

STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
MARCH 13, 2009

The State Property and Buildings Commission (SPBC or the Commission) was called to order on Friday, March 13, 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; Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet; Mary Lassiter, State Budget Director; and Katie Smith, proxy for Larry Hayes, Interim Secretary, Cabinet for Economic Development.

OFM Staff Members Present: Mr. Tom Howard, Executive Director and Secretary to the Commission, Mr. Brett Antle, Deputy Executive Director of OFM, Ms. Robin Brewer, Ms. Rachael Putnam, Mr. Rob Ramsey, Mr. Tom Midkiff, and Ms. Marcia Adams.

Other Guests Present: Kristi Culpepper of the Legislative Research Commission (LRC) and Ryan Green 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 Mr. Ed Ross and seconded by Mr. Bill Burger to approve the minutes. Motion **CARRIED** and the minutes of the January 15, 2009 meeting were approved as written.

Deputy Secretary Flanery introduced Resolution 2009-04:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION
OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF
EASTERN KENTUCKY UNIVERSITY GENERAL RECEIPTS BONDS, 2009
SERIES A.**

Ms. Rachael Putnam stated that approval is being sought for Eastern Kentucky University General Receipts Bonds 2009 Series A for \$11,840,000. The bonds will be used for two projects, renovation of Residence Hall, pursuant to H. B. 406 of the General Assembly of the Commonwealth of Kentucky, 2008 Regular Session, and to construct Intramural Fields, pursuant to H. B. 267 of the General Assembly of the Commonwealth of Kentucky, 2005 Regular Session. Bond counsel is Peck, Shaffer & Williams, Financial Advisor is Morgan Keegan, and the Trustee is U.S. Bank, N.A. The ECU Board of Regents approved the transaction on January 26th and it will go before Capital Projects and Bond Oversight Committee on March 26th. Staff recommends approval.

Deputy Secretary Flanery asked if there were any further questions or discussions. Ms. Smith made a motion to approve Resolution 2009-04 that was seconded by Mr. Bill Burger. Motion **CARRIED** and Resolution 2009-04 was **ADOPTED**.

Deputy Secretary Flanery introduced Resolution 2009-05:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION
OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF
MURRAY STATE UNIVERSITY GENERAL RECEIPTS BONDS, 2009 SERIES A.**

Ms. Rachael Putnam stated that approval is being sought for Murray State University General Receipts Bonds 2009 Series A for \$7,660,000. The bonds will be used for three projects, a New Residential College- Richmond Hall Additional, Renovate building - H& D Pool for less than \$600,000, and Complete Capital Renewal H&D Pool for less than \$600,000. All are pursuant to H.B. 406 of the General Assembly in the 2008 Session. This transaction was approved by the MSU Board of Regents on February 6th and will go before Capital Projects and Bond Oversight Committee on March 26th. Bond counsel is Peck, Shaffer & Williams, Financial Advisor is Morgan Keegan, and the Trustee is U.S. Bank, N.A. Staff recommends approval.

Deputy Secretary Flanery asked if there were any further questions or discussions. Ms. Smith made a motion to approve Resolution 2009-05 that was seconded by Mr. Burger. Motion **CARRIED** and Resolution 2009-05 was **ADOPTED**.

Deputy Secretary Flanery introduced Resolution 2009-06:

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 THE KENTON COUNTY FISCAL COURT FOR THE BENEFIT OF THE KENTON COUNTY AIRPORT BOARD (\$3,959,980).

Ms. Katie Smith stated that approval is being sought by the Commission for the authorization of \$3,959,980 in Economic Development Bond Funds to make a grant to the Kenton County Fiscal Court for the benefit of Kenton County Airport Board. The Airport Board anticipates completion of a boarding bridges project at the Cincinnati/Northern Kentucky International Airport that will equip up to 27 gates in Concourse A of Terminal 3 with new and improved bridges to accommodate regional jet and mainline aircraft and provide a safer, protected and handicap-accessible boarding and de-boarding system for all passengers. The project will be completed in two phases with an estimated completion date of December 31, 2010. Estimated cost of Phase 1 and Phase 2 is \$13,000,000 and \$16,000,000, respectively. The EDB funds will be used to help offset the cost associated with Phase 2 of this project.

Under the terms of the EDB grant agreement, Delta and Comair will be required to maintain the monthly average of daily departures of at least 225 from January 1, 2010 through January 31, 2010. Under the terms of the agreement, if Delta and Comair fail to meet the minimum monthly average of 225 daily departures, then none of the EDB funds will be disbursed. If the minimum monthly average of daily departures is met, then all of the EDB funds will be eligible for disbursement. Interim Secretary Hayes has provided his recommendation for the project and concurrence has been received from Secretary Miller. KEDFA approval was given on February 26, 2009. Staff recommends approval.

Ms. Mary Lassiter asked why the odd amount of \$3,959,980. Ms. Smith replied that there was a repayment to the Kenton County Fiscal Airport Board from a previous EDB for \$40,020 and the money could only be used

for economic development projects as approved by our Cabinet. This project will in essence receive benefits totaling \$4,000,000, but only \$3,959,980 is new money.

