TENNESSEE STATE SCHOOL BOND AUTHORITY
July 26, 2022

The Tennessee State School Bond Authority ("TSSBA", or the "Authority") met on Wednesday, July 26, 2022, at 2:00 p.m. in the Volunteer Conference Center, Cordell Hull Building, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of State
The Honorable David Lillard, State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration
Alicia Fox, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following member participated electronically as authorized by Tennessee Code Annotated § 8-44-108:

Luke Lybrand, proxy for Randy Boyd, President, University of Tennessee

The following member was absent:

The Honorable Bill Lee, Governor

Recognizing a physical quorum present, Mr. Mumpower called the meeting to order. Mr. Mumpower welcomed everyone to the first meeting of the Authority in the Volunteer Conference Center in the Cordell Hull Building. Mr. Mumpower stated that the meeting was live-video broadcasted and recorded to be posted on the Comptroller's website. Mr. Mumpower noted electronic participation in the meeting and asked Sandi Thompson, Director of the Division of State Government Finance ("SGF") to call the roll. Ms. Thompson called the roll:

Mr. Lybrand – Present
Ms. Fox – Present
Mr. Bryson – Present
Mr. Mumpower – Present
Mr. Hargett – Present
Mr. Lillard – Present

Mr. Mumpower welcomed Ms. Fox to her first meeting of the Authority and asked her if she would like to introduce herself. Ms. Fox stated that she was the new Vice Chancellor of Business and Finance for the Tennessee Board of Regents ("TBR") and was previously in a similar role at Cleveland State Community College.

Mr. Mumpower then stated that last year during a performance audit of the Comptroller's Office the auditors inquired as to whether the assumed interest rates that were used in the TSSBA feasibility analysis were reviewed periodically for appropriateness. (The assumed interest rates are used to calculate the maximum annual debt service on a given project. Revenues are required to be pledged for the given project in an amount not less than the maximum annual debt service to ensure sufficient debt service coverage.) Mr. Mumpower explained that there had been discussions regarding the interest rates used given the current interest rate environment. Mr. Mumpower stated that the rates used to calculate the maximum annual debt service would remain the same for now. Mr. Mumpower stated that the rates would be evaluated on a periodic basis as the Authority monitors for interest rate changes in the capital markets.

Mr. Mumpower stated that the first official item of business on the agenda was the approval of the minutes of the TSSBA Meeting held on June 15, 2022. Mr. Hargett made a motion to approve the minutes and Mr. Bryson seconded the motion. Mr. Mumpower asked if there were any questions or discussion. Hearing none, Ms. Thompson called the roll:

Mr. Lybrand – Aye
Ms. Fox – Aye

Mr. Bryson – Aye
Mr. Mumpower – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye

The minutes were unanimously approved.

Mr. Mumpower stated that the next item of business on the agenda was the annual review of the TSSBA debt management policy. Mr. Mumpower recognized Ms. Thompson to present the item. Ms. Thompson stated that SGF had reviewed the debt management policy and circulated the policy to TSSBA staff and the Attorney General's office for review. Ms. Thompson stated that staff had no revisions to the debt management policy and were asking the board to acknowledge that an annual review had been conducted. Mr. Mumpower acknowledged the review on behalf of the Authority and thanked Ms. Thompson for it.

Mr. Mumpower stated that the next item on the agenda was the consideration and approval of the resolution to approve the borrowing of money by another method by the University of Memphis ("UoM"). Mr. Mumpower recognized Mr. Tony Poteet, Chief University Planning Officer at UoM, to present the request.

Mr. Poteet stated that UoM was requesting approval of a lease amendment for an additional 92 beds for student housing at the Gather apartment complex adjacent to UoM's campus. Mr. Poteet stated that the term of the lease was three years with the option to extend the contract for two additional years. Mr. Poteet stated that this request aligned with UoM's February Executive Subcommittee ("ESC") waiver of advertisement of 300 total beds, and subsequent lease approval for 208 beds with the Gather. Mr. Poteet explained that this request would give UoM additional apartment-style rooms in which to house the increasing out-of-state enrollment. Mr. Poteet explained that the lease cost was less than what UoM currently charged for similar student housing accommodations. Mr. Poteet stated that UoM did not foresee any difficulty in filling the beds.

