

TENNESSEE STATE SCHOOL BOND AUTHORITY

February 17, 2021

The Tennessee State School Bond Authority ("TSSBA", or the "Authority") met on Wednesday, February 17, 2021, at 11:00 a.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 participated electronically via Webex Events:

The Honorable Tre Hargett, Secretary of State
The Honorable David Lillard, State Treasurer
Commissioner Butch Eley, Department of Finance and Administration
Mark Paganelli, proxy for Randy Boyd, President, University of Tennessee
Danny Gibbs, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents (arrived at 2:49 p.m.)

The following member was absent:

The Honorable Bill Lee, Governor

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

Recognizing a quorum present, Mr. Mumpower called the meeting to order and stated that Governor Bill Lee, a member of the Authority, had previously declared a state of emergency to facilitate Tennessee's response to the coronavirus disease. He stated that Governor Lee's Executive Order No. 16, which allowed governing bodies to meet electronically regarding essential business in light of Coronavirus Disease 2019 (COVID-19), and this order was extended by Executive Order Nos. 34, 51, 60, 65; and further extended by Executive Order No. 71, so long as they provided electronic access to the public and met certain safeguards established in that Order to ensure the openness and transparency of the proceedings. Mr. Mumpower stated that the Notice for this meeting indicated the meeting would be conducted through Webex Events and provided information for the public to participate electronically. Mr. Mumpower stated that the Authority needed a motion pursuant to the provisions of Executive Order No. 16, as extended by Executive Orders No. 34, 51, and 60, and further extended by Executive Order No. 65, that meeting electronically without a physical location was necessary to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak, that the matters listed on the agenda of the meeting related to the essential business of the Authority, and that the necessary safeguards had been taken. Mr. Hargett made such a motion, Mr. Eley seconded the motion, and Ms. Thompson called the roll:

Mr. Mumpower – Aye
Mr. Eley – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye
Mr. Paganelli – Aye
Mr. Gibbs – Aye

The motion was approved unanimously.

Mr. Mumpower stated that the next item was the approval of the minutes of the meeting held on January 25, 2021. Mr. Mumpower asked if there were any comments, questions, or discussion on the minutes. Hearing none, Mr. Mumpower moved approval of the minutes, Mr. Eley seconded the motion, and Ms. Thompson called the roll:

Mr. Mumpower – Aye
Mr. Eley – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye
Mr. Paganelli – Aye
Mr. Gibbs – Aye

The motion was approved unanimously.

Mr. Mumpower stated that the next item to come before the Authority was the consideration of a resolution to approve the borrowing of money by another method by the University of Tennessee (“UT”). Mr. Mumpower recognized Mr. Austin Oakes, Executive Director of Capital Projects at the University of Tennessee, to present the request. Mr. Oakes stated that the University of Tennessee had one request to borrow money by another method for approval of a lease with waiver of advertisement. Mr. Hopson stated that the University proposed to extend the current term of the lease for space at 756 Ridge Lake Boulevard in Memphis Tennessee by five (5) years. Mr. Oakes stated the space is used for diabetes research and the current lease expires on March 19, 2021. Mr. Oakes stated the annual rent would start \$61,720 for the first year and increase by two percent (2%) per year after. The rent would include utilities and janitorial costs. Mr. Hargett made a motion to approve the request, Mr. Lillard seconded the motion, and Ms. Thompson called the roll:

Mr. Mumpower – Aye
Mr. Eley – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye
Mr. Paganelli – Aye
Mr. Gibbs – Aye

The motion was approved unanimously.

Mr. Mumpower stated that the next item to come before the Authority was the consideration of a resolution to approve the borrowing of money by another method by Austin Peay State University (“APSU”). Mr. Mumpower recognized Mr. Benjamin Harmon, Associate Vice President and Chief Financial Officer of APSU, to present the request. Mr. Harmon stated that the APSU had one request to borrow money by another method for approval of a lease with Rotor Leasing LLC for a helicopter to be used by the APSU Aviation Science Department. Mr. Harmon stated the lease would be for one year with the right to renew the lease for up to two (2) additional one (1) year periods and may further extend the lease for one (1) additional period totaling a term of no more than five (5) years. Mr. Harmon explained the maximum liability would not exceed \$295,200. Mr. Harmon stated the lease cost for the first three years was \$8,200 per month with an additional cost per hour in excess of thirty (30) hours per month of \$274 for the first year, \$279 in the second year and \$284 in the third year. Mr. Hargett made a motion to approve the request, Mr. Eley seconded the motion, and Ms. Thompson call the roll:

Mr. Mumpower – Aye
Mr. Eley – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye
Mr. Paganelli – Aye
Mr. Gibbs – Aye

The motion was approved unanimously.

