

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

September 17, 2019

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Tuesday, September 17, 2019, at 1:00 PM, in Room 171 of the Capitol Annex. Senator Rick Girdler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Rick Girdler, Co-Chair; Representative Walker Thomas, Co-Chair; Senators Julian M. Carroll, Christian McDaniel, and Robby Mills; Representatives Steven Rudy, and Maria Sorolis.

Guests: Deck Decker, Interim Executive Director, Kentucky Communications Network Authority; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (August 27, 2019)

Senator Carroll moved to approve the minutes of the August 27, 2019 meeting. Representative Thomas seconded the motion, and the committee approved the minutes by voice vote.

Information Items

Ms. Halloran referenced three information items. Pursuant to KRS 45.760(5), the University of Kentucky reported two restricted fund medical equipment purchases.

Pursuant to KRS 45.812(1), the Boyd County School District reported a projected \$5.685 million bond issue for Phase IV of its high school.

Pursuant to KRS 48.111(6), the Division of Real Properties reported a lease invitation to consolidate three Cabinet for Health and Family Services (CHFS) leased facilities in Floyd County, two Department for Community Based Services (DCBS) offices and an Office for Children with Special Healthcare Needs.

Kentucky Communications Network Authority

Mr. Decker reported the Kentucky Bond Development Corporation, Industrial Building Revenue Bonds, City of Williamsburg, Series 2019 previous debt issue and the status of the KentuckyWired project. Rings 1A and 1B are lit, Ring 2 is about to be lit, Rings 3 and 5 is projected to be lit by the end of this year, and Ring 4 is projected to be lit Spring 2020. The Independent Certifier is in the process of certifying Ring 1A for site migration, which should take place in a couple of weeks.

Project Report from the Finance and Administration Cabinet

Senator McDaniel moved to roll the appropriation increase and two new projects into one roll call vote, seconded by Representative Thomas, and approved by voice vote.

Ms. Tomes submitted a \$1,755,584 appropriation increase, from \$7.2 million to \$8,955,854 in federal funds, for the Department of Military Affairs, Construct Response Group Building Kentucky Air National Guard Phase I project. The increase was due to federal design and construction revisions.

Ms. Tomes next submitted two new Kentucky Transportation Cabinet projects, the \$4,814,700 Simpson County and \$5,549,300 Whitley County Welcome Centers. 80 percent federal funds and 20 percent road funds will fund both projects, the demolition and replacement of the existing welcome centers.

Senator Carroll moved to approve the appropriation increase and two new projects, seconded by Senator Mills, and approved by unanimous roll call vote.

Lease Report from the Finance and Administration Cabinet

Representative Rudy moved to roll the five lease renewals into one roll call vote, seconded by Senator Mills, and approved by voice vote.

Mr. Aubrey submitted five lease renewals under the same terms and conditions. The first was for CHFS, DCBS in Montgomery County; 11,544 square feet of office space at \$13.50 per square foot costing \$155,844 annually, through June 30, 2022.

The second was for CHFS, Commission for Special Healthcare Needs, in Fayette County; 10,912 square feet of office and clinic space at \$16.50 per square foot costing \$180,049 annually, through June 30, 2022.

The third was for the Department of Housing, Building and Construction, in Franklin County; 37,286 square feet of office space at \$8.07 per square foot costing \$300,898 annually, through June 30, 2021.

The fourth was for CHFS, DCBS, in Letcher County; 19,285 square feet of office space at \$9.26 per square foot costing \$178,579 annually, through June 30, 2021.

The fifth was for the Department of Workforce Investment in Fayette County; 11,513 square feet of office space at \$16.50 per square foot costing \$189,965 annually, through June 30, 2022.

Representative Thomas moved to approve the five lease renewals, seconded by Senator McDaniel, and approved by unanimous roll call vote.

In response to Senator McDaniel, Mr. Aubrey stated that he would confirm that the leased Montgomery County property was not in the courthouse. He also stated that the owner for the Franklin County leased property passed and that the assets were placed in a family trust. The owner's son now oversees the property.

Report from the Office of Financial Management
Office of Financial Management
New Debt Issues

Senator Mills moved to roll the two new debt issues into one roll call vote, seconded by Representative Thomas, and approved by voice vote.

Mr. Barrow submitted two new debt issues. The first was the State Property and Buildings Commission (SPBC) Revenue and Revenue Refunding Bonds, Project No. 122. The general fund supported bond issue will finance \$175 million of projects authorized in various appropriations bills and refund some prior debt for economic savings. One refunding series was a current refunding for around half a million in savings. The other two refunding series were structured to accommodate federal tax law changes. The first was a forward delivery refunding for around \$1.2 million in savings that will only be executed if rates change prior to pricing the other series. The second was a taxable advance refunding of Project No. 100 Series A debt for around \$12 million in savings.

The second was the Northern Kentucky University General Receipts Bonds, 2019 Series A to finance \$37 million in projects; a residence hall, garage, and additional parking. The majority of funds will be allocated towards the residence hall.

In response to Senator Carroll, Mr. Barrow said that interest rates have been historically low, resulting in a compressed interest rate differential between a AAA credit rating and the state's credit rating (Aa3 with Moody's).

Senator McDaniel moved to approve the new debt issues, seconded by Senator Mills, and approved by unanimous roll call vote.

Previous Debt Issues

Mr. Barrow reported three previous debt issues. The first was the Kentucky Higher Education Student Loan Corporation (KHESLC) Student Loan Backed Notes,

approximately \$105 million, to finance federally guaranteed Federal Family Education Loan Program student loan acquisitions.

The second was the Kentucky Economic Development Finance Authority (KEDFA) Revenue Bonds (CommonSpirit Health), Series 2019A, approximately \$176 million, to refund some prior conduit debt in which Catholic Health Initiatives (CHI) was the borrower. This conduit debt issue was neither a liability to KEDFA nor the commonwealth.

In response to Senator McDaniel, Mr. Barrow confirmed that the transaction generated \$1.5 million in present value savings to CommonSpirit Health, of which CHI is a component.

The third was the Murray State University General Receipts Refunding Bonds, 2019 Series A, about \$4.1 million, to refund some prior debt for about \$350,000 in net present value savings.

School District Bond Issue with School Facilities Construction Commission Debt Service Participation

Mr. Barrow submitted the estimated \$530,000 Middlesboro Independent school district bond issue with School Facilities Construction Commission debt service participation for roof improvements to its middle school and central office; 75 percent SFCC funds and 25 percent local funds. The school district did not need a tax increase to finance this project.

Representative Thomas moved to approve the school district bond issue, seconded by Senator Mills, and approved by unanimous roll call vote.

Senator Girdler announced that the next meeting would be Tuesday, October 15, 2019 in Annex Room 169, with Representative Thomas as chair.

With there being no further business the meeting adjourned at 1:22 p.m.