

TENNESSEE STATE FUNDING BOARD

June 22, 2017

The Tennessee State Funding Board (the "Board") met on Thursday, June 22, 2017, at 2:35 p.m., in the Tennessee State Capitol, Executive Conference Room, 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
The Honorable David Lillard, State Treasurer

The following members were absent:

The Honorable Bill Haslam, Governor
Commissioner Larry Martin, Department of Finance and Administration

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the May 11, 2017 meeting. Mr. Lillard made a motion to approve the minutes. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Trent Ridley, Chief Financial Officer for the Tennessee Housing Development Agency ("THDA"), who presented for approval THDA's Schedule of Financing (the "Schedule") for fiscal year 2017-2018. Mr. Ridley reported that the proposed Schedule reflected a total of \$410,000,000 in bonds to be issued during fiscal year 2017-2018, which included \$52,105,000 in refunding bonds. Mr. Ridley stated that Schedule was previously approved by THDA's Bond Finance Committee and Board of Directors. Mr. Wilson inquired if the proposed bonds to be issued by THDA would be issued with the moral obligation of the State of Tennessee (the "State"). Mr. Ridley replied that the bonds would be issued under the 2013 Resolution, which does not carry the moral obligation of the State. Mr. Lillard asked for the amount of bonds that are outstanding under the resolution that does carry the moral obligation of the State. Mr. Ridley responded that at June 30, 2016, the amount of bonds outstanding that carried the State obligation would be approximately \$318,000,000. Mr. Wilson made a motion to approve the Schedule. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Bob Rolfe, Commissioner of 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 \$174,841,387.26. Since that time, a supplemental appropriation of \$5,000,000 and interest in the amount of \$498,941.08 for the period July 2016 to March 2016 had been received; \$1,627,320.04 in funds had been deobligated and returned to the FastTrack program; \$4,655,362 in new loans had been approved; and \$36,447.17 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$177,275,839.21 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$163,955,684.96, resulting in an uncommitted FastTrack balance of \$13,320,154.25. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$9,989,718, and if these projects were approved, the uncommitted balance would be \$3,330,436.25 and the total committed balance would be \$173,945,402.96, which represented 98.1% of the FastTrack balance. Mr. Wilson clarified that the Report did not include any money that would be allocated for fiscal year 2017-2018, and Mr. VanderMeer agreed. Mr. Wilson then asked for the amount of appropriations that ECD expected to receive in the fiscal year 2017-2018 budget and Mr. VanderMeer responded that the amount would be approximately \$80,000,000.

Mr. Wilson then inquired if the 2017-2018 appropriation would be an adequate amount to carry out the mission of the FastTrack program, and Mr. Rolfe responded that it would.

Mr. Rolfe 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. Rolfe then presented the following FastTrack projects:

- **LKQ Corporation – Nashville (Davidson Co.)**
FastTrack Economic Development Grant \$1,950,000
- **Minth Tennessee International, LLC – Lewisburg (Marshall Co.)**
FastTrack Economic Development Grant \$1,000,000
- **Associated Pathologists, LLC (PathGroup) – Nashville (Davidson Co.)**
FastTrack Economic Development Grant \$ 828,000
- **Sedgwick Claims Management Services, Inc. – Memphis (Shelby Co.)**
FastTrack Economic Development Grant \$1,575,000
- **Stanley Black & Decker, Inc. – Jackson (Madison Co.)**
FastTrack Economic Development Grant \$1,000,000
- **Dal-Tile Tennessee, LLC – Dickson (Dickson Co.)**
FastTrack Economic Development Grant \$3,636,718