Mr. Mumpower stated that the next item on the agenda was an update on the Request for Proposal ("RFP") for the short-term financing for the TSSBA. Mr. Mumpower called upon Ms. Thompson for the update. Ms. Thompson stated the revolving credit facility for short-term financing expires on March 18, 2021. Ms. Thompson stated that the RFP was issued on December 15, and 17 proposals were received on January 12. Ms. Thompson added that the proposals have been reviewed with the assistance of the financial advisor. Ms. Thompson stated that the financial advisor had prepared and presented a summary of the information to the TSSBA staff in a virtual meeting on February 1. Ms. Thompson stated the summary was included in the board packet. Ms. Thompson stated that although the analysis of the information indicated that a commercial paper program would have the lowest cost, it also indicated that a revolving credit agreement/line of credit would be the best overall program for administration with the least amount of risk. Mr. Thompson explained the following attributes of the revolving credit agreement over a commercial paper program:

- not subject to investor demand
- not subject to credit risk to a liquidity provider
- does not require an offering document
- does not require short-term ratings
- control over timing of prepayment

Ms. Thompson stated that from the proposals received to provide a revolving credit facility option, the financial advisor had recommended a short-list of three service providers: Bank of America, Truist and US Bank/Wells Fargo. Ms. Thompson stated that because each of the remaining proposals is unique in its attributes, a recommendation to select a certain provider had not been made. Ms. Thompson stated the financial advisor will continue to work with the Division of State Government Finance to evaluate each of the remaining proposals, while seeking additional information from each of the providers, as necessary. Ms. Thompson stated that staff looks to have a recommendation to the TSSBA board at its next meeting to be scheduled in late March. Mr. Mumpower stated that this was a report item with no action needed by the board.

Mr. Mumpower stated that the next item to come before the Authority was the consideration and approval of the Resolution Authorizing a Third Amendment to the Revolving Credit Agreement (RCA). Mr. Mumpower called upon Ms. Thompson to present the resolution and amendment. Ms. Thompson stated that because of the amount of time needed to evaluate the information for the replacement of the credit facility the TSSBA has requested a 90-day extension of the RCA from the current credit facility providers. Ms. Thompson stated that the providers have agreed to enter into an amendment to extend the term of the RCA. Ms. Thompson stated that a draft Resolution Authorizing a Third Amendment to the RCA was included in the meeting packets and that the final version of the resolution from bond counsel was forwarded to the board members earlier that morning. Ms. Thompson stated the Third Amendment to RCA provided for the extension of the RCA to June 15, 2021. Mr. Mumpower made a motion to approve the resolution, Mr. Hargett seconded the motion, and Ms. Thompson called the roll:

Mr. Mumpower – Aye
Mr. Eley – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye
Mr. Paganelli – Aye
Mr. Gibbs – Aye

The motion was approved unanimously.

Mr. Mumpower stated the next item on the agenda was a report on the results of the Authority's 2021 Series A bond pricing. Mr. Mumpower called upon Ms. Thompson to present the report. Ms. Thompson stated

that the TSSBA priced \$713 million in Higher Educational Second Program Bonds on February 8 and 9, 2021. Ms. Thompson added that the transaction was the largest ever executed by the Authority and followed an expedited timeline to take advantage of the favorable market conditions. Ms. Thompson stated the purpose of the sale was to finance the costs of a new money project, advance refund certain callable maturities of the 2012A, 2012C, 2013A, 2014A, 2014B and 2015B series bonds, and pay issuance costs. Ms. Thompson stated that at the time of pre-marketing, the Authority's Preliminary Official Statement ("POS") had been viewed over one hundred seventy-five (175) times and downloaded ninety-five (95) times. Ms. Thompson added that thirty-nine (39) unique investors had viewed the POS fifty (50) times with thirty-one (31) downloads. Ms. Thompson stated the financing was a taxable issue and would be amortized over 24 years with serial maturities through 2036 and term bonds in 2041 and 2045. Ms. Thompson explained that the refunding was structured at the project level, that impacted 111 projects at seven campuses across the six refunded series of bonds. Ms. Thompson stated the total refunded par was \$605.6 million and included both tax-exempt and taxable bonds. Ms. Thompson stated the new money project was structured to amortize over a 20-year period with a total par of \$14.4 million. Ms. Thompson stated that the order book at the end of the price guidance was approximately \$3.3 billion, with varying levels of subscriptions across the curve (e.g., 1.2x – 9.8x). Ms. Thompson stated the overall subscription was 4.7 times, including stock. Ms. Thompson added that the order book was largely comprised of bond funds, insurance and hedge fund accounts and included orders from over 90 different accounts. Ms. Thompson stated that because of the Authority's highly rated credit, investor demand enabled the Authority to reprice most of the maturities of the bonds to at least five (5) basis points lower than the price that was initially offered. Ms. Thompson stated in conclusion that the sale resulted in a true interest cost of 2.03% with aggregate net present value savings for the \$689.9 million of taxable refunding bonds of \$111.8 million, or 18.5% of the refunded par amount of the bonds. Ms. Thompson stated the Authority's debt management policy requires a minimum of 4% net present value savings with no extension or backloading, of the principal maturities. Ms. Thompson stated the colleges and universities will benefit from \$112 million in net present value interest cost savings over the next 24 years. Mr. Mumpower thanked Ms. Thompson for the report and thanked the team for the success of the bond sale.

Mr. Mumpower asked if there were any other matters to come before the Authority. Hearing none, Mr. Hargett made a motion to adjourn and Mr. Eley seconded the motion, and Ms. Thompson called the roll:

Mr. Mumpower – Aye
Mr. Eley – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye
Mr. Paganelli – Aye
Mr. Gibbs – Aye

The meeting was adjourned.

Approved on this 22nd day of March, 2021.

Respectfully submitted,


Sandra Thompson
Assistant Secretary