(15,204)	11,416	(20)	11,397	11,397	-	11,397	-	-	-	-	100%	-	-	100%
9.10 Professional Fees, Grant & Award (Education partnership)	1,500,000	(500,000)	1,000,000	-	1,000,000	1,000,000	-	1,000,000	-	-	-	-	100%	-	-	100%
9.10 Salaries, Benefits & Taxes (Plant Tours)	-	27,117	27,117	-	27,117	27,117	-	27,117	-	-	-	-	100%	-	-	100%
9.10 Professional Fees, Grants & Award (Marketing Expenses)	-	518,547	518,547	-	518,547	518,547	-	518,547	-	-	-	-	100%	-	-	100%
<b>Total 9.10 MARKETING &amp; PUBLIC RELATIONS</b>	<b>1,966,200</b>	<b>(275)</b>	<b>1,965,925</b>	<b>(20)</b>	<b>1,965,905</b>	<b>1,965,905</b>	<b>-</b>	<b>1,965,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>100%</b>
<b>TOTAL ALL STATE FUNDS</b>	<b>191,581,064</b>	<b>19,200,250</b>	<b>210,781,314</b>	<b>(3,103,945)</b>	<b>207,677,370</b>	<b>207,677,370</b>	<b>-</b>	<b>207,677,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>100%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 LOCAL FUNDING PROGRESS REPORT - FIRST MOU  
 As of Mar 24, 2022

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Jan 25, 2022	Change in Encumbrances	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
VW Streets, Lanes, etc., including Helipad	8,345,835	-	8,345,835	8,345,835	-	8,345,835	-	-	-	-	100.00%	-	-	100.00%
VW Railroads, Loading Dept	10,080,801	-	10,080,801	10,080,801	-	10,080,801	-	-	-	-	100.00%	-	-	100.00%
VW Fire Dept Building, garage and equipment	3,070,609	-	3,070,609	3,070,609	-	3,070,609	-	-	-	-	100.00%	-	-	100.00%
VW Construction Lanes	1,640,533	-	1,640,533	1,640,533	-	1,640,533	-	-	-	-	100.00%	-	-	100.00%
VW Guard House and Fence	1,310,219	-	1,310,219	1,310,219	-	1,310,219	-	-	-	-	100.00%	-	-	100.00%
Drive Around Property	553,714	-	553,714	553,714	-	553,714	-	-	-	-	100.00%	-	-	100.00%
Scrap Yard	118,933	-	118,933	118,933	-	118,933	-	-	-	-	100.00%	-	-	100.00%
VW Water, Waste & Stormwater	6,093,236	-	6,093,236	6,093,236	-	6,093,236	-	-	-	-	100.00%	-	-	100.00%
VW Gas, Telecom, Power (Additional Utility Infra)	1,120,472	-	1,120,472	1,120,472	-	1,120,472	-	-	-	-	100.00%	-	-	100.00%
VW Planning, Engineering, Etc	7,665,648	-	7,665,648	7,612,392	-	7,612,392	-	-	-	53,256	99.31%	-	53,256	99.31%
<b>TOTAL 6.2 INFRASTRUCTURE - LOCAL</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>	<b>39,946,743</b>	<b>-</b>	<b>39,946,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,256</b>	<b>99.87%</b>	<b>-</b>	<b>53,256</b>	<b>99.87%</b>
Welcome Center	6,000,000	(6,000,000)	-	-	-	-	-	-	-	-	N/A	-	-	N/A
<b>TOTAL 9.5 OTHER LOCAL FUNDING</b>	<b>6,000,000</b>	<b>(6,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
<b>TOTAL LOCAL FUNDINGS (Managed by IDB) *</b>	<b>46,000,000</b>	<b>(6,000,000)</b>	<b>40,000,000</b>	<b>39,946,743</b>	<b>-</b>	<b>39,946,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,257</b>	<b>99.87%</b>	<b>-</b>	<b>53,256</b>	<b>99.87%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

\* Total local infrastructure does not include 6.3 Public roads and 6.4 Railway Lines as they are not managed by the IDB.