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms signed by Mr. Rolfe. Mr. Wilson inquired if the information provided in the ECD packets was true and correct and Mr. Rolfe responded affirmatively. Mr. Wilson also inquired if the companies that have signed the incentive acceptance forms fully understood the agreements and Mr. Rolfe responded affirmatively. Mr. Hargett made a motion to approve the FastTrack projects that were presented. Mr. Lillard 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 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. Mr. Lillard 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 2017-2018 Fiscal Year” to be effective July 1, 2017. Mr. Hargett made a motion to approve the resolution. Mr. Lillard 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 \$82,000,000 to be effective July 1, 2017. Mr. Hargett made a motion to approve the resolution. Mr. Lillard 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 \$80,000,000 to be effective July 1, 2017. Mr. Wilson stated that this resolution was based on the Public Acts of 2017, Chapter 462 (the “Bond Bill”), which was for highway construction only. Mr. Wilson stated that the State’s current practice is to fund these projects with

cash and not actually issue the bonds. Mr. Hargett made a motion to approve the resolution. Mr. Lillard 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's general obligation commercial paper program during fiscal year 2017-2018. Mr. Wilson stated that in response, the Board would notify TCRS of its intent not to exercise its option to cancel the agreement for the fiscal year 2017-2018. A copy of such letter was included in the packet. Mr. Wilson made a motion to accept the letter from TCRS and approve the affirmation letter from the Board to TCRS. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration an Amendment to Section 2.03 of the Standby Commercial Paper Purchase Agreement between the Board and TCRS (the "Agreement") related to the commitment fees. The Agreement allows the commitment fees to be revised as may be agreed to from time to time by the Board. The proposed Amendment would be effective for the period July 1, 2017 through June 30, 2021. Mr. Wilson stated that the State's Financial Advisor, Public Financial Management, had reviewed the proposed commitment fees and stated that the proposed seemed appropriate for both parties. The proposed fees were as follows:

- 35 bps if the highest rating by Moody's or Standard & Poor's is AAA
- 45 bps if the highest rating by Moody's or Standard & Poor's is AA
- 55 bps if the highest rating by Moody's or Standard & Poor's is A

Mr. Hargett made a motion to approve the Amendment as presented. Mr. Lillard seconded the motion, and it was unanimously approved.

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

Approved on this 17th day of August 2017.

Respectfully submitted,



Sandra Thompson
Assistant Secretary

**RESOLUTION ALLOCATING FUNDS TO DEFRAY A PORTION OF
THE COST OF HIGHWAY BRIDGE CONSTRUCTION PROJECTS
AND CANCELING AUTHORIZED BONDS**

Recitals

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 1109, Public Acts of Tennessee, 2010 (the "2010 Act"), to issue and sell its general obligation bonds in an amount not to exceed One Hundred Ninety-Four Million, One Hundred Thousand Dollars (\$194,100,000) of which Eighty-Seven Million, Five Hundred Thousand Dollars (\$87,500,000) is allocated pursuant to Section 4(4) of the 2010 Act for the Department of Transportation for the purpose of providing funds to be spent for the implementation of Phase II of the Tennessee transportation infrastructure improvement bond program for the construction of bridges and highways (the "2010 Bridge Construction Bonds").

The Funding Board has previously canceled Fifty-Eight Million Dollars (\$58,000,000) of the 2010 Bridge Construction Bonds; none of the remaining Twenty-Nine Million, Five Hundred Thousand Dollars (\$29,500,000) of the 2010 Bridge Construction Bonds principal amount authorized has been issued.

Section 6, Item 2 (b) of Chapter 758, Public Acts of Tennessee, 2016 (the "2016 Appropriations Act") directs the Funding Board to cancel highway bonds in an amount equal to the conversion to federal funding related to the bridge construction bonds.

Based on notification from the Department of Transportation that Twenty-Nine Million, One Hundred Thousand Dollars (\$29,100,000) of the 2010 Bridge Construction Bond authorization was converted to federal financing in the fiscal year ending June 30, 2017, the Commissioner of Finance and Administration by memorandum dated June 12, 2017, recommended that the Funding Board proceed with canceling Twenty-Nine Million, One Hundred Thousand Dollars (\$29,100,000) of the unissued 2010 Bridge Construction Bonds.

