

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
JANUARY 14, 2013

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Monday, January 14, 2013 in Room 182 of the Capitol Annex at approximately 11:15 a.m. ET (upon adjournment of the Kentucky Asset/Liability Commission meeting) by Lori Flanery, Secretary, Finance and Administration Cabinet and Executive Director to the Commission. Other members present were Ryan Keith, proxy for Governor Steven Beshear, Chad Aull, proxy for Lt. Governor Jerry Abramson, Mary Lassiter, 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 Corey Bellamy, proxy for Jack Conway, Attorney General.

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

Other Guests Present: Kristi Culpepper, Joshua Nacey and Kelly Dudley from the Legislative Research Commission (“LRC”), John Hicks and Carla Wright from the Office of State Budget Director (“OSBD”), and Jim Ackinson from the Kentucky Higher Education Student Loan Corporation (“KHESLC”).

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 November 19, 2012 meeting were approved.

Secretary Flanery introduced Resolution **2013-01**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY
APPOINTING A SECRETARY OF THE COMMISSION.**

Secretary Flanery stated with the retirement of Tom Howard in December, his replacement has been named and Ryan Barrow has been appointed as Executive Director of OFM. Therefore, the Commission needs to appoint a new secretary and this Resolution will appoint a Secretary to the Commission under the direction of the Executive Director of the Commission. The Resolution states that Ryan Barrow is appointed Secretary of the Commission with the requisite powers to perform all administrative functions of the Commission under the supervision and direction of the Executive Director of the Commission. The Secretary of the State Property and Buildings Commission shall be authorized, with the approval of the Executive Director, to take all action specifically or by necessary implication authorized by the Commission to assist in performing the Commission’s administration functions. Secretary Flanery recommends that the Commission approve this resolution.

Secretary Flanery asked for any questions. Ms. Mary Lassiter made a motion to approve Resolution **2013-01** that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution **2013-01** was **ADOPTED**.

Secretary Flanery recognized Ms. Robin Brewer for her introduction of Resolution **2013-02**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF KENTUCKY ASSET/LIABILITY COMMISSION FUNDING NOTES, 2013 GENERAL FUND FIRST SERIES (TAXABLE) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$156,000,000 FOR THE PURPOSE OF FINANCING OR REFINANCING OBLIGATIONS OWED UNDER KRS 161.550(2).

Ms. Brewer informed the Commission that this Resolution is authorizing the Kentucky Asset/Liability Commission ("ALCo") Funding Notes, 2013 General Fund First Series (Taxable) in an amount not-to-exceed \$156,000,000. Approval is being sought from the Commission to allow financing the state's share of obligations owed under KRS 161.550(2) to the Kentucky Teachers' Retirement System ("KTRS") Medical Insurance Trust Fund for Fiscal Years 2013 and 2014. This transaction was authorized in House Bill 265 of the 2012 Regular Session of the General Assembly. ALCo just approved this transaction in the meeting prior to this meeting, and it will be presented to the Capital Projects and Bond Oversight Committee on January 22, 2013. The Underwriter is Morgan Stanley, Bond Counsel is Kutak Rock LLP, Underwriter's Counsel is Peck Shaffer & Williams LLP, and the Trustee is U.S. Bank, N.A. Sale date is estimated to be February 7, 2013 with a closing date of February 21, 2013. The estimated all in True-Interest-Cost is approximately 2.62%. Staff recommends approval.

Secretary Flanery asked for any questions. Mr. Corey Bellamy made a motion to approve Resolution **2013-02** that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution **2013-02** was **ADOPTED**.

Secretary Flanery recognized Ms. Rachael Dever for her introduction of Resolution **2013-03**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF APPROXIMATELY \$5,230,000 OF NORTHERN KENTUCKY UNIVERSITY GENERAL RECEIPTS REFUNDING BONDS, 2013 SERIES A

Ms. Dever stated Resolution 2013-03 is for the Northern Kentucky University ("NKU") General Receipts Refunding Bonds, 2013 Series A, in an estimated amount of \$5,230,000. Approval is being sought by NKU for the issuance of its General Receipts Refunding Bonds, in an aggregate principal amount of approximately \$5,230,000 to refund the Consolidated Educational Buildings Bonds, Series L (2004). The transaction was approved by their Board of Regents on January 9, 2013 and will be presented to the Capital Projects and Bond Oversight Committee on January 22, 2013.

Bond Counsel is Peck, Shaffer Williams, LLP, Financial Advisor is Hilliard Lyons, and Trustee is U.S. Bank N.A. The estimated all in True-Interest-Cost is approximately 1.7% and the estimated Net Present Value Savings is \$735,326 with an estimated net present value as a percentage of Refunded Par of 12.878%. Staff recommends approval.

Secretary Flanery asked for any further questions. Ms. Lassiter made a motion to approve Resolution **2013-03** that was seconded by Mr. Chad Aull. Motion **CARRIED**, and Resolution **2013-03** was **ADOPTED**.

Secretary Flanery recognized Mr. Ryan Barrow for his introduction of Resolution **2013-04**:

A 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 ASSET-BACKED NOTES, SERIES 2013, PURSUANT TO A GENERAL BOND RESOLUTION OR TO AN INDENTURE OF TRUST, SUPPLEMENTS THERETO AND AN AUTHORIZING RESOLUTION OF THE CORPORATION TO BE ISSUED AS SENIOR AND SUBORDINATE SUBSERIES OF FEDERALLY TAXABLE OR TAX-EXEMPT OBLIGATIONS IN A COMBINED AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$800,000,000.

Mr. Ryan Barrow stated that this is a Resolution of the Kentucky Higher Education Student Loan Corporation ("KHESLC") for \$800,000,000 (not-to-exceed) of Student Loan Asset-Backed Notes, Series 2013-1. This is a taxable transaction for the refunding of the Federal Straight-A Funding Conduit, KHESLC's 2008 Trust Estate and funding the KHESLC Operating Fund. The 2008 Bonds have a letter of credit and there are two entities that share the letter of credit. Staff is coordinating with the entities and the underwriter. The sale is scheduled for February 6, 2013 with closing on February 15th. Par amount may fluctuate depending on the portion for the relinquishment of the letter of credit on the prior 2008 Trust Estate. The pricing is estimated to be 60 basis points over the 1-Month LIBOR rate, and this is a negotiated sale. The Senior Managing Underwriter is Bank of America Merrill Lynch, Bond Counsel is Hawkins Delafield & Wood LLP, and the Underwriter's Counsel is Kutak Rock LLP. Mr. Barrow deferred to Mr. Jim Ackinson from KHESLC for further comments.

Mr. Ackinson added that KHESLC intends to refund 100% of the Straight-A conduit note (approximately \$486,000,000) and one-third of the outstanding 2008 Bonds. Of the two entities (bank providers) holding the letter of credit, one is willing to terminate the letter of credit without a termination fee while the other entity is not. It is to the advantage of KHESLC to go ahead and refund what they can to achieve the present value savings. Ms. Lassiter asked Mr. Ackinson if his colleagues in other states were going through the same refunding process with outstanding bonds. Mr. Ackinson answered that most of the previous financings around the country were Auction Rate Securities and at the end of every month, an auction would be held and the lowest bid was accepted. After Mortgage-Backed Securities deteriorated in 2008, many Asset-Backed Securities also got into trouble. At that time, 100% of KHESLC's outstanding debt was in Auction Rate Securities and that

market failed. One of the solutions by Congress was the Straight-A Conduit which provided a federal line of credit and liquidity to KHESLC and others. Most lenders in the industry borrowed money through the Straight-A Conduit to have liquidity to finance programs and take out lines of credit. The Straight-A Conduit is set to mature in January 2014 and KHESLC has seen refinancing activity by borrowers now that the markets are freeing up. These Asset-Backed Securities are for longer term investors and they now have a more solid market. Now KHESLC can refinance at a similar level they were achieving with the Straight-A Financing. There may be some negative carry, but it is necessary for KHESLC to do this transaction due to maturity of the program.

Ms. Lassiter stated the reason she asked the question was that it was unusual for the Commission to see a transaction where the cost of the refinancing is higher and in KHESLC's case, it may not be higher but you have to do it anyway. Mr. Ackinson stated that was correct.

Secretary Flanery asked for any further questions. Mr. Ross made a motion to approve Resolution **2013-04** that was seconded by Ms. Lassiter. Motion **CARRIED**, and Resolution **2013-04** was **ADOPTED**.

Secretary Flanery recognized Ms. Katie Smith for her introduction of Resolution **2013-05**:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE APPLICATION OF THE SECRETARY OF THE CABINET FOR ECONOMIC DEVELOPMENT TO IDENTIFY AND SPECIFY CERTAIN ECONOMIC DEVELOPMENT PROJECTS TO BE FINANCED FROM THE PROCEEDS OF ECONOMIC DEVELOPMENT REVENUE BONDS TO BE ISSUED BY THE COMMISSION TO MAKE A GRANT TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT FOR THE BENEFIT OF BINGHAM MCCUTCHEN LLP (BINGHAM) FOR \$450,000.

Ms. Smith stated that Secretary Hayes is recommending the use of \$450,000 in Economic Development Bond Funds for the purpose of making a grant to the Lexington-Fayette Urban County Government (LFUCG) for the benefit of Bingham McCutchen LLP (Bingham). Bingham is considering the establishment of a global services center in Lexington, Kentucky. The center will provide finance, accounting, human resources, information and technology, operations, marketing, communications, research and knowledge services, as well as certain risk management functions that are unique to law firms. The proposed EDB grant funds will be used to offset the cost associated with this project.

In consideration of this EDB grant, Bingham will be required to create 250 new, full-time jobs (excluding contract or temporary employees) for Kentucky residents within three years of the date of approval by the Kentucky Economic Development Finance Authority (KEDFA). Bingham will be required to pay the 250 jobs an average hourly wage of not less than \$37, including benefits. Bingham will also be required to maintain the 250 new jobs and pay the foregoing wages for an additional three (3) years. Repayment provisions will be included in the grant agreement if Bingham

fails to create or maintain the jobs or pay the required wages and the company will be required to provide collateral satisfactory to the Cabinet as security for repayment of any of the grant proceeds. KEDFA approved the project at its meeting on December 13, 2012 and staff recommends approval. Secretary Flanery asked if Ms. Smith knew where the company would be located. She replied in Coldstream Park and Mr. Ross confirmed they had advertised at a job fair recently.

Secretary Flanery asked for any further questions. Ms. Lassiter made a motion to approve Resolution **2013-05** that was seconded by Mr. Bellamy. Motion **CARRIED**, and Resolution **2013-05** was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



Ryan Barrow
Secretary