

TENNESSEE STATE FUNDING BOARD
December 16, 2024

The Tennessee State Funding Board (the "Board") met on Monday, December 16, 2024, at 12:29 p.m., in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable Jason E. Mumpower was present and presided over the meeting.

The following members were also physically 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

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

Comptroller Mumpower then presented the minutes from the meeting held on November 4, 2024, and reconvened on November 25, 2024, for consideration and approval. Treasurer Lillard made a motion to approve the minutes. Commissioner Bryson seconded the motion, and it was unanimously approved.

Comptroller Mumpower then noted that the item on the published agenda for the Department of Economic and Community Development was deferred until the next meeting of the Board at the department's request. No further action was needed.

Comptroller Mumpower then recognized Ms. Thompson who presented the staff recommendation for the selection of the financial advisor to the Board for consideration and approval. Ms. Thompson stated that with the state's financial advisor contract with PFM Financial Advisors, LLC ("PFM") expiring on December 31, 2024, Comptroller staff had conducted a Request for Proposal ("RFP") process for selection of a financial advisor for a new contract term. Ms. Thompson further stated that a memo was provided in the board materials summarizing the process utilized for the issuance of the RFP. Ms. Thompson then stated that one response to the RFP had been received on November 1, 2024 from PFM, and upon staff's review of the proposal, the following attributes regarding the respondent were noted.

PFM:

- Has been a valuable business partner for the state, contributing to the success of the state's endeavors
- Has provided excellent service in structuring the state's financial transactions
- Is readily accessible to respond to and provide assistance with the state's various needs and requests
- Possesses a wealth of professional expertise, knowledge, and resources
- Is committed to the Tennessee market and market participants

Ms. Thompson then stated that based on these attributes and other benefits that PFM provides, staff respectfully recommended the selection of PFM to serve as the state's financial advisor for a contract term

of three years with the ability to extend the term for two one-year periods. Comptroller Mumpower made a motion to approve the staff recommendation to select PFM as the financial advisor to the Board for a three-year contract term and delegate authority to the Comptroller to negotiate the final financial advisor contract. Commissioner Bryson seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Mr. Steve Osborne, Assistant Director of the Division of Local Government Finance (“LGF”), to present revisions to the Tennessee Budget Manual for Local Governments (the “Manual”) for consideration and approval. Mr. Osborne stated that LGF was proposing changes to the Manual that would update the budget submission requirements, add additional examples of conditional budget approvals, update budget resources, and remove references to the LGF email address in anticipation of online budget submissions. Commissioner Bryson made a motion to approve the revisions to the Manual. Comptroller Mumpower seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Mr. Osborne who reported on the approval of a note issuance by Johnson County pursuant to Tenn. Code Ann. § 9-13-210. Mr. Osborne stated that the Comptroller’s office has the authority to approve operating loans with a maturity date that is beyond the close of the fiscal year for local governments in areas declared a major disaster by the Federal Emergency Management Agency (FEMA). Mr. Osborne reported that one additional loan had been approved for Johnson County for \$1,531,672 as an interfund loan for its highway fund. Mr. Osborne then reported that the loan maturity date was June 30, 2026. The Board acknowledged the report. No further action was necessary.

Comptroller Mumpower then recognized Mr. Osborne who reported on a Notice of Default of a Conduit Financed Debt Obligation by the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “IDB”). Mr. Osborne stated that on December 2, 2024, the IDB reported that funds were not sufficient to make its debt service payment for the Series 2015 Tax Increment Revenue Bonds (the “Bonds”) for the Bellevue Mall project, the third default for the Bonds. Mr. Osborne further stated that the IDB reported that the December 1, 2024, interest payment was insufficient in the amount of \$789,689. Mr. Osborne then stated that the transfer of funds from the Debt Service Reserve Fund (“DSRF”) for the December 1, interest payment fully depleted the DSRF and that based upon the projected Tax Increment Financing (“TIF”) revenues, there may not be sufficient revenues to fully fund future debt service payments or replenish the DSRF. It was noted that the failure to make payment on the Bonds when TIF revenue is insufficient is a default pursuant to state law but not under the bond indenture and that there was no recourse to the IDB or the city. The Board acknowledged the report. No further action was necessary.

Comptroller Mumpower observed no further business to come before the Board and made a motion to adjourn. Secretary Hargett seconded the motion, and it was unanimously approved. The meeting was adjourned.

Approved on this 13th day of February 2025.

Respectfully submitted,


Sandra Thompson,
Assistant Secretary