

**STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
January 11, 2007**

The State Property and Buildings Commission was called to order by Chairman Mike Burnside, proxy for John R. Farris, Secretary, Finance and Administration Cabinet, at 1:30 p.m. in Room 76 of the Capitol Annex. Other members present were Libby Milligan, proxy for Ernie Fletcher, Governor, Commonwealth of Kentucky; Ryan Watts, proxy for Lt. Governor Steve Pence; Bonnie Howell, proxy for Attorney General Greg Stumbo; Katie Smith, proxy for Gene Strong, Secretary, Cabinet for Economic Development; and Ed Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet.

Chairman Burnside verified that a quorum was present and that the press was notified of the meeting.

A motion was made by Libby Milligan and seconded by Katie Smith to approve the minutes of the November 20, 2006 meeting. Motion carried and minutes were **APPROVED**.

Chairman Burnside introduced Resolution 2007-01:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY AUTHORIZING AND RATIFYING ACTIONS OF THE COMMISSION STAFF IN THE STRUCTURING, STAFFING, PLANNING AND PREPARATION OF ALL DOCUMENTATION FOR THE ISSUANCE OF CERTAIN BONDS OF THE COMMISSION; AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE PURPOSE OF FINANCING AND REFINANCING VARIOUS PROJECTS AND REFUNDING VARIOUS PRIOR ISSUES; 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 THE ACTION OF THE STAFF IN PREPARING AND PUBLISHING A PRELIMINARY 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 AND REFINANCE VARIOUS PROJECTS AND TO REFUND VARIOUS REVENUE BONDS PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; AUTHORIZING THE LEASE OF THE PROJECTS TO SUCH 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.**

Nora Marshall, Policy Advisor, Office of Financial Management, stated that Resolution 2007-01 authorized the issuance of State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 87, in an amount not to exceed \$300,000,000. She indicated that the transaction consisted of several components that included (i) issuing new money in an approximate amount of \$125-150 million; (ii) current refunding approximately \$100 million of outstanding Kentucky Asset/Liability Commission 2005 General Fund Project Notes, Second Series; (iii) current refunding approximately \$5 million of outstanding State Property and Buildings Commission, Project 57 bonds; and (iv) refunding \$5 million of outstanding Kentucky Asset/Liability Commission 2005 Agency Fund Project Notes, Second Series. Ms. Marshall indicated that the Agency Fund Notes were related to a \$5 million bond project that was authorized for the Louisville Airport Relocation Project. Ms. Marshall noted that this project was initially authorized as an Agency Fund project supported by jet fuel tax collections. She continued that in House Bill 380 the project was converted to a General Fund supported bond project. Ms. Marshall noted that the transaction is expected to price on February 14, 2007 and settle on February 28, 2007. She further indicated that Kutak Rock will serve as bond counsel; Morgan Stanley will serve as underwriter; and Peck Shaffer & Williams will serve as underwriter's counsel. Ms. Marshall noted that the project list for new money was not complete but that the bulk of the projects would be funded from the 2005 authorization. She further noted that the net present value savings on the Project 57 refunding were currently estimated at approximately \$300,000.

F. Thomas Howard, Executive Director, Office of Financial Management, stated that the Commonwealth's pension liabilities will be disclosed for the first time in the offering document. He added that the transaction incorporated an interest rate swap to hedge a portion of the authorized but unissued bonds from the 2005 Session. He stated that of the remaining \$600 million of authorized but unissued debt \$300 million was hedged through the Kentucky Asset/Liability Commission. Mr. Howard indicated that two hedges were put into place on January 9, 2006 and at their maximum the market value was approximately \$9 million. He added that interest rates dropped and currently the value is closer to \$1 million.

Bonnie Howell asked if disclosure of the Kentucky Retirement System financial information would make a difference in the amount of bonds sold. Mr. Howard indicated that it would not.

A motion was made by Bonnie Howell and seconded by Katie Smith to approve Resolution 2007-01 authorizing the State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 87 in a principal amount not to exceed \$300,000,000. Motion carried and Resolution 2007-01 was **ADOPTED**.

Chairman Burnside introduced Resolution 2007-02:

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 REVENUE BONDS IN ONE OR MORE SERIES AND IN ONE OR MORE TAX PLANS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$200,000,000.

Robin Brewer, Financial Analyst, Office of Financial Management, stated that Resolution 2007-02 authorized up to \$200 million of Kentucky Housing Corporation Housing Revenue Bonds in one or more series and in one or more tax plans. Ms. Brewer further stated that the bonds were a continuation of the financing of the single family housing program. Ms. Brewer informed the members that the Corporation financed approximately \$500 million in mortgages during 2006 and noted that this particular transaction would be the first in 2007 to utilize private activity volume cap that is expected to be awarded to the Corporation from the state issuer pool at the Private Activity Bond Allocation Committee scheduled to meet on January 17, 2007. Ms. Brewer pointed out that the current structure of the transaction consists of approximately 60 percent of tax-exempt bonds and 40 percent of taxable bonds both on a fixed rate basis. She stated that UBS will serve as underwriter on the transaction from the current rotating pool of underwriters selected by the Corporation. She further stated that Kutak Rock will serve as bond counsel; Peck, Shaffer & Williams will serve as underwriter's counsel; and The Bank of New York will serve as trustee on the transaction.

A motion was made by Ed Ross and seconded by Ryan Watts to adopt Resolution 2007-02 approving the issuance of the Kentucky Housing Corporation Housing Revenue Bonds in one or more series and in one or more tax plans in an aggregate principal amount not to exceed \$200,000,000. Motion carried and Resolution 2007-02 was **ADOPTED**.

Chairman Burnside introduced Resolution 2007-03:

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 FOR (i) SISTER SCHUBERT'S HOMEMADE ROLLS, INC. (HART COUNTY)(\$125,000) AND (ii) SEKISUI S-LEC AMERICA, LLC. (CLARK COUNTY) (\$200,000).

Katie Smith, Deputy Commissioner, Department of Financial Incentives, Cabinet for Economic Development stated that Resolution 2007-03 approved the application of two economic development bond projects. Ms. Smith stated that the first project is a \$125,000 grant to the Hart County Fiscal Court for the benefit of Sister Schubert's Homemade Rolls, Inc. She further stated that the company plans to construct a new 92,000 sq. ft. manufacturing facility on 25 acres in Horse Cave, Kentucky. She indicated that the proceeds from the sale of the bonds will be used to offset total project costs of \$35 million. Ms. Smith noted that the project will be required to create 298 permanent, full-time jobs for Kentucky residents within three years of completion and occupancy. She stated that the grant also included provisions for wage levels and a repayment plan for each full-time job not created and maintained by the company. Ms. Smith stated that the initial collateral requirement for the economic development bond was a letter of credit but was renegotiated to a corporate guarantee by the parent company, Lancaster Colony Corporation.

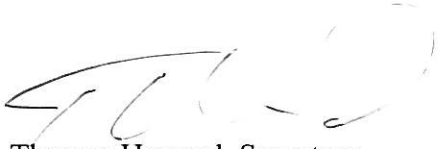
Ms. Smith indicated that the second project is a \$200,000 grant to the city of Winchester for the benefit of Sekisui S-LEC America, LLC. She stated that the company plans to construct a 76,000 sq. ft. manufacturing facility on 23 acres in Winchester, Kentucky. Ms. Smith further stated that the proceeds from the sale of the bonds will be used to offset total project costs of approximately \$44 million. She indicated that the company will be required to create 80 permanent full-time jobs for Kentucky residents within three years of completion and occupancy. Ms. Smith indicated that the grant agreement will also include provisions for wage levels and a repayment plan for each full-time job not created and maintained by the company. She indicated that this economic development bond will be secured by a letter of credit or some other form of collateral satisfactory to the Cabinet for Economic Development. Ms. Smith informed the Commission that both projects were recommended by the Secretary of the Cabinet for Economic Development and concurred upon by the Secretary of the Finance and Administration Cabinet. She indicated that Sister Schubert's was approved at the September 28, 2006 KEDFA meeting and modified at the December 7, 2006 KEDFA meeting. She indicated that the project was also approved for a \$606,000 refund under the Kentucky Enterprise Initiative Act (KEIA), \$4,000,000 in tax credits under the Kentucky Industrial Development Act (KIDA) and a reduction in the state and local property tax rate through an industrial revenue bond. She stated that the Sekisui project was also approved by KEDFA at the December 7, 2006 meeting and has received \$1.6 million from the KIDA tax incentives. She stated that if approved by the Commission, both projects will be presented to the Capital Projects and Bond Oversight Committee on January 16, 2007.

A motion was made by Bonnie Howell and seconded by Ed Ross to adopt Resolution 2007-03 approving the application of the Secretary of the Cabinet for Economic Development on behalf of Sister Schubert's Homemade Rolls, Inc. (Hart County) (\$125,000) and Sekisui S-LEC America, LLC (Clark County) (\$200,000) to be financed from the proceeds of economic development revenue bonds to be issued by the State Property and Buildings Commission. Motion carried and Resolution 2007-03 was **ADOPTED**.

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With no further business before the Commission, a motion was made by Ryan Watts and seconded by Bonnie Howell to adjourn the meeting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'F. Thomas Howard', written over a faint circular stamp or watermark.

F. Thomas Howard, Secretary
State Property and Buildings Commission