Be It Resolved By The Funding Board Of The State Of Tennessee:

1. The projects authorized to be financed by the 2010 Bridge Construction Bonds have been financed in whole or in part with current funds and a total of Twenty-Nine Million, One Hundred Thousand Dollars (\$29,100,000) is no longer needed to fund such authorized projects.
2. Twenty-Nine Million, One Hundred Thousand Dollars (\$29,100,000) of the unissued 2010 Bridge Construction Bonds are hereby cancelled.
3. This resolution shall be effective June 22, 2017, and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on June 22, 2017.



JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

RESOLUTION CERTIFYING AND AUTHORIZING THE ALLOCATION OF FUNDS TO THE SINKING FUND FOR THE 2017-2018 FISCAL YEAR

Recitals

Pursuant to Chapter 176, Public Acts of Tennessee, 2013 (the "Act"), effective July 1, 2013, the State of Tennessee has pledged in T.C.A. Section 9-9-104 for the payment of debt service on a pro rata basis on its general obligation bonds issued on or before June 30, 2013, the following:

- Annual proceeds of a tax to five cents (\$.05) per gallon upon gasoline;
- Annual proceeds of the special tax on petroleum products imposed by T.C.A. Section 67-3-203 (formerly T.C.A. Section 67-3-1303);
- One half (1/2) of the annual proceeds of motor vehicle registration fees; and
- Entire annual proceeds of franchise taxes imposed by the franchise tax law in Title 67, Chapter 4, Part 21 (formerly Title 67, Chapter 4, Part 9).

Pursuant to the Act, the State Funding Board is authorized by T.C.A. Section 9-9-106 to certify the amount necessary to provide for the payment of debt service from the fees, taxes and other revenues and funds available for such purpose.

Section 1, Title III-31 of Chapter 460, Public Acts of Tennessee, 2017, (the "General Appropriations Act") appropriates the aggregate sum of Three Hundred Eighty Million, Three Hundred Eight Thousand Dollars (\$380,308,000) for debt service expenses and amortization of authorized and unissued bonds for the 2017-2018 fiscal year. Section 1, Title III-33 of the General Appropriations Act, appropriates to the Sinking Fund such amount of the excise tax receipts as determined by the State Funding Board.

The Commissioner of Finance and Administration recommended by memorandum dated June 12, 2017, that the State Funding Board allocate Three Hundred Sixty-Five Million, Two Hundred Thousand Dollars (\$365,200,000) in pledged tax revenues. Further, he recommended the following specific dollar allocation of taxes for the payment of debt service on general obligation debt of the State of Tennessee:

<u>TAX OR FEE</u>	<u>AMOUNT</u>	<u>BASIS OF ALLOCATION</u>
Franchise Tax	\$ 18,000,000	Equal monthly
Excise Tax	197,800,000	Equal monthly
Gasoline Tax	83,800,000	Equal monthly
Motor Vehicle Title Fees	2,700,000	Equal monthly

Further, he recommended a monthly allocation totaling Sixty-Two Million, Nine Hundred Thousand Dollars (\$62,900,000) of Sales Tax revenues [which is the estimated allocation of the net receipts of State Sales Tax pursuant to T.C.A. Section 67-6-103]. These recommendations assume (i) utilization of Sports Authority Revenue in the amount of Three Million, Five Hundred Thousand Dollars (\$3,500,000) and Other Revenues (College and Universities and State Veterans' Homes) in the amount of Four Million, Eight Hundred Fifteen Thousand Dollars (\$4,815,000), (ii) a Federal Highway Bridge Funds Match of Seven Million, Two Hundred Thousand Dollars (\$7,200,000), and (iii) an adjusted balance at June 30, 2018 of Four Hundred Seven Thousand Dollars (\$407,000).

