

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
MAY 11, 2012

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Friday, May 11, 2012 in Room 182 of the Capitol Annex at approximately 1:15 p.m. (upon adjournment of the ALCo meeting) by Lori Flanery, Secretary, Finance and Administration Cabinet and Executive Director to the Commission. Other members present were Ryan Keith, proxy for Governor Steven Beshear, Chad Aull, proxy for Lt. Governor Jerry Abramson, John Hicks, proxy for Mary Lassiter, State Budget Director, Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Larry Clarke, proxy for Jack Conway, Attorney General and Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development.

Office of Financial Management (“OFM”) Staff Members Present: Tom Howard, Executive Director and Secretary to the Commission, Brett Antle, Deputy Executive Director, Rachael Dever, Jennifer Kantner, Tom Midkiff, and Marcia Adams.

Other Guests Present: Carla Wright from the Office of State Budget Director (“OSBD”); Kelly Dudley and Joshua Nacey from the Legislative Research Commission (“LRC”), and Kevin Bradley from the Kentucky Housing Corporation (“KHC”).

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. Larry Clarke and seconded by Mr. John Hicks to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the April 27, 2012 meeting were approved.

Secretary Flanery recognized Mr. Brett Antle for his introduction of Resolution **2012-08**:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING
THE EXECUTION OF A LOAN AGREEMENT BY KENTUCKY
ASSET/LIABILITY COMMISSION IN A PRINCIPAL AMOUNT NOT TO
EXCEED \$100,000,000 FOR THE PURPOSE OF PROVIDING INTERIM
FINANCING FOR AN AUTHORIZED PROJECT.**

Mr. Antle stated that this first Resolution is to approve the execution of a loan agreement by Kentucky Asset/Liability Commission (“ALCo”) in a principal amount not-to-exceed \$100,000,000 for the purpose of providing interim financing for an authorized project. Mr. Antle directed the members to the detailed listing of authorized but unissued or unfinanced General Fund bond supported capital projects, including those authorized in the most recent 2012 Regular Session of the General Assembly. The intent is for ALCo to enter into a loan agreement to provide interim financing through a direct bank loan for this list of projects. Mr. Antle directed the members to the preliminary term sheet about the bank loan process and added that the Commission has the authority through KRS 56.864 to issue Project Notes through a direct bank loan. The security for repayment of this loan is General Fund debt service appropriations as made in H.B. 265 of the 2012 Regular Session (Executive Branch biennial budget bill) and will be a tax-exempt loan.

Staff is working with the State Budget Director’s Office on a more specific amount for this line of credit, but the authorization will not exceed \$100,000,000. The term of the loan will be 1-year or less, estimating

the initial interest rate will be $\frac{3}{4}$ of 1 percent on matched drawn amounts and $\frac{1}{2}$ of 1 percent on any undrawn amounts on the line of credit. ALCo will acquire this loan through a competitive negotiation with the three current ALCo Managing Underwriters for Project Notes, which are Citi, J. P. Morgan, and Morgan Stanley. Staff is working with Kutak Rock as Bond Counsel on this transaction. ALCo approved this transaction in their meeting held just prior to this one and expressed the intent for SPBC to take out that loan to permanently finance for this list of projects at the appropriate time. Staff recommends approval.

Mr. Hicks asked Mr. Tom Howard to state why this approach is currently the best available. Mr. Howard answered that this approach allows ALCo and the Commonwealth more flexibility with the amounts actually drawn down versus an alternative Bond Anticipation Note ("BAN"), which would require borrowing more money and paying more interest. The BAN and the Bank Loan markets have somewhat merged together. This gives ALCo flexibility without issuing a BAN as in the past and allows the Commission to borrow only what is needed.

Mr. Ross made a motion to approve Resolution **2012-08** that was seconded by Ms. Katie Smith. Motion **CARRIED**, and Resolution **2012-08** was **ADOPTED**.

Secretary Flanery recognized Ms. Rachael Dever for her introduction of Resolution **2012-09**:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION APPROVING CAPITAL CONSTRUCTION PROJECTS AUTHORIZED BY THE 2012 REGULAR SESSION AND THE 2012 EXTRAORDINARY SESSION OF THE GENERAL ASSEMBLY WHERE SUCH PROJECTS WILL BE FINANCED BY THE ISSUANCE OF STATE PROPERTY AND BUILDINGS COMMISSION REVENUE BONDS OR OTHER AUTHORIZED STATE DEBT-ISSUING AUTHORITIES.

