RECONVENED
November 27, 2017
1:00 p.m.

The Board reconvened on November 27, 2017 at 1:00 p.m., in the Tennessee Tower, 3rd Floor, Nashville Room, Nashville, Tennessee. The following members were present.

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

The following member was absent:

The Honorable Bill Haslam, Governor

Seeing a quorum present, Mr. Wilson called the meeting to order and recognized Ms. Jamie Stitt, Deputy Assistant Commissioner of Business Development, ECD, to present FastTrack projects for consideration and Mr. Paul VanderMeer, Senior Advisor for Fiscal Policy, ECD, to present the "FastTrack Report to the State Funding Board" (the "Report"). Mr. VanderMeer reported that, as of the date of the last Board meeting on September 8, 2017, the FastTrack balance was $242,620,100.97. Since that time, $1,240,456.88 in funds were deobligated and returned to the FastTrack program. Mr. VanderMeer reported that $12,000,000 in funds were transferred to the FastTrack program from the ECD business development fund for the St. Jude project and $4,674,000 were transferred from the FastTrack program to the capital projects fund for a capital grant for the Nokian Tyres project. Mr. VanderMeer then reported that $10,995,749.00 in new grants or loans were approved and $122,589.17 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of $240,068,219.68 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of $176,074,495.76, resulting in an uncommitted FastTrack balance of $63,993,723.92. Mr. VanderMeer reported that the projects to be considered at this meeting totaled $49,810,000, and if these projects were approved, the uncommitted balance would be $14,183,723.92 and the total commitments would be $225,884,495.76, which represented 94.1% of the FastTrack balance.

Ms. Stitt then stated that the following 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. Ms. Stitt then presented the following FastTrack projects:

- **American Lebanese Syrian Associated Charities ("ALSAC") and St. Jude Children's Research Hospital ("St. Jude") – Memphis (Shelby County)**
  FastTrack Economic Development Grant $24,000,000

- **Nokian Tyres U.S. Operations LLC – Dayton (Rhea County)**
  FastTrack Job Training Grant $ 6,435,000

- **Gränges Americas Inc. – Huntingdon (Carroll County)**
  FastTrack Economic Development Grant $ 1,375,000

- **Gränges Americas Inc. – Huntingdon (Carroll County)**
  FastTrack Economic Development Grant $ 1,500,000

- **Volkswagen Group of America Chattanooga Operations, LLC – Chattanooga (Hamilton County)**
  FastTrack Job Training Grant $12,000,000

- **Amazon dedc, LLC – Memphis (Shelby County)**
  FastTrack Economic Development Grant $ 3,000,000

- **Shaw Industries Group, Inc. – Decatur (Meigs County)**
  FastTrack Economic Development Grant $ 1,500,000

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms singed by Mr. Bob Rolfe, Commissioner of ECD. Mr. Wilson inquired if the information provided in the ECD packets was true and correct and Ms. Stitt responded affirmatively. Mr. Wilson then inquired if the companies that signed the incentive acceptance forms fully understood the agreements and Ms. Stitt responded affirmatively. Commissioner Martin made a motion to approve the FastTrack projects that were presented. Secretary Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. David Thurman, Director of the Division of Budget with the Department of Finance and Administration, who presented the staff recommendations of the consensus recurring revenue estimates expressed in ranges of growth rates in State taxes.

	FY 2017–2018		FY 2018-2019	
	Low	High	Low	High
Total State Taxes	2.43%	2.67%	2.70%	3.20%
General Fund	1.16%	1.40%	2.70%	3.20%

The Board noted that while it is difficult to precisely predict revenue ranges, the Board believes that these ranges are reasonable for use in state budgeting. The Board also noted that these ranges are based on statutory tax provisions through the 2017 session of the General Assembly. Commissioner Martin made a motion to approve the consensus revenue estimates as recommended by staff. Secretary Hargett seconded the motion and it was unanimously approved.

Mr. Thurman then presented the staff recommendations of the estimates of the range for Net Lottery Proceeds to be deposited in the Lottery for Education Account and used for various statutory purposes.

