

TENNESSEE STATE FUNDING BOARD
JUNE 9, 2016

The Tennessee State Funding Board (the "Board") met on Thursday, June 9, 2016, at 1:40 p.m., in the Executive Conference Room, State Capitol, 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 May 9, 2016, meeting. Mr. Wilson made a motion to approve the minutes. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Lynn Miller, Chief Legal Counsel for the Tennessee Housing Development Agency ("THDA"), who presented for approval THDA's Schedule of Financing for Fiscal Year 2016-17 (the "Schedule"). Ms. Miller explained that the Schedule proposed a total of \$458 million bonds to be issued in fiscal year 2016-17, which included \$128 million in refunding bonds. Ms. Miller stated that the Schedule was previously approved by THDA's Bond Finance Committee and Board of Directors. Mr. Wilson asked if THDA consulted with their financial advisor when preparing the Schedule. Ms. Miller replied that the financial advisor was consulted related to the number of bond issues that should take place during the 2016-17 fiscal year. Ms. Miller further explained that the amount of bonds to issue for a fiscal year is based on THDA's analysis of projections of volume for the upcoming fiscal year. Mr. Wilson made a motion to approve the Schedule. Mr. Lillard seconded the motion and it was unanimously approved.

Mr. Wilson then recognized Mr. Allen Borden, Assistant Commissioner, Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Senior Advisor for Fiscal Policy, ECD, to present the FastTrack funding report. Mr. VanderMeer reported that, as of the date of the last Board meeting, the FastTrack balance was \$163,682,672.29. Since that time, \$500,000.00 in funds had been deobligated and returned to the FastTrack program and \$3,792,500 in new loans had been approved, which resulted in an adjusted FastTrack balance available for funding grants or loans of \$160,390,172.29 as of today's meeting. Mr. VanderMeer reported that commitments had been made in the amount of \$143,872,737.54, resulting in an uncommitted FastTrack balance of \$16,517,434.75. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$9,653,750.00, and if these projects were approved, the uncommitted balance would be \$6,863,684.75, or 95.7% 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 project:

- **Agero Administrative Service Corp. – Blountville (Sullivan County)**
FastTrack Job Training Assistance \$ 438,750

Mr. Borden stated that the Agero project was being presented because the Board previously approved a FastTrack grant for the Clarksville facility in the amount of \$741,150 and that grant along with the grant being presented for approval exceeds the \$750,000 threshold for Board approval. Mr. Wilson stated that the Board received a signed checklist and letter from the Commissioner of ECD for the Agero project. Mr. Wilson inquired if the information in the checklist and letter was true and correct and if the project met all the statutory requirements. Mr. Borden responded affirmatively. Mr. Hargett made a motion to approve the FastTrack grant for the Agero project. Commissioner Martin seconded the motion, and it was unanimously approved. Mr. Borden presented the next project:

- **Hankook Tire America Corp. – Nashville (Davidson County)**
FastTrack Economic Development \$2,715,000

Mr. Borden noted that, as previously requested by the Board, the number of employees who would be relocating to Tennessee was included in the packet. Mr. Wilson stated that the Board received a signed checklist and letter from the Commissioner of ECD for the Hankook project. Mr. Wilson inquired if the information in the checklist and letter was true and correct and if the project met all the statutory requirements. Mr. Borden responded affirmatively. Mr. Lillard made a motion to approve the FastTrack grant for the Hankook project. Mr. Hargett seconded the motion, and it was unanimously approved. Mr. Borden presented the next project:

- **The Harris Soup Company dba Harry’s Fresh Foods – Nashville (Davidson County)**
FastTrack Job Training Assistance \$ 50,000
FastTrack Economic Development \$ 950,000

Mr. Wilson stated that the Board received a signed checklist and letter from the Commissioner of ECD for the Harris Soup Company project. Mr. Wilson inquired if the information in the checklist and letter was true and correct and if the project met all the statutory requirements. Mr. Borden responded affirmatively. Mr. Wilson made a motion to approve the FastTrack grant for the Harris Soup Company project. Commissioner Martin seconded the motion, and it was unanimously approved. Mr. Borden presented the next project:

- **ServiceMaster Global Holdings, Inc. – Memphis (Shelby County)**
FastTrack Economic Development \$5,500,000

Mr. Borden stated that ServiceMaster has agreed to remain in Memphis and renovate the vacant Peabody Place Mall for its new headquarters. ServiceMaster further agreed to maintain its current Shelby County employment level of 1,929 full-time employees. Mr. Wilson stated that the Board received a signed checklist and letter from the Commissioner of ECD for the ServiceMaster project. Mr. Wilson inquired if the information in the checklist and letter was true and correct and if the projects met all the statutory requirements. Mr. Borden responded affirmatively. Mr. Wilson asked if there were claw-back provisions related to the ServiceMaster project. Mr. Borden replied that there were provisions to take back the grant money if ServiceMaster did not fulfill its commitment. He added that ServiceMaster would be signing a 15 year lease for the Peabody Place Mall, which further indicated their intent to remain in Memphis long-term. The Board acknowledged the significance of the ServiceMaster project locating in downtown Memphis and its impact on urban renewal in the City of Memphis. Mr. Lillard made a motion to approve the FastTrack grant for the ServiceMaster project. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Borden then reported that the Board had previously approved a FastTrack Job Training Assistance Program Grant for \$1,000,000 and a FastTrack Economic Development Grant for \$1,500,000 for the Morgan Olson project on December 21, 2015. Mr. Borden stated that Morgan Olson had requested a

reallocation of a portion of the Job Training Assistance funds, with the revised grants to be: \$500,000 for FastTrack Job Training Assistance and \$2,000,000 for FastTrack Economic Development. The total amount of the FastTrack grant funds requested remained the same. Mr. Hargett made a motion to approve the reallocation of FastTrack grant funds for the Morgan Olson project. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then noted that Mr. Lillard left the Board meeting, but that a physical quorum was still present.

Mr. Wilson then presented for approval a "Resolution Allocating Funds to Defray a Portion of the Cost of Highway Bridge Construction Projects and Canceling Authorized Bonds" in the amount of \$29,100,000 to be effective upon approval. Mr. Hargett made a motion to approve the resolution. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Allocating from the Debt Service Fund to the Capital Project Fund \$3,524,992.81 and Canceling Authorized Bonds" to be effective upon approval. Commissioner Martin made a motion to approve the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Certifying and Authorizing the Allocation of Funds to the Sinking Fund for the 2016-2017 Fiscal Year" to be effective July 1, 2016. Commissioner Martin made a motion to approve the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Allocating Funds to Defray a Portion of the Cost of Highway Construction Projects and Canceling Authorized Bonds" in the amount of \$89,700,000 to be effective July 1, 2016. Mr. Wilson made a motion to approve the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval "A Resolution Authorizing the Issuance of General Obligation Bonds of the State of Tennessee" in the amount of \$87,700,000 to be effective July 1, 2016. Mr. Wilson noted that this resolution was based on the fiscal year 2016-2017 bond bill (PA2016 CH 1060), which was for highway construction only. He stated that the state's current practice is to fund these projects with cash and not actually issue the bonds. Mr. Wilson made a motion to approve the resolution. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Authorizing Amended and Restated Standby Commercial Paper Purchase Agreement and Updated Commercial Paper Offering Memorandum". Mr. Wilson noted that the effective date of the amended and restated Standby Commercial Paper Purchase Agreement (the "Agreement") was July 1, 2016 for a term of 5 years, to expire on July 1, 2021. The commitment amount of \$350 million remained the same. Under the Agreement, the current commitment fee of 30 basis points would remain in place through fiscal year 2017. Mr. Wilson made a motion to approve the resolution. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented a letter from the Tennessee Consolidated Retirement System ("TCRS") affirming that TCRS does not intend to exercise its option to cancel the Agreement to serve as standby purchaser for the State of Tennessee's General Obligation commercial paper during fiscal year 2016-17. Mr. Wilson stated that in response, the Board would notify TCRS of the Board's intent not to exercise its option to cancel the agreement for the fiscal year 2016-17. A draft of such letter was included in the packet. Mr. Hargett made a motion to accept the letter from TCRS and approve the draft of the affirmation letter from the Board to TCRS. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval "A Resolution Authorizing and providing for the Issuance and Sale of General Obligation Bonds of the State of Tennessee" (the "Bond Resolution") for the proposed 2016 bond sale. Mr. Wilson explained that the Bond Resolution authorized the issuance of new money bonds to fund capital projects of the State and for the issuance of bonds to refund certain outstanding General Obligation Bonds as well as funding certain costs of issuance. Mr. Wilson explained that the Bond Resolution provided for bonds to be sold through either a competitive or negotiated sale, and stated that a list of potential Underwriters was listed in the Bond Resolution, in the event that the bonds were sold at negotiated sale. Mr. Wilson stated the Bond Resolution authorized the issuance of both tax-exempt and taxable bonds with interest rates not to exceed 5% and 6% respectively. The Bond Resolution stated that the new money bonds shall be issued in an amount not to exceed \$200,000,000. The Bond Resolution required that the bonds meet the criteria set forth in the Board's Debt Management Policy, which includes the requirement that the refunding should result in aggregate present value savings of at least 4%.

Mr. Wilson stated that the Board members' packets included a draft Preliminary Official Statement, a Bond Purchase Agreement, a Refunding Trust Agreement and Continuing Disclosure Undertaking in substantive form. Mr. Martin made a motion to approve the Bond Resolution and delegate the authority to sell and finalize the details of the bonds to the Comptroller. Mr. Wilson seconded the motion, and it was unanimously approved.

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

Approved on this 14th day of July 2016.

Respectfully submitted,



Sandra Thompson
Assistant Secretary