Ms. Dever stated that Resolution 2012-09 is a reimbursement resolution for SPBC approving Capital Construction projects authorized in H.B. 265 of the 2012 Regular Session of the General Assembly and H.B. 2 of the 2012 Extraordinary Session of the General Assembly. This approval is for certain General Fund and Road Fund supported projects listed on the attachment, and the authorized bonds will be sold by SPBC or another issuing entity, to provide funding for capital construction projects. Approval will authorize advancement of monies for planning, design, and construction projects as applicable and the ability to reimburse expenditures prior to the issuance of the bonds. Staff recommends approval.

Secretary Flanery asked for any questions. Mr. Hicks made a motion to approve Resolution **2012-09** that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution **2012-09** was **ADOPTED**.

Secretary Flanery recognized Ms. Jennifer Kantner for her introduction of Resolution **2012-10**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF EASTERN KENTUCKY UNIVERSITY GENERAL RECEIPTS REFUNDING BONDS, 2012 SERIES A.

Ms. Kantner stated that Resolution 2012-10 is for approval of the issuance of Eastern Kentucky University ("EKU") General Receipts Refunding Bonds, 2012 Series A, in an estimated amount of \$31,905,000 to refund EKU's Consolidated Educational Revenue Bonds, Series V and the Energy Savings Performance Contract ("ESPC") held with SunTrust. The net savings on this refunding is approximately 7.525 percent, and refunding of the ESPC was approved by the 2012 Regular Session of the General Assembly. The call date on the Series V bonds is May 1, 2014 and the lease will be called on August 21, 2012. Mr. Hicks asked what the approximate margin of interest rate savings was on the ESPC lease versus the bonds. Mr. Howard replied that the lease originated during the beginning of the financial crisis so rates were relatively high. The lender required a parity obligation under their general receipts. At that time, the financing cost may have been around 7 percent and the savings will be approximately \$3,000,000.

Secretary Flanery asked for any further questions. Ms. Smith made a motion to approve Resolution **2012-10** that was seconded by Mr. Clarke. Motion **CARRIED**, and Resolution **2012-10** was **ADOPTED**.

Secretary Flanery recognized Ms. Kantner for her introduction of Resolution **2012-11**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF MOREHEAD STATE UNIVERSITY GENERAL RECEIPTS BONDS, 2012 SERIES A.

Ms. Kantner stated that Resolution 2012-11 is for approval of the issuance of Morehead State University ("MSU") General Receipts Bonds, 2012 Series A, in an estimated amount of \$5,090,000. This new money bond issue is for the West Mignon Residence Hall Renovation, authorized in the 2010 Extraordinary Session of the General Assembly. Bond Counsel is Peck Shaffer & Williams; Financial Advisor is Hilliard Lyons; Trustee is U.S. Bank, N.A., and the transaction is scheduled to sell sometime in June. Staff recommends approval.

Secretary Flanery asked for any questions. Mr. Clarke made a motion to approve Resolution **2012-11** that was seconded by Mr. Hicks. Motion **CARRIED**, and Resolution **2012-11** was **ADOPTED**.

Secretary Flanery recognized Ms. Kantner for her introduction of Resolution **2012-12**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF UNIVERSITY OF KENTUCKY GENERAL RECEIPTS REFUNDING BONDS, 2012 SERIES A.

Ms. Kantner stated that Resolution 2012-12 is for approval of the issuance of University of Kentucky ("UK") General Receipts Refunding Bonds, 2012 Series A. UK is requesting approval for approximately \$30,125,000 to refund their Consolidated Educational Revenue Bonds, Series S & T which are callable on May 1, 2013. Estimated savings is anywhere from 2.09 percent up to 4 percent. The debt service reserve is in a forward delivery agreement and termination payments are involved to determine the exact savings. Bond Counsel is Peck Shaffer & Williams; Financial Advisor is Hilliard Lyons; Trustee is U.S. Bank, N.A., and the planned sale date is June 6, 2012. Staff recommends approval. Mr. Hicks asked if there were any other Consolidated Educational bonds still outstanding. Mr. Antle answered that one more series is left. Ms. Smith asked what the delay was in issuing the bonds since the University Board approved the bond

resolution for this refunding in 2010. Mr. Howard answered that over time, the negative carry has been reduced due to the shortened delivery time and improvement in the market with the recent drop of interest rates.

Secretary Flanery asked for any further questions. Ms. Smith made a motion to approve Resolution **2012-12** that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution **2012-12** was **ADOPTED**.

Secretary Flanery recognized Ms. Kantner for her introduction of Resolution **2012-13**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF WESTERN KENTUCKY UNIVERSITY GENERAL RECEIPTS BONDS (RENOVATE DOWNING UNIVERSITY CENTER PHASE III PROJECT) AND WESTERN KENTUCKY UNIVERSITY GENERAL RECEIPTS REFUNDING BONDS.

Ms. Kantner stated that Resolution 2012-13 is for approval of the issuance of Western Kentucky University ("WKU") General Receipts Bonds, 2012 Series A and WKU General Receipts Refunding Bonds, 2012 Series B. The Series A bonds are for approximately \$35,860,000 of new money bonds for the renovation of the Downing University Center, authorized in the 2010 Extraordinary Session of the General Assembly and increased during the 2012 Regular Session of the General Assembly. Series B bonds are estimated at \$6,620,000 to refund the Consolidated Educational Revenue Bonds, Series Q bonds, with the savings on these bonds is around 5.807 percent. Bond Counsel is Peck Shaffer & Williams; Financial Advisor is Hilliard Lyons; Trustee is U.S. Bank, N.A. This transaction was approved by the WKU Board of Regents on October 21, 2011 and amended on April 27, 2012 due to the increased authorization for the Downing Center. Planned sale date is May 23, 2012. Staff recommends approval. Mr. Hicks asked when did WKU anticipate using the remaining \$15,000,000. Ms. Kantner replied it would be in the fall of 2013.

Secretary Flanery asked for any further questions. Mr. Hicks made a motion to approve Resolution **2012-13** that was seconded by Ms. Smith. Motion **CARRIED**, and Resolution **2012-13** was **ADOPTED**.

Secretary Flanery recognized Mr. Tom Midkiff for his introduction of Resolution **2012-14**:

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 stated that Resolution 2012-14 is for the Kentucky Housing Corporation ("KHC") Single Family Housing Revenue Bonds 2012 Series A, a not-to-exceed amount of \$190,000,000. The KHC Board approved this transaction on April 30, 2012 to refund outstanding bonds. The sale date is June 6, 2012, and the settlement date is July 1, 2012. Net proceeds are approximately \$189,205,000 with the cost of issuance estimated to be \$850,000; Underwriter's discount is \$1,515,000; True-Interest-Cost is 3.58 percent. This transaction will be issued on a taxable basis through a negotiated sale. The first optional call date is January 1, 2022 with a final maturity of July 1, 2042. Bond Counsel is Kutak Rock; Citi is the lead Underwriter with Peck, Shaffer & Williams as Underwriter's Counsel, and The Bank of New York as

Trustee. Mr. Midkiff recognized Mr. Kevin Bradley from KHC to answer questions by the Commission. Staff recommends approval.

Secretary Flanery asked for any questions and with none brought forward, Mr. Ross made a motion to approve Resolution **2012-14** that was seconded by Mr. Hicks. Motion **CARRIED**, and Resolution **2012-14** was **ADOPTED**.

Secretary Flanery recognized Ms. Smith for her introduction of Resolution **2012-15**:

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 CITY OF WINCHESTER FOR THE BENEFIT OF AMZN WACS, INC. (AMAZON) (\$250,000).

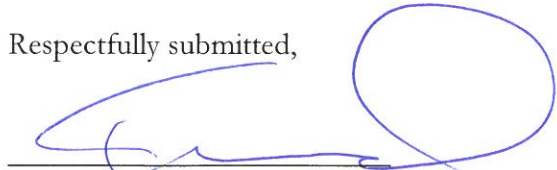
Ms. Smith stated that the Cabinet of Economic Development is requesting approval of \$250,000 in Economic Development Bond ("EDB") funds for the purpose of making a grant to the city of Winchester for the benefit AMZN WACS, Inc. ("Amazon"). Amazon is considering a location for a new customer service center in Winchester. The facility will support customer calls and emails and will provide technical support to various business lines. The proposed EDB funds will be used to offset the costs associated with this project.

Amazon will be required to create 550 new, full-time jobs for Kentucky residents within three years of the date of KEDFA approval. Amazon will be required to pay the 550 new, full-time jobs an average hourly wage of not less than \$15, excluding benefits. Repayment provisions will be included in the grant agreement if Amazon fails to create or retain the jobs and pay the foregoing wages by the required measurement dates. A certificate of deposit or other form of collateral satisfactory to the Cabinet for Economic Development (Cabinet) will be required as security for the repayment of EDB grant proceeds. This project was approved by KEDFA at their March 29, 2012 Board Meeting. Staff recommends approval.

Secretary Flanery asked for any further questions. Mr. Clarke made a motion to approve Resolution **2012-15** that was seconded by Mr. Hicks. Motion **CARRIED**, and Resolution **2012-15** was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



F. Thomas Howard
Secretary