Changes Since Prior Report - FIRST MOU										
As of Mar 24, 2022										
		Expenditures		Encumbrances		Change				
		This Report	Last Report	This Report	Last Report	Expenditures	Encumbrances	Actual	Encumbrance	Comments
Z10101	Clearing, Grubbing & Mass Grading	1,664,957	1,664,957	-	-	-	-			
Z10102	Grubbing & Erosion Control	2,593,480	2,593,480	-	-	-	-			
Z10103	Fine Grading (Site Pad)	59,065,612	59,065,612	-	-	-	-			
Z10104	Stone Pad	7,483,865	7,483,865	-	-	-	-			
Z10105	Stream Relocation	5,519,786	5,519,786	-	-	-	-			
Z10106	Detention Pond	3,177,473	3,177,473	-	-	-	-			
Z10107	North Area	745,551	745,551	-	-	-	-			
Z10109	Construction Access Roads	718,565	718,565	-	-	-	-			
Z10110	Rammed Aggregate Piers	1,874,615	1,874,615	-	-	-	-			
Z10111	Design, RPR, Survey, Testing & Project Support	10,076,093	10,076,093	-	-	-	-			
<b>TOTAL 6.1 SITE PREPARATION</b>		<b>92,919,998</b>	<b>92,919,998</b>	-	-	-	-	-	-	Grant ended 6/30/2015
Z10301	VW Test Track	1,905,518	1,905,518	-	-	-	-			
Z10306	VW Electric Transformer Station	10,935,310	10,935,310	-	-	-	-			
Z10307	VW Mixing Yard	11,844,244	11,844,244	-	-	-	-			
Z10308	VW Parking Lots for Employees	13,177,414	13,177,414	-	-	-	-			
Z10312	VW Tank Farm (Fluids Storage) & Utilities	30,427,527	30,427,527	-	-	-	-			
Z10315	VW Planning, Engineering, Etc	4,177,776	4,177,776	-	-	-	-			
Z10316	North Area Grading	237,210	237,210	-	-	-	-			
Z10317	North Area Non-reimbursable	90,525	90,525	-	-	-	-			
<b>TOTAL 6.2 INFRASTRUCTURE</b>		<b>72,795,525</b>	<b>72,795,525</b>	-	-	-	-	-	-	Grant ended 6/30/2015
Z10601	Training Center	23,048,110	23,048,110	-	-	-	-			
Z10602	Equipment for Training Ctr	13,168,053	13,168,053	-	-	-	-			
Z10603	Related Planning Cost	3,779,779	3,779,779	-	-	-	-			
<b>TOTAL 7.4 ST. TRAINING FACILITY</b>		<b>39,995,942</b>	<b>39,995,942</b>	-	-	-	-	-	-	Grant ended 6/30/2015
Z00701	Visitor's Center	199,725	199,725	-	-	-	-			
Z00702	Capital Purchase (Roof Sign)	209,120	209,120	-	-	-	-			
Z00703	Capital Purchase & Professional Fees (Admin & Planning)	11,397	11,397	-	-	-	-			
Z00704	Professional Fees, Grant & Award (Education partnership)	1,000,000	1,000,000	-	-	-	-			
Z00705	Salaries, Benefits & Taxes (Plant Tours)	27,117	27,117	-	-	-	-			
Z00706	Professional Fees, Grants & Award (Marketing Expenses)	518,547	518,547	-	-	-	-			
<b>TOTAL 9.10 MARKETING &amp; PUBLIC RELATIONS</b>		<b>1,965,905</b>	<b>1,965,905</b>	-	-	-	-	-	-	Grant ended 4/30/2017

Changes Since Prior Report - FIRST MOU										
As of Mar 24, 2022										
		Expenditures		Encumbrances		Change				
		This Report	Last Report	This Report	Last Report	Expenditures	Encumbrances	Actual	Encumbrance	Comments
Z10401	VW Streets, Lanes, etc., including Helipad	8,345,835	8,345,835	-	-	-	-			
Z10402	VW Railroads, Loading Dept	10,080,801	10,080,801	-	-	-	-			
Z10403	VW Fire Dept Building, garage and equipment	3,070,609	3,070,609	-	-	-	-			
Z10404	VW Construction Lanes	1,640,533	1,640,533	-	-	-	-			
Z10405	VW Guard House and Fence	1,310,219	1,310,219	-	-	-	-			
Z10409	VW Drive Around Property	553,714	553,714	-	-	-	-			
Z10411	VW Scrap Yard	118,933	118,933	-	-	-	-			
Z10412	VW Water, Waste & Stormwater	6,093,236	6,093,236	-	-	-	-			
Z10413	VW Gas, Telecom, Power (Additional Utility Infra)	1,120,472	1,120,472	-	-	-	-			
Z10415	VW Planning, Engineering, Etc	7,612,392	7,612,392	-	-	-	-			
<b>TOTAL 6.2 INFRASTRUCT LOCAL</b>		<b>39,946,743</b>	<b>39,946,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Z00801	Welcome Center	-	-	-	-	-	-			
<b>TOTAL 9.5 WELCOME CTR LOCAL</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL</b>		<b>247,624,113</b>	<b>247,624,113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	



CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 STATE FUNDING PROGRESS REPORT - SECOND MOU  
 As of Mar 24, 2022

