Request for Proposals ("RFP") to Serve as Senior Managing Underwriter and/or Financial Advisor to the Kentucky State Property and Buildings Commission During Fiscal Year 2016

1. In the RFP, page 8, under General Fund Supported Revenue Bonds: the RFP says: "Debt Service is appropriated at 7.5% for all long-term tax-exempt projects assuming twenty-year amortization…". Is this a limit on annual debt service? And if so, is the limit calculated like a mortgage style payment or just as a straight percentage of the project amount. For example, if this is a limit on annual debt service, for a $100 million tax-exempt project is the limit $9,809,219 (level debt service over 20 years at 7.5%), or is the limit $7,500,000 ($100,000,000 X 7.5%)? Since interest rates are significantly lower than these limits, there is room to play. Does this appropriation number provide a limit with in which we can work in terms of suggesting alternative amortizations?
ANSWER: The amount appropriated in the biennial budget for debt service on authorized projects that will be funded with bond proceeds is calculated based on a 20 year amortization (level debt service) and a 7.5% interest rate. This amount represents the limit the Commonwealth may spend on debt service for authorized but unissued projects.

2. Pursuant to Title VII of Dodd-Frank Act, the US Commodity Futures Trading Commission adopted rules that impact the relationship between swap dealers and their counterparties that apply to communications regarding swap transactions. Would the State Property and Buildings Commission consider establishing the necessary safe harbors that would allow firms to provide swap-related recommendations specific to the State Property and Buildings Commission? This can be done either online through the ISDA August 2012 Dodd Frank Protocol and related questionnaire via ISDA Amend, or through a bilateral safe harbor letter. If the State Property and Buildings Commission is willing to establish the necessary safe harbors, who is the appropriate contact at OFM?
ANSWER: The State Property and Buildings Commission is statutorily prohibited from entering into swap transactions.

3. Does a firm have to respond in order to get consideration for a national co-manager should they not be selected as the senior underwriter?
ANSWER: Yes. The national co-managers are selected based on the rankings for senior managing underwriter.

4. Should the Cost portion of the proposal also be emailed separately as a PDF?
ANSWER: The separate PDF's for the response and the fee proposal for financial advisors may be emailed together.

5. Should a CD or flash drive be submitted with the proposal?
ANSWER: No.

6. Would audited financial statements be considered "reprinted materials" to be included in the appendix?
ANSWER: No.

7. Is five (5) years the appropriate time frame to include information to answer II.B (Relevant Experience of the Firm)?
   ANSWER: A specific time frame has not been identified to allow firms the flexibility to include relevant transactions that may have been excluded by setting a hard cut-off date.

8. Questions specifically regarding Section III. Financing Plan.

   a. In the bond sizings for the General Fund and Agency fund examples would you like the sizes of $100.0 million, $132.5 million, $50.0 million, $28.1 million and $12.5 million to be the par amounts or the proceeds? If these are the par amounts, then, depending on the coupon structure, the proceeds available for your project could be significantly different.
   ANSWER: The amounts listed above are the proceeds amounts.

   b. In the Community and Technical College System, it sounds like this may be an ongoing construction project with three anticipated fundings; what is the expected timing of the various tranches and the total construction period?
   ANSWER: The current anticipated time frame for issuing the bonds is Spring 2016 (~$30 to $50 million), Fall 2016 and Spring 2017. The timing and amounts of the final 2 tranches will be determined by the actual construction schedule which has not yet been finalized.

   c. Should we include any construction or capital expenditure periods on any of the scenarios?
   ANSWER: If you see specific costs or benefits associated with a structure that would include a construction or capital expenditure period, please provide your commentary.

   - If there are construction periods, is the term of the bonds limited to 20 years total or 20 years of amortization after construction?
     ANSWER: The total term of the bonds is limited to 20 years.

   d. The Commission lays out a three part refunding screening threshold. Specifically in the one where we test the opportunity cost of the call option by comparing it to savings if rates dropped 25bp, how much do you also drop the investment rate for the escrow? 25bps or 25/0.70 or some other factor to convert to taxable rates?
   ANSWER: The test doesn't assume any corresponding drop in investment rates.