

TENNESSEE STATE FUNDING BOARD
March 22, 2021

The Tennessee State Funding Board (the "Board") met on Monday, March 22, 2021, at 2:05 p.m., via Webex Events with certain members being physically present in the Tennessee State Capitol, Executive Conference Room, Ground Floor, Nashville, Tennessee. Interested members of the public were only able to observe and listen to the meeting through electronic means. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also physically present:

The Honorable Tre Hargett, Secretary of State
The Honorable David Lillard, State Treasurer
Commissioner Butch Eley, Department of Finance and Administration

The following member was absent:

The Honorable Bill Lee, Governor

Having established that a physical quorum was present, Mr. Mumpower called the meeting to order and presented the minutes from the meeting held on January 25, 2021, for consideration and approval. Mr. Hargett made a motion to approve the minutes, and Mr. Eley seconded the motion. The motion was unanimously approved.

Mr. Mumpower then recognized Mr. Bob Rolfe, Commissioner of the 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 "Report"). Mr. VanderMeer reported that, as of the date of the January 25, 2021, board meeting, the FastTrack balance was \$219,188,711.49. Since that time, \$7,346,768.11 in funds had been deobligated; \$549,500.00 in new grants and loans had been approved; and \$410,156.34 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$225,575,823.14 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$183,672,307.39, resulting in an uncommitted FastTrack balance of \$41,903,515.75. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$18,415,000.00, and if these projects were approved, the uncommitted balance would be \$23,488,515.75 and the total committed balance would be \$202,087,307.39, which represented 89.6% of the FastTrack balance.

Mr. Rolfe then presented the following FastTrack projects:

- **Amazon.com Services LLC – Rockford (Blount Co.)**
FastTrack Economic Development Grant \$ 1,600,000

- **Cognate Bioservices, Inc. – Memphis (Shelby Co.)**
FastTrack Job Training Assistance \$ 2,000,000

- **Eastman Chemical Company – Kingsport (Sullivan Co.)**
FastTrack Job Training Assistance \$ 1,500,000

- **CGI Federal, Inc. – Knoxville (Knox. Co.)**
FastTrack Job Training Assistance \$ 3,500,000
- **Sese Industrial Services US Corp – Chattanooga (Hamilton Co.)**
FastTrack Economic Development Grant \$ 1,500,000
- **Royal Canin US – Lebanon (Wilson Co.)**
FastTrack Economic Development Grant \$ 815,000
- **Microvast Power Solutions – Clarksville (Montgomery Co.)**
FastTrack Economic Development Grant \$ 3,000,000
- **Choate Engineering Performance – Bolivar (Hardeman Co.)**
FastTrack Economic Development Grant \$ 1,000,000
- **NTT Data Services, LLC – Nashville (Davidson Co.)**
FastTrack Job Training Assistance \$ 3,500,000

The board member packets included signed letters, FastTrack checklists, and incentive acceptance forms signed by Mr. Rolfe. Mr. Mumpower inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Mr. Rolfe responded affirmatively. Mr. Mumpower then inquired if the checklists had been completed for each project, and Mr. Rolfe responded affirmatively. Mr. Mumpower then inquired if all the projects included accountability agreements which would provide protections for the state in the event the entity could not fulfill the agreement, and Mr. Rolfe responded affirmatively. Mr. Hargett made a motion to approve the FastTrack projects that were presented, and Mr. Eley seconded the motion. The motion was unanimously approved.

Mr. Mumpower then recognized Mr. Hargett who commended ECD staff on their professionalism, helpfulness and hard work and expressed how companies he visited shared the same praise. Mr. Hargett also inquired about a future presentation and discussion with ECD on the West Tennessee Megasite. Mr. Rolfe responded that ECD would prepare and present a report on the West Tennessee Megasite at a future funding board meeting of the board's choosing.

Mr. Mumpower then stated that the next item of the agenda was the consideration of proposals received and the approval of selection of bond counsel. Mr. Mumpower then recognized Ms. Sandra Thompson, Assistant Secretary of the Board and Director of the Division of State Government Finance ("SGF"), who presented the proposals received. Ms. Thompson stated that staff representatives participated in a discussion on Tuesday, March 9, 2021, during which the responses from potential bond counsels were reviewed. Ms. Thompson further stated that six responses had been received from the initial request for qualifications ("RFQ"), and responses from a request for proposals ("RFP") had been received from the three firms that had been short listed. Ms. Thompson then stated that the members' packets contained a memo to the Board summarizing the RFP/RFQ process along with an Attachment A outlining the strengths and weaknesses of the firms' attributes based on their response, an Attachment B providing an analysis of the pricing, and an Attachment C which was the contract in place for the current provider.

Ms. Thompson stated that SGF staff noted that strong, positive attributes were heavily weighted towards Hawkins Delafield & Wood ("HDW"), the Board's current provider, specifically regarding the depth of the legal and tax teams, institutional knowledge, and the challenges the firm cited in its response for the

future such as COVID disclosure and cybersecurity. Ms. Thompson further stated that SGF staff also noted that two of the three law firms' proposals did not demonstrate as many strong, positive attributes in the response that would compel staff to make a change from its current provider, HDW.

Ms. Thompson then stated that once the written responses to the RFP were evaluated, SGF staff examined the pricing proposals. Ms. Thompson stated that in the analysis of the pricing, staff wanted to point out that although HDW's pricing proposal for a five-year period was \$26,000 more than the next proposal, staff did not believe that this price difference would give cause to award the business and make the transition to another law firm due to the strength of HDW's written response. Ms. Thompson stated that therefore, staff recommended HDW be awarded the five-year contract and asked that the Board delegate to the Comptroller the responsibility to fix and finalize the details of the contract.

Mr. Mumpower made a motion to approve the selection of HDW as bond counsel under a five-year contract and delegate to the Office of the Comptroller the responsibility to fix and finalize the details of the contract. Mr. Eley seconded the motion, and it was unanimously approved.

Mr. Mumpower then recognized Mr. William Wood, Financial Analyst, Tennessee Comptroller of the Treasury, who presented the staff analysis of "An Economic Report to the Governor of the State of Tennessee" (the "Economic report"). Mr. Wood stated that pursuant to state law, Tennessee Code Annotated Section 9-4-5202, the Board's staff is directed to comment on the reasonableness of the estimates concerning the rate of growth of Tennessee's economy from the Tennessee econometric model published by the University of Tennessee's Boyd Center for Business and Economic Research ("CBER") in its annual Economic Report. Mr. Wood stated that this analysis was accomplished by comparing the forecast in the Economic Report with forecasts from other governmental and non-governmental organizations. Mr. Wood then reported that based upon the review, the Economic Report's estimates of nominal personal income growth of 1.80% in fiscal year 2021, 1.08% in calendar year 2021, and 4.58% in calendar year 2022, do not appear to be unreasonable.

Mr. Mumpower stated that upon receiving the report, that the Board shall make comments relating to the reasonableness of the estimate, including any different estimate the Board deems necessary. Mr. Mumpower then stated that the Board shall also enclose a list identifying state-tax and non-tax revenues sources, approved by the Attorney General. Mr. Mumpower further stated that the list was included in the Board members' packets. No further action was necessary.

Mr. Mumpower then acknowledged receipt of the "State of Tennessee Cash Management Improvement Act Annual Report State Fiscal Year 2020" by the members of the Board. No further action was necessary.

Mr. Mumpower then recognized Ms. Betsy Knotts, Director of the Division of Local Government Finance ("LGF") to present the "Annual Report on Industrial Development Board Debt for Fiscal Years 2019 and 2020" (the "Report"). Ms. Knotts stated that the Board had received the Report in their packets including a summary memo followed by back-up data. Ms. Knotts further highlighted that, according to self-reported data, there were approximately 206 active industrial development boards ("IDBs") in the state and that eighty-five percent (85%) of their debt was conduit with the remaining fifteen percent (15%) comprised of direct obligation debt to the IDBs. Ms. Knotts further explained that the IDBs conduit debt should be non-recourse to those local governments that created the IDBs. Ms. Knotts further reported that there was only one entity that issued direct obligation debt that was not currently being audited. Ms. Knotts further explained that the Division of Local Government Audit ensures that IDBs with a material amount of direct debt are audited. Ms. Knotts further explained there are difficulties in obtaining information from the IDBs but said the process should improve over time. No further action was necessary.

Mr. Mumpower then recognized Ms. Knotts, who reported on the Notice of Default by the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee ("EDGE"). Ms. Knotts stated that pursuant to the Board's guidelines IDBs are required to provide the Board notice of any default within fifteen (15) days of the event of the default or receipt of notice of default. Ms. Knotts reported that the letter from the president of EDGE to the Board, in the meeting packet, was dated February 5, 2021, which was late, but she stated that this was the first of its kind. Ms. Knotts further reported that EDGE missed its interest payment due January 4, 2021, for EDGE's Subordinate Tax Increment Revenue Bonds, Series 2017D. Ms. Knotts further reported that the letter stated that the Series 2017D Bonds were secured by a fourth and subordinate lien on the Tax Incremental Financing revenues and Tourism Development Zone revenues as well as a third and subordinate lien on the Tourism Surcharge Revenues. Ms. Knotts further reported that the letter clarified that the Fourth Supplemental Indenture for the Series 2017D Bonds provided that the failure to make payments on the Series D Bonds is not a default under the indenture. Ms. Knotts further explained that EDGE was not contractually in default with its bondholders, however, they were in default under state law. Ms. Knotts further noted that the reason for the default was clearly from reduced revenue streams related to the COVID-19 pandemic and response. Ms. Knotts further stated that the amount of the missed payment was \$205,218.75 and that EDGE planned to make the payment when the revenues were available.

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

Approved on this 20th day of April 2021.

Respectfully submitted,



Sandra Thompson
Assistant Secretary