

## **TENNESSEE STATE FUNDING BOARD**

**August 21, 2023**

The Tennessee State Funding Board (the "Board") met on Monday, August 21, 2023, at 3:00 p.m., in the Volunteer Conference Center, 2<sup>nd</sup> Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable Jason E. Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of State  
The Honorable David H. Lillard, Jr., State Treasurer  
Commissioner Jim Bryson, Department of Finance and Administration

The following member was absent:

The Honorable Bill Lee, Governor

Mr. Mumpower established that a quorum was present and called the meeting to order. Mr. Mumpower, in accordance with Public Chapter 300 and Board guidelines, asked Ms. Sandi Thompson, Assistant Secretary to the Board and Director of the Division of State Government Finance ("SGF"), if any requests for public comment had been received. Ms. Thompson responded that no requests had been received.

Mr. Mumpower then presented the minutes from the meeting held on June 27, 2023, for consideration and approval. Mr. Hargett made a motion to approve the minutes, and Mr. Bryson seconded the motion. The minutes were unanimously approved.

Mr. Mumpower then recognized Mr. Stuart McWhorter, 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 April 26, 2023, Board meeting, the FastTrack balance was \$253,114,788.55. Since that time, \$434,494,949.28 in new appropriations had been added, approximately comprised of a \$300,000,000.00 supplemental project appropriation, \$4,000,000.00 of interest earned in May and June, \$110,000,000.00 from the fiscal year 2023-2024 FastTrack appropriation, and \$20,500,000.00 for a project site in Coffee County. \$9,934,875.48 in funds had been deobligated; \$2,380,000.00 in funds for the acquisition of a site in Coffee County had been transferred back to FastTrack as the costs would be billed directly to the ECD FastTrack program instead of the Department of General Services. \$20,927,500.00 in new grants or loans greater than \$750,000 had been approved; \$626,000.00 in new grants or loans less than \$750,000.00 had been approved; and \$253,093.95 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$678,118,019.36 as of the date of the Report. Mr. VanderMeer reported that total commitments had been made in the amount of \$547,607,181.25, resulting in an uncommitted FastTrack balance of \$130,510,838.11. Mr. VanderMeer reported that the amount of proposed grant for the project to be considered at this meeting totaled \$22,204,000.00 and if these projects were approved, the uncommitted balance would be \$108,306,838.11, for a total committed balance of \$569,811,181.25, which represented 84.0% of the FastTrack balance.

Mr. McWhorter then presented the following FastTrack projects:

- **Hanon Systems USA, LLC – Loudon City (Loudon County)**  
FastTrack Economic Development Grant \$4,500,000.00
- **EnChem America Inc. – Brownsville (Haywood County)**  
FastTrack Economic Development Grant \$2,000,000.00
- **Magna Seating of America, Inc. – Stanton (Haywood County)**  
FastTrack Economic Development Grant \$3,000,000.00
- **Cosma International of America, Inc. – Stanton (Haywood County)**  
FastTrack Economic Development Grant \$7,500,000.00
- **Cosma International of America, Inc. – Lawrenceburg (Lawrence County)**  
FastTrack Economic Development Grant \$2,500,000.00
- **McNeilus Truck and Manufacturing, Inc. – Murfreesboro (Rutherford County)**  
FastTrack Economic Development Grant \$1,300,000.00
- **The Kroger Co. – Cleveland (Bradley County)**  
FastTrack Economic Development Grant \$1,000,000.00
- **Lochinvar, LLC – Lebanon (Wilson County)**  
FastTrack Job Training Assistance Grant \$ 404,000.00

Mr. Hargett made a motion to approve the projects, and Mr. Bryson seconded the motion. The Board member packets included letters and FastTrack checklists signed by Commissioner McWhorter, and incentive acceptance forms signed by company representatives. Mr. Mumpower inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Mr. McWhorter responded affirmatively. Mr. Mumpower then inquired if the checklists had been completed for each project, and Mr. McWhorter responded affirmatively. Mr. Mumpower then inquired if all the projects included accountability agreements which would provide protection for the state in the event the entity could not fulfill the agreement, and Mr. McWhorter responded affirmatively. Hearing no other discussion, Mr. Mumpower took the vote, and the motion was unanimously approved.

Mr. Mumpower then recognized Mr. Steve Osborne, Assistant Director of the Division of Local Government Finance (“LGF”), to present the annual report on requests for approval of Balloon Indebtedness (the “Balloon Indebtedness Report”). Mr. Osborne stated that the Balloon Indebtedness Report was in a new format with charts and descriptive sections to make the report more understandable to the public. Mr. Osborne then stated that there were only four requests for balloon indebtedness received in fiscal year 2023, the same number that was received in fiscal year 2022. Mr. Osborne stated that the past two years marked the lowest number of new balloon indebtedness requests since the law became effective in 2015. Mr. Osborne then stated that LGF attributed the low number to higher borrowing costs and lower number of refunding opportunities. Mr. Osborne reported that of the four requests, three were for new money bonds and one was for refunding bonds. Mr. Osborne then reported that the new money requests were for the prepurchase of natural gas contracts, airport improvements, and the new Tennessee Titans stadium. Mr. Osborne further stated that the airport bonds were able to be issued without balloon indebtedness. No further action was necessary.

