KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
MARCH 19, 2013

The Kentucky State Property and Buildings Commission ("SPBC" or the "Commission") meeting was called to order on Tuesday, March 19, 2013 in Room 182 of the Capitol Annex at 10:30 am. ET by Robin Kinney, Deputy Secretary and proxy for Lori Flanery, Secretary, Finance and Administration Cabinet and Executive Director to the Commission. Other members present were Mary Lassiter, proxy for Governor Steven Beshear, Chad Aull, proxy for Lt. Governor Jerry Abramson, Jane Driskell, State Budget Director, Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development, and Larry Clarke, proxy for Jack Conway, Attorney General.

Office of Financial Management ("OFM") Staff Members Present: Ryan Barrow, Executive Director to OFM and Secretary to the Commission, Robin Brewer, John Bailey, Rachael Dever, Tom Midkiff, Jennifer Kantner, and Marcia Adams.

Other Guests Present: Kristi Culpepper and Joshua Nacey from the Legislative Research Commission ("LRC"), and Carla Wright from the Office of State Budget Director ("OSBD").

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

A motion was made by Mr. Ed Ross and seconded by Ms. Katie Smith to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the January 25, 2013 meeting were approved.

Deputy Secretary Kinney recognized Rachael Dever for the introduction of Resolution **2013-08**:

> **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 COMPETITIVE 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, OFFICIAL TERMS AND CONDITIONS OF BOND SALE AND AN OFFICIAL BID FORM RELATING TO THE SALE OF THE BONDS AND A FINAL OFFICIAL STATEMENT TO BE COMPLETED UPON THE SALE OF 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 SUCH PROJECT PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; APPROVING A SUPPLEMENTAL LEASE OF THE PROJECT TO THE CABINET AND THE KENTUCKY RIVER AUTHORITY 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. Rachael Dever stated that the Commission plans to issue State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 105 in an amount not-to-exceed $23,000,000. This transaction will provide permanent financing for approximately $18.4 million of projects re-authorized by the General Assembly in H.B. 265 (2012 Session) for Dam 8 and Locks 1 and 2. This financing will also fund a debt service reserve, a rate stabilization fund and pay costs of issuance. The proposed date of sale is May 2, 2013; the proposed date of delivery is May 15, 2013; and the Kentucky River Authority ("KRA") Board approved this project on March 6, 2013. The debt service reserve and rate stabilization fund will be cash funding. The All-In True Interest Cost is estimated to be 3.63%; the first call date will be April 1, 2023; and the final maturity of the bonds is April 1, 2033. The total debt service is estimated to be $27,715,600 and will be a competitive sale. Bond Counsel is Peck, Shaffer & Williams, LLP; Financial Advisor is First Southwest, Trustee is U.S. Bank N.A., and upon this Commission's approval, the project will be presented to Capital Projects and Bond Oversight ("CPBO") at today's meeting. Staff recommends approval.

Deputy Secretary Kinney asked for any questions. Ms. Mary Lassiter made a motion to approve Resolution **2013-08** that was seconded by Mr. Larry Clarke. Motion **CARRIED,** and Resolution **2013-08** was **ADOPTED.**

Deputy Secretary Kinney recognized Tom Midkiff for the introduction of Resolution **2013-09**:

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 BONDS IN ONE OR MORE SERIES.

Mr. Midkiff informed the Commission that Resolution 2013-09 is to approve the issuance of Kentucky Housing Corporation Single Family Housing Bonds in one or more series in a not-to-exceed amount of $140,000,000. The transaction was approved by the Kentucky Housing Corporation ("KHC" or the "Corporation") Board on February 28, 2013 and will refund prior bond Series 2009-C1, 2009-C2, and 2009-C3 for economic savings. The structure is currently envisioned as one series of bonds, but may be up to three series and will stay within the not-to-exceed amount. The proposed date of sale is April 16, 2013, the proposed settlement date is April 30, 2013, and is expected to be AAA rated by both Moody's and Standard & Poor's ("S&P"). The maximum net proceeds will be $137,200,000 with the cost of issuance not exceeding $615,000. The Underwriter's maximum discount is estimated to be $1,100,000. The True Interest Cost is expected to be 2.92% including cost of issuance and Underwriter's discount. This is a pass through structure with the final maturity date on the bonds of July 1, 2041; estimated gross debt service amount is $247,348,162 with an estimated annual debt service of $8,529,247. This will be a negotiated sale and Bond Counsel is Kutak Rock LLP, Senior Managing Underwriter is Citi, and Underwriter's Counsel is Peck, Shaffer & Williams LLP with Bank of New York Trust Company as Trustee.

This project is refunding a portion of the bonds issued under the New Issue Bond Program ("NIBP"), which is a program that the Federal Government created to assist Housing Finance

Authorities and encourage them to continue issuing bonds during the market disruptions over the last five years. The savings from the proposed refunding are expected to be, at the most, $8,656,750. Staff recommends approval.

Deputy Secretary Kinney asked for any questions. Ms. Lassiter asked if there were any programmatic impacts to KHC associated with this transaction or is this purely for financial savings. Mr. Midkiff answered that this is not a typical transaction for KHC. The Corporation will have to collateralize Mortgage Backed Securities ("MBS") within the KHC General Bond Indenture, but he stated that this should have little effect on any of the Corporation's programs. Mr. Ryan Barrow added that there is some loss of flexibility with the pass through structure, some restrictions, and some loss of the ability to take cash from the General Bond Indenture to cross call other series within the indenture. He added that this product is priced like a MBS, that currently there is a great market for this structure, and that the economics for this refunding are strong. Ms. Lassiter asked that if KHC is able to achieve economic savings with the refunding, does this free up cash flow to originate new loans and support other programs at the Corporation. Mr. Barrow answered affirmatively.

Deputy Secretary Kinney asked if there were any further questions. Mr. Ross asked if Series 2009 C-1 and Series 2009 C-2 are the only series feasible to refund at this time. Mr. Midkiff answered "yes" and continued that back in 2009 when the original bonds were approved, the Federal Government allotted $180,000,000 to Kentucky for the program (NIBP). KHC, SPBC and CPBO approved the issuance and KHC immediately drew the bonds down, deposited them with the Trustee and all interest proceeds were paid back to the Federal Government while the bond proceeds remained unused; therefore, the bonds did not incur arbitrage. When KHC was ready to place the bonds into production, they converted portions of the $180,000,000 with both the Series 2009 C-1 and the Series 2009 C-2 in Calendar Year 2010. The way the rate structure worked, the bonds initially priced as Floating Rate Notes ("FRN") over the 10-year Treasury rate until they were placed into production or "converted." The rates adjusted by the time Series 2009 C-3 was converted, so the rate for that series is more favorable to the Corporation and is currently not a candidate for refunding. Mr. Midkiff also mentioned that KHC is restricted from issuing variable rate debt going forward as long as these bonds are in the General Bond Indenture so the Corporation may also consider refunding the NIBP bonds for non-economic reasons.

Mr. Ross made a motion to approve Resolution **2013-09** that was seconded by Ms. Mary Lassiter. Motion **CARRIED,** and Resolution **2013-09** was **ADOPTED.**

With no other business, the meeting stands adjourned.

Respectfully submitted,

Ryan Barrow
Secretary