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Tennessee State School Bond Authority Guidelines Requests for Approval to Borrow Money by Another Method

I. Background

Pursuant to Tenn. Code Ann. § 49-3-1205(11), the Tennessee State School Bond Authority (the “Authority”) has the power to approve or disapprove certain actions taken by, among others, the board of regents of the state university and community college system and the board of trustees of the University of Tennessee (together, “the Boards” and individually, a “Board”), or any institution under the jurisdiction of either Board (an “Institution”) with respect to the borrowing of money for any purpose (a “Borrowing”), whether by the issuance of bonds or notes or by any other method. Therefore, certain Borrowings by a Board or Institution (hereinafter a “Borrower”) are required to be submitted to the Authority for approval as outlined in these guidelines to ensure the continuing strength and viability of the Authority’s credit. The purpose of these guidelines is to provide guidance to Borrowers when the Borrowing is considered to be “by another method” and does not cover Borrowings by the issuance of bonds or notes issued by the Authority or the State of Tennessee. Such Borrowings must meet other requirements established by statute and/or Authority policies.

II. Submission of Request for Approval of a Borrowing by Another Method

- A. Borrowing by Another Method shall include, but shall not be limited to, leases, bank loans, lines or letters of credit, private placement of debt, or anything that constitutes debt outside of debt issued by the Authority or the State of Tennessee.
- B. Any request for approval of a Borrowing by Another Method must be submitted electronically to the Director of the Division of State Government Finance (“Director”) within the Office of the Tennessee Comptroller of the Treasury, who also serves as the Assistant Secretary of the Authority, at Sandi.Thompson@cot.tn.gov, and to Authority staff at Jacqueline.Felland@cot.tn.gov or Mark.Graubner@cot.tn.gov.
- C. The request must be submitted at least 30 days prior to an Authority meeting and prior to the proposed settlement date for the transaction. The Director may agree in writing to an alternative timeframe. The submission of a request under this section is not a substitute for obtaining any necessary approval from the Executive Subcommittee of the State Building Commission (“ESC”) or any other body.
- D. The request must include all items specified in the checklist attached hereto as Appendix A along with the appropriate supporting documentation.

- E. In certain unusual circumstances when a request must be acted upon prior to a meeting of the Authority, such approval is authorized, but only when, acting in their joint and unanimous discretion, both (i) the Secretary of the Authority and (ii) either one other Constitutional Officer or the Commissioner of Finance and Administration, give such approval and also provided that Authority staff has reviewed the request and concluded that the proposed Borrowing by Another Method is in the best interest of both the Borrower and of the Authority. The Secretary will report any such approval at the next meeting of the Authority.

III. Criteria for Requesting Approval of a Borrowing by Another Method-Real Estate Related Leases

A proposed Borrowing by Another Method in the form of a real estate related lease that meets one or more of the following criteria must be approved by the Authority¹:

- A. Annual rent is more than \$250,000 per year.
- B. The lease term is more than five years.

Approval by the Authority of a Borrowing by Another Method must be obtained prior to the ESC meeting at which the Borrowing by Another Method will be considered.

IV. Criteria for Requesting Approval of a Borrowing by Another Method-Non-Real Estate Related Leases

A proposed Borrowing by Another Method in the form of a non-real estate related lease (i.e. for equipment, vehicles, etc.) that meets the following criteria must be approved by the Authority:

- A. Annual lease payment is more than \$250,000 per year.

If at least two leases are entered into with the same company (or any affiliated entity of such company) and the leases, individually, do not meet the criteria for approval but the leases, in the aggregate, do meet such criteria, then the leases, in the aggregate, must be submitted for approval.

If leases for the same type of equipment (i.e. copiers, vehicles) individually do not meet the criteria for approval but the leases, in the aggregate, do meet such criteria, then the leases, in the aggregate, must be submitted for approval.

¹ These requirements are intended to mirror the requirements of the ESC for procurement of leases where the State is lessee.

V. Approval Process for Borrowing by Another Method

Upon receipt and review of a completed submission, Authority staff will review and forward the request to the Authority for its consideration. If the Authority disapproves the request for approval of a Borrowing by Another Method, a Borrower may submit a new request for approval that resolves the issues or concerns that were the basis for the Authority's disapproval and that allows for sufficient time prior to the proposed settlement date for Authority staff to review the submission.

A Borrowing by Another Method not requiring approval by the Authority shall be reported to the Authority on a quarterly basis.

Adoption of the Policy

Approved by the Authority at its meeting held on December 11, 2020.

Amended by the Authority at its meeting held on January 25, 2021.

Amended by the Authority at its meeting held on June 15, 2022.

Appendix A

Request for Approval of a Borrowing by Another Method

Items to Submit Checklist

The following items must be submitted to the Tennessee State School Bond Authority (the “Authority”) with a request for approval of a Borrowing by Another Method:

- A. An approval request letter from the Borrower including the following:
 - 1. Contact information for the Borrower.
 - 2. Description of the debt:
 - a. Type of debt
 - b. Type of security (i.e. revenue; etc.)
 - c. Purpose of financing
 - d. Proposed structure
 - e. Expected settlement date of transaction
- B. Copy of the final version of the lease or other agreement which pertains to the Borrowing by Another Method.
- C. Debt amortization schedule (if applicable).
- D. The Executive Summary submitted with the Borrower’s application for approval by the State Building Commission or Executive Subcommittee (if applicable).