

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
APRIL 13, 2021
3:30 PM

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Tuesday, April 13, 2021 at 3:31 PM ET via ZOOM video teleconference by J. Michael Brown, Secretary of the Governor’s Executive Cabinet, permanent proxy for Governor Andy Beshear, and Chair of the Commission. Other members present were Geri Grigsby, proxy for Holly M. Johnson, Secretary of the Finance and Administration Cabinet (“FAC”) and Executive Director to the Commission; Beth Roark, permanent proxy for Lieutenant Governor and Vice-Chair to the Commission Jacqueline Coleman; Chris Lewis, permanent proxy for Attorney General Daniel Cameron; Edgar C. Ross, State Controller and Executive Director, Office of the Controller; John T. Hicks, State Budget Director, Office of the State Budget Director (“OSBD”); and Sarah Butler, proxy for Larry Hayes, Interim Secretary for the Cabinet for Economic Development (“CED”).

The Office of Financial Management (“OFM”) Staff Members Present: Ryan Barrow, Executive Director of OFM and Secretary to the Commission; Billy Aldridge, Bethany Couch, Steven Starkweather, Matthew Feltner and Aubry McDonald.

Other Guests Present: Robert Long, Executive Director of the Finance and Administration Cabinet (“FAC”); Katherine Halloran, Legislative Research Committee (LRC); and Brian Thomas, Executive Director of the Finance and Administration Cabinet (“FAC”).

Secretary Brown verified with staff a quorum was present, and the press had been notified of the meeting.

Secretary Brown introduced the first item for business, which was the approval of the minutes from March 24, 2021, meeting. A motion to accept the minutes of the March 24, 2021, meeting was made by Mr. Ross and seconded by Mr. Hicks. There being no further discussion, the motion **CARRIED**.

Secretary Brown recognized Bethany Couch to present **Resolution 2021-07 & 2021-07-B:**

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE PURPOSE OF REFUNDING CERTAIN PRIOR BONDS; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID REVENUE BONDS ARE TO BE ISSUED AND PROVIDING FOR A NEGOTIATED 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 AND AN OFFICIAL STATEMENT FOR THE BONDS; RECITING, ACKNOWLEDGING AND APPROVING THE FILING OF AN APPLICATION BY THE FINANCE AND ADMINISTRATION CABINET OF THE

COMMONWEALTH OF KENTUCKY FOR REVENUE REFUNDING BONDS TO REFUND PRIOR BONDS PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; APPROVING A LEASE OF THE PROJECT TO THE CABINET 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. Couch presented Resolution 2021-07 and 2021-07-B for the approval for the authorization to issue revenue bonds for the purpose of refunding certain outstanding SPBC bonds in an amount not to exceed \$195 million. She stated the Bond Resolution allows for four series of refunding bonds; Series A, tax-exempt current refunding; Series B, taxable advance refunding Series C, Tender & Exchange and Series D, tax-exempt advance refunding which will be built into the resolution to allow for maximum flexibility. A presentation of slides was shown explaining the Tender option that would enhance savings. Ms. Couch explained specifically, for the Project No. 106A Bonds, executing a Tender could achieve approximately \$2.2 million in additional PV savings versus a taxable advance refunding as illustrated on the New Bond Issue Report. The results were based on a conservative Tender premium, which would be negotiated with bond holders. Option 1 only includes Series B, in addition to Series A. NPV for Series B would be approximately \$5.5 million, or 7.815% of refunded par. Option 2, if we are able to Tender a portion of the outstanding Project No. 106A bonds, and the example estimates tendering approximately \$30 million of the \$70 million paramount refunded, the NPV savings would increase from \$5.5 million to \$7.7 million. A Tender is a public solicitation to the current bondholders requesting them to sell back their bonds at a specific price and during a certain timeframe. This allows for exchanging a portion of the outstanding bonds with the newly issued bonds. She also stated that this permits outstanding bonds to be purchased immediately using the proceeds for the refunding tax-exempt bonds. Ms. Couch stated that the ability to advance refund outstanding bonds with tax-exempt bonds was eliminated at the end of 2017; however, there is bipartisan support in the House to bring back the ability to advance refund on a tax-exempt basis, and if federal legislation passes before pricing in June, they will have the opportunity to issue the Series D bonds. She then stated the Series D refunding allows for an additional \$50.4 million in bonds to be refunded to achieve an additional \$5 million in NPV, or 10% of refunding par. The third slide explains how a Tender was brought to the Commission in 2008. Bond Resolution 2008-05, was structured for the possibility to Tender the Kentucky Asset/Liability Commission Floating Rate Project Notes 2007 Series A and 2007 Series B; however, the day before pricing it was determined market conditions were not favorable. It was ultimately decided to not execute a Tender at that time. Ms. Couch presented three examples of executed Tenders in 2021 and noted the successful execution of a Tender is dependent upon market conditions and bondholder participation at the time of pricing. Ms. Couch then explained Resolution 2021-07-B is to approve the preparation and execution of certain documents that pertain to a Tender.

Mr. Hicks questioned in what conditions an existing bond holder would find this favorable. Ms. Couch stated that a premium would be built in so that would be a benefit for bond holders to sell back in exchange for newly issued tax exempt bonds. Ryan Barrow then reiterates Ms. Couch's statement regarding a premium and points out there is a shortage of tax-exempt supply in the market. With a shortage of tax-exempt bonds this allows the bond holder to have ten more years of call protection. He stated economics as well as supply are the two main drivers.

Ms. Couch then touched on Resolution 2021-07-B, which approves the preparation and execution of certain documents that pertain to a Tender. Secretary Brown asked if the Tender would be conditioned on some change in the Federal Legislation. Ms. Couch said “no” but pointed out that three weeks before pricing a Tender solicitation would be issued to gage bond holder interest to see if this would be something they could still pursue. She then stated if the Tender is not executed, savings would still be achieved by taking out the 106 A Bonds with taxable advanced refunding bonds. Staff recommended approval.

Secretary Brown called for a motion to approve Resolution **2021-07 & 2021-07-B**. Mr. Hicks made a motion to approve and was seconded by Ms. Grigsby. The motion **CARRIED** and Resolution **2021-07 & 2021-07-B** was **ADOPTED**.

Secretary Brown recognized Sarah Butler to present **Resolution 2021-08**:

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 BOWLING GREEN FOR THE BENEFIT OF BALL METAL BEVERAGE CONTAINER CORPORATION FOR \$500,000.

Ms. Butler presented Resolution 2021-08 for the approval of the application of the Secretary of the Cabinet for Economic Development to identify and specify certain projects to be finance from the Revenue Bonds to be issued by the commission to make a grant to the City of Bowling Green for the benefit of Ball Metal Beverage Container Corporation for an amount of \$500,000. Ms. Butler started off by giving a background of the Ball Metal Beverage Container Corporation. She stated the corporation has been operational for more than 100 years as one of the leading suppliers of aluminum packaging for beverages, foods and household products. Ms. Butler stated in 2019 the company produced 48 billion recyclable aluminum beverage containers across North America. This accounts for nearly 42% of all aluminum beverage containers produced that year. She then stated the subsidiary, Ball Metal Container Corporation, is considering construction of a new production plant in Bowling Green in which the proposed funds will be used to offset the cost with this project. She stated a letter of credit will be provided for all grant proceeds. The project was approved at the KEDFA meeting in January 2021. Staff recommends approval.

Secretary Brown called for a motion to approve Resolution **2021-08**. Mr. Ross made a motion to approve and was seconded by Ms. Roark. The motion **CARRIED** and Resolution **2021-08** was **ADOPTED**.

With no further business before the Commission, Secretary Brown asked for a motion to adjourn and was seconded by all remaining members and the meeting adjourned at 3:50 PM.

Respectfully submitted,



Ryan Barrow
Secretary