	FY 2017-2018	FY 2018-2019	FY2019-2020	FY2020-2021	FY 2021-2022
Low	1.00%	1.50%	1.50%	1.50%	1.50%
High	2.00%	2.00%	2.00%	2.00%	2.00%

Mr. Lillard made a motion to approve the lottery revenue estimates as recommended by staff. Mr. Wilson seconded the motion, and it was unanimously approved.

Pursuant to Tennessee Code Annotated 4-51-111(a)(3), the TELC may make a determination that returning a specific percentage of sales as net proceeds (35%) would not result in the maximum dollar amount of net proceeds being achieved. Mr. Wilson acknowledged receipt of a letter from TELC notifying the Board that TELC had determined that an amount that maximizes net lottery proceeds to the State of Tennessee Lottery for Education Account is less than 35% of lottery proceeds for fiscal year 2018. The amount currently projected for the fiscal year ranges from $381 million to $389 million. The Board acknowledged the letter.

Mr. Wilson then recognized Mr. Charly Lyons and Ms. Carroll Carman from the Tennessee Central Economic Authority (the "Authority) (formerly Four Lake Authority) who presented a report on the Authority operations over the past year. Mr. Lyons explained that the Authority is an economic development organization that operates in the counties of Macon, Smith, Sumner, Trousdale and Wilson. Mr. Lyons reported that the General Fund 2017/2018 Fiscal Year End Budget along with the Budget vs. Actual for the period July through October 2017 was provide to the Board members in their packet. Mr. Lyons then reported that the Board was also provided a Capital Improvement Fund Budget for the 2017-2018 Fiscal Year End and for the period July through October 2017, which deals with grants and infrastructure work performed. Mr. Lyons reported that the major on-going project is the PowerCom Industrial Center improvements and completion of the Tennessee Department of Transportation State Infrastructure Access Road to the PowerCom site. No action was necessary.

Mr. Wilson then recognized Mr. Ed Harries, Executive Director, and Ms. Danielle Brown, Controller, from the Tennessee State Veterans' Home Board (the "TSVHB"), who presented a report on TSVHB operations. Ms. Brown reported that for the period July 1, 2017 through October 31, 2017, net income for the Murfreesboro and Knox County facilities was more than budget and is the result of patient mix and census. Ms. Brown explained that the Clarksville facility reported a loss for the period, which was due to staggering the opening of the different houses in the facility. Ms. Brown explained that staff for each house in the facility is hired two to three weeks prior to residents being admitted for training. Ms. Brown reported that all nine houses at the Clarksville Home were at capacity. Ms. Brown also reported that net income for the Humboldt facility was less than budgeted and was driven by many factors. Mr. Harries reported that for the month of October 2017, each facility was reporting the following average daily census and occupancy information: Murfreesboro – 135 (96.6% occupancy), Humboldt – 117 (83.8% occupancy), Knox County – 138 (98.6% occupancy) and Clarksville – 106 (97.9% occupancy). Mr. Harries reported that the occupancy rate at the facilities exceeded the state occupancy rate of 75.3%. Mr. Harries reported that an application for federal funding has been submitted for a 108 bed intermediate and skilled care nursing facility in Cleveland-Bradley County and for a 144 bed skilled nursing facility in Arlington-Shelby County. Mr. Harries stated that TSVHB received zero audit findings for fiscal year ended June 30, 2016 from their state audit. Mr. Harries also discussed various other information from performance and regulatory compliance audits. No action was necessary.

Mr. Wilson then recognized Mr. Tim McClure, Director of Cash Management of the State of Tennessee Treasury Department, who presented a report on the State Pooled Investment Fund ("SPIF") for the fiscal year ended June 30, 2017. Mr. McClure reported the SPIF had a monthly average of $10.46 billion invested for the fiscal year ended June 30, 2017. Mr. McClure stated that the average portfolio composition of the SPIF for fiscal year 2016-2017 was made up of U.S. Agencies (59.33%), U.S. Treasuries (14.50%), Collateralized CD's (14.06%), Commercial Paper (6.02%) and Overnight Sweep (6.09%). Mr. McClure reported on the average daily balances, performance, weighted average maturity, weighted average life and daily and weekly liquid assets, credit quality and diversification, and shadow pricing of the SPIF. Mr. McClure reported that stress tests conducted during fiscal year 2016-2017 revealed that, in each case, the results of the tests were successful. Mr. McClure stated that because the SPIF Investment Policy was revised and approved by the Board on April 7, 2016, no additional changes were anticipated during the current fiscal year. Mr. McClure stated that a 4 basis point administrative fee is charged to all participants to administer the program. No action was necessary.

Mr. McClure then presented a report on the Intermediate Term Investment Fund ("ITIF") for the fiscal year ended June 30, 2017. Mr. McClure explained that the ITIF was launched on July 22, 2013, when the first participant invested $200 million and as of June 30, 2017, there were no additional investments and the participant had withdrawals that totaled of $140 million since inception. Mr. McClure stated that the objective of the ITIF was to take advantage of the expected additional return from investing farther out on the yield curve and stated that the fund is not designed to provide liquidity. Mr. McClure reported that for the period July 22, 2013, through June 30, 2017, the ITIF had a market value increase of 2.47% and during fiscal year 2016-2017 increased in value by 0.33%, net of expenses. Mr. McClure stated that there were no investment policy changes anticipated during the current fiscal year. No action was necessary.

Mr. Wilson then presented for consideration and approval an amendment to the financial advisor contract with Public Financial Management (PFM). Mr. Wilson explained that the amendment would extend the contract for one additional year. Mr. Lillard made a motion to approve the amendment to the contract with PFM. Commissioner Martin seconded the motion and it was unanimously approved.

Mr. Wilson then recognized Ms. Sandi Thompson, Director of the Office of State and Local Finance, who presented a report on the State's commercial paper ("CP") program. Ms. Thompson reported the following points for the period July 1, 2016 to June 30, 2017:

- The average daily balance for taxable CP was $26,000,000 and for tax-exempt CP was $152,000,000.
- The taxable CP interest rate ranged from 0.45% to 1.20%, with a weighted average yield of 0.73%.
- The tax-exempt CP interest rate ranged from 0.45% to 0.97%, with a weighted average yield of 0.76%.
- The CP program expenses included interest in the amount of $1,164,320, standby purchase agreement fee of $1,050,000, dealer services fee of $95,751, issuing and paying agent fee of $5,679.

Ms. Thompson reported the following points for the period July 1, 2017 to October 31, 2017:

- The outstanding balance at October 31, 2017 for taxable CP was $26,663,000 and for tax-exempt CP was $193,513,000.
- The average daily balance for taxable CP was $27,516,659 and for tax-exempt CP was $163,966,171.
- The taxable CP interest rate ranged from 1.20% to 1.24%, with a weighted average yield of 1.20%.
- The tax-exempt CP interest rate ranged from 0.86% to 1.00%, with a weighted average yield of 0.96%.

No action was necessary.

Mr. Wilson then presented for approval a "Resolution Allocating from the Internal Service Fund to the Capital Projects Fund $4,380,000 and Canceling Authorized Bonds." Mr. Wilson explained that the Resolution was to cancel the bond authorization related to the Enterprise Resource Planning Software project, as was recommended in a memo from the Commissioner of Finance and Administration. 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 Allocating from the Debt Service Fund to the Capital Projects Fund $1,400,000 and Canceling Authorized Bonds." Mr. Wilson explained that the Resolution was to cancel the bond authorization related to the West Tennessee Megasite project, as was recommended in a memo from the Commissioner of Finance and Administration. Mr. Wilson made a motion to approve the Resolution. Commissioner Martin seconded the motion and it was unanimously approved.

Hearing no other business, Mr. Wilson adjourned the meeting.

Approved this 19th day of December 2017.

Respectfully submitted

Sandra Thompson

Sandra Thompson
Assistant Secretary

RESOLUTION ALLOCATING FROM THE INTERNAL SERVICE FUND TO THE CAPITAL PROJECTS FUND $4,380,000 AND CANCELING AUTHORIZED BONDS

Recitals

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 962, Public Acts of Tennessee, 2006 (the "2006 Act"), to issue and sell its general obligation bonds in an amount not to exceed Five Hundred Eighty-Six Million, Nine Hundred Thousand Dollars and no cents ($586,900,000.00), of which Eighty-One Million, Three Hundred Thousand Dollars and no cents ($81,300,000.00) is allocated pursuant to Section 4(3) of the 2006 Act to the Department of Finance and Administration, to provide funds for the acquisition and implementation of enterprise resource planning software (the "2006 Act ERP Bonds").

The Funding Board has previously canceled Seventy-Two Million, Five Hundred Forty Thousand, Sixty-Nine Dollars and Thirty-Three Cents ($72,540,069.33) of the 2006 Act ERP Bonds; none of the remaining Eight Million, Seven Hundred Fifty-Nine Thousand, Nine Hundred Thirty Dollars and Sixty-Seven Cents ($8,759,930.67) principal amount has been issued as 2006 Act ERP Bonds but bond anticipation notes in the form of commercial paper have been issued.

By memorandum dated September 13, 2017, the Commissioner of Finance and Administration notified the Funding Board that Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) is available for the 2006 Act ERP Bonds from funds not required for debt service and recommended that: (1) a like amount of commercial paper should be retired without the issuance of bonds and (2) a like amount of authorization be canceled.

Be It Resolved by the Funding Board of the State of Tennessee:

1. The project authorized to be financed by the 2006 Act ERP Bonds has been financed in part with commercial paper and the commercial paper has been retired in whole or in part without the issuance of bonda and Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) is no longer needed to fund such authorized project.

2. Four Million Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) in accordance with the authority provided by Tennessee Code Annotated Section 9-9-208 is allocated from the Internal Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2006 Act ERP Bonds.

3. In accordance with the authority provided by Tennessee Code Annotated Section 9-9-208 and the memorandum from the Commissioner of Finance and Administration dated September 13, 2017, the Funding Board cancels Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) of the principal amount authorized by the 2006 Act for the 2006 Act ERP Bonds.

4. This resolution shall be effective as of November 27, 2017, and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on November 27, 2017.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

RESOLUTION ALLOCATING FROM THE DEBT SERVICE FUND TO THE CAPITAL PROJECTS FUND $1,400,000 AND CANCELING AUTHORIZED BONDS

RECITALS

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 Seven Hundred One Million, One Hundred Thousand Dollars and no Cents ($701,100,000.00) of which Two Hundred Ten Million, Nine Hundred Thousand Dollars and no Cents ($210,900,000.00) is allocated pursuant to Section 4(1) of the 2009 Act (the "2009 Act Bonds") to the Department of Finance and Administration. Twenty-Seven Million, Three Hundred Thousand Dollars and no Cents ($27,300,000.00) of the 2009 Act Bonds authorized is to provide funds for the West Tennessee Megasite Land and Right of Way (the "West TN Megasite") project.

The Funding Board has previously canceled Eleven Million, Two Hundred Thousand Dollars and no Cents ($11,200,000.00) of the 2009 Act Bonds allocated to the West TN Megasite; none of the remaining Sixteen Million, One Hundred Thousand Dollars and no Cents ($16,100,000.00) principal amount has been issued as 2009 Act Bonds but bond anticipation notes in the form of commercial paper have been issued.

By memorandum dated September 13, 2017, the Commissioner of Finance and Administration notified the Funding Board that One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) is available for the West TN Megasite from funds not required for debt service and recommended that: (1) a like amount of commercial paper should be retired without the issuance of bonds and (2) a like amount of authorization be canceled.

Be It Resolved By the Funding Board of the State of Tennessee:

1. The project authorized to be financed by the 2009 Act Bonds has been financed in part with commercial paper and the commercial paper has been retired in whole or in part without the issuance of bonds and One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) is no longer needed to fund such authorized project.

2. One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) in accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, is allocated from the Debt Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2009 Act Bonds.

3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated September 13, 2017, the Funding Board hereby cancels One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) of the principal amount authorized by the 2009 Act for the 2009 Act Bonds.

4. This resolution shall be effective as of November 27, 2017 and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on November 27, 2017.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD