

TENNESSEE STATE FUNDING BOARD

March 2, 2018

The Tennessee State Funding Board (the "Board") met on Friday, March 2, 2018, at 10:10 a.m., in the Tennessee State Capitol, Ground Floor, 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 David Lillard, State Treasurer
Commissioner Larry Martin, Department of Finance and Administration

The following members were absent:

The Honorable Bill Haslam, Governor
The Honorable Tre Hargett, Secretary of the State of Tennessee

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the December 19, 2017 meeting. Mr. Lillard 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 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 on December 19, 2017, the FastTrack balance was \$237,894,822.22. Since that time, \$7,663,409.50 in funds were deobligated and returned to the FastTrack program; \$5,974,045.73 in funds were transferred into the FastTrack program; \$20,836,805.00 in new grants had been approved and \$219,745.71 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$230,475,726.74 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$220,195,084.23, resulting in an uncommitted FastTrack balance of \$10,280,642.51. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$4,885,000, and if these projects were approved, the uncommitted balance would be \$5,395,642.51 and the total commitments would be \$225,08,084.23, which represented 97.7% of the FastTrack balance.

Mr. Borden stated that the projects were being presented to the Board because state law required that FastTrack projects in amounts exceeding \$750,000.00 per eligible business within any three-year period be reviewed and approved by the Board. Mr. Rolfe then presented the following FastTrack projects:

- **Allied Dispatch Solutions, LLC – Sneedville (Hancock County)**
FastTrack Job Training Grant \$ 560,000.00
- **DENSO Manufacturing Athens Tennessee, Inc. – Athens (McMinn County)**
FastTrack Economic Development Grant \$2,325,000.00
- **England, Inc. – New Tazewell (Claiborne County)**
FastTrack Economic Development Grant \$1,200,000.00
FastTrack Job Training Grant \$ 800,000.00

Mr. Borden explained that the Allied Dispatch Solutions, LLC project ("Allied") is part of ECD's initiative, Project 95, to put programs in place to help the most rural counties in Tennessee. Mr. Borden explained that Project 95 would be for counties with high poverty rates, high unemployment rates and low per capita income. Mr. Borden explained that the Allied project would be located in Hancock County, which is ranked 95 out of the 95 counties in Tennessee. Mr. Wilson commented that the average wage rate for the Allied project was \$12.23 per hour. Mr. Wilson then asked how this wage rate compares to the average wage rate for Hancock County, what the unemployment rate in Hancock County was, and how beneficial the Allied project would be to the county. Mr. Borden responded that the Allied project would be very beneficial for Hancock County. Mr. Borden explained that the wage rate for the Allied project and for the England, Inc. project are good wage rates for these two rural counties. Mr. Borden explained that a large percentage of people in Hancock County commute outside the county for jobs. Mr. Wilson asked if ECD had determined that the Allied project and the England, Inc. project was beneficial to the counties and the State and Mr. Borden responded affirmatively. Commissioner Martin and Mr. Wilson asked ECD to provide more information to the Board about the Project 95 initiative.

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms signed by Mr. Bob Rolfe, Commissioner of ECD. Mr. Wilson inquired if the information provided in the ECD packets was true and correct and Mr. Borden responded affirmatively. Mr. Wilson also inquired if the companies that had signed the incentive acceptance forms fully understood the agreements and Mr. Borden responded affirmatively. Mr. Wilson made a motion to approve the FastTrack projects that were presented. Commissioner Martin seconded the motion, and it was unanimously approved. Mr. Lillard made a request that ECD amend the project descriptions for the Allied and England, Inc. projects and resubmit that information to the Board to be included in the packet for this meeting.

Mr. Wilson then presented for consideration and approval revisions to the Tennessee State Funding Board's Debt Management Policy (the "Policy"). Mr. Wilson explained that the revisions to the Policy were made due to new tax reform that eliminated tax-exempt advance refunding bonds. The changes address the criteria in the issuance of current refunding bonds and clarified which criteria was applicable to advanced refunding bonds. Mr. Wilson commented that Public Financial Management (PFM), the State's financial advisor, reviewed the changes and agree with the changes. Commissioner Martin made a motion to approve the revised Policy. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration and approval a "Resolution Authorizing and Providing for the Issuance and Sale of General Obligation Bonds of the State of Tennessee" (the "Resolution") and delegation of authority to the Comptroller to sell and fix the details of the bonds. Mr. Wilson explained that the anticipated bond sale was scheduled for mid-April.

Mr. Wilson explained that the Resolution provides the following information regarding the transaction:

- It was determined that it may be beneficial to the Board to issue new money bonds to repay/refund commercial paper and to fund project costs in an amount not to exceed \$200,000,000;
- The bonds shall be issued pursuant to Title 9, Chapter 9, Tennessee Code Annotated and shall constitute direct general obligations of the State for the payment of the principal of and premium, if any and interest on which there is pledged the full faith and credit of the State.
- It may also be advisable that the State also issue a series of current refunding bonds to refund, or refinance bonds that are currently outstanding that, depending on market conditions, if refunded,

may accomplish cost savings that would be in the best financial interests of the Board and accomplishes cost savings to the public.

- The current refunding bonds shall not be issued unless the issuance meets the parameters as outlined in the Board's debt management policy;
- Proposed structure - the structure of the financing would be 20 yr., level principal; may be issued as Tax-Exempt or Taxable; (will be issuing Tax-Exempt)
- Proposed method of sale - Bonds may be sold through competitive or negotiated sale; with the preferred method being competitive sale.
- A recommendation letter has been provided by the Board's financial advisor, PFM Financial Advisors, LLC, and states that it would be in the best interest of the Board to sell its bonds competitively.
- Interest cost - the True Interest Cost (TIC) of the bonds shall not exceed 5% for tax-exempt bonds and 6% for taxable bonds

Mr. Wilson explained that the following documents are provided in conjunction with the proposed bond transaction and are referenced in the Resolution:

- Form of Preliminary Official Statement provided, a draft of which shall be distributed to the members of the Funding Board prior to publication and distribution;
- A Form of the Notice of Sale is provided (for competitive sale);
- Refunding Trust Agreement in substantive form (from last GO bond sale, Series 2016);
- Continuing Disclosure Undertaking in substantive form (from 2016 transaction), to be executed solely to assist the underwriters of the Bonds in complying Rule 15c2-12;

Mr. Wilson made a motion to approve the Resolution that authorizes and provides for the issuance and sale of the state's general obligation bonds, and delegates the Authority to fix the details, and carry out the sale, of the bonds; and to sell the bonds through a competitive sale based on recommendation of PFM, the Board's financial advisor. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration and approval of the assignment of contract for financial advisory services from Public Financial Management, Inc. to PFM Financial Advisors, LLC. Mr. Wilson explained that included in the packet was a letter from Public Financial Management, Inc. the Board's financial advisor, notifying the Board, and requesting acknowledgement of consent, of its assignment of Financial Advisory Services contract to its affiliated company, PFM Financial Advisors LLC, a municipal advisor registered with the SEC and MSRB. The Comptroller made a motion to approve the assignment. 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 16th day of May 2018.

Respectfully submitted,



Sandra Thompson
Assistant Secretary