Mr. Bryson made a motion to approve the request and Mr. Lillard seconded the motion. Mr. Mumpower asked if there were any questions or items to discuss. Mr. Lillard asked Mr. Poteet to explain the economics of the lease. Mr. Poteet explained that students would make their housing fee payments to UoM at the beginning of the semester which would in turn be used by UoM to make the monthly lease payment. Mr. Poteet explained that UoM would charge students a small surcharge above the cost of the lease to cover student housing administrative expenses. Mr. Poteet explained that this lease would be beneficial for UoM student enrollment and would grant UoM control over 70% of the beds in the apartment complex.

Mr. Lillard asked if UoM would be using any plant funds or other university funds to pay for the leases. Mr. Poteet responded that UoM would not be using university funds to pay for the lease and that student housing revenues would cover the lease. Mr. Poteet explained that UoM could terminate the lease at the end of the Spring semester and could also stop payment on a bed due to a student's withdrawal or infraction. Mr. Lillard asked if the Gather was one unitary building. Mr. Poteet responded that the Gather apartment complex consisted of two buildings, one of which UoM has leased in full, and one of which UoM would control a majority of.

Mr. Bryson asked if the Gather was close to the UoM campus. Mr. Poteet responded that the Gather was next to UoM's campus. Mr. Poteet explained that the complex was directly across the railroad tracks from UoM's main administration and academic buildings. Mr. Poteet stated that the Gather apartment buildings were in between two UoM parking lots. Mr. Poteet explained that students who lived in the Gather buildings park in UoM parking lots and were in walking distance of amenities on campus.

Hearing no further discussion Mr. Mumpower asked Ms. Thompson to call the roll. Ms. Thompson called the roll:

Mr. Lybrand – Aye
Ms. Fox – Aye

Mr. Bryson – Aye
Mr. Mumpower – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye

The motion was unanimously approved.

Mr. Mumpower stated that the next 12 items on the agenda, 11 (eleven) lease agreements and one use agreement, all pertained to Tennessee State University ("TSU"). Mr. Mumpower stated that without objection all twelve items would be taken at once for the purpose of discussion. Mr. Mumpower made a motion to take up the items for discussion, and Mr. Bryson seconded the motion. Mr. Mumpower recognized the following staff from TSU for discussion of the requests:

Dr. Glenda Glover, President
Laurence Pendleton, General Counsel
Alison Letcher, Associate General Counsel
Douglas Allen II, Vice President for Business and Finance
Dr. Curtis Johnson, Chief of Staff & Associate Vice President of Administration
Frank Stevenson, Associate Vice President of Student Affairs and Dean of Students
Terrence Izzard, Associate Vice President for Admissions & Recruitment

Mr. Mumpower asked the staff from TSU to summarize the request. Dr. Glover stated that TSU faced an unprecedented housing challenge Dr. Glover explained that TSU was attracting national attention and good publicity and explained the various reasons.. Dr. Glover also stated that TSU had been able to develop strategic corporate partnerships. Dr. Glover explained that the result was a dramatic increase in student enrollment with additional demand from students to live on campus.

Dr. Glover pointed out the challenges for students seeking housing such as an increase in housing prices and apartment rent in the Nashville metropolitan area and cited the average rent increase in the past year in Nashville was considerably higher as compared to the Memphis and Knoxville rental housing markets. She continued by providing examples for comparison purposes. Dr. Glover stated that TSU did not want to tell any student they were on their own to find housing. Dr. Glover stated that students in this population were likely to return home if TSU was unable to provide housing. Dr. Glover stated that students who stayed home and missed the first semester of school were unlikely to return to TSU. Dr. Glover stated that losing these students was inconsistent with the mission of TSU, the State of Tennessee, and the Drive to 55 Initiative. Dr. Glover stated that TSU was seeking support from the state to support the students.

Dr. Glover stated that the original information provided to Authority staff had been based on initial discussions and was now in the process of being revised by continuing to look for ways to cut costs and recurring expenses. Dr. Glover explained that TSU was seeking to reduce the number of hotel being leased to house students by offering online classes to some students and triple occupancy in certain rooms in the on-campus dormitories which provided for a lower cost option for the student for the semester

Dr. Glover asked Mr. Allen to provide the Authority with the details of the request. Mr. Allen stated that the amount of the request brought to the Authority was approximately $40 million including hotel leases, security, transportation, and food service. Mr. Allen stated that this amount was the worst-case scenario that was under consideration. Mr. Allen stated that TSU staff had fielded questions and worked on the request through several discussions with TSSBA staff prior to the meeting.

