

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION

MINUTES

MAY 9, 2018

3:10 PM*

*convened after adjournment of ALCo Mtg.

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Wednesday, May 9, 2018 at 3:10 p.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. Other members present were Scott Brinkman, permanent proxy for Governor Matt Bevin; Edgar C. Ross, State Controller, Office of the Controller; Katie Smith, proxy for Terry Gill, Secretary for the Cabinet for Economic Development (“CED”); Tina Howard, proxy for Attorney General Andy Beshear; and Adrienne Southworth, permanent proxy for Lt. Governor Jenean Hampton.

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, Steve Starkweather, Bethany Couch and Tammy McCall.

Other Guests Present: Katherine Halloran, Legislative Research Commission; Tracy Thurston, Kentucky Housing Corporation; Eugene Hutchins, Kentucky Higher Education Student Loan Corporation/Kentucky Higher Education Assistance Authority (“KHEAA”/“KHESLC”); and David Carlsen, KHEAA/KHESLC.

Secretary Landrum verified with staff 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 April 12, 2018 meeting. A motion to accept the minutes of the April 12, 2018 meeting was made by Ms. Smith and seconded by Mr. Ross. Motion **CARRIED**.

Secretary Landrum recognized Steve Starkweather to present **Resolution 2018-05**:

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 \$30,250,000 FOR THE PURPOSE OF PROVIDING FINANCING FOR AN AUTHORIZED PROJECT.

Mr. Starkweather stated that Resolution 2018-05 is a request to approve the issuance of Kentucky Asset/Liability Commission Project Notes 2018-1 in an amount not to exceed \$30,250,000. The purpose is to provide financing for the third and final phase of the KCTCS Build Smart project as originally authorized in HB235 of the 2014 Regular Session of the Kentucky General Assembly. The resolution also authorizes the financing/lease agreement and loan agreement with Morgan Stanley in one or more tax-exempt or taxable series. The financing rate is 70% of 3-month LIBOR plus 100 basis points, with a variable interest rate that resets quarterly. The loan agreement will be structured to allow sufficient flexibility in the payment structure so that the university can match revenues from

a collected student fee to pay down debt service. Upon approval of the Commission, the terms of the agreement will be presented to the Capital Projects and Bond Oversight Committee. The transaction is anticipated to close in June 2018. Bond Counsel is Kutak Rock. Staff recommended approval.

Secretary Brinkman asked for a brief review of the KCTCS Build Smart project. Mr. Starkweather stated the project is a renovation project for each of the KCTCS campuses. Mr. Followell further explained that all of the projects for the campuses were complete except for four which are still under construction: Southeast; South Central, Owensboro, and Hopkinsville. It is projected for them to be finished within about 12-15 months.

Secretary Landrum called for a motion to approve Resolution 2018-05. Secretary Brinkman made a motion, and was seconded by Ms. Southworth. There being no further discussion, the motion **CARRIED** and Resolution 2018-05 was **ADOPTED**.

Secretary Landrum recognized John Brady to present **Resolution 2018-06**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION OF STUDENT LOAN REVENUE BONDS, SENIOR SERIES 2018-1A AND SUBORDINATE SERIES 2018-1B, PURSUANT TO AN INDENTURE OF TRUST, SUPPLEMENTS THERETO AND AUTHORIZING RESOLUTIONS OF KHESLC TO BE ISSUED AS ONE OR MORE SENIOR SERIES, OR AS ONE OR MORE SENIOR AND SUBORDINATE SERIES, OF FEDERALLY TAXABLE BONDS IN A COMBINED AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$115,500,000.

Mr. Brady presented Resolution 2018-06 for the approval to issue KHESLC Student Loan Revenue Bonds, Series 2018-1 in an amount not to exceed \$115,500,000. The proceeds from the bonds will be used for the purpose of purchasing, originating and financing Kentucky Advantage Refinance loans, Kentucky Advantage Education loans, and Kentucky Advantage Parent Loans ("Advantage Loans"). The transaction was approved by the KHESLC Executive Committee on November 21, 2017, and has been submitted to CPBOC for review and approval. The proposed sale date is anticipated to occur during the week of June 25, 2018, with a proposed closing date of July 11, 2018. This is a fixed rate taxable transaction with an estimated true interest cost of 5.02%. Staff recommended approval.

Secretary Landrum asked if the loans were limited for tuition only. Mr. Hutchins clarified that under IRS guidelines the Advantage Loans are limited to the cost of education less any other grant aid that is received. The cost of education includes tuition, living expenses, books and other fees. Mr. Carlsen added that a large percent of the bond proceeds would be refinancing previously qualified student loans.

Secretary Landrum called for a motion to approve Resolution 2018-06. Secretary Brinkman made a motion, and was seconded by Ms. Southworth. There being no discussion, the motion **CARRIED** and Resolution 2018-06 was **ADOPTED**.

Secretary Landrum recognized John Brady to present **Resolution 2018-07**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS MULTIFAMILY HOUSING REVENUE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$19,000,000.

Mr. Brady presented Resolution 2018-07 for the approval to issue KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds Series 2018 in an amount not to exceed \$19 million for the J.O. Blanton House Project. Proceeds of the bonds will be used to finance the acquisition, rehabilitation and equipping of 258 multifamily residential rental units located at 850 W. Muhammad Ali Boulevard, Louisville, Kentucky. KHC Board of Directors approve the transaction on April 26, 2018. The proposed date of sale is June 15, 2018 and the proposed closing date is June 29, 2018. Mr. Brady noted this debt is not a liability to KHC or the Commonwealth. Staff recommended approval.

Secretary Landrum called for a motion to approve Resolution 2018-07. Mr. Ross made a motion and was seconded by Ms. Smith. Motion **CARRIED** and Resolution 2018-07 was **ADOPTED**.

Secretary Landrum recognized John Brady to present **Resolution 2018-08**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS MULTIFAMILY HOUSING REVENUE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$15,500,000.

Mr. Brady presented Resolution 2018-08 for the approval to issue KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds Series 2018 in an amount not to exceed \$15.5 million for the Beecher Phase I Project. The bonds will be used to finance the acquisition, rehabilitation and equipping of 117 units located at 434 South 10th Street, Louisville, Kentucky. KHC Board of Directors approve the transaction on April 26, 2018. The proposed date of sale and closing is June 15, 2018. Mr. Brady noted this debt is not a liability to KHC or the Commonwealth. Staff recommended approval.

Secretary Landrum called for a motion to approve Resolution 2018-08. Ms. Smith made a motion and was seconded by Mr. Ross. Motion **CARRIED** and Resolution 2018-08 was **ADOPTED**.

With no further business before the Commission, Secretary Landrum asked for a motion to adjourn. Ms. Smith made a motion, and was seconded by Director Chilton. Motion carried and the meeting adjourned at 3:24 pm.

Respectfully submitted,



Ryan Barrow
Secretary