

## **A CALLED MEETING**

### **GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**

**December 12, 2012**

The Georgia State Financing and Investment Commission held its Called Meeting in the Office of the Governor, Room Number 107 of the State Capitol, Atlanta, Georgia. The following Members of the Commission were present: Governor Nathan Deal, Chairman and Chief Executive Officer, presiding; State Auditor Greg Griffin, Secretary and Treasurer; Speaker of the House David Ralston; Attorney General Samuel S. Olens; State Treasurer Steve McCoy; and Commissioner of Agriculture Gary W. Black. In addition to the above Members, the following persons were present: Chris Riley, Chief of Staff and Bart Gobeil, Chief Operating Officer for the Office of the Governor; Teresa MacCartney, Chief Financial Officer for the Office of the Governor and Director of the Office of Planning and Budget; Melody DeBussey of the Senate Budget Office; Spiro Amburn, Chief of Staff for the Speaker of the House; Ron Nawrocki and Stephanie Beck of the Office of Planning and Budget; Wright Banks, Denise Whiting-Pack, Bo Fears and Helen Taylor of the Attorney General's Office; Woody Vaughan, Stephen Albright and Earline Crooke of King & Spalding LLP, Bond Counsel; Dave Amsden and Andrew Eagan of Kutak Rock, LLP, Disclosure Counsel; Earl Taylor of McKenna Long and Aldridge, LLP, Legal Counsel for Georgia Development Authority; Chancellor Hank Huckaby, John Brown, Ben Riden, Marty Nance, Cynthia Alexander, Tracy Crook and Regina Travis of the Board of Regents of the University System of Georgia; Steve Friedman of the Department of Natural Resources; Commissioner Mike Beatty, Stephanie Green, Carmen Chubb, Phil Cottone, Cassandra Knight and Mitchell Copeland of the Georgia Development Authority; Billy Skaggs of the Department of Agriculture; Frank Smith, Deputy Director of the State Properties Commission; Sonny Manillia of the Georgia Building Authority; Director Susan Hart Ridley, Lee McElhannon and Kelly Zurbrugg of the Financing and Investment Division of the Commission; Marvin Woodward, State Property Deputy Officer and Deputy Director of the Construction Division, Angela Gunter, Paul Melvin, Carmen Cureton, Steve Abbott, Justin Ponlete, Ifiok Immanuel and Anatoliusz Leshiewski of the Georgia State Financing Construction Division; Steven L. Stancil, Construction Division Director and Executive Secretary of the Commission; and others.

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**CALL TO ORDER AND MINUTES OF PREVIOUS MEETING**

2. Chairman and Chief Executive Officer Governor Nathan Deal called the meeting to order at approximately 1:00 P.M. It was noted that a quorum was present. Commissioner Gary W. Black attended the meeting by conference call and Speaker of the House David Ralston joined the meeting after the Georgia Development Authority vote. Each member present was provided with a Briefing Book. The minutes of the previous Commission meeting held on October 4, 2012 were approved without reading pursuant to an announcement that distribution of the minutes were provided to all members of the Commission prior to the current meeting. State Auditor Griffin made a motion to approve the minutes; State Treasurer McCoy seconded the motion and passed unanimously and approved by all members.

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**REQUEST OF THE GEORGIA HOUSING AND FINANCE AUTHORITY SEEKING APPROVAL BY RESOLUTION FOR THE ISSUANCE AND SALE OF UP TO \$150 MILLION IN SINGLE FAMILY MORTGAGE REVENUE BONDS, AND FOR OTHER PURPOSES.**

3. Chairman and Chief Executive Officer Governor Nathan Deal called on Commissioner Michael Beatty to present the request on behalf of the Georgia Housing and Finance Authority.

4. Commissioner Beatty asked for authorization to issue up to \$150 million in Mortgage Revenue Bonds in calendar year 2013. Commissioner Beatty stated that this authorization would be for the department's First Time Home Ownership program and also to confirm the Georgia Housing Finance Authority's banking team which includes Bank of America, Merrill Lynch, CitiBank and a pool of seven co-managers.

5. With no further discussion, a motion was made by Attorney General Olens, seconded by State Auditor Greg Griffin and passed unanimously by all members present: The Commission adopted the following resolution in regards to the request of the Georgia Housing and Finance Authority:

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012 for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-1/12.*

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**REQUEST OF THE GEORGIA DEVELOPMENT AUTHORITY SEEKING APPROVAL BY RESOLUTION OF THE RENEWAL OF AN EXISTING LINE OF CREDIT WITH BANK OF AMERICA IN AN AMOUNT NOT TO EXCEED \$5 MILLION.**

6. Chairman and Chief Executive Officer Governor Nathan Deal called on Thomas Carter to present the request on behalf of the Georgia Development Authority.

7. Mr. Carter is seeking approval of a revolving line of credit with Bank of America in an amount not to exceed \$5 Million. This loan will replace the previous \$8 million line of credit from last year. He explained that the Line of Credit is used for operating capital and to fund loans that are later sold under the Authority's Purchase Buy Back Program with Financial Institutions.

8. With no further discussion, a motion was made by State Auditor Greg Griffin, seconded by State Treasurer Steve McCoy, and passed unanimously by all members present. The Commission adopted the following resolution in regards to the request of the Georgia Development Authority:

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012 for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-2/12.*

9. Commissioner Gary Black asked that the Commission recognize Mr. David Skinner the retiring Director of the Georgia Development Authority for his outstanding service to the State of Georgia. Chairman and Chief Executive Officer Governor Nathan Deal also expressed his gratitude toward Mr. Skinner.

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**REQUEST OF THE FINANCING AND INVESTMENT DIVISION OF THE GEORGIA STATE FINANCING AND INVESTMENT COMMISSION SEEKING APPROVAL BY RESOLUTION TO APPROVE FINAL PRICING OF THE GENERAL OBLIGATION BONDS AND TO MAKE THE AWARD OF THE SERIES 2013A, SERIES 2013B, AND SERIES 2013C BONDS TO THE BIDDER WITH THE LOWEST TRUE INTEREST COST.**

10. Ms. Ridley referred to Tab "F" of the Briefing Book which provides a summary of the sale of the Series 2013A State of Georgia General Obligation Bonds, the Series 2013B State of Georgia General Obligation Refunding Bonds, and the Series 2013C State of Georgia General Obligation Refunding Bonds.

11. Ms. Ridley informed the Commission that Georgia's triple A rating was confirmed by all three rating agencies with a stable outlook. Copies of the rating reports provided by Fitch Ratings, Moody's Investors Service and Standard & Poor's can be found under Tab "C".

12. Ms. Ridley explained to the Commission, on December 11, 2012, the Commission took competitive bids for \$290,575,000 advance refunding tax-exempt general obligation bonds, Series 2013C. On December 12, 2012, the Commission took competitive bids for \$234,915,000 tax-exempt general obligation bonds, Series 2013A, and \$57,990,000 advance refunding taxable general obligation bonds, Series 2013B. The results of the sale are being presented to the Commission today for approval. Ms. Ridley informed the Commission that JP Morgan won the competitive bids for Series 2013C sold on December 11, 2013 and won the competitive bid for Series 2013B sold on December 12, 2012. Bank of America/Merrill Lynch won the competitive bid for Series 2013A sold on December 12, 2012.

13. The results of the lowest received competitive bids on December 11, 2012 and December 12, 2012 are as follows:

<b><u>2013 A</u></b> (5 and 20 yr. authorizations)	<b>\$234,915,000</b>
Average Life:	<b>11.15 Yrs.</b>
All-in-TIC	<b>2.35%</b>
6 Bids, Winning Bid	<b>BofA/Merrill</b>
<b><u>2013 A-1</u></b> (5 yr. bonds)	\$24,040,000
Average Life:	3 Yrs.
All-in True Interest Cost	0.62%
<b><u>2013 A-2</u></b> (20 yr. bonds)	\$210,875,000
Average Life:	12 Yrs.
All-in True Interest Cost	2.40%
<b><u>2013 B</u></b> (taxable refunding)	<b>\$57,050,000</b>
Average Life:	<b>4 Yrs.</b>
All-in-TIC	<b>0.85%</b>
Present Value Savings	<b>10%</b>
9 Bids, Winning Bid	<b>JP Morgan</b>
<b><u>2013 C</u></b> (tax exempt advance refunding)	<b>\$292,690,000</b>
Average Life:	<b>9.5 Yrs.</b>
All-in True Interest Cost	<b>1.71%</b>
6 Bids, Winning Bid	<b>JP Morgan</b>

14. Ms. Ridley shared with the Members that the low bid on the New Money Bonds continues to break previous record all time historical lows on interest rates for Georgia's general obligations bonds. The combined True Interest Cost on the 5 and 20 year authorizations was 2.35%. Ms. Ridley explained that the True Interest Cost is 0.62% on the 5 year bonds, and 2.4% on the 20 year bonds. The taxable refunding enables the Commission to refund a portion of the outstanding Series 2004C bonds. She referred to the summary and consistent with the Commission's policy which provides the three savings scenarios options for the refunding of bonds (1) Level Savings Scenario, (2) Upfront Savings Scenario and (3) Deferred Savings Scenario. The scenarios provide the Commission with these options when structuring on how the savings are accrued to outstanding debt service. Consistent with the Commission's policy and the State's last two advanced refunding sales, the Commission selected the Level Debt Service Savings structure to accrue savings over the life of the bonds. She also indicated that this is consistent with the Commission's actions on the previous refunding and the conservative debt practices expected by the rating agencies for AAA states.

15. Ms. Ridley stated that the tax exempt advance refunding provided over \$34 million in savings over the life of the bonds and the taxable refunding provided over \$6 million savings over the life of the bonds. These sales also achieved budgetary savings for the current fiscal year and following fiscal year. The Commission utilized just over \$33 million of premium on the new money sale to accomplish a current refunding which saves an equal amount in debt service savings in the current fiscal year. The sales also released highest annual debt service to reduce the current fiscal year budget in the debt service sinking funds. Ms. Ridley pointed out other items provided under Tab "F: the summary information of the sales; charts that list the history of the last 20 years of bond sales; 5 and 20 year bonds; a list of projects funded with the current bond sale; and the bid summaries for each series.

16. Upon conclusion of the presentation of the summaries, Ms. Ridley presented the Commission with the proposed resolution authorizing the issuance and award to the low bidder for the Series 2013A Bonds in aggregate principal amount of \$234,915,000; the proposed resolution authorizing the issuance and award to the low bidder for the Series 2013B Bonds in aggregate principal amount of \$57,050,000; the proposed resolution authorizing the issuance and award to the low bidder for the Series 2013C Refunding Bonds in

aggregate principal amount of \$292,690,000.

17. Series 2013A Bonds funded \$24,040,000 million of 5-year authorizations, and \$210,875,000 million of 20-year authorizations. Series 2012A Bond Proceeds are to be distributed as follows:

<i>Amount To Be Funded</i>	<i>Purpose</i>
\$360,000	To finance projects and facilities for the Department of Public Safety (Georgia Public Safety Training Center)
\$1,000,000	To finance educational facilities for county and independent school systems and state schools through the State Board of Education (Department of Education)
\$52,675,000	To finance projects and facilities for the Technical College System of Georgia
\$3,000,000	To finance projects and facilities for the Department of Community Health
\$1,120,000	To finance projects and facilities for the State Forestry Commission
\$1,615,000	To finance projects and facilities for the Department of Juvenile Justice
\$16,865,000	To finance projects and facilities for the Department of Natural Resources
\$6,500,000	To finance projects and facilities for the Department of Corrections
\$4,000,000	To finance projects and facilities for the Board of Regents of the University System of Georgia
\$780,000	To finance public library facilities through the Board of Regents of the University System of Georgia to the governing board of the Milner Public Library
\$6,000,000	To finance projects and facilities for the Soil and Water Conservation Commission
\$90,050,000	To finance projects and facilities for the Georgia Ports Authority
\$50,100,000	To provide loans to local governments and local government entities for water and sewerage facilities through the Georgia Environmental Finance Authority
\$850,000	To finance projects and facilities for the Department of Community Affairs
<u>\$234,915,000</u>	Total 2013A Bonds

18. Series 2013B (taxable refunding) Bond Proceeds are to be distributed as follows:

<i>Amount To Be Funded</i>	<i>Purpose</i>
<u>\$57,050,000</u>	Taxable Advance Refunding of \$58,650,000, various outstanding maturities of Series 2004C.

19. Series 2013C (tax-exempt advance refunding) Bond Proceeds are to be distributed as follows:

<i>Amount To Be Funded</i>	<i>Purpose</i>
<u>\$292,690,000</u>	Tax-exempt Advance Refunding of various outstanding maturities of Series 2006B and Series 2006G of general obligation bonds. A total of \$312,895,000 was refunded.

20. A motion was made by Speaker Ralston, seconded by State Treasurer McCoy and passed unanimously by all members present; the Commission adopted the following resolution in regards to the State of Georgia's Series 2013A General Obligation Bonds Tax Exempt New Money Bonds:

*NOTE: The resolution prepared by Counsel and Bond Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-3/12.*

21. A motion was made by State Treasurer McCoy, seconded by State Auditor Greg Griffin and passed unanimously by all members present; the Commission adopted the following resolution in regards to the State of Georgia's Series 2013B General Obligation Refunding Bonds (Federally Taxable)

*NOTE: The resolution prepared by Counsel and Bond Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012 for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-4/12.*

22. A motion was made by Speaker Ralston, Commissioner Black seconded and passed unanimously by all members present; the Commission adopted the following resolution in regards to the State of Georgia's Series 2013C General Obligation Refunding Bonds:

*NOTE: The resolution prepared by Counsel and Bond Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-5/12.*

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**REQUEST OF THE DEPARTMENT OF TRANSPORTATION AND THE GEORGIA STATE FINANCING AND INVESTMENT COMMISSION TO AUTHORIZE BY RESOLUTION THE INTERGOVERNMENTAL AGREEMENT BETWEEN THE DEPARTMENT OF TRANSPORTATION AND THE COMMISSION FOR THE IMPLEMENTATION OF TRANSPORTATION INVESTMENT ACT.**

23. Chairman and Chief Executive Officer Governor Nathan Deal called on Susan Ridley to present the request on behalf of the Department of Transportation and the Commission.

24. Ms. Ridley asked the Commission to turn to "Tab J" in the briefing book, where a summary is provided outlining the key provisions of the Intergovernmental Agreement. The Commission adopted the Memorandum of Understanding at the October 4, 2012 Commission meeting between the Department of Transportation, the Department of Revenue and the Georgia State Financing and Investment Commission. Ms. Ridley explained that the Intergovernmental Agreement is the actual legal document that governs the transfer of funds between the Georgia State Financing and Investment Commission and the Department of Transportation. The Intergovernmental Agreement establishes a number of responsibilities of both departments, including: (1) a goal to build a 10% reserve for each district; (2) eligible reimbursement dates; and (3) establishes order of priority for use of interest earnings. Ms. Ridley informed the Commission that the Georgia Department of Transportation Board has already voted to approve and execute the agreement.

25. With no further discussion, a motion was made by Speaker Ralston, seconded by State Treasurer McCoy and passed unanimously by all members present; the Commission adopted the following resolution in regards to the request of the Georgia Department of Transportation.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-6/12.*

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**REQUEST OF THE GEORGIA STATE FINANCING AND INVESTMENT COMMISSION TO APPROVE BY RESOLUTION A POLICY REGARDING FISCAL REQUIREMENTS FOR ENERGY PERFORMANCE CONTRACTS.**

26. Chairman and Chief Executive Officer Governor Nathan Deal called Susan Ridley to present the request on behalf of the request of the Georgia State Financing and Investment Commission.

27. Ms. Ridley informed the Commission that she would present the next four agenda items for approval. She asked the Commission to refer to the attached summary page under tab "K"; the four agenda items have to do with two Constitutional amendments that passed. The first item passed 2 years ago; it allows the State to enter into Multiyear agreements for Energy Performance Savings. The second Constitutional amendment item relates to the State Properties Commission and the Board of Regents' ability to enter into Multiyear Lease Agreements for office space. The enabling legislation for both constitutional amendments require the Commission, in the setting of contract value, to take into consideration the Governor's revenue estimate and the known and anticipated obligation of the State for future years. Ms. Ridley notes that these multiyear agreements do not count toward the Constitutional 10% limit for general obligation debt, however, they will represent the long term obligations in the State's CAFR and as a result, will be viewed as long-term debt by the rating agencies.

28. The staff at the Georgia State Financing and Investment Commission has also provided under Tab "K" a summary of the revision of the Debt Management Plan that shows the estimated increases of Multiyear agreement both through energy and capital leases going forward 5 years and recommends we set a limit that the new multiyear agreement would not add no more than  $\frac{1}{2}$  of 1% to the States overall Debt Ratio and she explained that is a cumulative  $\frac{1}{2}$  of 1% for multiyear leasing and for energy performance contracting. In addition, the fiscal policies that we are asking the Board to consider include general guidance for both the Georgia Environmental Finance Authority, who is the implementing agency for Energy Performance Contracting and the State Properties Commission as the implementing agency for multiyear leasing. Ms. Ridley then pointed out the key provisions of these policies such as the term of financing should not exceed useful life of asset; the payment terms should be fixed and not variable; and payment terms should be flat and not escalating (although there are provisions for exceptions to that where warranted).

29. The State Properties Commission and the Georgia Environmental Finance Authority shall report back to the Commission on the actual amount of leases and multiyear obligations that are entered into in the following fiscal year. Ms. Ridley then asked the Commission to consider the following action items:

- Approval of the policy in respect to Energy Performance Contracting.

- The Georgia Environmental Finance Authority is to present the request for the dollar amount of \$4.5 million for these contracts.
- Consideration for the Policy for Multi Leasing for the State Properties Commission.
- The State Properties Commission is present the request for the dollar amount of \$55 million for FY 2013 and \$125 million for FY 2014.

Kevin Clark of the Georgia Environmental Finance Authority, and Frank Smith of the State Properties Commission are present to represent their perspective authority/commission. Ms. Ridley informed the Commission that the State Properties Commission's request is only for State Agencies; not for the Board of Regents of the University System of Georgia. The Board of Regents of the University System of Georgia is expected to come before the Commission at a later date to present their request pertaining to multiyear leasing.

30. Upon conclusion of the presentation of the summaries, Attorney General Olens asked Ms. Ridley to define  $\frac{1}{2}$  of 1% with regards to the State's debt ratio. Ms. Ridley responded that the State has a policy limit of 7% debt service to prior year treasury receipts; the State is currently at 6.4% debt service to prior year treasury receipts. She explains that this request would increase that slightly by 27 basis points which is well within the target the State has set. Commissioner Black asked Ms. Ridley if the State was only using half of the capacity for multi-year leasing; Ms. Ridley replied that yes, the State would be using about half of the capacity.

31. With no further discussion, Commissioner Black made a motion to approve, State Treasurer McCoy seconded the motion and was passed unanimously by all members present; the Commission adopted the following resolution in regards to the request of the Georgia State Financing and Investment Commission.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-7/12.*

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**REQUEST OF THE GEORGIA ENVIRONMENTAL FINANCE AUTHORITY TO APPROVE BY RESOLUTION AN AMOUNT OF \$4.5 MILLION FOR FY 2014 REGARDING FISCAL REQUIREMENTS FOR ENERGY PERFORMANCE CONTRACTS.**

32. Chairman and Chief Executive Officer Governor Nathan Deal called Executive Director Kevin Clark to present the request on behalf of the Georgia Environmental Finance Authority seeking authorization to establish a total contract value of \$4.5 million for new performance contracts.

33. Mr. Clark concurred with the summarization of the policies and statute requirements that Ms. Ridley presented and asked the Commission for consideration of the request for \$4.5 million.

34. With no further discussion, Speaker Ralston made a motion to approve, State Auditor Griffin seconded the motion and passed unanimously by all members present; the Commission adopted the following resolution in regards to the request of the Georgia Environmental Finance Authority.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-8/12.*

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**REQUEST OF THE GEORGIA STATE FINANCING AND INVESTMENT COMMISSION TO APPROVE BY RESOLUTION A POLICY REGARDING FISCAL REQUIREMENTS FOR STATE PROPERTIES COMMISSION MULTIYEAR RENTAL AGREEMENTS FOR ADMINISTRATIVE SPACE.**

35. As previously stated in Paragraph 29 pertaining to the Policy regarding Fiscal Requirements for the State Properties Commission Multiyear Rental Agreements for Administrative Space, a motion was made by Commissioner Black, Speaker Ralston seconded the motion and passed unanimously by all members present.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-9/12.*

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**REQUEST OF THE GEORGIA STATE PROPERTIES COMMISSION TO APPROVE BY RESOLUTION AN AMOUNT OF \$55 MILLION FOR FY 2012 AND \$125 MILLION FOR FY 2014 REGARDING FISCAL REQUIREMENTS FOR THE STATE PROPERTIES COMMISSION MULTIYEAR RENTAL AGREEMENTS FOR ADMINISTRATIVE SPACE.**

36. Chairman and Chief Executive Officer Governor Nathan Deal called Deputy Director Frank Smith to present the request on behalf of the State Properties Commission requesting an amount of \$55 Million for FY 2013 and \$125 Million for FY 2014 regarding fiscal requirements for the State Properties Commission Multiyear Rental Agreements for office administrative space.

37. Mr. Smith informed the Commission that the State Properties Commission's Board adopted a policy that gives the State Properties Commission's staff general guidelines for which of the State's two thousand leases should be considered as a multiyear lease. The State Properties Commission understands that capital leases must be considered in the States' over all debt management plan, as such the State Properties Commission will keep the State's obligation in mind as they work to maximize the cost savings across the board. He then explained that for FY 2013 only 4 leases have been identified; for FY 2014 44 leases have been identified. Mr. Smith concluded that the resolution that the Commission has in the briefing book is a request from the State Properties Commission for \$55 Million for FY 2013 and \$125 Million for FY 2014.

38. With no further discussion, a motion was made by Speaker Ralston, seconded by State Treasurer Steve McCoy and passed unanimously by all members present; the Commission adopted the following resolution in regards to the State Properties Commissions' request.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-10/12.*

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**REQUEST OF THE GOVERNOR'S OFFICE OF PLANNING AND BUDGET TO APPROVE BY RESOLUTION REQUEST TO REDIRECT BOND PROCEEDS.**

39. Chairman and Chief Executive Officer Governor Nathan Deal called on Ron Nawrocki to present the request on behalf of the Office of Planning and Budget.

40. Mr. Nawrocki informed the Commission that currently there are two redirect requests of \$250,000 or greater that is consistent with the redirection policy adopted by the Commission on October 4,

2012. The Office of Planning and Budget has reviewed the requests and found the circumstances for these redirections to be justified and appropriate.

41. Mr. Nawrocki introduced the first request by the Department of Natural Resources to clarify the projects' scope and location of the bond project approved in the FY 2013 budget for \$2.59 Million. The project was noted as the purchase of land for conservation in Warner Robbins Houston County in the budget tracking sheets. This clarification notes that the scope may include the demolition of existing structures on parcels acquired and the project location includes properties above Houston and Bibb counties, including in the area near Robbins Air Force Base. The Office of Planning and Budget recommends approval of this clarification for the Department of Natural Resources

42. With no further discussion a motion was made by State Treasurer Steve McCoy, Commissioner Black seconded and passed unanimously by all members present; the Commission adopted the following resolution in regards to the approval of this clarification for the Department of Natural Resources.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-11/12*

43. Mr. Nawrocki then introduced to the Commission the redirect request for the Department of Agriculture. He explained that a redirect of \$757,283.49 residual bond funds is requested from the completion of the expansion addition to the Tifton Laboratory Building. The funds are being redirected to the Georgia Poultry Laboratory Project in Gainesville, Georgia. The Poultry Laboratory project has completed design and the construction contract is expected to be awarded in early 2013. The supplemental funding is associated with the additional design cost and some minor project escalation since the project was originally funded in FY 2010. The Office of Planning and Budget recommends approval of this redirection of funds for the Department of Agriculture.

44. With no further discussion a motion was made by Speaker Ralston, seconded by State Treasurer Steve McCoy and passed unanimously by all members present. The Commission adopted the following resolution in regards to the approval of this redirection for the Department of Agriculture.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012, for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-12/12*

45. Susan Ridley wanted to bring to the Commission's attention to be consistent with the policy the Commission adopted during the October 4, 2012 meeting, there is a summary located in the briefing book of the redirects under \$250,000 that have been reviewed and approved.

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**REQUEST OF THE GEORGIA STATE FINANCING AND INVESTMENT COMMISSION  
SEEKING APPROVAL OF A RESOLUTION REGARDING AN AMENDMENT TO THE FISCAL  
YEAR 2013 OPERATING BUDGET.**

46. Chairman and Chief Executive Officer Governor Nathan Deal called on April King to present the request on behalf of the Georgia State Financing and Investment Commission.

47. Ms. King informed the Commission that the operating budget for the Transportation Investment Act (TIA) program being brought before the Commission for approval can be found under Tab "Q". The Georgia State Financing and Investment Commission's budget was discussed during the briefings with each board member. Ms. King noted that anticipated expenses are to go into effect beginning January 1, 2013 along with the imposition of the tax. The Georgia State Financing and Investment Commission anticipates a total budget of \$220,000 for 6 months. The budget also includes a management fee \$58,000.00 for the Georgia State Financing and Investment Commission in lieu of hiring additional personnel.

48. With no further discussion a motion was made Attorney General Olens, seconded by Speaker Ralston and passed unanimously by all members present. The Commission adopted the following resolution in regards to the approval of this amendment to the Georgia State Financing and Investment Commission's Budget.

*NOTE: The resolution prepared by Counsel is incorporated herein by reference and made a part hereof. A copy of the resolution and a copy of the documents referred to in the resolution under the date of December 12, 2012 for the purpose of identification and have been filed in the Official Documents Register under File No. ODR 12X12-13/12.*

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**INFORMATIONAL ITEM: REQUEST OF THE BOARD OF REGENTS TO PRESENT THE MANAGEMENT REPORT OF ASSOCIATED ORGANIZATION DEBT.**

49. Chancellor Huckaby commented that the Commission's request for a debt management plan from the Board of Regents of the University System of Georgia (BOR) was both timely and helpful. They have spent much time and attention on the debt management plan and commented that previously he was not aware that the BOR had so much outstanding debt.

50. John Brown was then introduced to present a Power-Point, which is a condensed version of what was presented recently to the BOR. The presentation is part of Chancellor Huckaby's goal to better manage the BOR's debt portfolio. The presentation was provided to all members at that time. Mr. Brown stated that the BOR would like to continue to have the Public-Private-Venture (PPV) option of financing facilities available, but realizes there are challenges that need to be taken care of.

51. The presentation began with a discussion on the development of the BOR's PPV program. The 1980's and 1990's represented a time where many were very hesitant to do revenue bonding, but there was much competition for limited General Obligation (G.O.) bond dollars, especially to fund non-academic, student-support facilities. In those days, the BOR financed projects through G.O. bonds using a payback arrangement that reduced the BOR's budget by the amount of debt service on its projects. As the need for student-support type facilities increased, the PPV program evolved as an alternative to G.O. bonds. Perhaps one of the downfalls of the program is that the private entities providing the financing were often foundations for one of the schools instead of a private developer and the BOR would secure the debt by lease payments. The repayment source for PPVs is the revenue generated by the facility or project or by a special designated student fee; PPV projects are revenue-generating and self-liquidating. There is much debate over PPVs because although this is not officially university debt, the BOR is aware that they must stand behind the debt in order to not tarnish the State's credit. In April 2006 Georgia Higher Facilities Education Authority (GHEFA) was signed into law to issue revenue bonds on behalf of the BOR and Technical College System of Georgia (TCSG). The \$300 million maximum capacity was increased to \$500 million last year. To date, GHEFA has issued just under \$300 million to fund projects for the BOR. Typically, GHEFA helps those smaller schools who have more limited funding choices to finance projects. Next, using the below table, Mr. Brown gave a

brief description of G.O. vs PPV vs GHEFA – highlighting any caps or limits, ratings, and revenue source to pay the debt.

	<b><u>G.O. Bonds</u></b>	<b><u>Traditional PPVs</u></b>	<b><u>GHEFA</u></b>
<b>Security</b>	State Credit	Project Revenue/ System Lease	Project Revenue/ System Lease
<b>Repayment Source</b>	State Debt Sinking	Auxiliary. Fees and Non-State	Auxiliary. Fees and Non-State
<b>Maximum Capacity</b>	Constitutional – 10% of prior year revenue	No Firm Limit	\$500 Million
<b>Normal Term</b>	20 Years	25 to 30 Years	30 Years
<b>Rating (Moody's)</b>	Aaa	Aa1 to Baa1	A2
<b>Rating (S&amp;P)</b>	AAA	AA- to A+	A+

52. The next portion of the presentation shared some of the accomplishments of issuing PPV and GHEFA debt. Through June 2012, the System has built 175 facilities, such as student housing, recreational facilities, parking decks, dining, and bookstores. \$3.6 billion is currently outstanding (\$3.3 billion of PPV, \$300 million of GHEFA). The BOR has been issuing PPVs for about 15 years and realize that they can't continue issuing at the historical pace and stay under its self-imposed limit of 5%.

53. The next slides presented highlighted some statistics of the PPV program, such as (1) the annual leases supporting the debt will peak in 2026 at \$285 million per year, assuming there are no additional issuances; (2) the debt ratio by institution (lease payment/operating revenue) varies, but the BOR's plans to manage at a 5% system limit and limit individual institutions to not get above 7%. Mr. Brown highlighted Georgia Gwinnett College as currently exceeding 10%, but that the growth in operating revenue will bring their ratio down; and (3) the total dollar amount outstanding by institution varies. As expected, Georgia Tech, the University of Georgia, and Georgia State University have been the largest users of PPVs, yet because of their size, their debt ratios are in the 2-3% range.

54. The positives of PPVs and GHEFA revenue debt is that (1) they have allowed the BOR to address student needs, without having to issue G.O. bonds, so that G.O. bond financing may address just

academic needs; (2) although the PPV method may not be as cheap as G.O. bonds, it is a relatively low cost of financing; (3) the bond issues have strong ratings; and (4) no institutions have missed a lease payment.

55. The need for better planning, and to evaluate and better manage these projects going forward have been the focus points for the Chancellor over the last 18 months. The BOR has been working to confirm that all of the projects are meeting critical needs, sifting through the issuances to make sure that the facilities demonstrate actual needs. In reviewing future projects to be financed, the BOR will ask questions such as, "Do we need housing on this campus?" Mr. Brown stressed that the state's credit and BOR's credit and maintaining student affordability are important issues. The BOR would like to be able to maintain the PPV financing mechanism, but also would like to explore other alternatives and get back to true private entities building facilities, versus foundations.

56. Over the last 18 months, the BOR has implemented an integrated review process that brings facility, fiscal and academic people to the table to review and question any proposal for a new facility, and determine whether it has merit and should move forward. Pro formas are reviewed, to make sure the rational supporting the revenue stream is accurate. In addition, they have developed business procedures to review PPVs. They have also reached out to rating agencies to make them aware of these changes.

57. At the BOR's board meeting in November, three policies were adopted. One policy limits the System's debt ratio to 5% of operating revenue, although there can be some flexibility between 5% and 7% for individual institutions, but in no circumstance will an institution be allowed to get to 10%. The second policy that the board approved is to maintain a capital liability reserve fund, to serve as an insurance fund so that there are funds that can be drawn from in cases where enrollment may not meet lease requirements. The BOR is in process of determining an amount and will bill the institutions accordingly. The reserve fund is not to be treated as a revolving fund. It will be paid in and once it is filled, no more payments will be due. This is viewed by rating agencies as a credit positive. The last policy deals with student affordability. As bonds are called and refinanced, the BOR strongly believes that opportunities for savings should be shared with the students instead of the Foundations keeping the savings, either by lowering student fees or paying off debt.

58. The final slide presented the BOR's five-year capital liability projections. Currently, they estimate for the next several years that they will limit themselves to \$100 to \$150 million per year. Comparing lease payments per year to revenues, based on conservative growth assumptions reflects a 3.6% ratio in FY 2013.

59. Chancellor Huckaby thanked the Chairman and other members for their attention and the opportunity to present this informational item. The Governor expressed his thanks and that this is something that is long overdue and appreciates their initiative to set practical limits and take the obligations seriously. There were no further comments.

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**INFORMATIONAL ITEM: CONSTRUCTION DIVISION OF THE GEORGIA STATE FINANCING AND INVESTMENT COMMISSION TO PRESENT THE BUILDING INFORMATION SYSTEM (BIM)**

60. Chairman and Chief Executive Officer Governor Nathan Deal called on Marvin Woodward, State Property Deputy Officer and Deputy Director of the Construction Division to present The Building Information System (BIM) on behalf of Georgia State Financing and Investment Commission.

61. Mr. Woodward explained that the Construction Division of the Georgia State Financing and Investment Commission wanted to demonstrate how BIM has transformed how the Construction Division does business, as well as how the construction industry does vertical construction. Mr. Woodward introduced Ifiok Immanuel and Anatoliusz Leshiewski of the Georgia State Financing Construction Division as brain power behind this project.

62. A power point presentation was presented to the Commission in regards to BIM which is designed in 3D. Eventually two more components will be added; a 4D Scheduling component and a 5D Estimating component. Mr. Woodward informed the Commission that this new BIM system is the first kind of software that can design, schedule and estimate a project.

63. Mr. Woodward referred to the power point presentation to show how BIM will help with the pre-construction part of a project which is programming and design, construction and facility maintenance. The programing part of BIM allows the Construction Division to collaborate with the facility users to

determine any changes needed prior to construction in lieu of making costly changes after construction has been completed. He demonstrated how BIM can build the design phase and how the 3D component helps confirm the proper fit which lowers construction cost.

64. Mr. Woodward explained the benefit of pre-fab construction; he stated that the advantage of using BIM as a quality control measure in the pre-construction phase is much better than construction personnel trying to fit the interiors into the building after it has been completed. He further explained that BIM will also help with facility maintenance.

65. Mr. Woodward informed the Commission that the Construction Division has constructed a small BIM lab in the Construction Divisions' office and the short term goal for the Construction Division is to use BIM for large projects. He noted that not all of the industry is using the BIM modeling system due to size, staff, talent and cost; but ultimately over time BIM will be a basic service used for all projects. The design is 6 to 7% percent of the cost; with the construction is 93 to 94% of the cost. He indicated that it will cost more to use BIM. However, if 1 % of the cost is saved on the front end it would eliminate rework and change orders as they happen during the 93 to 94% phase of a project. With that said, BIM will well pay for itself. Mr. Woodward showed a slide of the projects that has used BIM. He directed the Commission's attention to the South Parking Deck that is located on Capitol Square as an example.

66. At the end of his presentation, Mr. Woodward expressed to the Commission that BIM is transforming how the Georgia State Financing and Investment Commission is doing business and he believes BIM will save the State money in the long run in both design and construction and long term maintenance operation cost.

#### **NEW BUSINESS**

67. Chairman and Chief Executive Officer, Governor Nathan Deal recognized Angela Gunter with the Georgia State Financing and Investment Commission on her long dedicated service to the Commission and wished her well in her retirement from the State of Georgia.

68. Governor Deal then asked if there was any new business for discussion. Susan Ridley wanted to recognize Lee McElhannon with Georgia State Financing and Investment Division for his work on the current as well as past General Obligation Bond Sales.

**ADJOURNMENT**

69. With no further business and upon a motion made by Speaker Ralston, seconded by State Treasurer McCoy and unanimously adopted, the Chairman and Chief Executive Officer declared the meeting adjourned at approximately 2:05 P.M.



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STEVEN L. STANCIL, EXECUTIVE SECRETARY



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GOVERNOR