Mr. Allen stated that gross plant funds at TSU were $51,131,425 as of July 26, 2022. Mr. Allen explained that these funds consisted of unexpended plant funds in the amount of $37,421,653 and Renewal and Replacement ("R&R") plant funds of $13,709,771. Mr. Allen stated that TSU did have commitments against the unexpended portion of the plant funds on 12 active projects in the amount of $8,652,818. Mr. Allen stated that TSU had worked with staff at TBR to confirm the amount of plant funds obligated. Mr.

Allen stated that after accounting for funds obligated to open projects, the amount of TSU's unexpended plant fund balance was $28,768,836.

Mr. Allen stated that revenues for this request would be generated by students living in the hotels. Mr. Allen stated that housing fees from leasing approximately 2,000 hotel beds (11 hotels and the House of God) to students would generate a little more than $16 million. Mr. Allen stated that the remaining deficit would be covered by unexpended plant funds. Mr. Mumpower asked what amount of money would be needed from the plant funds to cover the deficit. Mr. Allen stated that a little over $21 million would be needed from plant funds. Mr. Bryson asked if that would leave $7 million in unexpended plant funds, and Mr. Allen responded affirmatively.

Mr. Mumpower stated that it was good to see surging enrollment at TSU while enrollment was declining at other universities. Mr. Mumpower asked the following questions: 1) why was the request just being brought to the Authority in late July when school would be starting in only a few weeks, 2) when did TSU realize they were running out of housing space for students, 3) what has TSU's enrollment management plan been, 4) what had student enrollment strategy been, and, 5) is enrollment closed for Fall 2022 or is it still open?

Mr. Izzard stated that enrollment for Fall 2022 was closed. Mr. Izzard stated that prospective students who had applied and were interested in attending TSU were being advised to attend in Spring or Fall 2023. Mr. Izzard also stated that TSU had provided students the option of taking classes online. Mr. Izzard stated that in regard to strategy, TSU had a very simple process for student enrollment. Mr. Izzard stated that students that applied, would be admitted, and would then be enrolled once they confirmed their intent. Mr. Izzard stated that students then completed a housing application, were advised for classes, and paid a housing deposit. Mr. Izzard stated that application numbers began to grow, but they would not have really known about the housing situation since students do not begin to make their housing deposits until the first of March. Mr. Izzard stated that housing applications were closed at this point in time.

Dr. Glover responded to the question of when TSU would have been aware of the off-campus housing needs. Dr. Glover stated that in looking at past trends, 26-27% of students who applied and were accepted actually attended TSU. Dr. Glover stated that this year that number was in the 40% range. Dr. Glover said the increase in the number of students who will attend TSU has contributed to the need for off campus housing. Dr. Glover stated that TSU had anticipated this number being higher this year but had not estimated it would be 10% higher.

Mr. Mumpower stated that it was appropriate to also acknowledge that some of the proposed hotels to be leased by TSU were located in areas of higher crime. Mr. Mumpower asked how this would affect students who were placed in these locations away from the TSU campus. Mr. Stevenson stated that TSU was hoping to eliminate several of these proposed hotel leases. Mr. Stevenson also stated that TSU would not be placing freshmen students in off-campus housing.

Mr. Stevenson stated that TSU had some experience in leasing hotels off campus last year in the 2021-2022 school year. Mr. Stevenson stated that TSU's police department had evaluated security on the building. Mr. Stevenson stated that TSU was leasing the entire buildings which gave them more security and control. Mr. Stevenson stated that last year TSU had installed a fence around an entire hotel, with the property owner's permission, to restrict access. Mr. Stevenson stated that TSU took security very seriously and would have armed staff at the leased hotel locations. Mr. Stevenson said the costs of the security provisions were included in the request.

Mr. Allen stated that the Authority was provided with a priority list of the 12 properties. Mr. Allen stated that TSU had worked on reducing the list by possibly using triple occupancy rooms on campus and offering 100% online enrollment. Mr. Allen stated that these reductions would hopefully reduce the number of beds needed off campus from 2,090 to 1,350. Mr. Allen stated that TSU hoped to remove the last five (5) hotels from the priority list which would result in seven (7) hotels in a future request.