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Jan 25, 2022	Change in Encumbrances	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
Infrastructure I	22,271,000	6,649,804	28,920,804	24,714,941	-	24,714,941	-	-	-	4,205,863	85.46%	-	4,205,863	85.46%
Manufacturing Equipment	140,635,000	(677,937)	139,957,063	144,162,926	-	144,162,926	-	-	-	(4,205,863)	103.01%	-	(4,205,863)	103.01%
<b>TOTAL 3.1 FACILITY DEVELOPMENT</b>	<b>165,778,000</b>	<b>3,099,867</b>	<b>168,877,867</b>	<b>168,877,867</b>	-	<b>168,877,867</b>	-	-	-	-	100.00%	-	-	<b>100.00%</b>
<b>TOTAL STATE FUNDS</b>	<b>165,778,000</b>	<b>3,099,867</b>	<b>168,877,867</b>	<b>168,877,867</b>	-	<b>168,877,867</b>	-	-	-	-	<b>100.00%</b>	-	-	<b>100.00%</b>

----- GRANT ENDED 3/6/2020 -----

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 LOCAL FUNDING PROGRESS REPORT - SECOND MOU  
 As of Mar 24, 2022

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Jan 25, 2022	Change in Encumbrances	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
Major Underground Additions	723,725	(267,894)	455,831	455,831	-	455,831	-	-	-	-	100.00%	-	-	100.00%
Paint Shop Capacity Increase	1,344,385	241,357	1,585,742	1,585,742	-	1,585,742	-	-	-	-	100.00%	-	-	100.00%
Production and Logistics Building Addition	22,802,333	207,197	23,009,530	23,009,530	-	23,009,530	-	-	-	-	100.00%	-	-	100.00%
Assembly Finish Building Extension & Infra.	8,590,958	295,658	8,886,616	8,886,616	-	8,886,616	-	-	-	-	100.00%	-	-	100.00%
Technical Center Pilot Program Extension	4,968,082	(253,229)	4,714,853	4,714,853	-	4,714,853	-	-	-	-	100.00%	-	-	100.00%
Body Shop Robots Fixtures Integration	2,460,223	2,979,843	5,440,066	5,420,707	-	5,420,707	-	-	-	19,359	99.64%	-	19,359	99.64%
VW SUV B Planning Costs	7,425,329	578,553	8,003,882	7,863,634	-	7,863,634	21,029	-	21,029	119,219.00	98.51%	-	119,219.00	98.51%
VW SUV B Contingency	1,085,098	(1,076,618)	8,480	-	-	-	-	-	-	8,480	0.00%	-	8,480	0.00%
VW SUV B Site Preparation	3,099,867	(2,704,867)	395,000	107,770	-	107,770	-	-	-	287,230	27.28%	-	287,230	27.28%
<b>TOTAL 6.1 VW SUV - LOCAL FUNDING</b>	<b>52,500,000</b>	<b>-</b>	<b>52,500,000</b>	<b>52,044,683</b>	<b>-</b>	<b>52,044,683</b>	<b>21,029</b>	<b>-</b>	<b>21,029</b>	<b>434,288</b>	<b>99.17%</b>	<b>-</b>	<b>434,288</b>	<b>99.17%</b>
<b>TOTAL LOCAL FUNDINGS (Managed by IDB)</b>	<b>52,500,000</b>	<b>-</b>	<b>52,500,000</b>	<b>52,044,683</b>	<b>-</b>	<b>52,044,683</b>	<b>21,029</b>	<b>-</b>	<b>21,029</b>	<b>434,288</b>	<b>99.17%</b>	<b>-</b>	<b>434,288</b>	<b>99.17%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

Changes Since Prior Report - SECOND MOU										
As of Mar 24, 2022										
		Expenditures		Encumbrances		Change				
		This Report	Last Report	This Report	Last Report	Expenditures	Encumbrances	Actual	Encumbrance	Comments
Z01001	Infrastructure I	24,714,941.48	24,714,941.48	-	-	-	-			
Z01003	Manufacturing Equipment	144,162,925.72	144,162,925.72	-	-	-	-			
<b>TOTAL 3.1 FACILITY DEVELOPMENT - STATE</b>		<b>168,877,867</b>	<b>168,877,867</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	Grant ended 3/6/2020
Z00902	Major Underground Additions	455,831.00	455,831.00	-	-	-	-			
Z00904	Paint Shop Capacity Increase	1,585,741.95	1,585,741.95	-	-	-	-			
Z00905	Production and Logistics Building Addition	23,009,530.27	23,009,530.27	-	-	-	-			
Z00906	Assembly Finish Building Extension & Infra.	8,886,616.12	8,886,616.12	-	-	-	-			
Z00907	Technical Center Pilot Program Extension	4,714,852.72	4,714,852.72	-	-	-	-			
Z00913	Body Shop Robots Fixtures Integration	5,420,706.50	5,420,706.50	-	-	-	-			
Z00918	VW SUV B Planning Costs	7,863,634.00	7,863,634.00	21,028.96	21,028.96	-	-			
Z00919	VW SUV B Contingency	-	-	-	-	-	-			
Z00920	VW SUV B Site Preparation	107,770.00	107,770.00	-	-	-	-			
<b>TOTAL 1.1 VW SUV -LOCAL</b>		<b>52,044,683</b>	<b>52,044,683</b>	<b>21,029</b>	<b>21,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Contingency</b>										
		<b>This Report</b>	<b>Last Report</b>	<b>Change</b>	<b>Comments</b>					
Z00919	VW SUV B Contingency	-	-	-						
<b>TOTAL</b>		<b>220,922,550</b>	<b>220,922,550</b>	<b>21,029</b>	<b>21,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 LOCAL FUNDING PROGRESS REPORT - LETTER OF INTENT  
 As of Mar 24, 2022

