

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
DECEMBER 13, 2017
2:00 PM

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Wednesday, December 13, 2017 at 2:01 p.m. ET in Room 182 of the Capitol Annex by William M. Landrum III, Secretary of the Finance and Administration Cabinet (“FAC”) and Executive Director to the Commission. Other members present were Scott Brinkman, permanent proxy for Governor Matt Bevin; Edgar C. Ross, State Controller, Office of the Controller; Katie Smith, proxy for Terry Gill, Secretary for the Cabinet for Economic Development (“CED”); and Holly McCoy-Johnson, permanent 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, Steve Starkweather, Bethany Couch and Tammy McCall.

Other Guests Present: Katherine Halloran, Legislative Research Commission; Tom Midkiff, Kentucky Housing Corporation (“KHC”); Tracy Thurston, KHC; Gene Hutchins, Kentucky Higher Education Student Loan Corporation/Kentucky Higher Education Assistance Authority (“KHEAA”/“KHESLC”); and David Carlsen, KHEAA/KHESLC.

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

Secretary Landrum introduced the first item for business, which was approval of the minutes from the November 16, 2017 meeting. A motion to accept the minutes of the November 16, 2017 meeting was made by Mr. Ross and seconded by Secretary Brinkman. Motion **CARRIED**.

Secretary Landrum recognized Katie Smith to present Resolution 2017-17:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY
APPROVING THE ISSUANCE BY THE KENTUCKY ECONOMIC
DEVELOPMENT FINANCE AUTHORITY OF ITS HOSPITAL REVENUE
BONDS, SERIES 2017C (BAPTIST HEALTHCARE SYSTEM OBLIGATED
GROUP) IN A PRINCIPAL AMOUNT NOT TO EXCEED \$80,000,000.**

Ms. Smith presented Resolution 2017-17 for the approval to issue Kentucky Economic Development Finance Authority (“KEDFA”) Hospital Revenue Bonds, Series 2017C, in an aggregate principal amount not to exceed \$80,000,000. Ms. Smith noted that the proposed regulation at the federal level would eliminate advance refunding. Therefore, Baptist Healthcare is requesting to refinance various Baptist Healthcare System Projects throughout Kentucky by advance refunding a portion of 2009A Bonds. The original transaction approved in 2016 was for new money and a refunding. The new money was issued in May 2017, and they are coming back for approval to move forward with the advance refunding. The TEFRA public hearing from 2016 is still applicable. Resolutions from all the local jurisdictions are being obtained requesting that KEDFA be the issuer. KEDFA will serve as the

conduit issuer of the bonds. The bonds would not constitute a general obligation of KEDFA, and KEDFA would not be obligated to pay principal or interest on the bonds from its own funds. KEDFA approved the project at its meeting on December 7, 2017, and it will be presented to the Capital Projects and Bond Oversight Committee ("CPBOC") on December 19, 2017. Staff recommended approval.

There being no discussion, Secretary Landrum called for a motion to approve Resolution 2017-17. Secretary Brinkman made a motion and was seconded by Mr. Ross. Motion **CARRIED** and Resolution 2017-17 was **ADOPTED**.

Secretary Landrum recognized John Brady to present Resolution 2017-18:

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 2017-1, PURSUANT TO AN INDENTURE OF TRUST AND AN AUTHORIZING RESOLUTION OF KHESLC TO BE ISSUED AS ONE OR MORE SERIES OF FEDERALLY TAX-EXEMPT OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$175,000,000.

Mr. Brady presented Resolution 2017-18 for the approval to issue KHESLC Student Loan Backed Notes, Series 2017-1 in an amount not to exceed \$175 million. The Tax-Exempt Direct Purchase Student Loan Backed Notes ("DPNs") are being issued for the purpose of refunding KHESLC's 2008 bonds and financing the Federal Family Education Loan Program ("FFELP"), Student Loans, and rehabilitated FFELP loans currently held on KHESLC's balance sheet and its warehouse lines. The transaction was approved by the KHESLC Executive Committee on December 7, 2017, and has been submitted to CPBOC for review and approval on December 19, 2017. Staff recommended approval.

Secretary Landrum asked if KHESLC was funding the Debt Service Reserve Fund of \$612,500 listed on the new bond issue report. Mr. Carlsen answered that the reserve fund will come from the proceeds of the refunding and not from KHESLC. Mr. Brady added that the bond deal was going to be approximately \$170 million and Mr. Carlsen confirmed that approximately \$900 thousand of loans were removed from the transaction.

There being no further discussion, Secretary Landrum called for a motion to approve Resolution 2017-18. Ms. Smith made a motion and was seconded by Mr. Ross. Motion **CARRIED** and Resolution 2017-18 was **ADOPTED**.

Secretary Landrum recognized John Brady to present Resolution 2017-19:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING

**CORPORATION OF ITS MULTIFAMILY HOUSING REVENUE BONDS
IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT
NOT TO EXCEED \$30,000,000.**

Mr. Brady presented Resolution 2017-19 for the approval to issue KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds Series 2017 in an amount not to exceed \$30 million for the Jefferson Green Apartments Project. Proceeds of the bonds will be used to finance the acquisition, construction, and equipping of a 312-unit property located at 3010 Jefferson Green Drive, Louisville, Kentucky. KHC Board of Directors approve the transaction on May 25, 2017. It will be presented to CPBOC on December 19, 2017. The proposed date of sale is January 11, 2018 and the proposed closing date is January 25, 2018. Mr. Brady noted this debt is not a liability to KHC or the Commonwealth. Staff recommended approval.

Secretary Landrum remarked that the method of sales were either public offerings or private placements. He asked if the developer was the one who made that transaction choice. Ms. Thurston answered that bond counsel for the transaction made that decision.

There being no further discussion, Secretary Landrum called for a motion to approve Resolution 2017-19. Secretary Brinkman made a motion and was seconded by Ms. Smith. Motion **CARRIED** and Resolution 2017-19 was **ADOPTED**.

Secretary Landrum recognized Bethany Couch to present **Resolution 2017-20:**

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY
APPROVING THE ISSUANCE OF APPROXIMATELY \$231,000,000 OF
UNIVERSITY OF KENTUCKY GENERAL RECEIPTS BONDS IN ONE
OR MORE SERIES.**

Ms. Couch presented Resolution 2017-20 for the approval to issue University of Kentucky ("UK") General Receipts Bonds, 2018 Series A and Taxable Series B, in an approximate principal amount of \$231,000,000. Bond proceeds will be used to finance the projects listed as "Expand/Renovate/Upgrade Law Building" in H.B. 235 of the 2014 Regular Session of the Kentucky General Assembly, "Renovate/Upgrade Healthcare Facilities" and "Facilities Renewal, Modernization, and Deferred Maintenance" in H.B. 303 of the 2016 Regular Session of the Kentucky General Assembly, and pay associated costs of issuance. This project will be presented to the CPBOC meeting on December 19, 2017. The Healthcare transaction will have a 30-year financing with a final maturity of October 2047 and the Modernization and Law Building transaction will have a 20-year financing with a final maturity of October 2037. Staff recommended approval.

Secretary Landrum asked Mr. Barrow to point out and explain the additional principal that was loaded during years 2029 through 2038 in order to smooth the debt out. Mr. Barrow stated that OFM asked what the future capacity needs were that required smoothing the debt and eliminating future capacity. The University responded with a memo stating there was an additional \$150 million dollar deal in which the net would fund the majority of the Hospital. Mr. Barrow concluded there was justification

to smooth out and wrap the debt profile given the Hospital revenue stream. Ms. Ross asked how the taxable amount is decided upon. Mr. Barrow answered it is driven by a private business use analysis; such as doctor offices, cafeteria, gift shop, etc.

Secretary Landrum called for a motion to approve Resolution 2017-20. Mr. Ross made a motion, and was seconded by Ms. McCoy-Johnson. There being no further discussion, the motion **CARRIED** and Resolution 2017-20 was **ADOPTED**.

Secretary Landrum asked if there was any other business to be discussed. Ms. Williams stated that at the last meeting Director Chilton has asked for a list of all the projects approved by the Commission. That information was compiled and a handout was prepared. Ms. Williams asked for approval by Secretary Landrum to take the information to Director Chilton after the meeting when he was available. Secretary Landrum noted for the record that the information was provided as requested and would be forwarded to Director Chilton. Copies of the handout were also given to the members of the Commission.

With no further business before the Commission, Secretary Landrum asked for a motion to adjourn. Secretary Brinkman made a motion, and was seconded by Mr. Ross. Motion carried and the meeting adjourned at 2:16 pm.

Respectfully submitted,



Ryan Barrow
Secretary