Mr. Mumpower then recognized Mr. Osborne to present the annual report on outstanding debt for Industrial Development Boards (“IDBs”). Mr. Osborne reported that for the first time since Tennessee Code Annotated § 7-53-304 was enacted, all one hundred ninety-two (192) active IDBs in the state reported their outstanding debt. Mr. Osborne then stated that of the ninety-three (93) counties that have IDBs, thirty-nine (39) had no debt outstanding. Mr. Osborne then stated that the IDBs in the remaining counties reported two-hundred twelve (212) conduit debt obligations and one-hundred one (101) direct debt obligations for fiscal year 2022. Mr. Osborne further stated that the IDB of Metropolitan Nashville and Davidson County was the largest IDB by number of issues (85) and by the amount of debt outstanding at slightly greater than \$1,000,000,000.00. There was no further action was necessary.

Mr. Mumpower then recognized Mr. Osborne to report on the Notice of Default by the Economic Development Growth Engine Industrial Board of Memphis and Shelby County, Tennessee (“EDGE”). Mr. Osborne stated that EDGE had filed its sixth notice of default with LGF. Mr. Osborne continued to say that the notice marked a change from prior notices in that the 2017 Series A Graceland Bonds (the “Series A Bonds”) had now been reported as in default. Mr. Osborne further stated that the Series A Bonds were the senior bonds of the five Graceland bond series, and along with the sixth default of 2017 Series D Graceland Bonds (the “Series D Bonds”), were presented in the report. Mr. Osborne then stated that the Series A Bonds default was due in part to a successful appeal by the Graceland estate on one of the parcels of land which lowered the assessed value of the land and resulted in a lower tax base that was used to calculate the Tax-Increment Financing (“TIF”) revenue that services the debt. Mr. Osborne further stated that the combination of the decrease in the TIF revenue, the overpayment to the debt service fund by the Trustee in a prior year, and the related reduction of the outstanding debt service reserve fund in fiscal year 2022, resulted in a lack of sufficient funds to cover the debt service on the bonds. Mr. Osborne reported that subsequent to the notice of default, the trustee made a partial interest payment to the bondholders in the amount of \$789,683.00 from the Series A debt service fund and debt service reserve fund. Mr. Osborne further reported that following the partial payment nearly \$1,000,000.00 of debt service was still due to the bondholders on the bonds. Mr. Osborne then reported that the Series A bond default was a default under both state law and the bond indenture, while the Series D default was a default under state law, but not under the bond indenture.

Mr. Mumpower asked if there was any public money involved with the Series A Bonds. Mr. Osborne responded in the negative and stated that there was no recourse to the state, the city, the county, or the IDB. Mr. Lillard then inquired about the follow-up action in regard to the sequential notices of default the Board had been receiving. Mr. Mumpower answered that since there were no public monies involved, however, the topic was open for discussion in the future. Mr. Lillard then stated that there was headline risk since the bonds had been issued by an IDB in Shelby County, Tennessee and the word Tennessee was in the issuer’s name and was present on the bonds. Mr. Mumpower then asked that Ms. Thompson reach out to EDGE’s attorney, Mr. James McLaren, Adams and Reese LLP, and request that he be prepared to attend the next meeting of the Board regarding the issue. Mr. Mumpower stated that he would also reach out to Mr. McLaren personally. Mr. Bryson then thanked LGF for reformatting the reports to make them visually easier to read and review. There was no further action necessary.

Mr. Mumpower then recognized Ms. Thompson to present a Report on the State of Tennessee General Obligation Commercial Paper (“CP”) and Bond Indebtedness. Ms. Thompson stated that on an annual basis staff reports to the Board on the General Obligation (“GO”) outstanding debt for both long-term debt and the CP program. Ms. Thompson then stated that the report in the Board Members’ packets outlined those

amounts as of June 30, 2023. Ms. Thompson then stated that the total amount of CP outstanding was \$72,938,000.00 and that total amount of tax-exempt and taxable bonds outstanding was \$1,374,695,000.00. Ms. Thompson further explained that the numbers presented did not include the bond sale that occurred on August 16, 2023, that would be closed on August 30, 2023. Ms. Thompson then presented the remainder of the report highlighting some of the statistics for the CP program including the average daily balance, interest rate range, weighted average yield, and program expenses for fiscal year 2023. Mr. Mumpower then stated that he thought the bond sale was a successful undertaking and asked if there was anything that Ms. Thompson could relate regarding the sale. Ms. Thompson then stated that during a transaction you always look at what the market does the day following the sale. Ms. Thompson further stated that market moved against the state on the day following the sale. Ms. Thompson further replied that it was a successful sale considering the interest rate environment. Ms. Thompson further stated that the 3.68% total interest cost for the tax-exempt bonds was excellent for 20-year debt. Ms. Thompson also stated that the total interest cost was 4.99% for the taxable bonds. No further action was necessary.

Mr. Mumpower stated that concluded the business on the agenda. Mr. Bryson made a motion to adjourn the meeting, and Mr. Lillard seconded the motion. The motion was unanimously approved, and the meeting was adjourned.

Approved on this 9<sup>th</sup> day of October 2023.

Respectfully submitted,



Sandra Thompson  
Assistant Secretary