Mr. Mumpower stated that he was concerned that approving these 12 off-campus housing leases to house the burgeoning enrollment this fall could create a budgetary issue in future years. Mr. Mumpower stated that next year, would TSU possibly see these students returning and not have any new dorm space to house all of them. He pointed out that with the suggested depletion of plant fund reserves this year, TSU could be creating a situation where the school would need to request funding from the legislature next year to fund the housing leases. Mr. Mumpower stated that it was not for him to decide to create future expenditures for the legislature.

Mr. Stevenson responded that TSU did not want to house students in leased hotels, but that it was a quick solution for this school year. Mr. Stevenson stated that TSU was looking at solutions to bring students back on campus so that some of the hotel leases could be canceled for the Spring 2023 semester. Mr. Mumpower asked where TSU was planning to house these students in six (6) months' time. Mr. Stevenson stated that TSU was in discussions with a vendor that manufactures modular homes. Mr. Stevenson said that modular homes were an affordable option that the University hoped to use as a short-term solution while new dormitories were under construction.

Mr. Bryson congratulated TSU on its record enrollment numbers and stated that he also had concerns regarding the finances of the request. Mr. Bryson asked if the leases could be terminated without penalty if students were moved out of the hotels in January. Mr. Stevenson stated that TSU could terminate the leases with 30 days' notice. Mr. Bryson asked what funding would be used to purchase the modular homes. Mr. Stevenson stated that some of the funding would come from the reduction in expenditures on hotel leases. Dr. Glover stated that TSU's foundation would assist with funding some of the modular homes. Mr. Bryson asked what the cost would be for the modular homes. Mr. Allen responded that the cost for the modular homes would be $12 million for 800 beds.

Mr. Mumpower asked if the modular homes would be placed on land owned by TSU. Mr. Allen stated that the land would be owned by TSU. Mr. Bryson asked if the land was adjacent to campus. Dr. Glover stated that there were several locations on campus being considered for modular homes. Dr. Johnson stated that TSU had several green spaces on campus they could modify to accommodate modular housing and external parking lots. Mr. Bryson asked if TSU had started the process of the modular units. Dr. Johnson stated that TSU had not begun the process yet.

Mr. Bryson asked how many out-of-state students would be housed in hotels off campus using state funds. Dr. Glover stated that approximately 30% of students were from out-of-state. Dr. Glover explained that TSU's out of state enrollment increased during the pandemic due to more online enrollments. Dr. Glover stated that TSU marketed heavily to in-state Tennessee students.

Mr. Mumpower asked if the plant funds being discussed were entirely auxiliary plant funds. Mr. Allen stated that the plant funds discussed were not exclusively auxiliary, but auxiliary was the major source of the plant funds. Mr. Mumpower asked if TSU was sure the plant funds were unobligated and could be used in this manner. Mr. Allen responded affirmatively.

Mr. Bryson stated that construction, especially in Nashville, was difficult to get started, much less completed, in 6 months and expressed concern that the deadline to complete the project would be challenging. Dr. Johnson explained that the modular units considered by TSU would not need much site preparation to construct. Mr. Bryson discussed the expenditure of plant funds on the project. Mr. Allen stated that the foundation would cover some of the funding and that the modular home units would be university-owned assets. Mr. Bryson asked if the new housing was needed in addition to the new 700 bed dormitory opening on campus this fall. Mr. Allen responded that the new dormitory was opening in the fall and that new housing would be needed in addition to the new dormitory.

Mr. Mumpower asked who at TBR had verified the amount of unobligated plant funds. Mr. Allen stated that Tammy Grizzle at TBR had verified the amount of unobligated plant funds. Mr. Mumpower asked Ms. Thompson if SGF was comfortable that the expenditure of $21 million would not impact funds allocated to other projects. Ms. Thompson stated that SGF would need to see a further breakdown of the plant funds.

Mr. Mumpower recognized Mr. Lou Hanemann, Chief of Staff, and Ms. Patti Miller, Chief of Facilities Planning at the Tennessee Higher Education Commission ("THEC"). Mr. Mumpower stated that he understood these leases would require THEC notification and/or involvement. Mr. Mumpower asked if THEC had been involved in the requests and what thoughts they had on it. Mr. Hanemann stated that THEC was first aware of TSU's plan to meet the housing demand during the staff call for this meeting, one week prior. Mr. Hanemann stated that was the first opportunity THEC had to review the lease documents and the hotels proposed, so THEC was in the beginning stages of reviewing the request.

