

TENNESSEE STATE SCHOOL BOND AUTHORITY
June 19, 2018
AGENDA

1. Call meeting to order
2. Approval of Minutes from the TSSBA meeting of April 25, 2018
3. Approval of Projects for:

The Board of Regents

- Tennessee State University – Health Sciences Facility (528); Request for change in funding which includes an increase in TSSBA funding of \$5,000,000 for total financing of \$8,950,000 by TSSBA; Term of Financing: 10 years as short-term financing at an assumed taxable rate
4. Adjourn

TENNESSEE STATE SCHOOL BOND AUTHORITY

April 25, 2018

The Tennessee State School Bond Authority (“TSSBA”, or the “Authority”) met on Wednesday, April 25, 2018, at 11:15 a.m. CDT in the Tennessee State Capitol, Executive Conference Room, G Level, 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 State of Tennessee
Courtney Hess, proxy for the Honorable David Lillard, State Treasurer
Commissioner Larry Martin, Department of Finance and Administration
Danny Gibbs, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following member participated by phone:

Ron Maples, proxy for Dr. Joe DiPietro, President, University of Tennessee

The following member was absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Wilson called the meeting to order and asked for a motion to approve the minutes of the meeting held on March 2, 2018. Mr. Wilson moved approval of the minutes. Mr. Hargett seconded the motion. Mr. Wilson called upon Sandi Thompson, Director of the Office of State and Local Finance (“OSLF”) to call roll:

Mr. Gibbs	Aye
Mr. Maples	Aye
Mr. Martin	Aye
Mr. Wilson	Aye
Mr. Hargett	Aye
Ms. Hess	Aye

The meeting minutes were unanimously approved.

Mr. Wilson stated the next item was the approval of the Resolution Authorizing a Second Amendment to Revolving Credit Agreement. Mr. Wilson stated the current agreement contained a provision in the event of a change in the Federal corporate tax rate. Mr. Wilson explained the Tax Cuts and Jobs Act, passed by Congress in December 2017, lowered the maximum Federal corporate tax rate from 35% to 21%. Mr. Wilson stated the reduction of the maximum Federal corporate tax resulted in the imposition on the Authority of a margin rate factor fee. Mr. Wilson stated this fee increased the current cost of the revolving credit facility by approximately \$25,000 per month. Mr. Wilson stated that staff requested the banks to modify the various costs outlined in the agreement including the elimination of the margin rate factor fee. Mr. Wilson stated that with the assistance of PFM, the Authority’s financial advisor and Hawkins, Delafield, & Wood, the Authority’s bond counsel, the negotiation resulted in revisions to the following terms contained in the agreement:

- Applicable Factor – revised from 70% to 80%; it is the factor used in calculating the base rate by multiplying by LIBOR (London Interbank Offered Rate)
- Commitment Expiry Date – is being extended 1 year to March 18, 2021, from current expiration date of March 20, 2020.
- Margin Rate Factor – The Maximum Corporate Tax Rate is currently 21%, such that the current Margin Rate Factor equals 1.0. The Margin Rate Factor will not go below 1.0.
- Maximum Federal Corporate Tax Rate – as of April 1, 2018, is 21%.
- Tax-Exempt Applicable Spread – this basis point spread was adjusted to reflect the change in the modification of the terms of the fees to be charged i.e. the spread has been increased from 38.5 basis points to 42 basis points (for a AA credit or better)

Mr. Martin moved approval to approve the Resolution Authorizing the Second Amendment to the Revolving Credit Agreement.

Mr. Hargett asked how the negotiations were initiated. Ms. Thompson stated that when the change in the Federal corporate tax rate became effective, the banks notified her of the imposition of the fee. Ms. Thompson stated that staff to the TSSBA submitted a request to the banks to negotiate the terms and amend the agreement.

Mr. Gibbs asked when the rate had increased. Ms. Thompson stated that due to the federal tax rate change effective January 1, 2018, the margin rate factor fee had been assessed to the Authority on a monthly basis since the first of the year.

Mr. Wilson stated the amendment had been reviewed by both bond counsel and the financial advisor. Mr. Wilson seconded the motion. Mr. Wilson called upon Sandi Thompson, Director of the Office of State and Local Finance ("OSLF") to call roll:

Mr. Gibbs	Aye
Mr. Maples	Aye
Mr. Martin	Aye
Mr. Wilson	Aye
Mr. Hargett	Aye
Ms. Hess	Aye

The amendment to the agreement was unanimously approved.

The meeting was adjourned.

Approved on this ____ day of _____, 2018

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Tennessee State School Bond Authority Feasibility Study

TSU Health Sciences Facility - 528 (Match)

Individual Project Summary

Revenue Source:	Student Debt Service Fees	\$	1,035,871.00
	Total Revenue Source:	\$	1,035,871.00
Assumptions:	TSSBA Funding Requested	\$	8,950,000.00
	Interest Rate		2.75%
	Status		Taxable
	Term of Financing		10

Feasibility Test	
	<u>Annual</u> <u>Short-Term Pmt</u>
Pledged Revenue	\$1,035,871
New Max Annual DS	\$1,035,870
Feasible	Yes

*TSSBA staff conducts a feasibility test on a project-by-project basis to ensure that each individual project has sufficient revenue pledged to cover the projected maximum annual debt service charged to the project. On an annual basis, and prior to the issuance of long-term debt, an assessment is performed pursuant to Article 2.01 (b) which requires that the aggregate amount of the Fees and Charges collected by an Institution in the preceding Fiscal Year is not less than two times the amount required for the payment of the aggregate of the maximum amount of Annual Financing Charges.



THE COLLEGE SYSTEM
of TENNESSEE

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May 30, 2018

Ms. Sandi Thompson, Director
Office of State and Local Finance
James K. Polk Building, 16th Floor
Nashville, TN 37243

RE: Tennessee State University (TSU)
Health Sciences Facility
SBC Project No. 166/001-02-2016

Ms. Thompson:

We are requesting an additional \$5M bond financing for 10 years for the Tennessee State University Health Sciences Facility project. The total estimated project cost is \$38,800,000. We will be presenting this project at the June 14, 2018 SBC Meeting.

The project scope is for a 92,252 sf. new Health Sciences Facility. The annual bond financing will be repaid with student debt service fees. The project application and pro forma are attached.

Your review and consideration of this request will be appreciated. Please advise if you have any questions.

Sincerely,

Dick J. Tracy
Executive Director
Office of Facilities Development

Enclosures

c: Steven Gentile w/encls.
Cynthia Brooks

Tennessee State School Bond Authority Project Application

DEPARTMENT: Tennessee Board of Regents

INSTITUTION/LOCATION: Tennessee State University

PROJECT : Health Sciences Facility

SBC PROJECT #: 166/001-02-2016

PROJECT BUDGET:

Funding Sources:	Original	Revised	Total Revised
TSSBA	3,950,000	5,000,000	8,950,000
16/17 Current funds	29,100,000	0	29,100,000
Federal Grant (Title III)	5,000,000	(5,000,000)	0
Plant funds (non-auxiliary)	750,000	0	750,000
Total	\$38,800,000	\$0	\$38,800,000

PROJECT REVENUES: (Describe sources and projected levels)

Student Fees - \$1,035,871

PROJECT LIFE:

Anticipated Useful Life of Project: 50 years

Desired Term for Financing (if less than useful life): 10 years

ESTIMATED ANNUAL FINANCING CHARGE: \$1,035,871

PROJECT APPROVAL DATES:

BOARD: 09/25/2014

THEC: 11/20/2014

SBC: 07/14/2016

Disclosed in the Governor's Budget: Yes No If yes, what year? FY 15/16

PROJECT DESCRIPTION: Physical description, including land, buildings and equipment with approximate dollar value. (If a renovation or repair project, please provide information with respect to the renovated or improved portion as well as the entire structure).

New 92,252 sf facility to house health sciences in Nursing, Occupational Therapy, Physical Therapy, Cardio-respiratory, and Health Management. Demolish Elliott Hall and a portion of Clement Hall.

REAL ESTATE:

Owner of real property Tennessee Board of Regents

 To be acquired To be leased or other arrangement

The purpose of the following questions are to determine the tax status of this project to be financed with the proceeds of Tennessee State School Bond Authority Bonds and/or Bond Anticipation Notes and the amount of private use associated with this project. Private use means the direct or indirect use of the project by any entity other than a state or local government entity, including use by the Federal Government (including its agencies and instrumentalities) or a Section 501(c)(3), (c)(4), or (c)(6) organization. When the project consists of an improvement that does not involve space that is being used directly by governmental or private users (for example, a re-roofing, air conditioning or energy efficiency improvement), all questions involving uses and users of the project should be answered by reference to all portions of the facility or facilities benefited by the improvement.

The questions below relate to the project referenced above. Attach additional sheets as required. **Please make a copy of this document for your files.**

1. Project Status: (If the project has already been completed, and the proceeds are being used to reimburse the department, please so indicate and include date of project completion.) Not begun

2. Project completion estimated to be: October 2020
3. Project Owner: Tennessee Board of Regents
4. Project Operator (see also item 8 below): Tennessee State University
5. Intended Use of the Project: Academic classrooms, offices, clinics and laboratories

6. Intended Users of the Project (excluding use by the general public): University students, faculty, clinic clients, researchers, and administrators

7. Indicate whether any of the following activities will take place at the project. Indicate whether the activities are operated by a private entity or will indirectly benefit a private entity. Include all incidental private uses. For each direct or indirect private use of the project, indicate the total amount of space the private use occupies in relation to the entire project. (For example, if an area of vending machines operated by a private contractor occupies 50 square feet of a 5,000 square foot area financed, indicate the relationship in terms of the ratio of square footage used.)

Gross Square Footage of Building 92,252 (See Supporting Data Sheet if more than one building is involved.)

A. Vending Machines:

Square Footage 20 SF for 5 vending machines = .0002% or ratio 1:4613

Operator Department of Human Services - Blind Vendors Program

Are any vending areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? No

B. Wholesalers or retailers (e.g., Newsstand, Book Store, Pharmacy, etc.):

Square Footage N/A

Type _____

Operator _____

C. Pay Telephones:

Square Footage N/A

D. Laundry Services:

Square Footage N/A

Operator _____

Are any laundry service areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? _____

E. Cafeteria or other food services areas:

Square Footage N/A

Operator _____

F. Provision of health care services:

Square Footage 1000 SF academic clinics

Operator Tennessee State University

G. Laboratory research performed on behalf of or for the benefit of a private entity or pursuant to a cooperative research agreement:

Square Footage N/A

Recipient _____

H. Office space utilized by or on behalf of private entities:

Square Footage N/A

Occupant _____

8. Attach copies of any management contracts or incentive payment contracts entered into, or to be entered into, in connection with the operation of the project. (Do not include contracts for services that are solely incidental to the primary governmental functions of the facility (for example, contracts for janitorial, office equipment repair or similar services). Indicate the portion of the project to which the contracts relate. Give the usable square feet involved compared to the total usable square feet of the facility being financed. If a contract has not been entered into but is anticipated, indicate that fact.

N/A


9. Will any debt proceeds be used to make or finance loans to any private entity? If so, indicate the amount of such loans, the length and payment terms of such loans: No

10. Indicate any expected payments (direct or indirect) to be made by non-governmental entities, separately and in the aggregate, to the State or any other governmental entity, with respect to the project.

N/A

11. Additional information not explained above. N/A

Completed this _____ day of _____, _____.


Dr. Flora Tydings
Chancellor


Dick Tracy, Executive Director
Office of Facilities Development


Danny Gibbs, Vice Chancellor for
Business & Finance

To be filled out by the Authority

BOND COUNSEL APPROVAL:	DATE	_____
	GOOD	_____
	5%	_____
	10%	_____

Feasibility Study by TBR

Prepared on: May 10, 2018

School: Tennessee State University

Project: Health Sciences Facility

Project #: 166/001-02-2016

Disclosed in Budget: Yes; 15-16

	<u>Original</u>
Revenue Source: Annual Student Fee Revenue	
8500 FTE x \$60.93 Fee X 2 semesters	1,035,871
Total Revenue Src:	<u>\$ 1,035,871</u>
Assumptions: TSSBA Funding Requested	\$ 8,950,000.00
Interest Rate	2.75%
No. of Years	10
Debt Service Pmt.	1,035,870.50
Annual Short-Term Loan Payment	\$ 1,035,870.50