

Finance & Administration Committee

Meeting March 18, 2025, 2025

4:00 p.m.

- 1) Human Resources Report- Director Bumpus.
- 2) Discuss BIOMASS.
- 3) Discuss Bids from Director Glass (Building & ~~Pool Heaters~~).
- 4) Policy Recommendation- Mayoral Fund Transfer Authority. (MTAS Recommended)
- 5) TextMyGov - Discussion
- 6) Discuss Section 22, Article 17&18 of the City Charter, added from Feb. 18th meeting.

MEMORANDUM OF UNDERSTANDING

In conformance with our meeting of February 13 in Covington, Janus Organization submits this memo of understanding regarding the gasification project at the Covington Waste Water Treatment plant with the following terms and conditions;

- A. Janus and/or its affiliate Volunteer Environmental Services will conduct the permit process for amendment of the city's current sewage sludge treatment permit at the gasification plant
- B. An independent engineering firm led by Mark Loftin, the system's original designer, shall present the required applications to the TDEC to transform the feedstock supply at the plant and focus on medical waste
- C. The city of Covington shall contribute \$50,000 to the permitting costs to be used in conjunction with funds advanced by Janus. These funds will be repaid as part of the acquisition price of the facility
- D. Upon issue of the permit the facility will be purchased by Janus for a total equal to the outstanding balance of the municipal bonds used originally for the project finance. This amount is estimated at \$1.2 million
- E. Janus will also spend the funds necessary to renovate and upgrade the unit so that it can process 25 tons per day of waste stream after permit approval.
- F. During the permit phase, Janus will secure commitments for the waste stream to be processed
- G. The plant will operate independently of all waste water treatment operations on the site
- H. Local staff and management will be hired and trained by Janus and the equipment manufacturer
- I. Janus will make every attempt to employ the electricity generating system installed at the site to produce electricity that may be tied into the utility grid. Wiring and connections remain in place but not connected to the utility grid
- J. Upon issue of the state required permits, Janus will also secure any city or Tipton County approvals to begin construction and operations
- K. In the event that the state regulators do not issue the required permits, Janus will make every attempt to acquire and relocate the gasifier. This will be done at a reduced price that will depend on where the location takes place. A suggestion made at the recent meeting regarding a possible site on Native American land 20 miles north of Covington will be of primary consideration. State permits are not required on Native American land. The acquisition price shall also include the costs of permitting.
- L. The permit process will begin as soon as funding is available from the city and Janus has secured the services of the engineering firm
- M. During the permit process, legal counsel for the city and Janus will update and review the original purchase agreement for the facility
- N. Any local support needed with community or industrial park neighbors shall be provided by Janus at the request of the city of Covington

This memorandum of understanding is submitted February 17, 2025 by the Janus Organization

LLOYD LIPMAN

CHAIRMAN

MEMORANDUM OF UNDERSTANDING

In conformance with our meeting of February 13, 2025 in Covington, Tennessee, Janus Organization and Llyod Lipman, Chairman, (hereinafter referred to as “Janus”) and the City of Covington, Tennessee (hereinafter referred to as the “City”) this MOU is entered into to memorialize a mutual agreement to sell the biomass gasifier located at the Covington Wastewater Treatment Plant to Janus or its affiliates on the following terms and conditions:

RECITALS:

1. Janus and/or its affiliate Volunteer Environmental Services (hereinafter “VES”) will conduct the permit process with applicable state and federal regulators to obtain any necessary permits to operate the gasifier as Janus or its affiliates intend in its current location. This will include any amendments to the City’s wastewater discharge permit for the Wastewater Treatment Plant, as necessary. However, Janus understands that, in no event, can the City’s wastewater discharge permit be denied.
2. An independent engineering firm led by Mark Loftin, the gasifier system’s original designer, shall present the required permit applications to the TDEC or any other applicable regulator for the necessary permits to change the feedstock supply as Janus intends.
3. The City shall contribute no more than \$50,000 towards the permitting costs as necessary and costs arise. These funds advanced by the City will be repaid by Janus as part of the acquisition price of the facility. Janus agrees to place \$50,000 into the escrow account of OWEN | WITHERINGTON Law Office to be held in trust until the permitting process is complete. The City will be repaid all costs advanced towards the permitting process, whether or not the necessary permits are acquired.
4. If the necessary permits are issued by TDEC and other applicable regulators, the gasifier will be purchased by Janus for an amount not less than the outstanding balance owed on the debt incurred to acquire the gasifier. This amount is estimated at \$1.2 million as of February 2025.
5. If the permits are issued and the gasifier remains in its current location, owned and operated by Janus, the following terms shall apply:
 - a. The City will lease to Janus the land immediately surrounding the gasifier and ingress/egress easements as necessary for Janus to operate the gasifier as intended. The land to be leased and the monthly rent owed will be determined when/if it becomes necessary.
 - b. If Janus intends to build any structures or infrastructure for operations of the gasifier as Janus intends, Janus will acquire all necessary permits and licenses from the City of Covington and Tipton County.
 - c. The gasifier will operate independently of all wastewater treatment operations.

- d. Janus will make every attempt to employ the electricity generating system installed at the site to produce electricity that may be tied into the utility grid. Wiring and connections remain in place but not connected to the utility grid
6. If the required permits from state and federal regulators, as applicable, are not issued, Janus will purchase and relocate the gasifier at its cost. The purchase price of not less than the debt owed by the City for the gasifier, will be reduced depending on where the gasifier will be relocated to, at least partially, subsidize the costs incurred by Janus of relocating the gasifier.
7. Janus will begin the permitting process as soon as funding is available from the City, Janus deposits \$50,000 in escrow to be held in trust as stated hereinabove, and Janus has secured the services of the engineering firm.
8. Any local support needed with community or industrial park neighbors shall be provided by Janus at the request of the City.
9. Janus acknowledges and understands that any agreements of the City of Covington, including this agreement, must be first approved by the Board of Mayor and Aldermen to be enforceable.

AGREED:

LLOYD LIPMAN, Chairman,
Janus Organization

Date: _____

JAN W. HENSLEY, Mayor
City of Covington

ATTEST:

Lisa Elam, Recorder/Treasurer

Date: _____

**APPROVED BY CITY OF COVINGTON
BOARD OF MAYOR & ALDERMEN ON:**

From: [Lloyd Lipman](#)
To: [Jason Fleming](#)
Date: Wednesday, March 12, 2025 1:46:35 PM

Please give me an update on the gasification system permit process. We are facing timing issues and need to know if the city is going to proceed with this project

LLOYD LIPMAN

From: [Lloyd Lipman](#)
To: [Jason Fleming](#)
Subject: Re: MOU - Covington Gasifier
Date: Wednesday, March 5, 2025 5:16:10 PM
Attachments: [image001.png](#)

Mayor Hensley

Sorry but this memorandum does not work. I explained the need for the city to contribute to the costs of the permitting. We are not in any position to put \$50,000 in an escrow account. We need to employ any funds that may be required over and above \$50,000 to get to get this project approved

Futhermore, if the permits are not issued we will use our best efforts to acquire and relocate the plant That is not guaranteed

Finally after all the time and effort dedicated by our company to this project, I find that the items listed by your counsel in this memo to be totally insulting. We have spent several years trying to find a resolution to your \$1.5 million liability sitting in the waste water treatment plant location. The city has paid a bond payment for several months and maintans the liabilit for that payment and now we have a viable solution

But money must be paid to an independent engineer and if additional funds are needed we will have to absorb them I will not use such funds for an escrow account

The funding may be distributed at the outset and then the completion of the process which should take 60 days, If that can't be done, we can't proceed and will leave the project in its current state for good

Yours truly
LLOYD LIPMAN

On Wednesday, March 5, 2025 at 04:29:19 PM CST, Jason Fleming <jfleming@covingtontn.com> wrote:

Lloyd,

Per the mayor's voicemail, I am emailing a copy of the MOU for your consideration. Please reach out if you have questions or please give the mayor a call if you would like to discuss further.

All the best.

A. Jason Fleming

Chief of Staff

City of Covington

200 West Washington Street

Covington, TN 38019

O: (901) 313-9826

M: (901) 586-4117

www.covingtontn.com



From: [Lloyd Lipman](#)
To: [Jason Fleming](#)
Date: Wednesday, March 5, 2025 7:26:33 PM

Mister Mayor

Ket me add the following to my previous email.

During our meeting three weeks ago, I proposed a moratorium on your monthly bond payments I suggested that money be used for the permitting. The postponement of payments could be recouped either at the sale of the unit or at the back end of the term of the bonds. Our deal was the one being presented that could make all parties whole in a few months without additional capital being spent I do not know the specific terms of your bond but I am very familiar with a similar situation in my industry that pursued a similar alternative on a project in California.

The response was that discretionary funds could be used for the engineering fees as a better alternative than changing the bond deal

I don't even know how long this project has developed Mr wallace can probably tell us But he is the only one capable of doing that as your current administration and the previous city government have inherited this liability. WE have tried to get a reasonable answer including major attempts to deal with TDEC

Now there is a potential solution where the city, my company and the bond holders don't lose any money and I even offered a solution in which added money need not be spent just redirected from the bond payments for months

I delivered our version of an mou the Monday following our meeting, a national holiday I was told of a favorable committee response the next day I waited nearly three weeks for someone who did not attend the meetings who was supposedly very familiar with the situation to even respond. That response was and is unacceptable

I hope you can rectify the situation very quickly
LLOYD LIPMAN

From: [Lloyd Lipman](#)
To: [Jason Fleming](#)
Subject: Gasifier
Date: Monday, February 24, 2025 12:34:26 PM

Jason

The engineers are ready to go on the permit application

Can you give me a time estimate as to when Rachel will have an agreement in our hands and when, after signing, the funding for the closing of the permit can begin?

Thank you

LLOYD

From: [Lloyd Lipman](#)
To: [Jason Fleming](#)
Date: Friday, February 28, 2025 10:21:24 AM

JASON

Here is the joke of the day--- how many lawyers does it take in Covington Tennessee to review, revise and send a memorandum of understanding negotiated by the city council and an outside developer?

The answer is I have no idea. Fifteen days after our meeting and 11 after I sent the basic memo to your office and there has been no response. I really thought the engineers would be starting the amended application on Monday. That can't happen so please tell me how much longer are we at the mercy of your city attorney?

LLOYD LIPMAN

From: [Lloyd Lipman](#)
To: [Jason Fleming](#)
Subject: MOU
Date: Monday, February 17, 2025 9:01:06 AM
Attachments: [MEMORANDUM OF UNDERSTANDING.docx](#)

JASON

AS PROMISED HERE IS A MEMO OF UNDERSTANDING IF NEEDED
TOMORROW DURING THE FINANCE MEETING, I AM AVAILABLE BY PHONE

THANKS
LLOYD

From: [Lloyd Lipman](#)
To: [Jason Fleming](#)
Subject: Re: RE:
Date: Wednesday, February 19, 2025 12:24:26 PM

PS

Remember the mention of the alternative 20 miles north if TDEC doesn't cooperate. A friend of mine was the debt financier of the Ripley Hospital and knows the local tribe. So we have a better alternative card in our back pocket, if required, than a relocation to Arizona

LL

On Wednesday, February 19, 2025 at 12:20:31 PM CST, Jason Fleming <jfleming@covingtontn.com> wrote:

Good afternoon. Meeting went well, but was cut short due to inclement weather. Rachel has the draft MOU. She is reading and provide the mayor and board with her input. I believe we are moving toward a agreement. I will update you as soon as I hear from Rachel. I am sure she will reach out directly if she has questions for you.

We are in a winter wonderland today. Not as much snow as they were predicting, but enough to shut things down here. Now for the bitterly cold weather over the next 48 to 72 hours.

A. Jason Fleming

Chief of Staff

City of Covington

200 West Washington Street

Covington, TN 38019

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www.covingtontn.com

From: Lloyd Lipman <tiburonic@aol.com>
Sent: Wednesday, February 19, 2025 12:14 PM
To: Jason Fleming <jfleming@covingtontn.com>
Subject:

How was yesterday's city meeting?

LLOYD



PROPOSAL

LADD'S ATHLETIC FIELD SERVICES
"UP YOUR LIFE WITH LADD'S"

Date: February 12, 2025
Proposal #: 6233112
Customer ID: ID

To: Molly Glass
Covington Parks and Rec
790 Bert Johnson Ave
Covington, TN 38019
901-476-3734

email: mglass@covingtontn.com

Salesperson	Job	Payment Terms	Quote Terms
AFS	Complex Laser Grade	NET30	30/days

Qty	Description	Unit Price	Line Total
3.00	Standard Infield Mix (per load)	\$ 2,450.00	\$ 7,350.00
1.00	LTL Coat	\$ 3,480.00	\$ 3,480.00
1.00	Topdressing Sand	\$ 1,050.00	\$ 1,050.00
1.00	Prep Fields	\$ 3,000.00	\$ 3,000.00
5.00	Install Infield Mix & Sand (per load)	\$ 900.00	\$ 4,500.00
4.00	Laser Grade (per field)	\$ 3,000.00	\$ 12,000.00
1.00	Mobilization	\$ 1,000.00	\$ 1,000.00
Subtotal			\$ 32,380.00
Sales Tax			
Total			\$ 32,380.00

Thank you for your business!

6881 APPLING FARMS PKWY MEMPHIS, TN 38133

POLICY RECOMMENDATION

To: Board of Mayor and Aldermen, City of Covington

From: Lisa Elam, Recorder-Treasurer

Date: March 18, 2025

Subject: Authorization for Mayor to Transfer Budgeted Funds Within Expense Categories

Purpose:

To grant the Mayor limited authority to transfer allocated expense funds between line items within the same department or category, up to a maximum of \$5,000 per transaction, in compliance with **Tennessee Code § 6-56-209 (2024)**.

Background:

Currently, all budget transfers require Board approval, which may cause delays in operational flexibility. Granting the Mayor limited transfer authority will improve efficiency while maintaining appropriate financial oversight by the Board.

Policy Proposal:

1. **Transfer Authority Limit:** The Mayor is authorized to transfer funds **up to \$5,000 per transaction** between expense line items within the same department or category.
2. **Compliance with State Law:** All transfers must adhere to **Tennessee Code § 6-56-209 (2024)**, which governs municipal budget amendments and financial management.
3. **Reporting Requirements:**
 - A **monthly report** detailing all transfers made under this authority shall be provided to the Board of Mayor and Aldermen.
 - Any such transfers shall be reported to the governing body at its next regular meeting and shall be entered in the minutes.
 - Authorized transfers shall be entered as a **budget amendment in the accounting/financial reporting system** by the Senior Accountant.
 - Transfers exceeding **\$5,000** must receive prior approval from the Board.
4. **Restrictions:**
 - No transfers may be made between **different departments or funds** without Board approval.
 - Transfers may not be used to increase salaries, wages, or benefits without Board action.
5. **Review & Oversight:** This policy shall be reviewed annually as part of the City's budgetary process to ensure effectiveness and fiscal responsibility.

Recommendation:

It is recommended that the Board adopt this policy to enhance administrative efficiency while preserving fiscal accountability. If approved, the City Recorder-Treasurer will incorporate these provisions into Covington's financial management procedures.

Action Required:

Board consideration and approval of this policy in an upcoming meeting. If adopted, this authority will take effect immediately and remain in place unless modified or rescinded by the Board.

Advantages of Incremental Budget Amendments for the City of Covington

In compliance with the **Municipal Budget Law of 1982 (TCA 6-56-201 et seq.)**, the City of Covington recognizes the importance of adopting a proactive approach to budget management. Implementing **incremental budget amendments throughout the fiscal year**, as opposed to a single comprehensive amendment at the end of the year, provides numerous advantages that contribute to sound financial governance and operational efficiency.

1. Enhanced Financial Oversight

Regular budget reviews and adjustments allow city leadership to closely monitor revenue streams and expenditures. This proactive approach helps prevent overspending and ensures that financial resources are allocated effectively.