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Jan 25, 2022	Current Expenditures	PJTD Expenditures As of Mar 24, 2022	Encumbrances as of Jan 25, 2022	Change in Encumbrances	Encumbrances as of Mar 24, 2022	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	Contingencies	Est. Available Balance net of Contingencies	% Spent, Encumbered & Contingencies
Construction of Capital Projects	5,000,000	-	5,000,000	-	-	-	-	-	-	5,000,000	0.00%	-	5,000,000	0.00%
<b>TOTAL LOI VW SUV - LOCAL FUNDING</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>
<b>TOTAL LOCAL FUNDINGS (Managed by IDB)</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

RESOLUTION

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.

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BE IT RESOLVED, that it is hereby 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.

ADOPTED: April 4, 2022

THE INDUSTRIAL DEVELOPMENT  
BOARD OF THE CITY OF CHATTANOOGA

Attest:

---

JIMMY F. RODGERS, JR., *Chair*

---

PATRICK SHARPLEY, *Secretary*



## THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

**BOARD OF DIRECTORS:**

Jimmy F. Rodgers, Jr., Chair  
Althea Jones, Vice-Chair  
Patrick Sharpley, Secretary  
Gordon Parker, Assistant Secretary  
Ray Adkins, Member  
Kerry Hayes, Member  
James Floyd, Member

Phillip A. Noblett, Counsel

February 4, 2022

Henderson Hutcherson & McCullough, PLLC  
1200 Market St.  
Chattanooga, TN 37402

To Whom It May Concern:

We are providing this letter in connection with your audit of the financial statements of The Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site, Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site and Volkswagen Group of America Chattanooga Operations, LLC Partnership Agreement; and Tax Increment Financing and Economic Development Incentive Programs for the City of Chattanooga) as of June 30, 2021 and 2020 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the activity and the respective changes in financial position in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing, and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

The Industrial Development Board of the City of Chattanooga (the "Board") is a public corporation formed pursuant to the provisions of Tennessee Industrial Development Corporation Act. The Board performs public functions on behalf of the City of Chattanooga (the "City"), and its purpose is to undertake the financing and development of projects to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board participates in these activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial purposes. The audited financial statements include the activities of the Project Site of the Volkswagen Group of America, Inc. (the "Project Site"), the Expansion Site of the Volkswagen Group of America Chattanooga Operations, LLC (the "Expansion Site"), the Partnership Agreement with the Volkswagen Group of America Chattanooga Operations, LLC (the "Partnership Agreement"), and the Tax Increment Financing ("TIF") and Economic Development Incentive Programs ("EDIP") for the City of Chattanooga. The accompanying financial statements do not

100 E. 11<sup>th</sup> Street, Suite 200 – Chattanooga, TN 37402  
(423) 643-8250 - Facsimile (423) 643-8255

include projects of the Board other than the Project Site, Expansion Site, Partnership Agreement, TIF, and EDIP.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:


**Financial Statements**

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information required by generally accepted accounting principles.
- 2) We have made available to you all—
  - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal and state awards.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 7) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 8) We have a process to track the status of audit findings and recommendations, if applicable.
- 9) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 10) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 11) The Industrial Development Board for City of Chattanooga has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- 12) The following, if any, have been properly recorded or disclosed in the financial statements:
  - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b) Guarantees, whether written or oral, under which The Industrial Development Board for City of Chattanooga is contingently liable.
  - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 13) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 14) There are no—
  - a) Violations or possible violations of budget ordinances, laws, and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
- 15) As part of your audit, you assisted with the review and preparation of the financial statements, related notes, and schedule of expenditures of state awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, and schedule of expenditures of federal and state awards.
- 16) The Industrial Development Board for City of Chattanooga has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 17) The Industrial Development Board for City of Chattanooga has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 18) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 19) The financial statements properly classify all activities.
- 20) Components of net position (investments in capital assets; restricted; and unrestricted) are properly classified.



- 21) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.
- 22) Capital assets, including infrastructure, are properly capitalized, reported, and, if applicable, depreciated.
- 23) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
  - a) With respect to the Schedule of Expenditures of State Awards
  - b) We acknowledge our responsibility for presenting the Schedule of Expenditures of State Awards in accordance with accounting principles generally accepted in the United States of America, and we believe the Schedule of Expenditures of State Awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedule of Expenditures of State Awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 24) Supplementary Information in Relation to the Financial Statements as a whole with respect to the combining financial statements accompanying the financial statements:
  - a) We acknowledge our responsibility for the presentation of the combining financial statements in accordance with accounting principles generally accepted in the United States of America.
  - b) We believe the combining financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c) The methods of measurement or presentation have not changed from those used in the prior period.
  - d) We believe the following significant assumptions or interpretations underlying the measurement or presentation of the combining financial statements, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
  - e) When the combining financial statements are not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- 25) We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

By:   
Brent Goldberg  
Title: City Finance Officer

By: \_\_\_\_\_  
Jimmy F. Rodgers, Jr.  
Title: Chair

RESOLUTION

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).

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BE IT RESOLVED that the Industrial Development Board Resolution concerning the Environmental and Economic Infrastructure Improvement Project (e2i2) adopted February 7, 2022, be hereby rescinded, to clarify project funding sources, project ownership, and regulatory compliance requirements; and

BE IT FURTHER RESOLVED that it is hereby 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 \$125 million.

ADOPTED: April 4, 2022

THE INDUSTRIAL DEVELOPMENT  
BOARD OF THE CITY OF CHATTANOOGA

Attest:

---

JIMMY F. RODGERS, JR., Chair

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PATRICK SHARPLEY, Secretary

## MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this "Agreement") is hereby made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_ (the "Effective Date"), by and between the City of Chattanooga, through its Department of Public Works, Waste Resource Division, City of Chattanooga, Tennessee, (the "City") and the Industrial Development Board for the City of Chattanooga, Tennessee (the "Development Authority") (the City and the Development Authority, collectively, the "Parties").

### RECITALS

**WHEREAS**, the Environmental and Economic Infrastructure Improvements Project (e2i2) is an interlocal agreement with the City of Chattanooga and the Hamilton County Water and Wastewater Treatment Authority (HCWWTA) and the e2i2 Agreement (the "Project") was approved by the Chattanooga City Council on November 5, 2019, as Resolution No. 30123; the First Amendment was approved by Chattanooga City Council on March 9, 2021, as Resolution No. 30684; and the Second Amendment was approved by Chattanooga City Council on January 11, 2022 as Resolution No. 31013; and

**WHEREAS**, the City's proposed wet weather equalization stations (the "Facilities") are located at three parcels in Chattanooga, Tennessee (the "Project Sites"):

- West Chickamauga (Hwy I-75, Chattanooga, TN, 37421)
- South Lee Hwy (7148 Lee Hwy, Chattanooga, TN, 37421)
- Pineville (Hudson Road, Chattanooga, TN, 37405)

**WHEREAS**, the Project will require the City to make an estimated capital investment of \$125,000,000 to the regional wastewater collection system of Chattanooga. The City of Chattanooga will be responsible for approximately sixty (60%) percent of the total capital costs of the Project and the HCWWTA will be responsible for approximately forty percent (40%) of the total capital costs of the Project; and

**WHEREAS**, the Project will be awarded through the Development Authority. The City will fund the project by a mix of sources that may include loans from the EPA Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) the Tennessee Department of Environment and Conservation (TDEC) State Revolving Fund (SRF) and cash; and

**WHEREAS**, the financial agreement between the City and HCWWTA shall include provisions to take into account interest income lost as a result of cash contributions made by the City to minimize City debt for the e2i2 project; and

**WHEREAS**, the Project will be delivered by the Progressive Design-Build method. The Development Authority will be the Industrial Development Board for the City of Chattanooga, Tennessee, as described in Tennessee Code Annotated authority described in Tennessee Code Annotated § 12-10-124, as a public corporation, to engage in a request-for-proposal process or other public process for the construction of this project; and

**WHEREAS**, the IDB authorizes the City and a professional consultant hired by the City to manage and execute the e2i2 project on its behalf; and

**WHEREAS**, the IDB shall lease to the City during construction of this project and deed all property to the City after the completion of this project; and

**WHEREAS**, the Parties are desirous of setting forth the proposals and respective commitments of the Development Authority, and the City in a valid, binding, and enforceable agreement, as more fully described herein, which shall, on the Effective Date, become legally binding obligations of the Parties; and

**WHEREAS**, the City presented to the Development Authority in a public meeting on November 1, 2021, that a failure to construct the e2i2 Project could result in development moratoriums where sewer capacity would be exceeded; and

**NOW, THEREFORE**, upon and in consideration of the respective promises and covenants contained herein and for other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

### **ARTICLE I - CONDITIONS PRECEDENT**

The obligations of the City and the Development Authority are subject to the approval of this Agreement by both parties.

