

TENNESSEE STATE FUNDING BOARD

May 16, 2018

The Tennessee State Funding Board (the "Board") met on Wednesday, May 16, 2018, at 1:30 p.m., in the Tennessee State Capitol, Ground Floor, Executive Conference Room, Nashville, Tennessee. The Honorable David Lillard, State Treasurer, 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 Justin Wilson, Comptroller

Seeing a physical quorum present, Mr. Lillard called the meeting to order and asked for approval of the minutes from the March 2 and March 13, 2018 meetings. Commissioner Martin made a motion to approve the minutes. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Lillard 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 on March 2, 2018, the FastTrack balance was \$230,475,726.74. Since that time, interest in the amount of \$1,209,308.61 was received; \$3,237,100.00 in funds were deobligated and returned to the FastTrack program; \$13,032,800.00 in new grants had been approved and \$67,050.86 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$221,822,284.49 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$166,469,476.74, resulting in an uncommitted FastTrack balance of \$55,352,807.75. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$48,745,850.00, and if these projects were approved, the uncommitted balance would be \$6,606,957.75 and the total commitments would be \$215,215,326.74, which represented 97.0% of the FastTrack balance.

Mr. Lillard then recognized Representative Patsy Hazelwood, District 27, who attended the meeting.

Mr. Rolfe 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:

- **Adient US, LLC – Lexington (Henderson County)**
FastTrack Economic Development Grant \$ 1,000,000
- **AllianceBernstein L.P. – Nashville (Davidson County)**
FastTrack Economic Development Grant \$17,500,000

- **Asurion Insurance Services, Inc. – Nashville (Davidson County)**
FastTrack Economic Development Grant \$ 4,400,000
- **Dong-A USA, Inc. – Martin (Weakley County)**
FastTrack Economic Development Grant \$ 2,200,000
- **Excel Boat Company, LLC – Ridgely (Lake County)**
FastTrack Economic Development Grant \$ 1,250,000
- **Granges Americas, Inc. – Huntingdon (Carroll County)**
FastTrack Infrastructure Development Grant \$ 395,850
- **Kilgore Flares Company, LLC – Toone (Hardeman County)**
FastTrack Economic Development Grant \$ 2,000,000
- **Tyson Foods, Inc. – Humboldt (Gibson County)**
FastTrack Infrastructure Development Grant \$14,000,000
FastTrack Economic Development Grant \$ 6,000,000

Mr. Rolfe commented that this request included 8 projects; 2 in Nashville and 6 in rural counties in West Tennessee. Of the 8 projects, 4 are expansion projects and 4 are new companies to Tennessee. Commissioner Martin inquired about how ECD connects all the benefits of a FastTrack project to the amount of money committed to a project. Mr. Rolfe explained that there are 4 major qualifications that ECD reviews when evaluating a project: (1) the private capital commitment from the company, (2) the number of jobs, (3) the quality of the wages, and (4) the location. Mr. Rolfe explained that all the projects get bounced against a database that ECD keeps for all projects since 2011. ECD also looks at the return of investment (“ROI) on each project and the years of payback. Mr. Rolfe also commented that the recruitment process has become very competitive, especially with the border States and without incentives companies would bypass Tennessee. Commissioner Martin asked if ECD looks at expansion projects and new projects differently. Commissioner Rolfe responded affirmatively and explained that Phase 1 new projects are the most expensive jobs. Mr. Hargett then asked about the AllianceBernstein project. Mr. Hargett commented that he read an article in Bloomberg that stated the grant from ECD included a discretionary component and asked for clarification from ECD regarding that statement in the story. Mr. Allen Borden, ECD Deputy Commissioner of Business, Community and Rural Development, explained that FastTrack grants are considered a discretionary bucket of grant funds verses the tax incentive which are considered statutory. Mrs. Jamie Stitt, ECD Assistant Commissioner of Business and Workforce Development, explained that the Bloomberg article stated the FastTrack grant funds could be used for training, infrastructure or discretionary items. Ms. Stitt further explained that what the article referred to as discretionary was the economic development grants, which are more discretionary for things out of training and infrastructure. Ms. Stitt explained that the economic development grants must still be spent within according to the qualifications of the grant program.

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

Mr. Lillard recognized Ms. Sandra Thompson, Director of the Office of State and Local Finance (OSLF) and Assistant Secretary to the State Funding Board, who presented a report on the results of the sale of General Obligation Bonds, 2018 Series A (the "Series A bonds") and 2018 Refunding Series B (the "Series B Bonds"; collectively, the "Bonds"). Ms. Thompson reported that:

- the Bonds were sold on April 18, 2018 with a total par amount of \$189,770,000.00;
- the Series B Bonds were tax-exempt refunding bonds in the amount of \$35,415,000.00 and generated a premium of \$2,258,759.40;
- the Series A Bonds were tax-exempt new money bonds in the amount of \$154,355,000.00 and generated a premium of \$26,107,770.95;
- the range of yields on the Series A Bonds were 1.59% to 2.82% and for the Series B Bonds were 1.64% to 2.10%;
- the true interest cost (TIC) for the Series A Bonds was 2.9989% and for the Series B Bonds was 1.9518%;
- the underwriter's discount for the Series A Bonds was \$155,558.81 and for the Series B Bonds was \$13,041.75; and
- the Series B Bonds generated a new present value savings of \$1,497,795.21 or 4.02% of the par amount of the refunded bonds.

Mr. Lillard then recognized Ms. Thompson who presented the Report of Debt Obligation (CT-0253) for the Bonds. Ms. Thompson explained that there were two reports in the packet presented to the Board; one for the Series A Bonds and one for the Series B Bonds and were presented pursuant to Tennessee Code Annotated Section 9-21-151. Ms. Thompson noted that page 2 of the CT-0253 outlined the costs of issuance for the bonds. Mr. Lillard acknowledged receipt of the CT-0253's.

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

Approved on this 19th day of June 2018.

Respectfully submitted,



Sandra Thompson
Assistant Secretary