Be It Resolved By The Funding Board Of The State Of Tennessee:

1. It is hereby certified to the Commissioner of Finance and Administration that the following sums shall be allocated to the Sinking Fund for debt retirement for the 2017-2018 fiscal year:

<u>SOURCE, TAX OR FEE</u>	<u>AMOUNT</u>	<u>BASIS OF ALLOCATION</u>
Franchise Tax	\$ 18,000,000	Equal monthly
Excise Tax	197,800,000	Equal monthly
Gasoline Tax	83,800,000	Equal monthly
Motor Vehicle Title Fees	2,700,000	Equal monthly
Sales Tax (estimated TCA allocation)	62,900,000	Monthly

2. This resolution shall be effective as of July 1, 2017, and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on June 22, 2017.



JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

**RESOLUTION ALLOCATING FUNDS TO DEFRAY A PORTION OF
THE COST OF HIGHWAY CONSTRUCTION PROJECTS AND
CANCELING AUTHORIZED BONDS**

Recitals

(1) The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 552, Public Acts of Tennessee, 2009 (the "2009 Act"), to issue and sell its general obligation bonds in an amount not to exceed Four Hundred Thirty-Eight Million, Six Hundred Thousand Dollars (\$438,600,000) of which Eighty Million Dollars (\$80,000,000) is allocated pursuant to Section 4(4) of the 2009 Act (the "2009 DOT Bonds") for the Department of Transportation for the purpose of providing funds to be spent for the construction of highways and highway projects.

None of the 2009 DOT Bonds principal amount authorized has been issued.

Section 6, Item 2(a) of Chapter 460, Public Acts of Tennessee, 2017 (the "2017 Appropriations Act") appropriates to the Funding Board the sum of Eighty Million Dollars (\$80,000,000) to cancel a like amount of unissued 2009 DOT Bonds.

The Commissioner of Finance and Administration by memorandum dated June 12, 2017, recommended that the Funding Board proceed with canceling Eighty Million Dollars (\$80,000,000) of the unissued 2009 DOT Bonds.

(2) The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 1024, Public Acts of Tennessee, 2012 (the "2012 Act"), to issue and sell its general obligation bonds in an amount not to exceed Three Hundred Eighty-One Million, Nine Hundred Thousand Dollars (\$381,900,000) of which Eighty Million Dollars (\$80,000,000) is allocated pursuant to Section 4(4) of the 2012 Act (the "2012 DOT Bonds") for the Department of Transportation for the purpose of providing funds to be spent for the construction of highways and highway projects.

The Funding Board has previously canceled Four Million Dollars (\$4,000,000) of the 2012 DOT Bonds; none of the remaining Seventy-Six Million Dollars (\$76,000,000) of the 2012 DOT Bonds principal amount authorized has been issued.

Section 6, Item 2(a) of the 2017 Appropriations Act appropriates to the Funding Board the sum of One Million Dollars (\$1,000,000) to cancel a like amount of unissued 2012 DOT Bonds.

The Commissioner of Finance and Administration by memorandum dated June 12, 2017, recommended that the Funding Board proceed with canceling One Million Dollars (\$1,000,000) of the unissued 2012 DOT Bonds.

(3) The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 452, Public Acts of Tennessee, 2013 (the "2013 Act"), to issue and sell its general obligation bonds in an amount not to exceed Two Hundred Sixty-Six Million Dollars (\$266,000,000) of which Eighty-One Million Dollars (\$81,000,000) is allocated pursuant to Section 4(2) of the 2013 Act (the "2013 DOT Bonds") for the Department of Transportation for the purpose of providing funds to be spent for the construction of highways and highway projects.

The Funding Board has previously canceled Two Million Dollars (\$2,000,000) of the 2013 DOT Bonds; none of the remaining Seventy-Nine Million Dollars (\$79,000,000) of the 2013 DOT Bonds principal amount authorized has been issued.

Section 6, Item 2(a) of the 2017 Appropriations Act appropriates to the Funding Board the sum of One Million Dollars (\$1,000,000) to cancel a like amount of unissued 2013 DOT Bonds.

The Commissioner of Finance and Administration by memorandum dated June 12, 2017, recommended that the Funding Board proceed with canceling One Million Dollars (\$1,000,000) of the unissued 2013 DOT Bonds.

Be It Resolved By The Funding Board Of The State Of Tennessee:

1. The projects authorized to be financed by the 2009 DOT Bonds, 2012 DOT Bonds and 2013 DOT Bonds have been financed in whole or in part with current funds and a total of Eighty-Two Million Dollars (\$82,000,000) is no longer needed to fund such authorized projects.
2. Eighty Million Dollars (\$80,000,000) of the unissued 2009 DOT Bonds are hereby canceled.
3. One Million Dollars (\$1,000,000) of the unissued 2012 DOT Bonds are hereby canceled.
4. One Million Dollars (\$1,000,000) of the unissued 2013 DOT Bonds are hereby canceled.
5. This resolution shall be effective July 1, 2017, and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on June 2, 2017.



JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

**A RESOLUTION AUTHORIZING THE ISSUANCE OF
GENERAL OBLIGATION BONDS OF THE STATE OF TENNESSEE**

Be It Resolved By The Funding Board Of The State Of Tennessee:

1. The Funding Board of the State of Tennessee (the "Funding Board") hereby finds and determines that the Funding Board is authorized to provide for the issuance of general obligation bonds of the State of Tennessee (the "State") under the provisions of Sections 1 and 4 of Chapter 462, Public Acts of Tennessee, 2017, to be allocated as follows:

Eighty Million Dollars (\$80,000,000) to the Department of Transportation to be expended for the construction of highways and for the purpose of acquisition of equipment and sites, and erection, construction and equipment of sites and buildings, expressly including the acquisition of existing structures for expansion, improvements, betterments and extraordinary repairs to existing structures.

Further, the Funding Board is authorized to sell bonds in amounts not to exceed 2.5% of all of the amounts stated above, the proceeds of which are to be allocated to the Funding Board and expended for the purpose of funding discounts and the costs of issuance.

2. The Funding Board hereby finds and determines that no bonds or bond anticipation notes have been issued pursuant to the Public Acts referred to in Section 1 hereof, and that such authorization has not been cancelled or rescinded.

3. The Funding Board hereby authorizes the issuance of general obligation bonds of the State in the respective maximum principal amounts and for the respective purposes set forth in Section 1 hereof (the "Bonds"). The sale and issuance of the Bonds shall be provided for by subsequent resolution of the Funding Board. Pending the issuance of Bonds, bond anticipation notes may be issued from time to time under and pursuant to the resolution adopted by the Funding Board on March 6, 2000, entitled "RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF COMMERCIAL PAPER; AUTHORIZING AND PROVIDING FOR A STANDBY COMMERCIAL PAPER PURCHASE AGREEMENT; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO", as amended or restated, or under and pursuant to other resolutions hereafter adopted by the Funding Board.

4. The Funding Board reserves the right to rescind the authorization of any Bonds authorized hereunder to the extent (i) general obligation bonds have not been issued against such Bond authorization or (ii) general obligation bond anticipation notes have not been issued in anticipation of the issuance of Bonds to be issued against such Bond authorization.

5. Available State funds may be expended for any or all of the purposes specified in Section 1 hereof, in anticipation of reimbursement from the proceeds of Bonds or bond anticipation notes issued under and pursuant to the respective authorizations specified in Section 1 hereof. The Funding Board hereby authorizes the Commissioner of Finance and Administration or the Secretary or Assistant Secretary of the Board to evidence an official intent to this effect, and otherwise execute, file and publish such documents or take such other action, as may be necessary to permit reimbursement from the proceeds of Bonds or bond anticipation notes, the interest on which shall be excluded from gross income for federal income tax purposes.

6. If any provisions of this resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the resolution which can be given effect without the invalid provision or application, and to that end the provisions of this resolution are declared to be severable.

7. This resolution shall be effective as of July 1, 2017, and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on June 22, 2017.

A handwritten signature in black ink, appearing to read "Justin P. Wilson", written over a horizontal line.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD