

**KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION**  
**MINUTES**  
**MAY 20, 2013**

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Monday, May 20, 2013 in Room 182 of the Capitol Annex at 2:30 p.m. ET by Lori Flanery, Secretary, Finance and Administration Cabinet and Executive Director to the Commission. Other members present were Mary Lassiter, proxy for Governor Steven Beshear, Shannon Tivitt, proxy for Lt. Governor Jerry Abramson, Jane Driskell, State Budget Director, Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development, and Drew Jenkins, proxy for Jack Conway, Attorney General.

Office of Financial Management (“OFM”) Staff Members Present: Ryan Barrow, Executive Director to OFM and Secretary to the Commission, Sandy Williams, Deputy Executive Director, John Bailey, Robin Brewer, Rachael Dever, Jennifer Kantner, Tom Midkiff, and Marcia Adams.

Other Guests Present: Kristi Culpepper and Joshua Nacey from the Legislative Research Commission (“LRC”), Carla Wright from the Office of State Budget Director (“OSBD”) Bill Skees, representing Frost Brown Todd, LLC, and Shawn Dyer from the Kentucky Housing Corporation (“KHC”).

Secretary Flanery verified with staff that a quorum was present and that the press had been notified of the meeting.

A motion was made by Mr. Ed Ross and seconded by Ms. Katie Smith to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the March 19, 2013 meeting were approved.

Secretary Flanery introduced Resolution **2013-10**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS  
COMMISSION APPROVING AN AMENDMENT TO THE LEASE BETWEEN  
THE KENTUCKY STATE FAIR BOARD AND THE KENTUCKY KINGDOM,  
LLLP.**

Sec. Flanery brought attention to Resolution 2013-10 concerning an Amendment to a previously approved Resolution by this body. This Resolution authorizes an amendment to the Lease Agreement, which will allow a mortgagor to provide a portion of the \$25 million dollar loan. The partners have not been able to secure that financing the way the original Resolution intended. This Amendment Resolution does not increase the amount of obligation by Kentucky Kingdom as the financing will now change to a \$15 million loan with a bank or consortium of banks, strengthened by personal guarantees by the borrowers, and a special purchase entity will be created for separate investor financing of the remaining \$10 million. The Cabinet agrees with this change in financing arrangements and is recommending approval to this Commission.

Secretary Flanery asked for any questions. Ms. Mary Lassiter made a motion to approve Resolution **2013-10** that was seconded by Ms. Shannon Trivitt. Motion **CARRIED**, and Resolution **2013-10** was **ADOPTED**.

Secretary Flanery recognized Ms. Rachael Dever for the introduction of Resolution 2013-11:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION APPROVING A CAPITAL CONSTRUCTION PROJECT AUTHORIZED BY THE 2013 GENERAL ASSEMBLY WHERE SUCH PROJECT WILL BE FINANCED BY THE ISSUANCE OF STATE PROPERTY AND BUILDINGS COMMISSION REVENUE BONDS OR OTHER AUTHORIZED STATE DEBT-ISSUING AUTHORITIES.**

Ms. Dever informed the Commission that Resolution 2013-11 is for approval of an Agency Fund supported project and authorization of bonds to be sold by SPBC or other authorized debt-issuing authority to provide funding for a capital construction project authorized in H.B. 238 during the 2013 Regular Session of the General Assembly for the Administrative Office of the Courts ("AOC"). Approval will authorize advancement of monies for the planning, design and construction of the Phase I E-Case and Docket Management System project as applicable and will provide the ability to reimburse AOC for certain authorized expenditures made prior to the issuance of the bonds. Staff recommends approval.

Secretary Flanery asked for any questions. Ms. Jane Driskell made a motion to approve Resolution 2013-11 that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution 2013-11 was **ADOPTED**.

Secretary Flanery recognized Ms. Dever for the introduction of Resolution 2013-12:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE PURPOSE OF FINANCING VARIOUS PROJECTS AND REFUNDING VARIOUS PRIOR BONDS AND NOTES; 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 FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY FOR REVENUE BONDS TO FINANCE VARIOUS PROJECTS AND REFUND PRIOR BONDS AND NOTES PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; APPROVING A LEASE OF THE PROJECTS TO THE CABINET 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. Dever informed the Commission that SPBC will be issuing Revenue Bonds, Project No. 106, Series A and Revenue Refunding Bonds, Series B in a principal amount not-to-exceed \$185,000,000. This transaction will 1.) provide permanent financing for approximately \$115 million of projects authorized by the General Assembly in H.B. 267 (2005 Session), H.B. 380 and H.B. 557 (2006 Session), H.B. 406, H.B. 410, H.B. 514 and H.B. 608 (2008 Session), H.B. 1 (2010 Special Session) and H.B. 265 (2012 Session); 2.) repayment of the 2012 ALCo Interim Bank Loan through CitiBank to permanently finance an additional \$45 million of projects; 3.) refund certain SPBC Bonds (some on a current basis and some on an advance basis) for present value savings; and 4.) pay costs of issuance.

The proposed date of sale is June 4<sup>th</sup> and 5<sup>th</sup> of 2013 and the proposed date of close is June 17<sup>th</sup>; ratings are expected to be Aa3 from Moody's, A+ from Standard & Poor's ("S&P") and A+ from Fitch. The anticipated All-In True Interest Cost is 3.22% with a first call date of August 1, 2023 and a final maturity of August 1, 2033. The anticipated average annual debt service is \$12,169,447, and preliminary total debt service is approximately \$244,876,314 with an estimated average life of 11 years. At this time, SPBC Project No. 77 Bonds and SPBC Project No. 79 Bonds are expected to be refunded in this transaction and SPBC Project No. 85 Bonds are not expected to be refunded due to the large amount of negative arbitrage associated with them. The method of sale is negotiated with Peck, Shaffer, and Williams LLP as Bond Counsel, Citi as Underwriter, Underwriter's Counsel is Frost, Brown, Todd LLC, and the Trustee is U.S. Bank N.A. Staff recommends approval.

Secretary Flanery asked for any questions. Ms. Jane Driskell made a motion to approve Resolution 2013-12 that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution 2013-12 was **ADOPTED**.

Secretary Flanery recognized Ms. Jennifer Kantner for the introduction of Resolution 2013-13:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF MURRAY STATE UNIVERSITY GENERAL RECEIPTS BONDS, 2013 SERIES A.**

Ms. Jennifer Kantner directed the Commission to Resolution 2013-13 for approval of Murray State University General Receipts Bonds, 2013 Series A. These bonds will fully fund three projects as authorized in H.B. 7 of the 2013 Regular Session. The projects include renovating Hester Hall, Capital Renewal of Housing and Dining Facilities, and Upgrading the Sprinkler System at College Courts. The authorized project amount is \$15,430,000 with an estimated bond size of \$15,795,000. The project was approved by the Murray State University Board of Regents on May 10, 2013 and will be presented to the Capital Projects and Bond Oversight Committee on May 21, 2013.

A competitive sale is scheduled for May 29, 2013 with a closing date of June 19, 2013. The estimated All-In True Interest Cost is 3.15% with a final maturity of September 1, 2033. The average annual debt service is estimated to be \$1,051,052 with Peck, Shaffer, and Williams LLP as Bond Counsel, J.J.B. Hilliard, W.L. Lyons as the Financial Advisor, and the Trustee is U.S. Bank N.A. Staff recommends approval.

Secretary Flanery asked for any questions. Ms. Driskell made a motion to approve Resolution **2013-13** that was seconded by Ms. Trivitt. Motion **CARRIED**, and Resolution **2013-13** was **ADOPTED**.

Secretary Flanery recognized Tom Midkiff for the introduction of Resolution **2013-14**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS HOUSING BONDS IN ONE OR MORE SERIES.**

Mr. Tom Midkiff directed the Commission to Resolution 2013-14 for the Kentucky Housing Corporation ("KHC") Single Family Housing Revenue Bonds, 2013 Series C, D, E, F, and G for future delivery as may be designated, in an amount not-to-exceed \$150,000,000. Approval is to refund certain prior bonds for economic savings and to provide on-going mortgage financing for first-time low and moderate income Kentucky homebuyers. Bond sale is scheduled for June 12, 2013 with a closing date of July 10, 2013. Ratings are expected to be Aaa from Moody's and AAA from S&P. The net proceeds of new money was originally estimated at \$150,000,000 but will be closer to \$104,000,000 due to current economics. The estimated cost of issuance is \$675,000 with an underwriter's discount of approximately \$1,200,000. The estimated All-In True Interest Cost is 3.4% with an optional call date of July 1, 2023. The longest maturity of any series of bonds will be July 1, 2043 with shorter terms available. The estimated gross debt service is \$177,244,718 with annual debt service estimated at \$8,646,083. This transaction will be a negotiated sale. Kutak Rock is Bond Counsel; Citigroup is the Underwriter; Underwriter's Counsel is Peck, Shaffer, and Williams LLP; and the Trustee is Bank of New York Trust Company, N.A.

Refunding components included taxable, tax exempt, Alternative Minimum Tax ("AMT"), and Non-AMT Series and will refund KHC Bonds 2003 D, F, and G and 2004 A & B. The estimated present value savings for the transaction is approximately 4.6% at this time. The structure is still being adjusted to improve savings. All the estimations are based on a Public Securities Association ("PSA") pre-payment speed, a standard for the rate of prepayment of mortgage loans, and the estimations are conservative. The cost of issuance may also be paid by outside sources or funds. Staff recommends approval.

Secretary Flanery asked for any questions. Ms. Trivitt asked what the targeted savings range was. Mr. Ryan Barrow answered that there are internal policy requirements of a minimum of 3% present value savings achieved from a refunding. Currently, there are a variety of factors included in the review of refunding opportunities including various savings in terms of short-term over long-term debt, net-present-value savings, timing issues, arbitrage, and a break-even analysis of how high interest rates would have to go to achieve the same savings in the future.

Mr. Ross made a motion to approve Resolution **2013-14** that was seconded by Ms. Katie Smith. Motion **CARRIED**, and Resolution **2013-14** was **ADOPTED**.

Secretary Flanery recognized Tom Midkiff for the introduction of Resolution **2013-15**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS CONDUIT MULTIFAMILY MORTGAGE REVENUE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,800,000.**

Mr. Tom Midkiff directed the Commission to Resolution 2013-15 for the Kentucky Housing Corporation ("KHC") Conduit Multifamily Housing Revenue Bonds, Series 2013 for The Most Blessed Sacrament Senior Apartments Project. Approval is for the acquisition and renovation of a former Catholic School located at 1128 Berry Boulevard, Louisville, Kentucky 40215. The project is anticipated to include 30 – 1 bedroom units and a Community Service Facility. Currently, the property is vacant and will be converted to multifamily residences for seniors.

The bond sale is scheduled for June 13, 2013 with a closing date around June 20, 2013. It will not be a rated transaction. The net proceeds of new money were originally estimated at \$6,668,000 with an estimated cost of issuance of \$132,000. The estimated Net Interest Rate is 4.0% with a 40-year term. The anticipated gross debt service is \$13,874,389 with average annual debt service estimated at \$343,560 including cost of issuance. The method of sale will be negotiated with a call date of July 1, 2015. Frost, Brown, Todd LLC is Bond Counsel; Financial Advisor is The Housing Partnership, Inc.; and the Trustee is Citizens Union Bank ("CUB") of Shelbyville; Financial Advisor Counsel and Borrower Counsel is Reed, Weitkamp, Schell & Vice PLLC. Project funding sources include an equity investment of \$336,299 and the bond proceeds totaling \$6,800,000. Staff recommends approval.

Secretary Flanery recognized Mr. Bill Skees who stated the project is at 1128 Berry Boulevard in Louisville and was a previous Catholic grade school and has entered into an agreement with HUD ("Housing and Urban Development") 202 Program.

Secretary Flanery asked for any questions. Ms. Trivitt made a motion to approve Resolution **2013-15** that was seconded by Ms. Driskell. Motion **CARRIED**, and Resolution **2013-15** was **ADOPTED**.

Secretary Flanery recognized Tom Midkiff for the introduction of Resolution **2013-16**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,500,000.**

Mr. Tom Midkiff directed the Commission to Resolution 2013-16 for the Kentucky Housing Corporation ("KHC") Conduit Multifamily Housing Revenue Bonds, Series 2013 for California Square II and Portland Plaza. These two projects (48 units and 71 units) are located in two separate areas of Louisville and are for seniors and special needs residents. The bonds will be used to finance

the acquisition, construction and equipping of (i) California Square II Apartments and (ii) Portland Plaza Apartments, each located in Louisville, Jefferson County, Kentucky.

The transaction's sale and closing are expected to take place sometime in June but the date is not yet determined. The expected ratings for the transaction are AAA from S&P on the long-term portion with A-1+ on the short-term. The resolution requests approval for the project at a not-to-exceed amount of \$6,500,000 and is more than the estimated size of the bond sale at \$5,750,000 with an estimated cost of issuance of \$185,000, anticipating gross proceeds of \$5,750,000. This is a 13-month structure and not a typical 30 to 40-year financing. The bonds will be callable at any time with the method of sale being a public offering. Peck, Shaffer, & Williams LLP is the Bond Counsel; Sidley Austin LLP is the Underwriter's Counsel; Merchant Capital, L.L.C. is the Underwriter; and the Trustee is still to be determined. The tax-exempt portion of the transaction is the conduit portion of which KHC is asking approval, and KHC will use its Private Activity Bond Allocation Cap to issue tax-exempt bonds. The KHC Board approved this transaction on December 13, 2012 and it will be presented to Capital Projects and Bond Oversight Committee on May 21, 2013. Staff recommends approval.

Secretary Flanery recognized Mr. Shawn Dyer from the KHC. Mr. Dyer stated that the projects are located in Louisville at 3400 Portland Plaza and at 1681 Garland Avenue. These are existing projects previously funded through the Housing Authority. KHC will use the tax-exempt bond program and gain equity with tax credits. Mr. Ross asked Mr. Dyer to explain the tax credit equity. Mr. Dyer answered that this project will utilize tax-exempt bonds eligible for the 4% tax credit offered by the federal government.

Secretary Flanery asked for any questions. Ms. Trivitt made a motion to approve Resolution **2013-16** that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution **2013-16** was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



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Ryan Barrow  
Secretary