TENNESSEE STATE SCHOOL BOND AUTHORITY
July 25, 2023

The Tennessee State School Bond Authority ("TSSBA", or the "Authority") met on Tuesday, July 25, 2023, at 8:00 a.m., in House Hearing Room II, 1st Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, participated telephonically, as authorized by Tennessee Code Annotated § 8-44-108, and presided over the meeting.

The following members were physically present:

Jamie Wayman, proxy for the Honorable David H. Lillard, Jr., State Treasurer
The Honorable Tre Hargett, Secretary of State
Commissioner Jim Bryson, Department of Finance and Administration
Luke Lybrand, proxy for Randy Boyd, President, University of Tennessee
Mike Batson, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following member was absent:

The Honorable Bill Lee, Governor

Mr. Mumpower noted the presence of a physical quorum, with himself participating telephonically, and asked Ms. Sandi Thompson, Director of the Division of State Government Finance ("SGF"), to call the roll. Ms. Thompson called the roll:

Mr. Hargett – Present
Mr. Bryson – Present
Mr. Wayman – Present
Mr. Lybrand – Present
Mr. Batson – Present
Mr. Mumpower – Present

Mr. Mumpower then asked Ms. Thompson, in accordance with Public Chapter 300 and guidelines previously passed by the Authority, whether any requests for public comment had been received. Ms. Thompson responded that no requests for public comment had been received.

Mr. Mumpower stated that the first item on the agenda was the consideration and approval of the minutes from the June 27, 2023, meeting of the Authority. Mr. Mumpower asked if there were any questions or discussion regarding the minutes. Hearing none, Mr. Hargett made a motion to approve the minutes, Mr. Bryson seconded the motion, and Ms. Thompson took the roll:

Mr. Hargett – Aye
Mr. Bryson – Aye
Mr. Wayman – Aye
Mr. Lybrand – Aye
Mr. Batson – Aye
Mr. Mumpower – Aye

The minutes were approved unanimously.

Mr. Mumpower stated that the next item on the agenda was the Consideration of a Resolution to Approve the Borrowing of Money by Another Method for Tennessee State University ("TSU") – Red Roof Inn lease. Mr. Mumpower recognized Mr. Douglas Allen II, Vice President for Business & Finance at TSU, to present the request. Mr. Allen introduced Jason Evans, TSU's new Chief Operating Officer, and William Radford, Assistant Vice President of University Design & Construction, and mentioned that General Counsel Laurence Pendleton and Vice President Frank Stevenson were present as well.
Mr. Mumpower asked if there were any questions and recognized Mr. Bryson. Mr. Bryson pointed out that the pro forma indicated there would be a revenue shortfall on the operation of the hotel leases for the year

and asked if TSU planned to cover the deficit. Mr. Allen responded that TSU did have sufficient plant funds to cover the deficit. Mr. Mumpower asked if TSU had filled the hotel space. Mr. Allen stated that the rooms in the hotels had not been committed to students as the hotel leases had not yet been approved, but stated that once approved, the rooms would be filled. Mr. Mumpower asked if TSU anticipated filling both hotels completely. Mr. Allen responded affirmatively that he did anticipate TSU would fill both hotels.

Mr. Mumpower asked whether TSU would need to lease both hotels in the spring, and if both hotels were anticipated to be filled in the spring. Mr. Allen responded affirmatively that he did expect both hotels would be needed in the spring. Mr. Allen stated that although attrition would impact enrollment from fall to spring, it would not necessarily impact TSU's housing needs. Mr. Allen stated that TSU would have the option to terminate the lease of one of the hotels in the spring depending on the housing need, with a 30-day notice to the lessor.

Mr. Mumpower stated that staff of both the TSSBA and the Comptroller's Division of State Audit had worked very diligently over the past month with TSU to evaluate housing scenarios and plant fund balances. Mr. Mumpower stated that he was concerned that sufficient plant funds would be available to cover current needs, without even considering the hotel leases operating at a deficit during the academic year. Mr. Mumpower stated that he wanted to do everything he could to support TSU, but he questioned if committing funds to the hotel leases was the right thing to do given the projects TSU currently had in the pipeline. Mr. Mumpower stated that he had discussions with auditors in his office who expressed that while the numbers were unaudited, they were concerned that the funds would not be sufficient to meet obligations that would be due.

