

## TENNESSEE STATE FUNDING BOARD

July 22, 2024

The Tennessee State Funding Board (the "Board") met on Monday, July 22, 2024, at 3:00 p.m., in the Volunteer Conference Center, 2<sup>nd</sup> 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 David H. Lillard, Jr., State Treasurer  
Commissioner Jim Bryson, Department of Finance and Administration

The following members were absent:

The Honorable Bill Lee, Governor  
The Honorable Tre Hargett, Secretary of State

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 June 24, 2024, for consideration and approval. Commissioner Bryson made a motion to approve the minutes. Treasurer Lillard seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Ms. Jamie Stitt, Assistant Commissioner of Business and Workforce Development, Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration, and Ms. Allyson Crystal, Budget and Finance Administrator, ECD, to present the "FastTrack Report to State Funding Board" (the "Report"). Ms. Crystal reported that, as of the date of the June 24, 2024, Board meeting, the FastTrack balance was \$613,304,764.46. Since that time, \$36,383,672.98 in new funds had been appropriated; \$13,199,935.00 in funds had been deobligated; \$30,000.00 in new grants or loans less than \$750,000.00 had been approved; and \$1,044,600.39 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$661,813,772.05 as of the date of the Report. Ms. Crystal reported that total commitments had been made in the amount of \$520,727,364.22, or 78.7% committed, and resulted in an uncommitted FastTrack balance of \$141,086,407.83. Ms. Crystal reported that the amount of proposed grants for projects to be considered at this meeting totaled \$1,915,800.00, and if these projects were approved, the uncommitted balance would be \$139,170,607.83, with a total committed balance of \$522,643,164.22, which represented 79.0% of the FastTrack balance. Comptroller Mumpower then asked Ms. Stitt to present the following FastTrack projects:

- **Wal-Mart Associates, Inc. – Lebanon (Wilson County)**  
FastTrack Job Training Assistance Grant \$940,800.00

- **Hyla Mobile, Inc. – Mount Juliet (Wilson County)**  
FastTrack Job Training Assistance Grant

\$975,000.00

Commissioner Bryson made a motion to approve the projects, and Treasurer Lillard seconded the motion. The Board member packets included letters and FastTrack checklists signed by Mr. Stuart McWhorter, Commissioner, ECD, and incentive acceptance forms signed by company representatives. Comptroller Mumpower then inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Ms. Stitt responded affirmatively. Comptroller Mumpower then inquired if the checklists had been completed for the projects, and Ms. Stitt responded affirmatively. Comptroller Mumpower then inquired if the projects included accountability agreements which would provide protections for the state in the event the entities could not fulfill the agreements, and Ms. Stitt responded affirmatively. Hearing no other discussion, Comptroller Mumpower took the vote, and the motion was unanimously approved.

Comptroller Mumpower then recognized Ms. Thompson to present revisions to the Board's Debt Management Policy (the "Policy") for consideration and approval. Ms. Thompson stated that SGF conducted an extensive review of the Policy and that updates were necessary due to changes in the debt market over the last few years. Ms. Thompson further stated that many of the changes were for clarification purposes. Ms. Thompson also detailed the additional following revisions:

- Updates to the Policy to follow language in Tennessee Code Annotated ("TCA")
- The addition of a tender option as an alternative method for refinancing outstanding debt
- Enhancements to the risk assessment sections

Commissioner Bryson made a motion to approve the revised Policy. Treasurer Lillard seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Ms. Thompson to present a "Resolution Making Findings for Decrease in Special Revenues" as required by TCA § 9-9-104(b) for consideration and approval. Ms. Thompson stated that the state had covenanted with its bondholders that it would not decrease the special tax revenues that had been pledged for the payment of principal and interest on its debts unless the Board certifies by resolution, as required by TCA § 9-9-104(b), the following:

- All payments due pursuant to statute have been made in full.
- The state is not in default in payment of any outstanding debt.
- Fees and taxes pledged pursuant to TCA § 9-9-104 will be sufficient to provide funds adequate to meet all payments required to be made by the Board in fiscal year 2024-2025.

Ms. Thompson then stated that the resolution was in the Board member's packets and that staff recommended approval of the resolution. Commissioner Bryson made a motion to approve the resolution. Treasurer Lillard seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Ms. Thompson to present a "Resolution Certifying and Authorizing the Allocation of Funds to the Sinking Fund for the 2024-2025 Fiscal Year" for consideration and approval. Ms. Thompson stated that the resolution certified the amount of taxes and fees that would be deposited to the sinking fund to cover the state's debt service expenses for the 2024-2025 fiscal year. Ms.

Thompson then stated that the resolution would be effective as of July 1, 2024. Commissioner Bryson made a motion to approve the resolution. Treasurer Lillard seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Ms. Thompson to present a “Resolution Allocating Funds to Defray a Portion of the Cost Highway Construction Projects and Canceling Authorized Bonds” Ms. Thompson stated that the resolution canceled bonds for highway construction projects in the amount of \$87,700,000. Ms. Thompson then stated that the resolution would be effective as of July 1, 2024. Commissioner Bryson made a motion to approve the resolution. Treasurer Lillard seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Ms. Thompson to present a “Resolution Authorizing the Issuance of General Obligation Bonds of the State of Tennessee” for consideration and approval based on Chapter 965, Public Acts 2024 (the “2024 Bond Bill”). Ms. Thompson stated that the resolution authorized the issuance of General Obligation (“GO”) Bonds in the amount of \$87,700,000, pursuant to the fiscal year 2024 bond bill. Ms. Thompson then stated that the resolution would be effective as of July 1, 2024. Ms. Thompson then explained that the state’s current practice was to fund highway projects with cash and not issue bonds. Comptroller Mumpower then stated that the unissued bond authorization would be utilized to facilitate contracts for highway construction. Commissioner Bryson made a motion to approve the resolution. Comptroller Mumpower 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 noted the Manual was being revised for the following:

- To clarify how a budget may be amended upon Comptroller requirements for amendment, and to provide a sample resolution for this amendment
- To clarify how an entity acquires the budget certificate
- To provide additional guidance on budget adoption during a reappraisal year

Commissioner Bryson made a motion to approve the revised Manual. Treasurer Lillard seconded the motion, and it was unanimously approved.

Comptroller Mumpower then recognized Mr. Osborne to present the annual report on requests for approval of Balloon Indebtedness. Mr. Osborne stated that the Balloon Indebtedness report showed the status of balloon debt requests received by LGF during the fiscal year 2023-2024. Mr. Osborne reported that two requests had been received and that both were refundings for debt service savings purposes. Mr. Osborne further reported that this was the lowest number of requests received since the law requiring Comptroller approval prior to issuing debt with a balloon structure took effect in 2015. No further action was necessary.

Comptroller Mumpower then recognized Mr. Osborne to present the annual report on outstanding debt for Industrial Development Boards (“IDB”). Mr. Osborne stated that this was the fifth year that LGF reported on the IDB debt. Mr. Osborne then reported that, as of end of fiscal year 2023, 93 counties had active IDBs of which 44 had no outstanding debt. Mr. Osborne further reported that there were 210 conduit debt issues and 89 direct debt issues. Mr. Osborne then stated that the number and amount of Nashville’s IDB was the

largest with 85 total debt issues and slightly under one billion dollars in bonds outstanding. Mr. Osborne further stated that the majority of the Nashville IDB's debt issues were conduit debt. Commissioner Bryson then asked how the report was used. Mr. Osborne responded that it helps LGF track the debt of IDBs and to understand what kind of debt outstanding the IDBs have. It also helps with default reporting. Mr. Osborne further responded that in 2018 the legislature stated that they would like the Comptroller to keep track of IDB debt issues. Mr. Osborne reported that last year was the first time they received reports from 100% of the IDBs, allowing LGF to see all the debt outstanding. Commissioner Bryson then asked if the debt spiked would that be a red flag that the state would have to look at. Mr. Osborne responded in the affirmative. No further action was necessary.


Comptroller Mumpower then recognized Mr. Osborne to report on a Notice of Default by the Economic Development Growth Engine Industrial Development Board of Memphis and Shelby County ("EDGE"). Mr. Osborne stated that EDGE reported a monetary default on their 2017 Series D Graceland Bonds (the "Series D Bonds"). Mr. Osborne further stated that this was the seventh notice of default on the Series D Bonds. Mr. Osborne then stated that failure to make bondholder payments on the Series D Bonds was not a default under the indenture but was a default that was required to be presented to the Board. Comptroller Mumpower then asked if the other series of Graceland bonds debt service payments had been satisfied. Mr. Osborne replied in the affirmative and stated that the Graceland bonds had a waterfall scenario of payment priority from Series A down through the remaining series. Treasurer Lillard then asked if LGF had spoken with EDGE's bond counsel or the bondholders on the matter. Mr. Osborne responded that LGF had spoken with bond counsel and EDGE's financial advisor. Mr. Osborne further responded that LGF understood that the bondholders voiced their opinion when the debt service on the 2017 Series A Graceland Bonds ("Series A Bonds") had not been paid, and only a partial payment was made. Mr. Osborne then stated that the Series A Bonds debt service has been paid and made current, but the Series D Bonds debt service had not been paid in three and a half years. Mr. Osborne then stated that the Series D Bonds had been privately-placed with sophisticated investors that were aware if money was not available to pay the debt service, it would not be considered a default. No further action was necessary.

Comptroller Mumpower then recognized Ms. Thompson to present a Report on the State of Tennessee General Obligation Bond and Commercial Paper ("CP") Indebtedness. Ms. Thompson stated that on an annual basis staff reports to the Board on the GO bonds outstanding for both long-term debt as well as the CP program. Ms. Thompson then stated that the report in the Board Members' packets outlined those amounts as of June 30, 2024. Ms. Thompson then stated that the amount of taxable CP outstanding was \$5,113,000 and the amount of tax-exempt CP outstanding was \$15,500,000 for a total amount of CP outstanding of \$20,613,000. Ms. Thompson then stated the amount of taxable bonds outstanding was \$593,445,000 and the amount of tax-exempt bonds was \$1,095,650,000 for a total amount of bonds outstanding of \$1,689,105,000. Ms. Thompson then presented the remainder of the report highlighting some of the statistics for the CP program including the average daily balance, interest rate range, weighted average yield, and program expenses for fiscal year 2024. No further action was necessary.

Comptroller Mumpower observed no further business to come before the Board and requested a motion to adjourn. Commissioner Bryson made a motion to adjourn the meeting, and Treasurer Lillard seconded the motion. The motion was unanimously approved, and the meeting was adjourned.

Approved on this 2<sup>nd</sup> day of October 2024.

Respectfully submitted,

  
Sandra Thompson,  
Assistant Secretary

