

## **TENNESSEE STATE FUNDING BOARD**

**September 13, 2018**

The Tennessee State Funding Board (the "Board") met on Thursday, September 13, 2018, at 1:00 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  
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. Mr. Wilson then proceeded to change the order that the items on the agenda were brought before the Board. Mr. Wilson then presented the minutes from the July 17, 2018. meeting, and barring any further comment, asked approval of the minutes. Mr. Martin made a motion to approve the minutes. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson recognized Mr. Bob Rolfe, Commissioner of Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Assistant Commissioner of Administration, ECD, to present the "FastTrack Report to State Funding Board" (the "Funding Report"). Mr. VanderMeer reported that, as of the date of the last Board meeting on July 17, 2018, the FastTrack balance was \$343,146,701.01. Since that time, \$319,270.14 in new appropriations had been received, the result of interest for the month of June 2018; \$166,500.00 in funds had been deobligated and returned to the FastTrack program; \$500,000.00 in funds were transferred from FastTrack to assist the Allied Dispatch Solutions project in Hancock County; \$6,489,100.00 in new grants had been approved; and \$156,190.23 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$336,487,180.92 as of the date of the Funding Report. Mr. VanderMeer reported that commitments had been made in the amount of \$270,118,593.13, resulting in an uncommitted FastTrack balance of \$66,368,587.79, which represented 80.3% of the FastTrack balance. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$13,364,328.00, and if these projects were approved, the uncommitted balance would be \$53,004,259.79 and the total committed balance would be \$283,482,921.13, which represented 84.2% of the FastTrack balance.

Mr. Wilson then stated that ECD had approximately \$66,000,000.00 in uncommitted funds remaining through June 30, 2019, at which time there will be a new budget and a new Governor. Mr. Wilson further stated, as a reminder, that ECD should be aware that applications need to be sent to the Department of Finance and Administration ("F&A") in time to allow F&A to make proposals to the Governor for the next budget. Mr. Rolfe responded that the process was ongoing.

Mr. Wilson requested the FastTrack projects presented to the Board be presented at one time. Mr. Rolfe then presented the following FastTrack projects:

- **American Lebanese Syrian Associated Charities & St. Jude Children's Research Hospital – Memphis (Shelby County)**  
FastTrack Economic Development Grant \$ 12,000,000.00
- **BMT Manufacturing, LLC – Jacksboro (Campbell County)**  
FastTrack Economic Development Grant \$ 113,328.00  
FastTrack Job Training Grant \$ 48,000.00
- **BMT Manufacturing, LLC – Jellico (Campbell County)**  
FastTrack Economic Development Grant \$ 383,000.00  
FastTrack Job Training Grant \$ 70,000.00
- **CKE Restaurants Holdings, Inc. – Franklin (Williamson County)**  
FastTrack Economic Development Grant \$ 750,000.00

Mr. Martin inquired if the \$12,000,000.00 economic development grant to St. Jude Children's Research Hospital completed the State's commitment. Mr. Rolfe responded affirmatively.

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 had signed the incentive acceptance forms fully understood the agreements and could meet the obligations set forth in the agreements. Mr. Rolfe responded affirmatively. Mr. Wilson made a motion to approve the FastTrack projects that were presented. Mr. Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration for approval a "Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$7,000,000.00 and Canceling Authorized Bonds" to be effective September 13, 2018. Mr. Wilson explained that this resolution was to cancel bonds authorized for the Department of Safety Interoperable Communication System, as recommended by the Commissioner of Finance and Administration. Mr. Wilson made a motion to approve the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Ann Butterworth, Assistant to the Comptroller for Public Finance, to present the Board Guidelines for Requests for Approval to Issue Tourism Development Zone (TDZ) Debt ("TDZ Guidelines") for public hearing and approval. Ms. Butterworth stated that at a meeting on June 19, 2018, the Board directed that the proposed TDZ Guidelines and the proposed Annual Debt Reporting by Industrial Development Corporations Guidelines ("IDC Guidelines") be subject for comment for at least 60 days. Ms. Butterworth stated that the Office of the Comptroller of the Treasury posted on its website the TDZ and IDC Guidelines and had a news release on June 26, 2018. Due to the minimal response, on August 18, 2018, the Office of State and Local Finance ("OSLF") sent targeted emails to interested association contacts and attorneys listed on CT-0253 forms for the Industrial Development Corporations ("IDC"). Ms. Butterworth reported that by August 31, 2018, OSLF had received comments from 12 entities; two provided suggestions not directly related to the Guidelines, another two submitted identical

responses to the Guidelines, and only four of the seven outside respondents provided comments on the TDZ Guidelines. Ms. Butterworth further reported that the most detailed comments came on the last two days of the comment period.

Mr. Wilson requested that the proposed changes to the draft TDZ Guidelines be summarized. Ms. Butterworth responded that timing was a major concern. Staff recommends that the timing for submission of a request for approval be at least 60 calendar days rather than 60 business days before sale date of the debt and that an alternate time frame be allowed if agreed upon by the Director of OSLF in writing. Ms. Butterworth further clarified that if a request was disapproved and the corrected information was submitted, then the submission clock or timing will not restart. With regard to Appendix A there were changes made clarifying who had the repayment burden in conduit borrowing situations; that the last maturity of the debt is to be no later than the fiscal year in which the final apportionment of TDZ revenue was made; that evidence of submittal of debt amortization schedules to F&A was sufficient; and that a draft preliminary official statement was sufficient. Ms. Butterworth stated that the staff to the Board believed the revised TDZ Guidelines addressed the concerns raised by commentators and recommended approval of the TDZ Guidelines. Mr. Wilson stated that he reviewed the changes to the TDZ Guidelines and that the changes were appropriate. Mr. Wilson then made a motion for approval of the TDZ Guidelines in substance, with delegation to the Secretary to make non-substantive changes to the document. Mr. Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Sandra Thompson, Director, OSLF, to present for consideration for approval a request from the City of Pigeon Forge to issue TDZ debt in an amount not to exceed \$33,000,000.00. Ms. Thompson stated that the City of Pigeon Forge had met the requirements of the TDZ Guidelines except in relation to the timing of the request for approval submission. Ms. Thompson further stated that the municipality had not submitted the request within the timeframe that had been established by the draft TDZ Guidelines but as the TDZ Guidelines were only in draft form OSLF deemed the submission to be complete and submitted on an approved alternate timeframe. Mr. Wilson inquired if OSLF's recommendation was to approve. Ms. Thompson responded affirmatively. Mr. Wilson then recognized Mr. Mark Mamantov, Bond Counsel for the City of Pigeon Forge, to answer any further questions about the proposed debt; there were none. Mr. Hargett made a motion to approve the TDZ debt. Mr. Wilson seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Thompson to present for consideration for approval a request from the Industrial Development Board of Chattanooga to issue refunding TDZ debt. Ms. Thompson stated that the entity had met the requirements of the TDZ Guidelines except for the timing of the submission. Ms. Thompson further stated that the entity had not submitted the request within the timeframe that had been established but as the TDZ Guidelines were only draft form OSLF deemed the submission to be complete and submitted on an approved alternate timeframe. Ms. Thompson reported that it was OSLF's recommendation to approve the debt. Mr. Martin made a motion to approve the debt. Mr. Wilson seconded, and the motion was unanimously approved.

Mr. Wilson then recognized Ms. Butterworth to present the Board Guidelines for Annual Debt Reporting by Industrial Development Corporations for public hearing and approval. Ms. Butterworth stated that Public Chapter 529 provides that, as of March of 2018, IDC are to keep aggregate listings of current debt in accordance with guidelines approved by the Board, to file on an annual basis the aggregate listing with the Board, and to file a notice of default with the Board within 15 days of the event. Ms. Butterworth further stated that five comments were received on the IDC Guidelines and the largest concern was the lack of

ability for IDCS to find information that they had not previously kept. Ms. Butterworth reported that, unlike the TDZ Guidelines which impact a small number of entities, the proposed IDC Guidelines impact many entities located in nearly all counties and which had not reviewed the proposed Guidelines and not provided input. Staff considered Interim IDC Guidelines that would be applicable to Fiscal Year 2018 allowing staff to review IDC filings and to present the Board before the end of Fiscal Year 2019 suggestions for final IDC Guidelines. Ms. Butterworth further reported that these Interim IDC Guidelines, which were distributed in the meeting, required the first filing by January 31, 2019, acknowledged the trouble for the IDC in gathering this information, reduced the amount of information that is included in the initial listing of the debt, and, if information were not available, directed the IDC to furnish a statement as to the problems encountered in locating the information and the efforts that will be undertaken to locate the missing information. Ms. Butterworth stated that staff to the Board recommended approval of Interim IDC Guidelines in substance with an effective date of October 1, 2018, with an understanding that after review by the Board Members, a meeting could be called by September 28, 2018, for revisions to the presented Interim IDC Guidelines; otherwise the Interim IDC Guidelines would become effective October 1<sup>st</sup>.

Mr. Wilson then stated that the Board had a legislative directive to take an action in 2018 but he was not comfortable with the amount of review time of the major comments received on August 31, 2018, and the lack of consensus among the staff to the Board on what modifications were necessary to the IDC Guidelines. Mr. Wilson further stated that the Interim IDC Guidelines addressed all the issues that commenters raised but was not sure if the Interim IDC Guidelines satisfied all the issues that were likely to arise. Mr. Wilson stated that the options were to approve the Interim IDC Guidelines or do nothing, but he recommended approval of the Interim IDC Guidelines.

Mr. Martin inquired if the burden of meeting the requirements was due to a lack of manpower or the lack of availability of information. Ms. Butterworth responded that it was both. Ms. Butterworth further replied that many IDC do not have full time staff or rely on third party staffing and have not necessarily kept transaction records. Ms. Butterworth stated that the Interim IDC Guidelines recommends that the IDC work with staff to the Board to gather as much of the basic debt information as possible and that the proposed revisions tried to balance the directive of the General Assembly with the burden it would impose. Mr. Martin responded that the Interim IDC Guidelines were a step in the right direction. Mr. Martin also inquired as to whom has the burden of responsibility for making sure the information is received in a timely manner. Mr. Wilson responded that the filings would be made with OSLF and the reporting agency to the Board was staff to the Comptroller of the Treasury.

Mr. Wilson motioned for approval of the Interim IDC Guidelines in substance, with delegation to the Secretary to make non-substantive changes to the document with such guidelines to be effective October 1, 2018, unless prior to September 28, 2018, any member of the Board requested a meeting to reconsider approval. Mr. Hargett seconded the motion, and it passed unanimously.

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

Approved on this 20<sup>th</sup> day of November 2018.

Respectfully submitted,

  
Sandra Thompson  
Assistant Secretary