

## TENNESSEE STATE FUNDING BOARD

August 13, 2015

The Tennessee State Funding Board (the "Board") met on Thursday, August 13, 2015, at 11:52 a.m., in the Legislative Plaza, Room LP-30, Nashville, Tennessee. The following members were present:

The Honorable Tre Hargett, Secretary of the State of Tennessee  
The Honorable Justin Wilson, Comptroller of the Treasury  
The Honorable David Lillard, State Treasurer  
Commissioner Larry Martin, Department of Finance and Administration

The following members were absent:  
The Honorable Bill Haslam, Governor

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the June 23, 2015, Board meeting. Mr. Hargett made a motion to approve the minutes. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Allen Borden, Assistant Commissioner, Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Senior Financial Advisor, ECD, to present the FastTrack funding report. Mr. VanderMeer reported that, as of the date of the last Board meeting, the FastTrack balance was \$114.8 million and since that time new appropriations for fiscal year 2016 were received in the amount of \$72.2 million, \$6.0 million in funds had been deobligated and returned to the FastTrack program and \$13.4 million in new loans had been approved, which left an adjusted FastTrack balance available for funding grants or loans of \$179.6 million as of today's meeting. Mr. VanderMeer reported that there were \$127.4 million in commitments, resulting in an uncommitted FastTrack balance of \$52.2 million. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$8.0 million, and if these projects were approved, the uncommitted balance would be approximately \$44.2 million, or 75.4 % of FastTrack funds committed.

Mr. Borden stated that the projects were being presented to the Board because state law required that FastTrack projects in amounts exceeding \$750,000 per eligible business within any three-year period be reviewed and approved by the Board. Mr. Borden then presented the following FastTrack projects:

- **Resolute Forest Products US, Inc. – Calhoun (McMinn Co.)**  
FastTrack Job Training Assistance \$ 787,500
- **Gestamp Chattanooga, LLC – Chattanooga (Hamilton Co.)**  
FastTrack Economic Development \$5,500,000
- **De-Sta-Co Industries – Mt. Juliet (Wilson Co.)**  
FastTrack Economic Development \$ 580,000  
FastTrack Job Training Assistance \$ 420,000
- **ARC Automotive, Inc. – Hartsville (Trousdale Co.)**  
FastTrack Economic Development \$ 272,100  
FastTrack Job Training Assistance \$ 132,000  
FastTrack Infrastructure Development \$ 263,900

Mr. Wilson stated that the Board received a signed letter from Mr. Randy Boyd, Commissioner of ECD, which stated that the projects met all the statutory requirements, and a signed FastTrack Checklist for each of the projects under consideration. Mr. Wilson inquired if the information contained in the letter and checklists was true and correct, and if the signature was that of Commissioner Boyd. Mr. Borden responded affirmatively. Mr. Hargett made a motion to approve the FastTrack grants for the projects presented. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration and approval a "Resolution to Amend the Resolution Allocating Funds to Defray a Portion of the Cost of Highway Construction Products and to Cancel a Like Amount of Bonds Authorized for That Purpose". Mr. Wilson noted that this amended and restated the resolution of the same title which was approved in the prior board meeting. The previously approved resolution had a typographical error. Mr. Lillard made a motion to approve the Resolution. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration and approval a "Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$440,064.00 and Canceling a Like Amount of Bonds Authorized for That Purpose". Mr. Hargett made a motion to approve the Resolution. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Sandra Thompson, Director of the Office of State and Local Finance ("OSLF") and Secretary to the Board, who presented for consideration a recommendation to select the remarking agent for the State of Tennessee's (the "State") general obligation commercial paper program (the "CP Program"). Ms. Thompson stated OSLF sent Requests for Proposals (RFP) to 12 investment banking firms and received 8 proposals. Ms. Thompson explained that of the remaining proposers, 3 firms were eliminated based on lack of experience comparative to the other firms and 1 was eliminated due to previous service levels as a remarketing agent for another program. Ms. Thompson stated that OSLF then contacted the references of 3 of the remaining 4 firms, and all references were positive related to service levels and performance as remarking agent; the 4th of the remaining firms under consideration was the State's current remarking agent and the State had received exceptional service from that firm. Ms. Thompson then stated that OSLF along with the State's financial advisor, Public Financial Management, evaluated the proposed compensation of the 4 firms under consideration and determined that the cost differential of the remaining firms was comparable to one another. For all responses, proposed compensation was in line with current market conditions. Ms. Thompson stated that based on the review of the proposals, taking into account qualifications, experience and compensation, along with the service level of the existing remarking agent, Morgan Stanley, staff's recommendation was to select Morgan Stanley to continue to serve as the remarking agent on the State's CP Program. Mr. Wilson made a motion to select Morgan Stanley to serve as the remarketing agent for the State's CP Program. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Lillard who reported on funding policies received from local government entities as required by "The Public Employee Defined Benefit Financial Security Act of 2014", Public Act 2014 Chapter 990 (the "Act"). Mr. Lillard explained that based on surveys and research performed by the Treasury Department, legislation was recommended to be enacted that would require local government entities outside of the Tennessee Consolidated Retirement System ("TCRS") to adhere to certain standards. Mr. Lillard stated the 108th General Assembly enacted the Act, which was signed by Governor Haslam on May 22, 2014. Mr. Lillard stated that currently there were 71 individual defined benefit plans that fall under the Act that are administered by political subdivisions of the State. Mr. Lillard stated that the Treasury Department provided assistance by assimilating an outline of the political subdivisions pension obligations and a funding policy template to all political subdivisions identified and to associations and firms that provide support to political subdivisions. Mr. Lillard stated that, to date, Comptroller staff had

received 38 funding policies, which had been reviewed by Treasury staff and all met the requirements of the Act.

Mr. Wilson then stated that there were some additional information items of which the Board should be aware. Mr. Wilson stated that Comptroller staff was preparing for an upcoming general obligation bond sale in the fall and would present the appropriate documentation at the next Board meeting. Mr. Wilson stated that Comptroller staff would evaluate market conditions to consider whether a negotiated or competitive sale was most advantageous. Mr. Wilson then mentioned the upcoming revenue estimate process, which by statute is required to begin as soon as practicable after the beginning of November, and stated that Comptroller staff would be working to schedule those meetings soon.

After requesting other business and hearing none, Mr. Wilson adjourned the meeting.

Approved on this 15<sup>th</sup> day of September 2015.

Respectfully submitted,



Sandra Thompson  
Assistant Secretary