

TENNESSEE STATE SCHOOL BOND AUTHORITY

March 22, 2021

The Tennessee State School Bond Authority (“TSSBA”, or the “Authority”) met on Monday, March 22, 2021, at 2:46 p.m. electronically via Webex Events. Interested members of the public were 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 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 participated electronically via Webex Events:

Danny Gibbs, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following members were absent:

The Honorable Bill Lee, Governor
Randy Boyd, President, University of Tennessee

Mr. Mumpower asked Ms. Sandi Thompson, Director of the Division of State Government Finance (“SGF”) and Assistant Secretary of the TSSBA, to call the roll. Ms. Thompson called the roll:

Mr. Lillard – Present
Mr. Eley – Present
Mr. Hargett – Present
Mr. Mumpower – Present
Mr. Gibbs – Present

Recognizing a physical quorum, Mr. Mumpower called the meeting to order and stated that the first item on the agenda was the approval of the minutes of the meeting held on February 17, 2021. Mr. Mumpower asked if there were any comments, questions, or discussion on the minutes. Hearing none, Mr. Hargett moved approval of the minutes, and Mr. Lillard seconded the motion.

The motion was approved unanimously.

Mr. Mumpower stated that the next item to come before the Authority was the consideration of approval of an increase in TSSBA funding of a project for the University of Tennessee at Chattanooga (“UTC”). Mr. Mumpower recognized Mr. Austin Oakes, Executive Director of Capital Projects at the University of Tennessee, to present the request.

- The University of Tennessee at Chattanooga – Football Athletic Facility (A95); Increase in cost of \$7,150,000 for total cost of \$29,150,000 of which \$25,650,000 will be funded by the TSSBA; Term of Financing: 30 years as long-term financing at an assumed tax-exempt rate.

Mr. Oakes stated that the University of Tennessee had one request for a project revision associated with the football athletic facility in Chattanooga. Mr. Oakes stated that this request increased the total project budget from \$22,000,000 to \$29,150,000 and covers the revised scope for renovating a portion of the arena to accommodate the facility, and upgrading the existing conditions including finishes and building systems. Mr. Oakes explained that the project will construct a new athletic training facility located at and connected to the McKenzie arena. Mr. Oakes stated that the original request had the facility located across the street with a bridge connector and a small addition to the arena.

Mr. Oakes explained that they were now proposing to integrate the facility into the arena for cost and efficiency purposes. Mr. Oakes explained that the original request planned for 60,000 new square feet,

while the revision planned for 37,000 new square feet and 26,000 renovated square feet. Mr. Oakes stated that the request for TSSBA funding as presented had increased by \$7,150,000 for an estimated total annual financing charge of \$2,246,300 to be funded with debt service funds. Mr. Oakes explained that these funds represented less than 1.3% of the UTC fiscal year 2021 annual E&G Operating budget. Mr. Oakes stated that TSSBA funds were approved in the original request in 2018 for a 30-year term which remains unchanged.

Mr. Mumpower asked if SGF had performed a feasibility analysis for the project that included the increased funding. Ms. Thompson stated that staff had conducted the feasibility study and concluded that the pledged revenues were sufficient to repay the debt service. Ms. Thompson stated that the schedule provided by staff had assumed a tax-exempt financing at a rate of 7.25% for a 30-year term and showed that the maximum annual debt service was covered by the pledged revenues. Mr. Lillard made a motion to approve the request, Mr. Eley seconded the motion.

The motion was approved unanimously.

Mr. Mumpower stated that the next item to come before the Authority was the report on the results of the TSSBA 2021 Series A bond sale. Mr. Mumpower recognized Ms. Thompson to present the report. Ms. Thompson stated that the total proceeds of the bond sale were \$713,365,000 of taxable refunding bonds. Ms. Thompson stated that the final maturity is November 1, 2045, with a range of yields between 0.167% and 2.661% with a true interest cost of 2.03%. Ms. Thompson stated that the underwriter's discount was \$473,130 and the net present value savings of the refunding was \$111,827,000 over a period of 24 years. Ms. Thompson stated that the present value savings represented as a percentage of the par amount of the refunded bonds was 18.47%.

Mr. Mumpower noted that the bond sale was an unprecedented opportunity that the Authority was able to take advantage of because of the work of Sandi Thompson and the SGF team. Mr. Mumpower also recognized the foresight of the Authority. Mr. Mumpower stated this was simultaneously the largest bond sale, lowest true interest cost, and largest cost savings in TSSBA history. Mr. Mumpower presented each board member of the Authority with a commemorative plaque that displayed the highlights of the record-breaking sale.

Mr. Mumpower stated that the next item on the agenda was the Report on Debt Obligation (form CT-0253) for the 2021 Series A bond sale. Mr. Mumpower recognized Ms. Thompson to report on the submission. Ms. Thompson stated that the Authority had filed the Report on Debt Obligation form within 45 days of the issuance of the debt as required by T.C.A 9-21-134. Ms. Thompson stated that the face amount of the debt issuance was \$713,365,000, the true interest cost was 2.03% at a taxable rate, and the rating of the debt were Aa1 from Moody's and AA+ from both S&P and Fitch. Ms. Thompson noted that the revenue bonds were sold at negotiated sale, the costs of issuance totaled approximately \$1.05 million, with recurring costs to the bond trustee of 4.8 basis points per thousand dollars of the total principal amount of bonds outstanding. Mr. Mumpower stated that unless there were any questions of comments this was only a report item, and no action was necessary.

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 for the future the firm cited in its response 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. Hargett seconded the motion, and it was unanimously approved.

Mr. Mumpower stated that the next item on the agenda was an update on the Revolving Credit Facility review process. Mr. Mumpower recognized Ms. Thompson to present the update. Ms. Thompson stated that as previously discussed, the Authority was considering proposals from three providers and had concluded that a revolving credit facility was the most appropriate short-term financing vehicle for the construction phase of the TSSBA projects. Ms. Thompson stated that each provider had submitted a proposal that used a different benchmark and different pricing details. Ms. Thompson stated that because of these differences, SGF and Public Financial Management (“PFM”), the Authority’s financial advisor, performed a pricing analysis based on certain assumptions for comparison purposes. Ms. Thompson explained that PFM’s analysis showed that the proposal from US Bank/Wells Bank syndicate, the Authority’s current provider, provided the lowest cost, most competitive, and cost-efficient pricing for a 3-year period. Ms. Thompson stated PFM will provide the Authority with a letter recommending that the Authority proceed to negotiate the terms of the revolving credit agreement with US Bank/Wells Fargo to be presented at the next Authority meeting. Ms. Thompson explained that in the interim, staff will work with bond counsel and the financial advisor to prepare the resolution to authorize the negotiation of the revolving credit agreement with the provider to be approved by the Authority at the next scheduled meeting.

Mr. Mumpower stated that this was a report item, and no action was necessary. Mr. Mumpower made a motion to adjourn, and Mr. Hargett seconded the motion.

The motion was approved unanimously.

The meeting was adjourned.

Approved on this 24th day of May, 2021.

Respectfully submitted,


Sandra Thompson
Assistant Secretary