TENNESSEE STATE FUNDING BOARD
May 11, 2017

The Tennessee State Funding Board (the "Board") met on Thursday, May 11, 2017, at 11:30 a.m., in the Legislative Plaza, Room LP-30, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
Commissioner Larry Martin, Department of Finance and Administration

The following members were absent:

The Honorable Bill Haslam, Governor
The Honorable David Lillard, State Treasurer

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the March 21, 2017 meeting. Commissioner Martin made a motion to approve the minutes. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Jamie Stitt, Deputy Assistant Commissioner of Business Development, 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 Report to State Funding Board" (the "Report"). Mr. VanderMeer reported that, as of the date of the last Board meeting, the FastTrack balance was $188,684,440.64. Since that time, $1,694,600 in funds has been deobligated and returned to the FastTrack program, $15,304,667 in new loans had been approved and $232,986.38 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of $174,841,387.26 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of $148,861,899.13, resulting in an uncommitted FastTrack balance of $25,979,488.13. Mr. VanderMeer reported that the projects to be considered at this meeting totaled $13,215,150, and if these projects were approved, the uncommitted balance would be $12,764,338.13 and the total committed balance would be $162,077,049.13, which represented 92.7% of the FastTrack balance. Mr. Wilson inquired if the balance of approximately $12 million would be an adequate balance to finish fiscal year 2017. Mr. VanderMeer responded that ECD does believe the remaining FastTrack balance is adequate.

Ms. Stitt 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:

- **La-Z-Boy Incorporated – Dayton (Rhea Co.)**
  FastTrack Economic Development $ 862,500

- **LG Electronics U.S.A., Inc. – Clarksville (Montgomery Co.)**
  FastTrack Job Training $1,500,000
  FastTrack Infrastructure Development $2,032,150

- **Iatric Manufacturing Solutions – Morristown (Hamblen Co.)**
  FastTrack Job Training $ 200,000
  FastTrack Economic Development $1,600,000

- **Frazier Industrial Company – Dyersburg (Dyer Co.)**
  FastTrack Economic Development $1,000,000

- **SCCY Industries, LLC – Maryville (Blount Co.)**
  FastTrack Economic Development $2,848,000

- **Science Applications International Corporation – Cookeville (Putnam Co.)**
  FastTrack Job Training $3,000,000

- **Lowe's Home Centers, LLC – Coopertown (Robertson Co.)**
  FastTrack Infrastructure Development $ 50,000

- **Topre America Corporation – Smyrna (Rutherford Co.)**
  FastTrack Job Training $ 122,500

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms from the Commissioner of ECD, Mr. Bob Rolfe. Mr. Wilson inquired if the information provided in the ECD packets was true and correct and Ms. Stitt responded affirmatively. Mr. Wilson also inquired if the companies that have signed the incentive acceptance forms fully understand the agreements and Ms. Stitt responded affirmatively. Mr. Hargett inquired about the Science Applications International Corporation (SAIC) project in Putnam County. Mr. Hargett explained that compared to the other FastTrack projects being presented, the SAIC project did not appear to be committing as much of a capital investment as other companies and he inquired how ECD decided that making a FastTrack grant for this project was a good business decision. Ms. Stitt explained that when evaluating projects, ECD looks at the number of jobs, the average wage of those jobs, the capital investment and the location. Ms. Stitt explained that the SAIC project is located in a Tier 3 county and the other projects being presented are in Tier 1 counties. She also stated that workforce training was a big need for the SAIC project. Ms. Stitt explained that when evaluating a county for tax tier status, ECD looks at poverty rate, unemployment rate and household income. Ms. Stitt explained that Tier 1 counties end up being the most economically strong counties in the State on Tennessee (the "State) and Tier 4 are the most distressed counties. Ms. Stitt explained that there is usually not many high paying jobs in a Tier 3 county, which played a big part in the evaluation of the SAIC project. Commissioner Martin inquired how ECD evaluates the variables, number of jobs, average wage rate and capital investment, of a project which are not all equal and play out differently based on the county's need. Ms. Stitt explained that ECD has a return on investment (ROI) model used in evaluating projects. The number of jobs, the average wage rate, the capital investment and location are entered into the ROI model and this allows ECD to see the rate of return and the payback in years on a project. Mr. Hargett then made a motion to approve the FastTrack projects that were presented. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for discussion and approval a "Resolution Making Findings for Decrease in Special Revenues" (the "Resolution"). Mr. Wilson explained that Public Acts 2017, Chapter 181, Sections 28 and 29 (the "2017 Tax Cut Act") amended the franchise tax law which is expected to result in a decrease in the franchise taxes for fiscal year 2017-2018. Mr. Wilson then explained that the annual proceeds of franchise taxes imposed by franchise tax law are pledged as security for the payment of the principal and interest on the bonds of the State outstanding as of July 1, 2013. Mr. Wilson explained that the State has covenanted with the holders of the bonds that it will not decrease by legislative action any of the fees or taxes that constitute Special Revenues (which a portion of is made up of franchise taxes) unless the Board made a certification as required by Section 9-9-104(b). Mr. Wilson then stated that pursuant to Section 9-9-104(b), Tennessee Code Annotated, the Board must certify: (1) all payments due the Board under Title 9, Chapter 9, Tennessee Code Annotated, have been made in full; (2) the State is not in default in the payment of any outstanding debt or in the payment of interest; and (3) the Special Revenues, calculated with respect to the franchise tax proceeds as required by the 2017 Tax Cut Act, for the fiscal year 2017-2018, will be sufficient to provide funds adequate to meet all payments required to be made by the Board in such fiscal year, as well as provide for the other obligations and expenses of the State for such fiscal year to be defrayed. Mr. Wilson then stated that the Board received a letter from the Commissioner of Finance and Administration confirming the three requirements above. 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, to present the amended State Funding Board Debt Management Policy (the "Policy"). Ms. Thompson explained that it is a policy of the Board to review the Policy annually. Ms. Thompson stated that staff reviewed the Policy and recommended changes which were necessary to conform to current regulations. Ms. Thompson stated that in addition, which recognizing that there are certain qualities of each program that are unique, staff sought to make the polices of the Board, the Tennessee State School Bond Authority and the Tennessee Local Development Authority more consistent in areas where appropriate. Ms. Thompson stated that staff recommended changes in the following sections of the Policy:

- Methods of Sale- Negotiated Sale
  - To add additional factors which might make a negotiated sale more favorable

- Risk Assessment
  - To recognize an additional market risk recognizing that for short-term debt, a market failure could be so severe that not only would we not be able to find a buyer for our short-term debt, but that the liquidity provider (who is in place to buy the debt if we can't otherwise provide a buyer) might also fail

- Transparency
  - To clarify requirement for information that should be posted to the website subsequent to a sale and to modify the timeline in keeping with current practice (previously it required posting a "debt service schedule outlining the rate of retirement of the principal" within four weeks from closing – this referred to a schedule in the Official Statement and we actually post the entire Official Statement within two weeks from closing)

  - To clarify that information posted to EMMA is to comply with requirements of SEC Rule 15c2-12

- Debt Administration – Post Sale
  - To add an item related to the filing of the Form CT-0253 "Report on Debt Obligation"
  - To add items related to the annual Post-Issuance Compliance review for outstanding debt issuances

- Investment of Proceeds
  - To add language as to certain restrictions on bond proceeds to be escrowed in order to refund outstanding bonds

- Disclosure
  - To add the additional events which now require a notice to be disclosed on EMMA

Ms. Thompson then explained there were two changes specific to the Board's Policy:

- Refunding of Outstanding Debt:
  - To add the additional consideration for Arbitrage

- Professional Services:
  - To add descriptions of the following types of professional services: "Dealer", "Issuing and Paying Agent", "Credit/Liquidity Provider", "Refunding Trustee"

Mr. Wilson then called a Public Hearing in relation to the Policy and asked if anyone had any comments or statements. After hearing none, Mr. Wilson closed the Public Hearing. Commissioner Martin made a motion to approve the amended Policy. 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 22nd day of June 2017.

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary

RESOLUTION MAKING FINDINGS
FOR DECREASE IN SPECIAL REVENUES

WHEREAS, Section 9-9-104(a), Tennessee Code Annotated, pledges for the payment of the principal of and interest on the bonds of the State of Tennessee (the "State") issued under Title 9, Chapter 9, Tennessee Code Annotated, outstanding as of July 1, 2013: (1) the annual proceeds of a tax of not less than five cents per gallon upon gasoline, (2) the annual proceeds of the special tax on petroleum products provided for by Section 67-3-203, Tennessee Code Annotated, (3) one-half of the annual proceeds of motor vehicle registration fees required to be paid to the State, and (4) the entire annual proceeds (the "Franchise Tax Proceeds") of franchise taxes (the "Franchise Taxes") imposed by the franchise tax law (the "Franchise Tax Law") compiled in Title 67, Chapter 4, Part 21, Tennessee Code Annotated (collectively, the "Special Revenues"); and

WHEREAS, the State has covenanted with the holders of such bonds that it will not decrease by legislative action any of the fees or taxes that constitute Special Revenues, or eliminate from the requirement to pay such fees or taxes any substance, motor vehicle or corporation on account of which the payment of such fees or taxes is required, unless the Funding Board of the State of Tennessee (the "State Funding Board") shall certify as required by Section 9-9-104(b), Tennessee Code Annotated; and

WHEREAS, Acts 2017, Chapter 181, Sections 28 and 29 (the " 2017 Tax Cut Act"), among other things amends the Franchise Tax Law, which amendment is expected by the Department of Finance and Administration to result in a decrease in the Franchise Taxes for the fiscal year 2017-2018; and

NOW, THEREFORE, BE IT RESOLVED by the State Funding Board, and the State Funding Board hereby certifies, pursuant to Section 9-9-104(b), Tennessee Code Annotated, as follows:

1. All payments due the State Funding Board under Title 9, Chapter 9, Tennessee Code Annotated, have been made in full;

2. The State is not in default in the payment of any outstanding debt or in the payment of interest thereon; and

3. The Special Revenues, calculated with respect to the Franchise Tax Proceeds as required by the 2017 Tax Cut Act, for the fiscal year 2017-2018, will be sufficient to provide funds adequate to meet all payments required to be made by the State Funding Board in such fiscal year, as well as to provide for the other obligations and expenses of the State for such fiscal year to be defrayed therefrom.

BE IT FURTHER RESOLVED by the State Funding Board that this Resolution shall take effect immediately upon its adoption.