Mr. Hanemann stated that as to the appropriateness of the response, the State of Tennessee was placed in a difficult position. Mr. Hanemann stated that Tennessee wanted students to come to TSU and be successful, but there were also realities about the housing capacity at TSU. Mr. Hanemann stated that putting students in a position where they are 45 minutes away from campus is a difficult proposition. Mr. Hanemann stated that a THEC staff member went out and drove the routes and viewed some of the properties suggested. Mr. Hanemann stated that THEC had concerns about security, transportation, and meal delivery at some of the sites proposed.

Mr. Hanemann stated that THEC had heard anecdotally of recruitment efforts around the state that housing would be provided to students attending TSU as part of a financial aid package. Mr. Hanemann stated that there were multiple factors playing into the decision. Ms. Miller stated that TSU was requesting an update of the 2016 master plan along with a detailed housing study. Ms. Miller stated that THEC was pleased to hear that TSU was working to address the housing needs, however the timeline to accomplish this was an issue.

Mr. Pendleton stated that he recognized the challenges facing TSU in future years. Mr. Pendleton stated that he believed Mr. Stevenson and Mr. Allen had laid out plans regarding the transportation, security, and meal delivery issues facing students living off campus, and that the needs could be met. Mr. Pendleton stated that TSU's student profile of first generation, Pell grant eligible, college students could be lost forever, which would be inconsistent with TSU's mission and with the State of Tennessee's Drive-to-55 Initiative. Mr. Pendleton stated that TSU's goal was to enroll and matriculate more students while recognizing the financial impact of the request.

Mr. Mumpower stated that it was a positive thing that so many students wanted to come to TSU. Mr. Mumpower asked if there were any other questions or discussion from the members. Mr. Lillard congratulated TSU on the increase in enrollment and asked for TSU to provide a written proposal of the modular housing units. Mr. Lillard stated that he agreed with Mr. Mumpower's concerns of what would happen in future years if the request was approved. Mr. Lillard stated that TSU had demonstrated how they could manage the housing demand this year but not next school year.

Mr. Allen stated that he thought the modular homes would be a great opportunity for the students. Mr. Allen stated that the modular homes would allow TSU to house approximately 800 more students on campus where they were covered by campus security. Mr. Allen stated that the vendors ensured TSU the units could be constructed quickly and agreed to submit a proposal to the State. Mr. Allen stated that TSU's plan was to reduce the number of hotel leases by half during the school year. Ms. Letcher stated that TSU had the option to terminate the hotel leases immediately should TSU suspend student housing operations completely due to COVID-19.

Mr. Mumpower asked if there were any further questions or discussion. Hearing none, Mr. Mumpower made a motion to defer the 12 lease agreements to a future special called meeting to occur not before the week of August 8th. Mr. Hargett seconded the motion. Mr. Mumpower urged TSU staff to consider the questions asked during the meeting. Mr. Mumpower stated that as Comptroller, given his fiduciary duty to the State of Tennessee, from a financial perspective he could not support the request as it had been presented. Mr. Bryson also asked for a financial statement showing what the TSU foundation might be able to contribute towards the modular housing proposal. Mr. Mumpower urged TSU to reach out to both the Lieutenant Governor and the Speaker of the House of Representatives, who are members of the State

Building Commission ("SBC"). Mr. Mumpower asked Ms. Thompson to call the roll on the motion to defer. Ms. Thompson called the roll:

Mr. Lybrand – Aye
Ms. Fox – Aye
Mr. Bryson – Aye
Mr. Mumpower – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye

The motion was unanimously approved.

Mr. Mumpower stated that concluded the business on the agenda and that he would entertain a motion to adjourn. Mr. Hargett made a motion to adjourn, Mr. Bryson seconded the motion, and Ms. Thompson called the roll:

Mr. Lybrand – Aye
Ms. Fox – Aye
Mr. Bryson – Aye
Mr. Mumpower – Aye
Mr. Hargett – Aye
Mr. Lillard – Aye

The motion was unanimously approved.

The meeting was adjourned.

Approved on this 8th day of September, 2022.

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary