

TENNESSEE STATE SCHOOL BOND AUTHORITY

July 21, 2017

The Tennessee State School Bond Authority (“TSSBA”, or the “Authority”) met on Friday, July 21, 2017, at 2:00 p.m. CST., in Executive Conference Room, State Capitol, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller, was present and presided over the meeting.

The following members were also present:

Whitney Goetz, proxy for Honorable David Lillard, State Treasurer
Angela Scott, proxy for Larry Martin, Commissioner of Finance and Administration
David Miller, proxy for Dr. Joe DiPietro, President, University of Tennessee
Dick Tracy, Proxy for Chancellor Flora Tydings, Tennessee Board of Regents The

following members were absent:

Honorable Bill Haslam, Governor
Honorable Tre Hargett, Secretary of State of Tennessee

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 June 22, 2017. Mr. Tracy moved approval of the minutes. Ms. Scott seconded the motion and it was unanimously approved.

Mr. Wilson then recognized Ms. Michelle Crowder, Interim Executive Director, to present the projects for consideration for the University of Tennessee:

- University of Tennessee Knoxville – Campus Beautification (JW Mall Extension); Cost: \$9,000,000 of which \$8,000,000 will be financed from TSSBA; Term of Financing: 20 years as long-term financing at an assumed taxable rate

Mr. Wilson asked if the Office of State and Local Finance (“OSLF”) had conducted a review of the project for feasibility. Ms. Sandra Thompson, Director of OSLF stated that the review had been conducted and that pledged revenues were sufficient to cover the projected debt service. Mr. Tracy moved approval of the project. Ms. Scott seconded the project and it was unanimously approved.

- University of Tennessee, Knoxville – Arena Renovations and Systems Improvements; Cost: \$7,440,000 of which \$6,440,000 will be financed from TSSBA; Term of Financing : 20 years as long-term financing at an assumed taxable rate

Mr. Wilson asked if the OSLF had conducted a review of the project for feasibility. Ms. Thompson stated that the review had been conducted and that pledged revenues were sufficient to cover the projected debt service. Mr. Tracy moved approval of the project. Ms. Scott seconded the project and it was unanimously approved.

- University of Tennessee, Knoxville – Engineering Services Facility; Cost: \$129,000,000 of which \$18,000,000 will be financed as bridge funding from TSSBA; Term of Financing : 5 years as short-term financing at an assumed taxable rate

Mr. Wilson asked if the OSLF had conducted a review of the project for feasibility. Ms. Thompson stated that the review had been conducted and that pledged revenues were sufficient to cover the projected debt service. Mr. Wilson moved approval of the project. Ms. Scott seconded the project and it was unanimously approved. Mr. Wilson noted that this project would be a MATCH funded project. Mr. Wilson stated that at this time the funding of MATCH funds by the TSSBA is appropriate, however, he asked that the Tennessee Higher Education Commission and the Comptroller’s office review the appropriateness of this short-term funding.

Mr. Wilson stated the next item was the approval of the “Supplemental Resolution Authorizing and Providing for the Issuance and Sale of Higher Educational Facilities Second Program Bonds” for the 2017 Series Bonds and delegate the authority to sell and fix the details of the bonds. Mr. Wilson stated that the

rates had fallen which made it advantageous to refund outstanding bonds with savings of at least 4%. Mr. Wilson stated that in the process of examining the refunding opportunity, it was determined that it may be beneficial to the Authority to issue new money bonds to repay the revolving credit facility. Mr. Wilson added that the bonds could be either taxable or tax-exempt. Mr. Wilson stated that if the savings from the refunding should be diminished the sale would be postponed. Mr. Wilson stated the proposed method of sale may be competitive or negotiated, and although the preferred method is competitive, due to the number of refunding candidates and the volatility in the capital markets it may be in the best interest of the Authority to negotiate the sale of its bonds. Mr. Wilson stated a form of the Bond Purchase Agreement was included in the packet. Mr. Wilson stated that a Request for Pricing was distributed to solicit proposals from underwriters and to select a senior manager. Mr. Wilson stated that PFM, financial advisor to the Authority, recommended selecting Citi to serve as senior book-running manager based on Citi's proposed underwriting compensation as well as their performance on the Authority's bond sale in 2015. Mr. Wilson stated the True Interest Cost shall not exceed 5% for the tax-exempt bonds and 6% for the taxable bonds. Mr. Wilson stated that the following was included as attachments to the Resolution:

- a form of the Preliminary Official Statement
- a copy of the Refunding Trust Agreement from the last TSSBA bond sale in 2015
- a copy of the Continuing Disclosure Undertaking in substantive form (from 2015 transaction), to be executed solely to assist the underwriters of the Bonds in complying Rule 15c2-12
- a copy of the Bond Purchase Agreement in substantive form (from 2015 transaction) to be executed by the senior underwriter and the Authority.

Mr. Wilson asked for any questions. Mr. Tracy asked who would be given the authority to sell and fix the details of the bond sale. Mr. Wilson stated that the authority could be given to any member of the Board, but it would most likely be himself. Mr. Miller asked about the percentage of savings. Mr. Wilson stated that if there were not sufficient savings in accordance with the Authority's debt management policy, the sale would be postponed. Mr. Miller asked why the Authority was issuing 30-year bonds considering to the cost of long-term borrowing. Ms. Thompson stated that the bonds are structured on a per project basis and each project is amortized over its useful life, which is in contrast to the State's GO bond structure where bonds are amortized over 20 years with projects having an assumed useful life of 20 years.

Mr. Wilson moved approval of the Supplemental Resolution. Mr. Tracy seconded the motion and it was unanimously approved.

Mr. Wilson moved approval of the selection of the Underwriter. Ms. Scott asked to recuse herself from the voting. Mr. Tracy seconded the motion, and it was unanimously approved.

Mr. Wilson moved to adjourn. Mr. Tracy seconded the motion and it was unanimously approved.

Approved on this 8th day of September, 2017

Respectfully submitted,



Sandra Thompson
Assistant Secretary