Deputy Secretary Flanery asked if there were any further questions or discussions. Mr. Burger made a motion to approve Resolution 2009-06 that was seconded by Ms. Lassiter. Motion **CARRIED** and the Resolution 2009-06 was **ADOPTED**.

Deputy Secretary Flanery introduced Resolution 2009-07:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING A SECOND AMENDMENT FOR A CERTAIN ECONOMIC DEVELOPMENT PROJECT FUNDED FROM THE PROCEEDS OF ECONOMIC DEVELOPMENT REVENUE BONDS ISSUED BY THE COMMISSION.

Ms. Katie Smith requests approval by the Commission for a second amendment to the EDB grant agreement with Lexington-Fayette Urban County Government (LFUCG) for the benefit of Belcan Engineering Group, Inc. Belcan received \$500,000 dollars in EDB grant funds for the renovation, improvement and equipping of the facility in Lexington to house its domestic engineering and design center. Belcan informed the Cabinet that a significant downward change in an anticipated contract has greatly slowed the plans to grow the facility. The company has represented that it is making progress in the job growth at the project site as well as other affiliated company locations in Lexington. The second amendment will provide for the following modifications:

1. The full-time job requirement calculations have been broadened to not only include the employees of the Lexington Area Design Center, but also the employees of Belcan Staffing Solutions and Belcan TechServices if the employees are on the payroll of the official facilities and are scheduled to work at a location inside the Commonwealth of Kentucky.
2. The full-time job requirement increases from 250 employees as of April 28, 2009 and maintain annually for three years to 258 employees measured on December 11, 2009 and 282 employees as of December 8, 2012.
3. The average hourly wage paid to the new full-time jobs will be decreased from \$24.85 to no less than \$19.04.
4. The repayment penalty calculation will not change but will allow for any repayment penalties incurred on December 11, 2009 in excess of \$125,000 to be paid in annual installments not to exceed \$125,000 with payment in full of the repayment required at December 8, 2012.
5. An additional clause will be included to require the outstanding amount of the grant to be due and payable to the local government if Belcan closes, shuts down or ceases operation of the Lexington Area Design Center.
6. The letter of credit currently held as collateral for the grant will be extended to no earlier than June 8, 2013.

KEDFA approved the second amendment on February 26, 2009 and staff recommends approval.

Mr. Burger asked if the wages were diminished because of the broadened type of employees. Ms. Smith answered affirmatively, that they were including the other employees from the Staffing Solutions.

Deputy Secretary Flanery asked if there were any further questions or discussions. Mr. Burger made a motion to approve Resolution 2009-07 that was seconded by Ms. Lassiter. Motion **CARRIED** and the Resolution 2009-07 was **ADOPTED**.

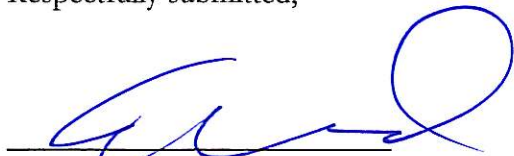
New Business: Ms. Robin Brewer gave an update of the SPBC Project Nos. 93 & 94. Project No. 93 was a General Fund transaction, which had three purposes: to provide at least \$200 million in new money proceeds for funding of projects already under way; to refund prior bonds and notes that were issued by SPBC and the Asset/Liability Commission (ALCo) for budgetary relief of approximately \$50 million in FY 2010; and to terminate a forward starting swap that had been issued through ALCo in 2007 to hedge against future interest rates. We actually issued \$308 million to accomplish all of these objectives. Most of the transaction was insured with Assured Guaranty at a cost of 49 basis points. The refinancing allowed us to restructure \$52 million in principal and approximately \$1.8 million in interest in FY 2010. The par amount of bonds is \$385,455,000 and the final maturity of the bonds is February 1, 2029 and with an All-In-TIC of 5.09%.

SPBC Project No. 94 was a Road Fund transaction to provide funding for two projects: \$25 million to replace the AVIS, Automated Vehicle Information System, for the Transportation Cabinet and \$9 million in Aviation Bonds for an expansion and alignment of a runway at the Blue Grass Airport. These were not actual road projects; therefore, they could not be issued under The Turnpike Authority (TAK) Trust Indenture and were issued under SPBC. The one issue that occurred with SPBC Project No. 94 was the issue of receiving the Standard & Poor's (S&P) rating. The rating became available on the day of pricing at "A+" instead of the expected "AA+". Due to the late notice of the unexpected rating, OFM began the consideration of insuring SPBC Project No. 94. After receiving a bid of 65 basis points to insure the transaction, OFM determined bond insurance was not a practical option. Due to the numerous issues involving this transaction, it was decided to delay the pricing of the transaction a week to February 18th instead of February 12th, which was the pricing for SPBC No. 93. The par amount of the bonds is \$33,750,000 with the final maturity of May 1, 2021 and an All-In-TIC of 3.55%. Nevertheless, both Projects 93 and 94 closed on February 25, 2009.

Mr. Howard showed two graphics of the current market going back to October 2008, in relation to some of our recent projects showing rates, pricing and yields. He also discussed the future of short-term rates, the effects of the federal stimulus and the future of our commercial paper program.

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

Respectfully submitted,



F. Thomas Howard
Secretary