### **ARTICLE II - TERMS**

This agreement shall remain effective until all requirements of the City's Consent Decree with the United States Environmental Protection Agency have been satisfied as they relate to the e2i2 Project.

### **ARTICLE III - CAPITALIZED TERMS**

Capitalized terms utilized herein shall have the meanings ascribed thereto in this Article II of the Agreement, unless the meanings of such terms have been otherwise specified in a different context. For purposes of this Agreement:

- 2.1. **"Agreement"** has the meaning assigned to such term in the preamble hereto.

- 2.2. "Development Authority" has the meaning assigned to such term in the preamble hereto.
- 2.3. "Effective Date" has the meaning assigned to such term in the preamble hereto.
- 2.4. "Facility" has the meaning assigned to such term in the recitals hereto.
- 2.5. "Force Majeure" means any of the following events that directly impact the City's ability to meet the Performance Requirement: flood, earthquake, storm, lightning, fire, or other Acts of God; sabotage or terrorism, pandemic, or epidemic.
- 2.6. "City" has the meaning assigned to such term in the preamble hereto.
- 2.7. "Parties" has the meaning assigned to such term in the preamble hereto.
- 2.8. "Project Sites" has the meaning assigned to such term in the recitals hereto.
- 2.9. "Start Date" means the Effective Date of this Agreement.

#### **ARTICLE IV - CITY COMMITMENTS**

- 3.1. City Commitment. The Waste Resource Division of the City of Chattanooga's Public Works Department will obtain ownership of all the infrastructure constructed and property in the Project following the completion of construction.
- 3.2. The City will obtain the professional services of a consultant to act as the IDB's Agent to manage the Design-Build of the project.
- 3.3. The City and IDB's Agent will be responsible for the following management tasks for the completion of the e2i2 project:
  - (a) Planning and preliminary engineering of the Project;
  - (b) Development of a request for proposals, receive and review the submitted proposals, and development a selection committee for the procurement of the design-builder;
  - (c) Development of the design-build agreement for the Project. The design-build agreement will be developed to implement the project for the IDB in accordance with Exhibit B – Progressive Design-Build Process.
  - (d) Submission of resolutions to the IDB for authorization;
  - (e) Submission of monthly status reports to the IDB concerning the Project;

- (f) Submission of applications for project funding and coordination with the financing agencies;
- (g) Management of the selected Design-Builder including schedule management, progress reporting, workshop attendance, budget management, and approvals of invoices;
- (h) The Project shall be leased from the IDB during construction; and
- (i) The Project shall comply with all federal, state, and local requirements.

#### **ARTICLE V – DEVELOPMENT AUTHORITY COMMITMENTS**

- 4.1. Development Authority Commitment. The Industrial Development Board of the City of Chattanooga, Tennessee, will act as the authority described in Tennessee Code Annotated § 12-10-124.
- 4.2. The Development Authority will be responsible for the following tasks:
  - (a) Retain ownership of all infrastructure and property of the Project and lease during construction.
  - (b) The Development Authority shall transfer all constructed infrastructure and property to the Waste Resource Division of the City of Chattanooga’s Public Works Department following the completion of construction.
  - (c) Award the design-build contract to the selected design-builder; and
  - (d) Follow the funds transfer process as described in Exhibit C – Project Funds Transfer.
  - (e) The Project shall comply with all federal, state, and local requirements.

#### **ARTICLE VI - MISCELLANEOUS**

- 5.1. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee. The Parties agree they are subject to the exclusive jurisdiction of the courts of Hamilton County, Tennessee, and the Eastern District of Tennessee, in actions that may arise under this Agreement. The Parties acknowledge and agree that the Development Authority is authorized to contract for all services, including construction management services and design-build services for this project by request for proposal process or other process in accordance with *Tennessee Code Annotated*, § 12-10-124.

- 5.2. Exhibits. The Exhibits and Attached hereto will be construed to be a part of this Agreement by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each Exhibit and Attachment were set forth in full and at length every time it is referred to or otherwise mentioned. In the event of a discrepancy or ambiguity regarding any funds from WIFIA and SRF to the City under any loan agreements, the terms of the loan agreements shall govern.
- 5.3. Severability. If any one or more of the provisions contained herein will for any reason be held by any court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision hereof, and this Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
- 5.4. Authorized Signatures. Each of the individuals executing this Agreement represents that they are authorized to execute this Agreement on behalf of their respective entities.
- 5.5. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by-different parties in separate counterparts. Each counterpart when so executed shall be deemed to be an original and all of which together shall constitute one and the same Agreement.

[Signature Page Follows]



**IN WITNESS WHEREOF**, the Parties have hereunto set their signatures the day and year first written above.

**Administrator, Department of Public Works  
of the City of Chattanooga, Tennessee**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**The Industrial Development Board  
of the City of Chattanooga, Tennessee**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**

**Proposed Project Schedule**

<b>Task Name</b>	<b>Duration in Days</b>	<b>Start</b>	<b>Finish</b>
<b>e2i2 SSO Abatement Program</b>	<b>1545</b>	<b>Tue 10/26/21</b>	<b>Wed 7/30/25</b>
<b>Administration</b>	<b>189</b>	<b>Tue 12/14/21</b>	<b>Mon 5/30/22</b>
<b>Approval of City-IDB MoU</b>	<b>126</b>	<b>Tue 12/14/21</b>	<b>Mon 4/4/22</b>
<b>Approval of City-HCWWTA MoU</b>	<b>158</b>	<b>Tue 1/11/22</b>	<b>Mon 5/30/22</b>
<b>City and IDB Admin and Accounting Setup</b>	<b>49</b>	<b>Tue 3/29/22</b>	<b>Thu 5/12/22</b>
<b>WIFIA Project Funding</b>	<b>348</b>	<b>Tue 10/26/21</b>	<b>Wed 8/31/22</b>
<b>Phase 1 - W. Chick EQ Station and South Lee Hwy EQ Station</b>	<b>1355</b>	<b>Tue 2/1/22</b>	<b>Tue 5/20/25</b>
<b>Preliminary Engineering</b>	<b>110</b>	<b>Tue 2/1/22</b>	<b>Mon 5/9/22</b>
<b>Procure Design-Builder</b>	<b>185</b>	<b>Fri 3/25/22</b>	<b>Tue 9/6/22</b>
<b>Pre-Construction</b>	<b>570</b>	<b>Tue 9/6/22</b>	<b>Fri 1/26/24</b>
<b>Construction</b>	<b>810</b>	<b>Wed 5/31/23</b>	<b>Tue 5/20/25</b>
<b>Phase 2 - Pineville EQ Station</b>	<b>1325</b>	<b>Mon 5/9/22</b>	<b>Wed 7/30/25</b>
<b>Preliminary Engineering</b>	<b>540</b>	<b>Mon 5/9/22</b>	<b>Fri 9/1/23</b>
<b>Procure Design-Builder</b>	<b>90</b>	<b>Fri 9/1/23</b>	<b>Mon 11/20/23</b>
<b>Pre-Construction</b>	<b>450</b>	<b>Mon 11/20/23</b>	<b>Tue 12/24/24</b>
<b>Construction</b>	<b>425</b>	<b>Wed 7/17/24</b>	<b>Wed 7/30/25</b>

## **EXHIBIT B**

### **Progressive Design-Build Process**

#### **Procure Design-Builder**

The City will establish criteria to solicit a design-build team for the project. Such criteria will be published on the City's procurement website and will include such items as the prospective proposer's:

- licensure/bonding amount
- work history including size of recent projects completed as well as experience
- qualifications of the design-build organization(s)
- collaborative delivery approach
- past performance
- small business enterprise and local preference
- project understanding and delivery
- personnel qualifications and team approach
- oral communication
- costs of design professional services to the Guaranteed Maximum Price (GMP)

The list of items above is not comprehensive and nothing shall preclude the City from including any other items it may reasonably deem necessary.

#### **Design**

The design of the project will be completed in accordance with the design-builder contract. All Project components will be designed by a professional engineer (P.E.) licensed in the State of Tennessee. A guaranteed maximum price (GMP) will be provided at an interim design milestone. Based on its review of the GMP, it may become more economical to receive construction bids for the Project. The City reserves the right to deviate from the design-build of the project and solicit construction bids. If the design-build method remains the most economical option, the design-builder will be permitted to begin construction while finalizing the design for the project.

#### **Construction**

The construction of the project will be completed as described in the design-builder contract and design documents developed by a licensed professional engineer. Construction will be permitted to begin once the GMP is approved by the IDB.

#### **Startup**

Once construction of the Project components is substantially complete, the design-builder will implement the startup of Project components. Once the startup is approved by the City, the design-builder will provide the City with final project operational manuals and allow the City to begin operating the Project components.

## **EXHIBIT C**

### **Funds Transfer Process**

1. The City receives approval to receive loan financing from the funding agencies.
2. The City receives the funds from the funding agencies.
3. The City shall pay any contracts approved by the Development Authority during the course of construction.
4. As project tasks are completed, the design-builder will be permitted to invoice the City whenever they become due. The City and IDB's Agent will obtain the project invoices and request approval of the payment amount from the IDB as Development Authority.
5. The design-builder will invoice the City until the scope of the design-builder contract is completed.
6. After the Project is completed the Development Authority shall transfer the ownership of the improvements from the design-build project to the City.