2. Compliance with State Law

Tennessee law mandates that municipalities maintain a balanced budget. Incremental amendments help ensure compliance by addressing variances between actual and budgeted figures, thus avoiding potential legal and audit issues.

3. Improved Transparency and Accountability

Frequent budget amendments promote transparency with the public and governing bodies. By demonstrating fiscal responsibility and providing regular updates, the City of Covington can build public trust and confidence.

4. Effective Cash Flow Management

Adjusting the budget in real-time allows the city to manage cash flow more effectively, ensuring that funds are available when needed and avoiding unnecessary borrowing or financial strain.

5. Flexibility for Emergencies and Opportunities

Incremental amendments enable the city to respond swiftly to unforeseen circumstances, such as natural disasters or infrastructure failures. Additionally, the city can take advantage of grant opportunities or new revenue streams that arise during the fiscal year.

6. Mitigation of Audit Findings

Addressing budget variances as they occur reduces the risk of negative audit findings related to exceeding line-item appropriations without prior approval.

7. Support for Departmental Operations

Departments can request timely adjustments to meet increased costs or shifting priorities. This flexibility ensures that essential services, such as public safety and infrastructure maintenance, are adequately funded.

8. Reduction of Political Tensions

Smaller, incremental budget adjustments are typically easier to justify and less politically contentious than a single, large amendment at the end of the fiscal year. This approach fosters collaboration among elected officials and city staff.

Conclusion

By adopting an incremental approach to budget amendments, the City of Covington can enhance financial stewardship, maintain compliance with state regulations, and provide responsive and transparent governance. This strategy ultimately supports the city's mission to serve its residents effectively and responsibly.

STEPS TO A WELL-MANAGED BUDGET

For more information, visit tncot.cc/guidance

The most important action a governing body takes each year is the adoption of the annual budget. Through the budget, elected officials establish spending authority and set the priorities of the local government. One community's priority could be the reduction of crime, while another's may be investing in better parks and sidewalks. Whatever the plan, if the budget is not monitored to ensure that public dollars are spent as intended, problems can occur.

BUDGET TO ACTUAL MONITORING

After the governing body approves the budget, the members will need updates on how the plan is going. Reviewing budget to actual reports frequently throughout the year is the most effective way for the governing body to maintain a well-managed budget. Budget to actual comparisons show how close the budget estimates are, if changes to the budget are needed, or if everything is on course as planned. Accuracy in accounting data is essential to make useful budget to actual reports, and timeliness in reviewing the information is vital.



REVENUES

Revenues are meticulously forecast during the budget preparation phase, but as the budget year progresses, revenue collection should be closely monitored for variations from original estimates. Most tax collections are cyclical. Comparing the current year's monthly collections to last year for each tax category will help a local government understand if its assumptions, such as whether its planned growth rate is holding true. Timeliness is important because if revenue collections are lower for the year, then cutting expenditures or increasing the use of fund balance may be needed to ensure the budget remains balanced.

OPERATING EXPENDITURES

Operating expenditures tend to be less cyclical than revenues – think salaries and benefits. However, even

with less variability, the level of spending should be monitored throughout the year. A local government should closely review items like overtime; fuel and commodity purchases; repair and maintenance; and any item that can quickly increase due to outside forces. If changes to the operating budget are planned for mid-year, then those changes should be forecast throughout the remainder of the fiscal year.



CAPITAL EXPENDITURES

Most capital expenditures tend to be planned well in advance, but cost overruns on large capital items, as well as small replacement items, can add up to an unbalanced budget. Local governments should frequently review any ongoing capital projects and ask department heads for updates on their plans to replace items so adjustments can be made if needed. It is important to know in advance what the funding source is for capital project cost overruns.



AMENDING THE BUDGET

Every item in this document has led to this: **It is very important to amend the budget throughout the year.** When amending the budget, local governments should keep these principles in mind: the budget must be amended prior to increased spending; recurring revenues should be used to pay for recurring expenditures; cash liquidity must be considered; debt must be paid; and adequate reserves should be maintained. Amending the budget takes time, so local governments should know the process and how much lead time it takes to finalize an amendment. The budget undergirds the vision and strategy for a local government, and care must be taken to constantly monitor it.

