KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
DECEMBER 15, 2010

The Kentucky State Property and Buildings Commission ("SPBC" or the "Commission") meeting was called to order on Monday, December 15, 2010 at 2:00 p.m. EST 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, Executive Director to the Commission. Other members present were John Esham, proxy for Governor Stephen Beshear, Bill Burger, proxy for Lt. Governor Mongiardo, Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Mary Lassiter, State Budget Director, Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development, and Corey Bellamy, proxy for Attorney General, Jack Conway.

Office of Financial Management (OFM) Staff Members Present: Tom Howard, Executive Director, Brett Antle, Deputy Executive Director, Robin Brewer, Rachael Dever, Tom Midkiff, and Marcia Adams.

Other Guests Present: Kristi Culpepper, Stuart Weatherford, and Kelly Dudley all from the Legislative Research Commission (LRC).

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. Ed Ross to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the November 15, 2010 meeting were approved as written.

Deputy Secretary Flanery introduced Resolution **2010-33**:

> **RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF UNIVERSITY OF LOUISVILLE GENERAL RECEIPTS BONDS.**

Ms. Rachael Dever stated that the University of Louisville is issuing General Receipts Bonds in an approximate amount of $25,000,000 composed of Taxable Build America Bonds (BABs) or Tax Exempt Bonds, 2010 Series A in the amount of $4,058,000 and Qualified Energy Conservation Bonds (QECBs) 2010 Series B in the amount of $20,942,000. These Agency Fund bonds are to be issued on December 20, 2010 and close tentatively on December 29, 2010. The estimated Net Interest Cost is 1.78%, based on the BABs analysis. The estimated True-Interest-Cost (TIC) is 1.80% and the estimated All-in True Interest Cost is 1.83%. The financing term is seventeen years to be callable at par in 2020. This is going to fund an Energy Savings Performance Contract (ESPC) for a combination of seventeen buildings to do utility energy improvements for financial savings to offset the debt service payments. The project was to be submitted for approval to the Capital Projects and Bond Oversight Committee (CPBO) meeting scheduled for tomorrow that has now been cancelled due to the pending inclement weather. The Secretary of the Finance Cabinet has been advised by letter from CPBO of lack of quorum, and the Secretary will proceed as statutorily required.

Hilliard Lyons is the Financial Advisor; Peck, Shaffer & Williams LLP is the Bond Counsel; Trustee is U.S. Bank N.A; and staff recommends approval.

Mr. Burger asked if additional oversight had been included or factored in for additional maintenance costs or maintenance contracts because of the nature of the project. Also, would there be annual reports issued certifying the estimates. Mr. Howard replied that OFM performs an analysis of all ESPCs to meet certain energy saving thresholds and that policy requires a 2.5% savings over the cost of the financing. This includes a measurement verification expense for monitoring savings over a period of time that will vary depending upon the nature of the relationship with the contractor. In many of these circumstances, the savings are stipulated; meaning hypothetically speaking, the engineers agree that if you install "Device A" over "Device B", it has been proven to yield savings of "X" amount of energy units. The projected savings on this project is approximately 5.5%, which is about three times the normal that is required. No matter what the cost of financing, this project will have savings in excess of that in the current market. There is a guarantee from the contractor up front that the project will generate "X" amount of savings, which is usually a conservative estimate.

Ms. Mary Lassiter asked what process is required since the Capital Projects and Bond Oversight committee will not meet to approve this project before the bonds are sold at the end of December. Mr. Howard stated that (KRS 45.800) allows the Secretary of Finance and Administration Cabinet three options to: 1) Stop the project 2) Change the project or 3) Agree to proceed. Ms. Lassiter asked if bond counsel was comfortable to proceed. Mr. Howard stated that bond counsel has been comfortable proceeding in the past under similar situations and would go ahead with this project.

Mr. Burger made a motion to approve Resolution **2010-33** that was seconded by Mr. Corey Bellamy. Motion **CARRIED,** and Resolution **2010-33** was **ADOPTED**.

Deputy Secretary Flanery asked if there was any other business. With no other business, the meeting stands adjourned.

Respectfully submitted,

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F. Thomas Howard
Secretary