

**STATE PROPERTY AND BUILDINGS COMMISSION**  
**MINUTES**  
**JANUARY 15, 2009**

The State Property and Buildings Commission (SPBC or the Commission) was called to order on Thursday, January 15, 2009 at 2:00 p.m. in Room 182 of the Capitol Annex by Lori Flanery, Deputy Secretary, Finance and Administration Cabinet as proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet. Other members present were Edmund Sauer, proxy for Governor Steve Beshear, Bill Burger, proxy for Lt. Governor Daniel Mongiardo, Donald Sweasy, Proxy for Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet; Ryan Green, Proxy for John Hicks, Interim State Budget Director, and Katie Smith, proxy for Larry Hayes, Interim Secretary, Cabinet for Economic Development.

OFM Staff Members Present: Mr. Brett Antle, Deputy Executive Director of OFM, Ms. Robin Brewer, Ms. Rachael Putnam, Mr. Rob Ramsey, and Ms. Marcia Adams.

Other Guests Present: Don Mullis of the Legislative Research Commission (LRC) and Carla Wright from the Office of State Budget Director (OSBD).

Deputy 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 Ms. Katie Smith and seconded by Mr. Ryan Green to approve the minutes. Motion **CARRIED** and the minutes of the November 17, 2008 meeting were approved.

Deputy Secretary Flanery introduced Resolution **2009-01**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE PURPOSE OF FINANCING VARIOUS PROJECTS AND REFUNDING VARIOUS PRIOR ISSUES 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 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 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. Robin Brewer stated that approval by the Commission is being sought to authorize the issuance of revenue bonds for the purpose of financing various projects and refunding various prior issues and notes. This is specifically for the SPBC Project No. 93 in an issuance amount not to exceed \$400 million. This transaction has numerous components: 1) to issue fixed rate revenue bonds to refund prior bonds and notes issued by the SPBC and the Kentucky Asset/Liability Commission (ALCo) to provide fiscal year 2010 budgetary relief in the approximate amount of \$50 million dollars; 2) to provide approximately \$200 million of new money for capitol projects authorized in multiple sessions of the General Assembly, H.B. 267 (2005 Session), H.B. 380 and H.B. 557 (2006 Session), and H.B. 406 and H.B. 608 (2008 Session); 3) To provide financing on a taxable basis for up to \$22.75 million in projects, mostly Economic Development Bond Pool projects for the Department of Commercialization and Innovation; and 4) To terminate a swap for a hedge that was issued through ALCo in 2007, with a notional amount of \$150 million to hedge future General Fund new money bonds for then authorized but unissued projects. The bond counsel is currently determining the amount of the Economic Development projects that will need to be issued on a taxable basis, which could be less than the full amount of \$22.75 million. This transaction will be presented to the Capitol Projects and Bond Oversight Committee (CPBO) at the meeting on January 22<sup>nd</sup>, 2009. The underwriter is CitiGroup, bond counsel is Peck, Shaffer & Williams, the underwriter's counsel is Kutak Rock, and the estimated all-in-true interest cost is 5.99%. We anticipate pricing on February 11<sup>th</sup> and a closing of February 24<sup>th</sup> but will continue to monitor the market for the optimal time to sell.

Mr. Brett Antle added that the \$200 million issuance size is an estimated starting point, and we will monitor the market as well as cash flows on the projects. The resolution will allow up to \$400 million. We are still considering whether to terminate the swap in this transaction and are monitoring when it will be the best time to take it out.

Deputy Secretary Flanery asked if there were any further questions or discussions. Mr. Green made a motion to approve Resolution 2009-01 that was seconded by Mr. Bill Burger. Motion **CARRIED** and Resolution 2009-01 was **ADOPTED**.

Deputy Secretary Flanery introduced Resolution 2009-02:

**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 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 FOR THE BONDS; RECITING, ACKNOWLEDGING AND APPROVING THE FILING OF AN APPLICATION BY THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY FOR REVENUE BONDS TO FINANCE THE PROJECT PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; APPROVING A LEASE OF THE PROJECT TO THE TRANSPORTATION 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. Robin Brewer stated that approval by the Commission is being sought to authorize the issuance of revenue bonds for financing a project for the Road Fund Revenue Bonds, Project No. 94, not to exceed \$40 million. The Commission will issue fixed rate Road Fund Revenue Bonds for the Transportation Cabinet to provide funding for the replacement of the Automated Vehicle Information System (AVIS) project and for the alignment and expansion of a runway at the Bluegrass Airport. Both projects were authorized by the H.B. 406 (2008 Session). These projects are being issued through the SPBC and not the Turnpike Authority, as they are not road projects and do not fall under the issuing purview of the Turnpike Authority. This transaction will be presented to the Capitol Projects and Bond Oversight Committee (CPBO) on January 22, 2009. The underwriter is CitiGroup, bond counsel is Peck, Shaffer & Williams, the underwriter's counsel is Kutak Rock and the estimated all-in-true interest cost is 5.22%. The anticipated sale date will coincide with Project No. 93 on February 11<sup>th</sup> with a potential closing of February 24<sup>th</sup> and we will be monitoring the market for the optimal time to sell.

Deputy Secretary Flanery asked if there were any further questions or discussions. Mr. Green made a motion to approve Resolution 2009-02 that was seconded by Ms. Smith. Motion **CARRIED** and Resolution 2009-02 was **ADOPTED**.

Deputy Secretary Flanery introduced Resolution 2009-03:

**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 TO MAKE A GRANT TO RICHMOND COUNTY FOR THE BENEFIT OF SUB-ZERO, WOLF, INC (SUB-ZERO) (\$100,000).**

Ms. Katie Smith stated that approval by the Commission is being sought to authorize \$100,000 in Economic Development Bond Funds to make a grant to the City of Richmond for the benefit of Sub-Zero Wolf. The projects entails constructing or the necessary acquisition of a facility and the purchase of fixtures and equipment to enable the company to manufacture a new line of luxury home appliances. In consideration, Sub-Zero will be required to create one hundred new full-time jobs for Kentuckians paying an average hourly wage of not less than \$16.36 excluding benefits. Failure to meet the job or wage requirement within the specified timeframe will require Sub-Zero to repay a prorated portion of the grant to the City. The project had been recommended by the interim Secretary for the Economic Development Cabinet and concurred upon by the Secretary of the Finance. KEDFA approved the project on December 11, 2008 and it will be presented to Capitol Projects on January 22, 2009. Staff recommends approval

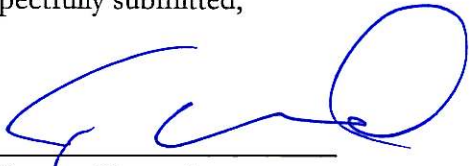
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Deputy Secretary Flanery asked if there were any further questions or discussions. Mr. Green made a motion to approve Resolution **2009-03** that was seconded by Mr. Edmund Sauer. Motion **CARRIED** and Resolution **2009-03** was **ADOPTED**.

Other Business: Ms. Rachael Putnam updated the Commission on Western Kentucky University (WKU). They were scheduled to sell bonds on December 3, 2008 and were postponed due to the fact that interest rates rose dramatically. If they were to sell today, it would be at an estimated all-in-true interest cost of 4.2%. On December 3<sup>rd</sup>, the market was at the all-in-true interest cost of 5.6%, much more than WKU had budgeted for debt service. February 4<sup>th</sup> is the new scheduled date to go to market.

With no further business before the Commission, Deputy Secretary Flanery asked if there was any new business for the Commission today. With no further business, Mr. Burger made a motion to adjourn that was seconded by Ms. Smith. The meeting stands adjourned.

Respectfully submitted,



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F. Thomas Howard  
Secretary