RESOLUTION

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.

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BE IT RESOLVED, that the Industrial Development Board of the City of Chattanooga is hereby authorizing 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.

ADOPTED: April 4, 2022

THE INDUSTRIAL DEVELOPMENT  
BOARD OF THE CITY OF CHATTANOOGA

Attest:

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JIMMY F. RODGERS, JR., Chair

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PATRICK SHARPLEY, Secretary

This instrument prepared by:

Phillip A. Noblett, Esq.  
Deputy City Attorney  
City of Chattanooga, Tennessee  
100 E. 11<sup>th</sup> Street, Suite 200  
Chattanooga, TN 37402

### **AFFIDAVIT OF SCRIVENER'S ERROR**

STATE OF TENNESSEE:

COUNTY OF HAMILTON:

BEFORE ME, personally came and appeared, **PHILLIP A. NOBLETT**, who, having been first duly sworn, according to law, deposes and states that:

1. I am the Deputy City Attorney for the City of Chattanooga, Tennessee (the "City");
2. Pursuant to a Warranty Deed dated as of July 2, 2014, and recorded on August 4, 2014, as Instrument Number 2014080400207 in Book 10272, Page 44 in the Register's Office of Hamilton County, Tennessee (the "Deed"), The Industrial Development Board of the City of Chattanooga, a public corporation duly created and existing under the laws of the State of Tennessee, conveyed to the City in fee simple two parcels containing approximately 0.207 acres in the aggregate, more or less;
3. The legal description for Parcel No. 2 in the Deed contained some typographical errors. This affidavit is being done to correct the typographical errors in the legal description for Parcel No. 2 in the Deed;
4. The correct legal description for Parcel No. 2 in the Deed is attached hereto as **Exhibit A**; and

5. This affidavit is made of my personal knowledge for the purposes of correcting the error described above.

Further affiant saith not.

\_\_\_\_\_  
**PHILLIP A. NOBLETT**

SWORN TO AND SUBSCRIBED  
BEFORE ME THIS \_\_\_\_\_ DAY  
OF \_\_\_\_\_, 2022.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_

STATE OF TENNESSEE:

COUNTY OF HAMILTON:

Personally appeared before me, the undersigned authority, a Notary Public in and for said county and State, Phillip A. Noblett, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), who did say upon oath that the facts recited in this instrument are true, and who acknowledged that he executed the within instrument for the purposes therein contained.

WITNESS my hand and official seal at office, this \_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_

EXHIBIT A

CORRECTED PARCEL NO. 2 LEGAL DESCRIPTION

BEGINNING AT A POINT OF INTERSECTION BETWEEN THE EAST PRESENT RIGHT-OF-WAY LINE OF AMAZON DRIVEWAY AND THE EAST PROPOSED RIGHT OF WAY LINE OF VOLKSWAGEN DRIVE ON HIGHWAY PROJECT NO. 33960-1509-04, BEING 2.12 FEET LEFT OF AMAZON DRIVEWAY CENTERLINE STATION 568+20.29; THENCE CURVING TO THE RIGHT IN A NORTHWESTERLY DIRECTION AN ARC LENGTH OF 118.42 FEET ALONG A NON-TANGENTIAL CURVE CONCAVE SOUTHEAST HAVING A RADIUS OF 100.50 FEET AND A CHORD BEARING OF NORTH 05 DEGREES 40 MINUTES 04 SECONDS EAST 111.69 FEET TO A POINT OF INTERSECTION WITH THE PROPOSED RIGHT-OF-WAY LINE OF AMAZON DRIVEWAY, 17.11 FEET RIGHT OF AMAZON DRIVEWAY CENTERLINE STATION 569+49.98; THENCE ALONG SAID PROPOSED RIGHT OF WAY LINE AS FOLLOWS: THENCE CURVING TO THE LEFT IN A SOUTHWESTERLY DIRECTION AN ARC LENGTH OF 111.56 FEET ALONG A NON-TANGENTIAL CURVE CONCAVE NORTHEAST HAVING A RADIUS OF 77.50 FEET AND A CHORD BEARING OF SOUTH 03 DEGREES 25 MINUTES 24 SECONDS EAST 102.18 FEET TO A POINT, 16.72 FEET RIGHT OF AMAZON DRIVEWAY CENTERLINE STATION 568+15.13; THENCE ALONG SAID PROPOSED RIGHT OF WAY LINE SOUTH 61 DEGREES 53 MINUTES 27 SECONDS WEST 19.42 FEET TO THE POINT OF BEGINNING.