

**KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION  
MINUTES  
FEBRUARY 5, 2016**

The Kentucky State Property and Buildings Commission ("SPBC" or the "Commission") meeting was called to order on Friday, February 5, 2016 at 9:02 a.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. The secretary called the roll. Other members present were Lt. Governor Jenean Hampton; Scott Brinkman, proxy for Governor Matt Bevin; Edgar C. Ross, State Controller, Office of the Controller; Erik Dunnigan, Acting Secretary, Cabinet for Economic Development ("CED"); and John E. Chilton, State Budget Director, Office of the State Budget Director.

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, Liz Columbia, Denise Pitts, Steve Starkweather, Bethany Couch and Tammy McCall.

Other Guests Present: Adrienne Southworth, Lt. Governor's Office; Caroline Baesler, General Counsel, Office of Legal Services, CED; Harlan Sands, Chief Financial/Operating Officer, University of Louisville;

Secretary Landrum verified 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 January 12, 2016 meeting. A motion to accept the minutes of the January 12, 2016 meeting was made by Secretary Dunnigan and seconded by Mr. Chilton. Motion **CARRIED**.

Secretary Landrum directed the Commission to Resolution **2016-04**:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS  
COMMISSION OF THE COMMONWEALTH OF KENTUCKY  
APPOINTING THE SECRETARY OF THE FINANCE AND  
ADMINISTRATION CABINET AS EXECUTIVE DIRECTOR OF THE  
COMMISSION AND DELEGATING THE PERFORMANCE OF  
CERTAIN ADMINISTRATIVE FUNCTIONS NECESSARY TO  
ACCOMPLISH THE PURPOSE OF THE COMMISSION.**

Mr. Ryan Barrow presented Resolution 2016-04. He explained the resolution is a customary resolution of the Commission appointing the Secretary of the Finance and Administration Cabinet as Executive Director of the Commission and delegating certain administrative duties as follows: call meetings as required; preside over meetings of the Commission in the absence of the Governor; and sign and execute documents approved by the Commission. Staff recommended approval.

Secretary Landrum called for a motion to approve **Resolution 2016-04**. Secretary Brinkman made a motion and was seconded by Mr. Ross. There being no further discussion, the motion **CARRIED** and Resolution 2016-04 was **ADOPTED**.

Secretary Landrum directed the Commission to **Resolution 2016-05**:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS  
COMMISSION OF THE COMMONWEALTH OF KENTUCKY  
DELEGATING THE PERFORMANCE OF CERTAIN  
ADMINISTRATIVE FUNCTIONS OF THE COMMISSION TO THE  
SECRETARY OF THE FINANCE AND ADMINISTRATION CABINET  
ACTING IN HIS CAPACITY AS THE EXECUTIVE DIRECTOR OF THE  
COMMISSION.**

Ms. Caroline Baesler presented Resolution 2016-05 that will give authority to the Secretary of the Finance and Administration Cabinet as Executive Director to the Commission to sign certain modifications or amendments to economic development bond projects which have been approved previously by the Commission. She explained that this would negate the need for a project to have to come before the Commission again in the instance of small or non-substantive amendments.

Corey Bellamy arrived at the meeting as proxy for Attorney General Andy Beshear.

Lt. Governor Hampton asked if an amendment included a project that went over the original cost by ten percent and how that process worked. Ms. Baesler confirmed that the ten percent or less range included both over and under original costs. Any changes would seek approval by KEDFA first before the request was brought before the Secretary of the Finance and Administration Cabinet. A report comparing the original final budget with a revised increased budget would be included in the request to the Secretary for comparison. Lt. Governor Hampton asked where the money would come from if a project went over the budgeted cost. Secretary Dunnigan answered that typically a project would not be re-negotiated and the commitment from the Cabinet for Economic Development would stay the same. Amendments are requested only when a project budget is decreased. Secretary Dunnigan further explained that the only time a project would be opened for re-negotiation would be if it doubled in size or there was a new negotiation for additional expansion. In those instances, the entire incentive package would have to go back to KEDFA for approval and would need approval by the entire Commission.

Mr. Chilton asked if the Commission would need to ratify the amendments and if they would be notified of the amendments. Ms. Baesler stated the resolution gave the Secretary of the Finance and Administration Cabinet sole authority and would not need ratification by the Commission. She stated that KEDFA provided a quarterly report on non-substantive amendments. Secretary Dunnigan suggested that his team could notify the Commission when the Secretary of the Finance and Administration is requested to sign an amendment or send a monthly report that is available statewide when changes take place.

Lt. Governor Hampton asked if a ten percent change was typical. Secretary Dunnigan answered that it was unusual and seldom occurred. More often, the situation will be that a program has met all its expectations, is being closed out and is requesting collateral be released.

Secretary Landrum stated that when he is asked to sign for an adjustment, he will include notification to every board member of the Commission of that adjustment.

Secretary Landrum called for a motion to approve Resolution **2016-05**. Mr. Chilton made a motion, and was seconded by Secretary Brinkman. There being no discussion, the motion **CARRIED** and Resolution **2016-05** was **ADOPTED**.

Secretary Landrum directed the Commission to Resolution **2016-06**:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION APPROVING THE ISSUANCE OF HEALTHCARE FACILITIES REVENUE AND REVENUE REFUNDING BONDS, SERIES 2016 (BAPTIST LIFE COMMUNITIES PROJECT) IN A PRINCIPAL AMOUNT OF UP TO \$70,000,000 BY THE KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY.**

Ms. Baesler presented Resolution 2016-06 for the approval to issue bonds to finance and refinance the acquisition and construction of long term healthcare and health related facilities located or to be located at (i) 3000 Riggs Avenue in the city of Erlanger, Kentucky, Kenton County, Kentucky; (ii) 3775 Burlington Pike, Burlington, Boone County, Kentucky; (iii) 120 Main Street, Newport, Campbell County, Kentucky; and (iv) 132 East Alexandria Pike, Alexandria, Kentucky. KEDFA approved the project on January 28, 2016. Ms. Baesler confirmed the bonds were tax exempt. Staff recommended approval.

Secretary Landrum called for a motion to approve Resolution **2016-06**. Mr. Ross made a motion, and was seconded by Secretary Brinkman. There being no discussion, the motion **CARRIED** and Resolution **2016-06** was **ADOPTED**.

Secretary Landrum directed the Commission to Resolution **2016-07**:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF KENTUCKY INFRASTRUCTURE AUTHORITY WASTEWATER AND DRINKING WATER REVOLVING FUND PROGRAM REVENUE REFUNDING BONDS, SERIES 2016A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$110,000,000 BY THE KENTUCKY INFRASTRUCTURE AUTHORITY.**

Ms. Bethany Couch presented Resolution 2016-07 for the approval to issue Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Program Revenue Refunding Bonds, Series 2016 A. The purpose of the issuance is to (i) refund certain Wastewater and Drinking Water

Revolving Fund Bonds, and (ii) pay for costs of issuing the bonds. The Kentucky Infrastructure Authority gave approval for the financing at their board meeting on February 4, 2016. Upon approval of the Commission, the project will be presented to the Capital Projects and Bond Oversight Committee on February 16, 2016. It will be a tax-exempt negotiated sale. The financial advisor is PFM; underwriter is Morgan Stanley; bond counsel is Dinsmore and Shohl, LLC; and the trustee is U.S. Bank. The all-in true interest cost is 2.243%, and the final maturity date is February 1, 2028. Staff recommended approval.

Mr. Chilton confirmed the transaction was a bond refunding and asked for clarification of par amount and premium amount. Mr. Barrow explained that the issuance of bonds at a premium was a function of the market and is driven by the portfolio goals of investors.

Secretary Landrum called for a motion to approve Resolution **2016-07**. Secretary Dunnigan made a motion, and was seconded by Mr. Ross. There being no discussion, the motion **CARRIED** and Resolution **2016-07** was **ADOPTED**.

Secretary Landrum directed the Commission to Resolution **2016-08**:

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

Mr. Steve Starkweather presented Resolution 2016-08 requesting approval for Eastern Kentucky University ("EKU") to issue General Receipts Refunding Bonds in a principal amount of approximately \$6.66 million to partially advance refund the outstanding EKU General Receipts Bonds 2007 Series A and pay the costs of issuance. EKU received original authorization in HB 395 of the 2004 Regular Session to renovate the Sidney Clay Residence Hall, a 420-bed facility originally constructed in 1966. The 2016 Series A issuance will partially advance refund the Series 2007A issuance (5/1/19 thru 5/1/27 maturities). The refunding could yield a savings of nearly \$400,000 or about 7.8% to the university over the life of the bonds. The all-in true interest cost is anticipated at 2.3%. Upon approval of the Commission, the transaction will be presented to the Capital Projects and Bond Oversight Committee on February 16, 2016. The financial advisor is Hilliard Lyons and bond counsel is Dinsmore and Shohl, LLC. Staff recommended approval.

Secretary Landrum asked how the proposed date of sale was determined. Mr. Starkweather explained that it normally takes approximately two to three months to organize a university deal and a sale date is mainly driven by market rates. Mr. Barrow added that a final date is impacted by the intention to separate transactions so that the focus of the investors is not divided.

Secretary Landrum called for a motion to approve Resolution **2016-08**. Mr. Chilton made a motion, and was seconded by Secretary Dunnigan. There being no discussion, the motion **CARRIED** and Resolution **2016-08** was **ADOPTED**.

Secretary Landrum directed the Commission to Resolution **2016-09**:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF UNIVERSITY OF LOUISVILLE GENERAL RECEIPTS BONDS, 2016 SERIES, IN ONE OR MORE SERIES OR SUBSERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,500,000.**

Mr. Starkweather presented Resolution 2016-09 requesting approval for the University of Louisville ("UofL") to issue General Receipts Bonds, 2016 Series, in one or more series or subseries. He explained that the transaction is divided into three series: Series A, B and C. Series A includes a portion of new money to provide funds for the renovation of the Student Activities Center (approximately \$9.6 million); current refund certain outstanding UofL General Receipts Build America Bonds, 2010 Series A ("2010 BAB"); current refund certain outstanding UofL Consolidated Educational Buildings Revenue Bonds, 2005 Series P ("Con Ed"); and pay the costs of issuance. UofL received authorization in HB 235 of the 2014 Regular Session to renovate the Student Activities Center. The first current refunding of the 2010 BAB will refund the 9/1/16 thru 9/1/27 maturities and a yield a net PV savings of approximately \$222 thousand or about 7%. The second current refunding of the Con Ed will refund the 5/1/16 thru 5/1/25 maturities and yield a net PV savings of approximately \$225 thousand or about 8.6% over the remaining life of the bonds. The total principal amount of Series A is approximately \$14.9 million. The all-in true interest cost of the transaction for the new money piece is anticipated at 2.98%, the 2010 BAB at 2.3%, and the Con Ed at 2.1%.

Mr. Harlan Sands thanked the Commission and added that the transaction was part of UofL's initiative to consolidate debt and lower payments as they look for other ways to decrease costs and increase revenue. He believed this will save UofL approximately a half million dollars a year in interest payments over the course of the payment period.

Series B is an advance refunding of certain outstanding UofL General Receipts Bonds 2007 Series A, and will refund the 9/1/18 thru 9/1/27 maturities. The par value is expected to be approximately \$24 million. The Series B refunding could yield a net PV savings of approximately \$1.6 million or about 6.6%. The All-In True Interest Cost is anticipated at 2.3%. Series C is an advance refunding of certain outstanding UofL General Receipts Bonds 2008 Series A, and will advance refund the 9/1/19 thru 9/1/28 maturities. The par value is expected to be approximately \$52 million. The Series C refunding could yield a net PV savings of approximately \$3.6 million or about 7%. The all-in true interest cost is anticipated at 2.4%. Upon approval of the Commission, the transaction will be presented to the Capital Projects and Bond Oversight Committee on February 16, 2016. The financial advisor is Hilliard Lyons and bond counsel is Dinsmore and Shohl, LLC. Staff recommended approval.

Secretary Landrum called for a motion to approve Resolution **2016-09**. Secretary Dunnigan made a motion, and was seconded by Secretary Brinkman. There being no discussion, the motion **CARRIED** and Resolution **2016-09** was **ADOPTED**.

Secretary Landrum directed the Commission to Resolution **2016-10**:

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

Mr. Starkweather presented Resolution 2016-10 requesting approval for Morehead State University ("Morehead") to issue General Receipts Refunding Bonds in a principal amount of approximately \$4 million dollars to partially advance refund the outstanding Morehead General Receipts Bonds 2007 Series A and pay the costs of issuance. Morehead received original authorization in the State Budget for projects listed to Design Residence Hall Renovation/Improvement and Expand Student Wellness Center. The 2016 Series A issuance will partially advance refund the 11/1/19 thru 1/1/22 maturities and yield a savings of approximately \$173 thousand or about 5.7%. The all-in true interest cost is anticipated at 2.5%. Upon approval of the Commission, the transaction will be presented to the Capital Projects and Bond Oversight Committee on February 16, 2016. The financial advisor is Hilliard Lyons and bond counsel is Dinsmore and Shohl, LLC. Staff recommended approval.

Secretary Landrum called for a motion to approve Resolution **2016-10**. Mr. Ross made a motion, and was seconded by Lt. Governor Hampton. There being no discussion, the motion **CARRIED** and Resolution **2016-10** was **ADOPTED**.

Secretary Landrum directed the Commission to Resolution **2016-11**:

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

Mr. Starkweather presented Resolution 2016-11 requesting approval for Western Kentucky University ("WKU") to issue General Receipts Refunding Bonds in a principal amount of approximately \$25.8 million to partially advance refund the outstanding WKU General Receipts Bonds 2007 Series A and pay the costs of issuance. WKU received original authorization in the State Budget for projects that included the construction and equipping of the south campus parking and dining improvements; math and science academy renovation; and construction of the student health services building. The issuance will partially advance refund the 9/1/17 thru 1/1/26 maturities. The refunding will yield a savings of approximately \$1.37 million or about 5.5%. The all-in true interest cost is anticipated at 2.3%. Upon approval of the Commission, the transaction will be presented to the Capital Projects and Bond Oversight Committee on February 16, 2016. The financial advisor is Hilliard Lyons and bond counsel is Dinsmore and Shohl, LLC. Staff recommended approval.

Secretary Brinkman asked if there was desired threshold of percent savings for the refunding bond issues. Mr. Starkweather answered that there is a four-tiered refunding criteria that calls for a

minimum of 3% savings. Mr. Starkweather and Mr. Barrow explained the negative arbitrage test. Mr. Barrow commented on the impact of ratings and market timing for a refunding. Secretary Dunnigan asked about the threshold for a private investor versus an institutional investor and Mr. Barrow gave an explanation. Mr. Chilton asked and Mr. Barrow answered how the bond ratings had changed over the last three to four years and what they are now. Mr. Starkweather gave information about the bond ratings for universities. Secretary Landrum asked if staff talked with the rating agencies on a regular basis about the Commonwealth's financial position and Mr. Barrow confirmed.

Secretary Landrum called for a motion to approve Resolution **2016-11**. Lt. Governor Hampton made a motion, and was seconded by Secretary Dunnigan. There being no discussion, the motion **CARRIED** and Resolution **2016-11** was **ADOPTED**.

Secretary Landrum asked for any other business. Mr. Barrow informed the Commission that a review of the SPBC files is taking place to ensure records are complete. By-laws for the Commission have not been found. He stated if they are located, staff would bring them before the Commission to be updated. If not found, he suggested that new by-laws be drafted and brought before the Commission to review, discuss and then eventually adopt. Ms. McCall reported that all files located in the Annex were reviewed and many hours were spent at the Department of Kentucky Libraries and Archives looking at microfiche of past SPBC minutes. The Office of the Controller, the Secretary of State's office, and past employees were contacted and asked if they had any knowledge of the by-laws. She reported that sixteen of the sixty-eight years of minutes have been reviewed and she expected to complete her review in another week.

With no further business before the Commission, Mr. Chilton made a motion to adjourn and was seconded by Secretary Brinkman. Motion carried and the meeting adjourned at 9:45 am.

Respectfully submitted,



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Ryan Barrow  
Secretary