

STATE PROPERTY AND BUILDINGS COMMISSION
April 8, 2008

MINUTES

The State Property and Buildings Commission meeting was called to order by Lori Flanery, Deputy Secretary, Finance and Administration Cabinet, proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet, at 11:30 a.m. in Room 76 of the Capitol Annex on Tuesday, April 8, 2008, in Frankfort, Kentucky. Other members present were Jeff Derouen; proxy for Lt. Governor Daniel Mongiardo; Katie Smith, proxy for John E. Hindman, Secretary, Cabinet for Economic Development; Mary Lassiter, State Budget Director; and Edgar C. Ross, Executive Director, Office of the Controller.

Chairman Flanery verified that a quorum was present and that the press was notified of the meeting.

A motion was made by Katie Smith and seconded by Ed Ross to approve the minutes of the March 17, 2008 meeting. Motion carried and the minutes of the March 17, 2008 meeting were approved.

Chairman Flanery introduced Resolution 2008-08:

**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 LOUISVILLE ARENA
PROJECT REVENUE BONDS, SERIES 2008 (LOUISVILLE ARENA
AUTHORITY, INC.) IN MULTIPLE SERIES AND IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED \$360,000,000.**

F. Thomas Howard, Executive Director, Office of Financial Management, stated that Resolution 2008-08 authorizes the issuance of Louisville Arena Project Revenue Bonds, Series 2008 by the Kentucky Economic Development Finance Authority in an aggregate amount not to exceed \$360,000,000. Mr. Howard stated that the original structure was approved by the Commission on November 19, 2007. He further stated that due to unstable market conditions, on December 17, 2007, a supplement to the original resolution was necessary to extend the maturity to meet rating agency cash flow requirements and was approved by the Commission at that time. Mr. Howard stated that since that time the market has continued to deteriorate and additional flexibility in structuring is needed. Mr. Howard stated that there are three tiers to the bonds. The First Lien Bonds (Senior enhanced with a direct pay Letter of Credit) are estimated to be \$280,000,000 of which \$30,000,000 are taxable; the Second Lien Bonds (investment grade, BBB rated) are estimated to be \$448,255,000 and the Third Lien Bonds (unrated, possibly private placed issue) are estimated to be \$31,745,000. Mr. Howard stated that the indenture contemplates fixed and variable rate structures and may offer approximately 1 percentage point savings to the Authority. Mr. Howard stated that there is no change in size or in the Commonwealth's commitment to the project.

Bonnie Howell asked if there will be an increased cost to the Commonwealth. Mr. Howard stated that certain cost related to insurance premiums and the standby note purchase agreement will be higher, but that is happening with all issuers. Mr. Howard stated that capital is scarce and as more cash is used up prices increase. He further stated that the fee in the current document is 175 basis points with a credit enhancer (insurance or direct pay letter of credit) between 150-200 basis points and would be consistent with the current conditions. He stated that even though some costs related to the structure are increasing, lower interest costs through interest rate swaps will result in lower net financing costs than the fixed rate alternative.

Katie Smith stated that she understood this was a conduit issue and is not a liability of the Commonwealth. Mr. Howard indicated that was correct and the Commonwealth's commitment to this project has not changed.

A motion was made by Bonnie Howell and seconded by Ed Ross to approve Resolution 2008-08 approving the issuance by the Kentucky Economic Development Finance Authority of its Louisville Arena Project Revenue Bonds, Series 2008 (Louisville Arena Authority, Inc.) in multiple series and in an aggregate amount not to exceed \$360,000,000. Motion carried and Resolution 2008-08 was adopted.

Chairman Flanery introduced Resolution 2008-09:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY
APPROVING THE ISSUANCE OF REVENUE BONDS, SERIES 2008
(RETIREMENT HOUSING FOUNDATION OBLIGATED GROUP -
COLONIAL HEIGHTS IN A PRINCIPAL AMOUNT NOT TO EXCEED
\$18,000,000 BY THE ECONOMIC DEVELOPMENT FINANCE
AUTHORITY.**

Katie Smith, Deputy Commissioner, Department of Financial Incentives, Cabinet for Economic Development, stated that Resolution 2008-09 was also a conduit financing related to the issuance of Revenue Refunding Bonds in an amount not to exceed \$18,000,000. Ms. Smith stated that the proceeds of the bonds will be used to refund and retire the outstanding Series 1998 KEDFA Select Auction Variable Rate Securities and the outstanding Series 1999 City of Florence, Kentucky Housing Facilities Revenue Fixed Rate Bonds. Ms. Smith stated that purpose of the refinancing is to move from an auction rate structure to a debt structure that will price more competitively in the market. She further stated that the applicant is facing significant interest rate risk on the auction rate bonds due to the downgrade of ACA to CCC. Ms. Smith noted that it is anticipated that the Series 2008 Bonds will be issued as letter of credit-enhanced Variable Rate Demand bonds. Ms. Smith stated KEDFA approved the proposed bond issue on March 27,

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2008 and if approved by SPBC, the proposed issue will be presented to the Capital Projects and Bond Oversight Committee on April 15, 2008.

Mary Lassiter, State Budget Director, asked if there were any other outstanding issues where KEDFA was the issuer in this same situation. Ms. Smith stated that there are some issues which are converting from an auction rate to fixed rate mode and are covered under a blanket KEDFA resolution. She added that any new money or refinancings would be presented to the Commission for approval and she estimated that there were approximately 12 issues that had been affected.

A motion was made by Bonnie Howell and seconded by Ed Ross to adopt Resolution 2008-09 approving the issuance of Revenue Bonds, Series 2008 (Retirement Housing Foundation Obligated Group-Colonial Heights) in a principal amount not to exceed \$18,000,000 by the Kentucky Economic Development Finance Authority. Motion carried and Resolution 2008-09 was adopted.

With no further business before the Commission, a motion was made by Mary Lassiter and seconded by Katie Smith to adjourn. Motion carried and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in blue ink, consisting of a series of loops and curves, positioned above the typed name.

F. Thomas Howard
Secretary