

**KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
APRIL 14, 2016**

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Thursday, April 14, 2016 at 1:33 p.m. ET in Room 182 of the Capitol Annex by Deputy Secretary Mark Bunning, proxy for William M. Landrum III, Secretary of the Finance and Administration Cabinet (“FAC”) and Executive Director to the Commission. Deputy Secretary Bunning asked for a roll call. Other members present were Adrienne Southworth, proxy for Lt. Governor Jenean Hampton; Scott Brinkman, proxy for Governor Matt Bevin; Kim Moore, proxy for Edgar C. Ross, State Controller, Office of the Controller; Katie Smith, proxy for Acting Secretary Erik Dunnigan, Cabinet for Economic Development (“CED”); John E. Chilton, State Budget Director, Office of the State Budget Director (“OSBD”); and Holly McCoy-Johnson, proxy for Attorney General Andy Beshear.

The Office of Financial Management (“OFM”) Staff Members Present: Ryan Barrow, Executive Director of OFM and Secretary to the Commission, Sandy Williams, Deputy Executive Director, John Brady, Liz Columbia, Steve Starkweather, Bethany Couch, Denise Pitts and Tammy McCall.

Other Guests Present: Janice Tomes, OSBD; Carla Wright, OSBD; David Adkins, System Director of Treasury Management; Kentucky Community & Technical College System (“KCTCS”); and Wendell Followell, Vice President, KCTCS; David Carlsen, Chief Financial Officer, Kentucky Higher Education Student Loan Corporation (“KHESLC”).

Deputy Secretary Bunning verified that a quorum was present and that the press had been notified of the meeting.

Deputy Secretary Bunning introduced the first item for business, which was approval of the minutes from the March 10, 2016 meeting. A motion to accept the minutes of the March 10, 2016 meeting was made by Secretary Brinkman and seconded by Mr. Chilton. Motion **CARRIED**.

Deputy Secretary Bunning directed the Commission to Resolution **2016-15**:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE
PURPOSE OF FINANCING A PROJECT; SETTING FORTH THE
TERMS AND CONDITIONS UPON WHICH SAID REVENUE BONDS
ARE TO BE ISSUED AND PROVIDING FOR A NEGOTIATED SALE
THEREOF; AUTHORIZING AND RATIFYING ACTIONS OF THE
COMMISSION STAFF IN THE STRUCTURING, PLANNING AND
PREPARATION OF ALL DOCUMENTATION FOR THE ISSUANCE OF
SAID BONDS AND IN PREPARING AND PUBLISHING A
PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL
STATEMENT FOR THE BONDS; RECITING, ACKNOWLEDGING
AND APPROVING THE FILING OF AN APPLICATION BY THE**

STATE AGENCY FOR REVENUE BONDS TO FINANCE A PROJECT PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; APPROVING A LEASE OF THE PROJECT TO THE KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM TO PROVIDE REVENUES FOR THE AMORTIZATION OF THE BONDS; DEFINING AND PROVIDING FOR THE RIGHTS OF THE OWNERS OF THE BONDS AND PROVIDING FOR THE APPLICATION OF THE PROCEEDS THEREOF.

Ms. Columbia presented Resolution 2016-15 for the approval to issue State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 114, in an amount not to exceed \$55 million. The purpose of the issue is to: 1) provide permanent financing for \$50,250,000 of Agency Fund supported capital projects. House Bill 235 of the 2014 Regular Session approved the issuance in an amount up to \$145 million for what is commonly and collectively referred to as the BuildSmart project. This is the first of multiple issuances for this purpose. The transaction will be issued on a tax-exempt basis. The transaction was included in OFM's April submittal to the Capital Projects and Bond Oversight Committee ("CPBOC"). The April CPBOC meeting was cancelled; therefore, Mr. Barrow will request approval from Secretary Landrum, FAC, to move forward with the issuance. This will be a tax-exempt negotiated sale, currently scheduled for May 24, 2016. Bond counsel is Dinsmore & Shohl and Underwriter is Citigroup. The final maturity date is October 1, 2035, with an estimated all-in true interest cost of 3.35%. Staff recommended approval.

Director Chilton asked for the total cost of the BuildSmart project and Mr. Barrow answered approximately \$180 million. He explained that the BuildSmart project was budgeted under a 75/25 split in which 25% of the financing for each individual project would be provided for by each campus. Once each campus acquired 25% and the project was ready for construction, the Commonwealth would provide for the additional 75% financing. The request presented for approval at this meeting is to provide financing for the first 6 of the 16 projects for which funds were budgeted.

Deputy Secretary Bunning called for a motion to approve **Resolution 2016-15**. Secretary Brinkman made a motion and was seconded by Ms. Smith. There being no further discussion, the motion **CARRIED** and Resolution 2016-15 was **ADOPTED**.

Deputy Secretary Bunning directed the Commission to **Resolution 2016-16**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION OF STUDENT LOAN BACKED NOTES, SERIES 2016-1, PURSUANT TO AN INDENTURE OF TRUST AND AN AUTHORIZING RESOLUTION OF KHESLC TO BE ISSUED AS ONE OR MORE SERIES OF FEDERALLY TAXABLE OR FEDERALLY TAX-EXEMPT OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000.

Mr. Brady presented Resolution 2016-15 for the approval to issue Kentucky Higher Education Student Loan Corporation ("KHESLC") Student Loan Backed Notes, Series 2016-1 in a principal amount not to exceed \$100 million. The tax-exempt and taxable Direct Purchase Student Loan Backed Notes ("DPNs") are being issued for the purpose of financing Federal Family Education Loan Program ("FFELP") Student Loans and rehabilitated FFELP loans recently originated by KHESLC and currently held on KHESLC's balance sheet and its warehouse lines. The KHESLC Executive Committee approved it on February 17, 2016, and material was submitted to the CPBOC for review and approval. The estimated closing date for the sale is May 3, 2016. The anticipated rating from Standard and Poor's is AA+. The debt service reserve fund and the costs of issuance will be funded by KHESLC. The method of sale is a direct purchase and the purchaser is the Bank of America. Purchaser's counsel is Chapman and Cutler; bond counsel is Hawkins Delafield & Wood; and the trustee is The Bank of New York Mellon. Staff recommended approval.

The Commission asked Mr. Carlsen to explain the type of loans that make up the tax-exempt and taxable DPNs, where the loans came from for the rehabilitated FFELP student loans, and the business processes involved in the transaction. Mr. Carlsen also explained the differences between nexus or tax-exempt loans that are connected to the Commonwealth of Kentucky and non-nexus or taxable loans that are not connected to the Commonwealth of Kentucky. Director Chilton expressed concern that KHESLC was financing non-Kentucky students or out-of-state students that were not coming to Kentucky schools. Director Chilton asked if the Commission's mission was for approval of the financing as a financing tool regardless of the specifics of the business model and that the transaction would include loans from Alabama. Deputy Secretary Bunning asked if the Commission, as the financing arm, had a say in requesting that the mission of the financing be more Kentucky-centric. Mr. Barrow answered that KHESLC is a conduit issuer and the Commission's charge is oversight of the issuance within the confines of the law and give assistance as needed. Staff reviews the transaction to ascertain whether it conforms to law, that it is not an extension of the Commonwealth's credit, and that it is within the state's statutes for issuance.

Deputy Secretary Bunning called for a motion to approve Resolution 2016-16. No motion was made.

The Commission asked for a special meeting be held for educational purposes before the next scheduled meeting on May 12, 2016, in order for KHESLC to provide more information on the underlying aspects of the current program, structure of the issuance, the flow of funds, etc.

Deputy Secretary Bunning called for a **Motion to Lay on the Table** Resolution 2016-16 until the May 12, 2016 meeting. Director Chilton made a motion, and was seconded by Ms. Southworth. Motion **CARRIED**.

Deputy Secretary Bunning directed the Commission to Resolution 2016-17:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY
APPROVING THE ISSUANCE OF NORTHERN KENTUCKY**

**UNIVERSITY GENERAL RECEIPTS REFUNDING BONDS, 2016
SERIES A AND GENERAL RECEIPTS REFUNDING BONDS, 2016
SERIES B, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO
EXCEED \$49,725,000.**

Mr. Starkweather presented Resolution 2016-17 requesting approval for Northern Kentucky University ("NKU") to issue General Receipts Refunding Bonds, 2016 Series A and B in principal amount not to exceed \$49,725,000. Bond proceeds of the 2016 Series A will be used to: 1) partially advance refund NKU General Receipts Bonds, 2007 Series A; and 2) pay associated costs of issuance. Bond proceed of the 2016 Series B will be used to: 1) partially advance refund NKU General Receipts Bonds, 2008 Series A; and 2) pay associated costs of issuance. The refunding of the 2007 Series A could yield a net PV savings of approximately \$1.98 million or 7.4% to the University over the remaining life of the bonds. The refunding of the 2008 Series A could yield a net PV savings of approximately \$683,387 or 4.4% to the University over the remaining life of the bonds. Mr. Starkweather explained the reason for the separation of the two series in this transaction is the possible benefits of delaying the 2008 Series B refunding until closer to the call date or such time as improved market rates decrease the amount of negative arbitrage. The transaction savings will be reviewed the day before pricing and the decision to proceed with the sale of Series B will rest with NKU. The benefits of waiting to refund the 2008 Series B as tested by the OFM Refunding Candidate Evaluation will be part of the decision making process. The all-in true interest cost is anticipated at 2.5% for Series A and 2.6% for Series B. The transaction was been submitted to CPBOC for review and is scheduled to be competitively bid on April 26, 2016 with Hilliard Lyons serving as Financial Advisor and Bond counsel will be Dinsmore and Shohl, LLC. Staff recommended approval.

Deputy Secretary Bunning asked for confirmation that, if the Commission approved the entire transaction and the 2008 Series B refunding was pulled before pricing, the approval for that refunding would remain effective. Mr. Starkweather confirmed that was correct.

Deputy Secretary Bunning called for a motion to approve **Resolution 2016-17**. Ms. Southworth made a motion and was seconded by Ms. Smith. There being no further discussion, the motion **CARRIED** and Resolution **2016-17** was **ADOPTED**.

Deputy Secretary Bunning called on Mr. Barrow to present the **Draft State Property and Buildings Commission By-Laws**.

Mr. Barrow stated the by-laws presented to the Commission were drafted after reviewing and modifying the by-laws from the Turnpike Authority of Kentucky and another agency similar to SPBC. He stated no action was requested at this meeting. He asked the Commission to review the document for comments or questions and it would be presented to the Commission for adoption at the next meeting scheduled on May 12, 2016.

With no further business before the Commission, Secretary Brinkman made a motion to adjourn and was seconded by Ms. Smith. Motion carried and the meeting adjourned at 2:25 pm.

Respectfully submitted,



Ryan Barrow
Secretary