Mr. Allen stated that he respectfully disagreed and that TSU worked with TSSBA staff to provide additional information requested during the past month. Mr. Allen stated that in a worst-case scenario if TSU needed to transfer $31 million from plant funds, they would still have about $10 million in unexpended plant funds, not including the $14 million in Renewal and Replacement (R&R) plant funds. Mr. Allen stated hat he knew TSU had the funds and had provided the information to show that TSU could cover the expenditures. Mr. Allen stated that the net impact of both leases was a $120,000 difference for the academic year due to a decrease in the debt service expense which would result in additional spring housing revenues.

Mr. Mumpower stated that his understanding was that TSU currently had 18 active capital projects that had been approved by the state building commission and had committed approximately $22.8 million in plant funds or other campus resources to pay for the projects. Mr. Mumpower stated that there were contracted obligations for $11.8 million of which TSU had deposited $8.7 million for payment, leaving a current balance due of $3.1 million. There was also the potential for another $10.9 million in process to be contracted out. Mr. Mumpower stated that while he understood that TSU could expend its $14.1 million in R&R plant funds on the hotel leases, he thought it would be inadvisable due to the need for those funds to be used for repairs and replacements on existing buildings on campus.

Mr. Allen stated that TSU only had unfunded LGIP commitments of $3.6 million due at that time and stated that to his knowledge TSU could use the R&R funds, although the R&R funds had not been used in the past eight to ten years. Mr. Allen stated that he was discussing being able to cover a $1 million deficit that would be covered by additional revenues in the spring semester. Mr. Allen stated that he would not have brought the request forward if he had not reviewed the numbers, and that he was comfortable that TSU did have the reserves to cover a $1 million deficit. Mr. Mumpower stated that he had concerns about R&R funds being used to cover a deficit and not spent on known R&R needs on campus.

Mr. Hargett stated that the Authority was aware last year that TSU would be requesting hotel leases in some capacity for the 2023-2024 academic year. Mr. Hargett stated that TSU's request had been revised from five hotel leases in the fall of 2022 to two hotel leases in the fall of 2023. Mr. Hargett asked TSU where they envisioned being a year from now. Mr. Allen stated that TSU's goal was to bring new residence halls online, however, he expected that TSU would need hotel housing again in 2024. Mr. Allen asked Mr. Stevenson to respond to the question given his role overseeing housing on campus. Mr. Stevenson stated that TSU was very intentional in terms of managing enrollment. Mr. Stevenson stated that due to the large freshman class in 2022, they knew it would need hotel leases for housing space. Mr. Stevenson stated that with the same enrollment management in future years, TSU hoped to not need hotel leases. Mr. Stevenson acknowledged that housing students off campus in hotels was expensive and that TSU did not want to continue to house students in hotels.

Mr. Hargett asked when TSU would be able to accommodate the size of freshman class they would like to have without having to lease hotels. Mr. Stevenson stated that he expected that would likely be three to four years in the future when new residence halls were built. Mr. Hargett asked Mr. Allen to explain the difference between the deficit between the fall and the spring. Mr. Allen explained that TSU would potentially have a deficit of $1 million in the fall and $120,000 cumulatively for the year. Mr. Hargett asked what the balance of the R&R reserves was. Mr. Allen stated that the R&R balance was about $14 million, and that TSU had not used the funds in the past. Mr. Hargett asked if Mr. Allen would be prepared to provide a certification to the Authority to attest that TSU had sufficient plant funds without using the R&R funds to cover the deficit. Mr. Hargett emphasized that the Authority both wanted and needed TSU to be successful.

Mr. Bryson asked what the difference was between the larger deficit in the fall versus a smaller one in the spring. Mr. Allen stated that TSU would bring in more revenues in the spring semester. Mr. Radford stated that TSU had to pay debt service in the fall semester, leading to larger deficit. Mr. Radford stated that during the spring semester more housing revenue would go towards the bottom line. Mr. Radford stated that if TSU only operated one hotel in the spring semester that the cumulative housing operation would produce a net profit of over $500,000. Mr. Bryson asked what was the source of the debt service. Mr. Allen stated that TSU had housing revenues pledged to pay the debt service on the residence halls. Mr. Allen stated that the lower debt service in the spring contributed to a lower net deficit with the hotel leases.

Mr. Bryson asked what prior freshman enrollment had been and what was projected for this year's freshman enrollment. Mr. Stevenson stated that in 2022 TSU enrolled over 3,200 first-time freshmen while for fall of 2023, TSU expected to have 1,600 first-time freshmen. Mr. Bryson then asked what was TSU's total enrollment. Mr. Stevenson stated that total enrollment in 2022 was approximately 9,100. Mr. Hargett asked what size the sophomore class was at TSU. Mr. Stevenson stated that TSU was still going through the enrollment process, and he did not have an exact number at that time. Mr. Stevenson stated that it was reasonable to estimate that 65-70% of the students would return.

Mr. Batson asked if the $120,000 deficit in the spring was calculated assuming 100% occupancy. Mr. Allen responded affirmatively. Mr. Batson asked what TSU would do if there was a reduction in occupancy that was not large enough to end one hotel lease. Mr. Allen stated that TSU would not operate an entire hotel lease with low occupancy and would seek alternate housing if necessary. Mr. Batson stated that he would also feel better with a certification given the estimates used.

Mr. Mumpower stated that in regard to the certification that Mr. Hargett and Mr. Batson had referenced, he thought it would be best if the University President signed the certification verifying that TSU had sufficient plant fund reserves to cover any deficits from the hotel leases. Mr. Mumpower also stated that he thought it would be best if the Attorney General's ("AG") office drafted such a certification and that any motion today on the two items was contingent upon receipt of such signed certification from the University President.

Mr. Hargett made a motion to take up item number three, the Red Roof Inn lease, and item number four, the Best Western lease, together with approval of both contingent upon receipt of the signed certification from the TSU President as prepared by the AG's office. Mr. Batson made a motion to amend Mr. Hargett's motion for the TSU certification letter to include a statement that TSU had sufficient plant fund reserves to cover the approximately $10.9 million in obligations not yet contracted for TSU capital projects. Mr. Hargett requested to hear from the AG's office on the matter of the certification letter. Mr. Mumpower recognized Mr. David Burn, Senior Assistant Attorney General in the AG's Financial Division. Mr. Burn stated that the AG's office would draft a certification, however, a simple certification would be preferable. Mr. Batson stated that he understood the concerns and withdrew his motion to amend Mr. Hargett's motion.

Mr. Mumpower clarified that the motion before the Authority was to approve both hotel leases together contingent upon receipt of a written certification drafted by the AG's office and signed by the TSU President stating that TSU had sufficient plant fund reserves to cover any deficits. Mr. Mumpower stated for the record that he would not be voting in favor of the items because he had not yet seen adequate documentation of TSU's plant fund reserves as well as current and future obligations. Mr. Mumpower reiterated that he wanted to support TSU, but without audited numbers he was unsure if TSU had the funds, regardless of a certification. Mr. Hargett expressed his concern that TSSBA staff would include the item on the agenda when the Comptroller felt unsure of the information to the point that he would choose to abstain from voting in favor of the item. Mr. Mumpower stated that in accordance with the law, members of the Authority could not and had not discussed the item beforehand. Mr. Mumpower stated that staff had polled the members of the Authority and that there was support for including the item on the agenda.
Mr. Mumpower asked Ms. Thompson to take the roll:

Mr. Hargett – Aye
Mr. Bryson – Aye
Mr. Wayman – Aye
Mr. Lybrand – Aye
Mr. Batson – Aye
Mr. Mumpower – Pass

The motion was approved by a vote of 5-0-1.

Mr. Mumpower stated that the next item on the agenda was the Consideration of a Resolution to Approve the Borrowing of Money by Another Method for Tennessee State University – Stadium Lease Amendment. Mr. Mumpower recognized Mr. Laurence Pendleton, General Counsel at TSU, to present the request. Mr. Pendleton stated that he would discuss the amendment to the current stadium lease and the lease for the new Tennessee Titans (the "Titans") stadium yet to be built. Mr. Pendleton stated that TSU had a longstanding relationship with the Titans of the National Football League ("NFL") dating back to 1997 when TSU entered into a lease agreement to play their home football games in the current Titans stadium. Mr. Pendleton stated that the amendment to the current contract reflected the terms agreed to during the negotiation of the new lease. Mr. Pendleton stated that the new lease and amendment waived the TSU's annual rent of $131,522 that it was currently required to pay. In addition, Mr. Pendleton stated that TSU would recognize cost savings in the lease of approximately $526,000 annually. Mr. Pendleton explained that the terms of the new lease would also grant TSU additional merchandising opportunities to sell TSU products and apparel.

Mr. Pendleton stated that the new lease would also grant additional revenue streams to TSU. Mr. Pendleton explained that the lease would allow promotion of TSU during the Titans home games through three separate one-minute intervals. Mr. Pendleton stated that there would be a concourse section of the new stadium dedicated to the promotion of TSU. Mr. Pendleton stated that Titans management had agreed to cohost an event with TSU each year that includes revenue and cost sharing. Mr. Pendleton explained that the new lease offered significant cost savings to TSU and as well as a $150,000 incentive for choosing to play a home game away from the Titans stadium. Mr. Pendleton stated that the Titans had entered into a series of community partnership agreements, including with TSU. Mr. Pendleton explained that this would include cooperation such as providing scholarships, hosting receptions, and allowing Titans executives to be available at TSU as adjunct faculty. Mr. Pendleton stated that this lease agreement was built on a strong existing relationship with the Titans.

Mr. Mumpower made a motion to approve item number five, Stadium Lease Amendment, and item number six, Stadium Lease, together. Mr. Bryson seconded the motion. Mr. Hargett congratulated TSU on the negotiations with the Titans and stated that the agreement seemed like a great deal for both parties. Mr. Bryson thanked the Titans organization for their support of TSU's athletic and academic missions and their support for the students. Mr. Pendleton stated that TSU's theme was to enhance and elevate the existing relationship to both TSU and the state of Tennessee's benefit. Mr. Mumpower asked Ms. Thompson to call the roll:

Mr. Hargett – Aye
Mr. Bryson – Aye
Mr. Wayman – Aye
Mr. Lybrand – Aye
Mr. Batson – Aye
Mr. Mumpower – Aye

The motion was approved unanimously.

Mr. Mumpower stated that the next item on the agenda was the Consideration of a Resolution to Approve the Borrowing of Money by Another Method for the University of Tennessee Health Science Center ("UTHSC") – Corporate Quarters Lease. Mr. Mumpower recognized Mr. Austin Oakes, Assistant Vice President of the Office of Capital Projects at the University of Tennessee ("UT") to present the request. Mr. Oakes explained that this lease would provide ten, two-bedroom units, for a total of 20 beds, for medical students performing clinical rotations in Knoxville. Mr. Oakes explained that the lease term would be for one year beginning in August of 2023, with an estimated total cost of $420,900.

Mr. Bryson made a motion to approve the request, and Mr. Mumpower seconded the motion. Mr. Mumpower asked if there were any questions or discussion on the request. Mr. Hargett asked what the source of the funds would be for payment of the lease. Mr. Oakes explained that medical student fees anticipate that medical students will rotate through clinical programs during the academic program. Mr. Oakes stated the fees generated would cover the lease expense. Mr. Mumpower asked Ms. Thompson to call the roll:

Mr. Hargett – Aye
Mr. Bryson – Aye
Mr. Wayman – Aye
Mr. Lybrand – Aye
Mr. Batson – Aye
Mr. Mumpower – Aye

The motion was approved unanimously.

Mr. Mumpower stated that the next item on the agenda was consideration of a project for the University of Tennessee at Knoxville. Mr. Mumpower recognized Mr. Oakes to present the request.

- University of Tennessee, Knoxville – Lindsey Nelson Stadium Renovations (A99); Cost: $95,800,000 of which $85,000,000 will be financed through TSSBA; Term of Financing: $72,500,000 to be financed over 30 years as long-term financing at an assumed taxable rate and $12,500,000 to be financed over 10 years as short-term financing at an assumed taxable rate.

Mr. Oakes stated that gifts and athletic funds were included in the project budget. Mr. Oakes noted that this stadium renovation project was independent of the baseball practice facility currently included in UT's Public Private Partnership ("PPP") planning process. Mr. Hargett made a motion to approve the item and Mr. Bryson seconded the motion. Mr. Mumpower asked Ms. Thompson if SGF had conducted a feasibility analysis on the project. Ms. Thompson stated that SGF had performed a feasibility analysis and determined the revenues pledged would be sufficient to cover the maximum annual debt service on the project. Mr. Mumpower asked Mr. Oakes what private gifts UT expected in regard to the project. Mr. Oakes stated that UT anticipated gifts would be a part of the budget, would contribute to repayment of the 10-year borrowing, and that gifts were both in-hand and pledged towards the project. Mr. Mumpower asked Ms. Thompson to call the roll:

Mr. Hargett – Aye
Mr. Bryson – Aye
Mr. Wayman – Aye
Mr. Lybrand – Aye

Mr. Batson – Aye
Mr. Mumpower – Aye

The motion was approved unanimously.

Mr. Mumpower stated that the next item on the agenda was consideration of a project for the University of Tennessee at Knoxville. Mr. Mumpower recognized Mr. Oakes to present the request.

- University of Tennessee Knoxville – Neyland Stadium South Renovations (A94); Increase in cost of $49,000,000 for total funding of $337,000,000 of which $279,300,000 (includes an increase of $46,700,000) will be financed by TSSBA; Term of Financing: $200,200,000 to be financed for 30 years as long-term financing at an assumed tax-exempt rate and $79,100,000 to be financed over 10 years as short-term financing at an assumed tax-exempt rate.

Mr. Oakes stated that this request included reducing the project's 10-year financing by $20,400,000 and increased the project's 30-year financing by $67,100,000. Mr. Oakes stated that in conjunction with gifts and other athletic funds this would bring the total project budget to $337 million. Mr. Bryson made a motion to approve the project and Mr. Hargett seconded the motion. Mr. Mumpower asked if SGF had conducted a feasibility analysis. Ms. Thompson stated that SGF had performed a feasibility analysis and determined the revenues pledged would be sufficient to cover the additional maximum annual debt service on the project. Mr. Mumpower asked Mr. Oakes about private donations as a part of the project. Mr. Oakes explained that UT already had over $30 million in private gifts in-hand for the project and anticipated additional gifts to be used towards the repayment of the 10-year financing. Mr. Mumpower asked if there was any further discussion, hearing none, Mr. Mumpower asked Ms. Thompson to call the roll:

Mr. Hargett – Aye
Mr. Bryson – Aye
Mr. Wayman – Aye
Mr. Lybrand – Aye
Mr. Batson – Aye
Mr. Mumpower – Aye

The motion was approved unanimously.

Mr. Mumpower stated that concluded the business on the agenda. Mr. Bryson made a motion to adjourn, and Mr. Wayman seconded the motion. Mr. Mumpower asked Ms. Thompson to call the roll:

Mr. Hargett – Aye
Mr. Bryson – Aye
Mr. Wayman – Aye
Mr. Lybrand – Aye
Mr. Batson – Aye
Mr. Mumpower – Aye

The motion was approved unanimously.
The meeting was adjourned.

Approved on this 20th day of September 2023.

Respectfully submitted,
Sandra Thompson
Sandra Thompson
Assistant Secretary