

INVESTMENT GRADE RATINGS

Ratings reflect a credit rating agency’s opinion of a state’s creditworthiness relative to other borrowers in the financial markets. Ratings below Baa3/BBB-/BBB-/BBB- are considered speculative credits (“junk bonds”).

The rating agencies also assign “positive,” “stable,” and “negative” outlooks to their ratings to indicate the direction the rating is likely to move over an intermediate time period. The outlooks represent trends affecting a credit which have not reached a level warranting a change in a state’s credit rating, but may if continued. A negative outlook indicates a higher likelihood of a downgrade in a state’s credit rating while a positive outlook indicates a higher likelihood of an upgrade in a state’s credit rating.

Moody’s*		Standard and Poor’s*		Fitch*		Kroll*		Description
Long-Term	Short-Term**	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	
Aaa	MIG 1	AAA	A-1+	AAA	F1+	AAA	K1+	Prime
Aa1		AA+		AA+		AA+		
Aa2		AA		AA		AA		
Aa3***		AA-		AA-***		AA-***		
A1****		A+	A-1	A+****	F1/F1+	A+****	K1/K1+	Upper
A2	MIG 2	A***	A-2	A	F1/F1+	A	K1	Medium
A3		A-****		A-	F2/F1	A-	K2/K1	Grade
Baa1		BBB+	BBB+	BBB+	F2/F1	BBB+	K2	Lower
Baa2	MIG 3	BBB	A-3	BBB	F3/F2	BBB	K3/K2	Medium
Baa3		BBB-		BBB-	F3	BBB-	K3	Grade

*Outlooks are Stable/Positive/Positive/Stable

**MIG is Moody’s acronym for Municipal Investment Grade

***Commonwealth’s issuer credit/default ratings (ICRs/IDRs)/implied general obligation ratings (effectively what the Commonwealth’s general obligation ratings would be if it were to issue general obligation debt)

****Commonwealth’s lease appropriation rating for general fund supported debt

State Investor Relations and Debt Calendar websites are <https://bonds.ky.gov> and <https://finance.ky.gov/office-of-the-controller/office-of-financial-management/Documents/CurrentBondCalendar.pdf>.

NEW BOND ISSUE REPORT

BOND ISSUE

Name of Bond Issue: Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Richwood Bend), Series 2022

Purpose of Issue: The bonds will be used to finance the acquisition, construction, and equipping of Richwood Bend, a multifamily residential rental facility consisting of eighty-four (84) units, located at 98 Codell Drive, Lexington, Kentucky 40509, to be known as Richwood Bend. The Kentucky Housing Corporation has conducted a public hearing concerning the proposed project on October 10, 2022, following the delivery of notice to the public at least seven days prior to such hearing.

Name of Project: Richwood Bend

Anticipated Date of Sale: November 30, 2022

Anticipated Date of Issuance: November 30, 2022

Anticipated Ratings: Private Placement

Anticipated Net Proceeds: \$10,000,000

Cost of Issuance: See Exhibit A attached (Fees associated paid from owner equity)

Bond Discount: \$0

Debt Service Reserve Fund: \$0, but an estimated \$430,154 operating reserve will be funded from equity.

Insurance Premium: N/A

Total Project Cost: \$19,809,250 (estimated)

Terms of Issue: Net interest rate: 5.35%
Term: November 1, 2062 (480 months)
Average debt service: \$606,724.44
Gross debt service: \$24,268,977.60

First Call Date: TBD

Premium at First Call: No premium

Method of Sale: Private Placement

Bond Counsel: Dinsmore & Shohl LLP

Underwriter Counsel: N/A

Financial Advisor: N/A

Bond Purchaser: Cedar Rapids Bank & Trust Company

Trustee: N/A

Exhibit A

Project Funding Sources:

Permanent Tax-Exempt Bond Proceeds (Series A)	\$10,000,000
Tax Credit Equity (Ohio Capital Corporation for Housing)	\$6,866,375
Deferred Developer Fee	\$869,301
LFUCG Affordable Housing Fund – Amortizing Loan	\$420,000
Lexington HOME Funds	\$812,574
LFUCG Affordable Housing Fund – Non-Amortizing Loan	\$840,000
Other: GP Equity	\$1,000
	<hr/>
	\$19,809,250

Fees Paid:

Origination Fee	\$60,000
KHC Tax-Exempt Bond Pre-Application Fee	\$1,000
KHC Tax-Exempt Bond Application Fee	\$3,500
KHC Tax Credit Reservation Fee	\$72,776
KHC Market Study Review Fee	\$1,000
KHC Construction Inspection Fee	\$10,108
KHC Initial Inspection Fee	\$1,000
KHC Tax-Exempt Bond Upfront Issuer Fee	\$60,000
KHC Tax-Exempt Bond Annual Issuer Fee	\$9,879
KHC Tax-Exempt Bond Counsel Fee	\$12,500
KHC Tax-Exempt Bond Administrative Fee	\$5,000
Bond Counsel	\$60,000
TEFRA/Publication/Print	\$5,000
	<hr/>
	\$301,763

AU Associates was founded in 1990 by Holly Wiedemann on the principles of Adaptive Use, and focuses on opportunities for urban infill as well as the revitalization of existing structures. AU has been directly responsible for creating over 1350 units of mixed income housing, 250,000 square feet of commercial space and over \$200 million of projects across the Commonwealth of Kentucky and West Virginia. In June of 2010, Holly founded AU Construction, in order to vertically integrate the company and build all of the projects that AU develops. In January of 2013, AU created its own management arm, AU Management, LLC, to manage all our properties to ensure excellence at every level.

As AU Associates has grown over time, we have focused more on larger, urban infill developments. In 2021, after 31 years, AU's succession plan was implemented. Johan Graham, who served as the former Director of Development, began as the new President of AU Associates, Inc., in October of 2021.

Each of AU's developments, now spanning three decades, have received numerous local, state, and national awards.

AU works to enhance the communities in which our projects are located. AU's projects have created more than 8,280 jobs throughout Kentucky and West Virginia, in addition to providing exceptional places to live, work, and play. Our mission is to make the places we create become an invaluable part of the community.

AU continues to grow and evolve in today's ever changing housing market and is always seeking new and creative opportunities to generate exciting and livable communities. Please explore the AU website to see past and future projects, as well as potential leasing opportunities.



**FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER
OFFICE OF FINANCIAL MANAGEMENT**

200 Mero Street, 5th Floor
Frankfort, Kentucky 40622
Phone: (502) 564-2924

Andy Beshear
GOVERNOR

Holly M. Johnson
SECRETARY

Edgar C. Ross
CONTROLLER

Ryan Barrow
EXECUTIVE DIRECTOR

September 6, 2022

Ms. Penny Cox, Treasurer
University of Kentucky
310 Peterson Service Building
Lexington, KY 40506

Dear Ms. Cox,

Pursuant to KRS 42.420, the Office of Financial Management is required to review and approve the issuance of debt by all state agencies. The attached constitutes the review and approval of the recent University of Kentucky debt issuance of the \$67,825,000 General Receipts Bonds, 2022 Series B and \$22,850,000 General Receipts Bonds, 2022 Taxable Series C.

Sincerely,

Ryan Barrow

Ryan Barrow
Executive Director

Attachments

**OFM APPROVAL PURSUANT TO KRS 42.420
UNIVERSITY OF KENTUCKY
\$67,825,000 GENERAL RECEIPTS BONDS, 2022 SERIES B
\$22,850,000 GENERAL RECEIPTS BONDS, 2022 TAXABLE SERIES C
DATED SEPTEMBER 6, 2022**

DESCRIPTION:

Bond proceeds of the 2022 Series B and 2022 Taxable Series C will be used to 1) finance a portion of the \$171,260,000 appropriated for the projects identified in H.B. 1 of the General Assembly of the Commonwealth of Kentucky, 2022 Regular Session, as “Asset Preservation Pool 2022-2024” and “Facilities Renewal and Modernization Additional Reauthorization”; and 2) pay costs of issuance.

BOND SUMMARY STATISTICS:

	Series B	Series C
Par Amount:	\$67,825,000	\$22,850,000
Pricing Date:	08/16/2022	08/16/2022
Closing Date:	09/06/2022	09/06/2022
Dated Date:	09/06/2022	09/06/2022
Final Maturity:	04/01/2042	04/01/2029
Arbitrage Yield:	3.269%	3.366%
TIC:	3.409%	3.487%
NIC:	3.580%	3.530%
All-In TIC:	3.437%	3.597%
Benchmark:	3.44% (08/15/2022)	(BBWK20GO)
(as of 08/15/2022)		
Method of Sale:	Competitive	
Purchaser:	Series B – Janney Montgomery Scott LLC Series C – PNC Capital Markets LLC	

RATINGS:

Moody’s:	Aa2
S & P:	AA+

SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS:

	Series B	Series C
Par Amount of Bonds	\$67,825,000.00	\$22,850,000.00
Net Premium	6,453,508.45	441,005.60
TOTAL SOURCES	\$74,278,508.45	\$23,291,005.60

USES OF FUNDS:

Project Fund Deposits:		
Modernization	\$55,500,000.00	\$18,500,000.00
Asset Preservation	18,504,000.00	4,626,000.00
Cost of Issuance*	219,654.98	79,318.10
Underwriter's Discount	54,853.47	85,687.50
TOTAL USES	\$74,278,508.45	\$23,291,005.60

*Includes municipal advisor, legal fees, rating agency fees, trustee fees, and miscellaneous costs.

PROFESSIONAL SERVICES:

Pursuant to KRS Chapter 45, the Issuer is providing information on all costs associated, either directly or indirectly, with this bond issuance. Costs are actual or estimated as of the date of closing of the issue.

<u>Firm</u>	<u>Service</u>	<u>Fee</u>
Baird	Financial Advisor	\$58,938.75
Dinsmore & Shohl	Bond Counsel	45,337.50
	Legal Expenses / Advertising	3,000.00
OFM	Financial Advisor	22,668.75
Moody's	Rating Agency	74,000.00
Standard & Poor's	Rating Agency	59,175.00
FORVIS	Auditor	13,055.00
US Bank	Trustee	2,000.00
BondLink	Printer / Roadshow	11,440.50
Miscellaneous		4,914.00
		\$294,529.50

ATTACHMENTS:

Official Statement Cover
Debt Service Schedule

BOND DEBT SERVICE

University of Kentucky
 General Receipts Bonds, 2022 Series B and 2022 Taxable Series C
 FINAL NUMBERS

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/01/2023	4,495,000	4.000%	2,207,736.11	6,702,736.11	
06/30/2023					6,702,736.11
10/01/2023			1,848,600.00	1,848,600.00	
04/01/2024	3,005,000	4.000%	1,848,600.00	4,853,600.00	
06/30/2024					6,702,200.00
10/01/2024			1,788,500.00	1,788,500.00	
04/01/2025	3,125,000	4.000%	1,788,500.00	4,913,500.00	
06/30/2025					6,702,000.00
10/01/2025			1,726,000.00	1,726,000.00	
04/01/2026	3,250,000	4.000%	1,726,000.00	4,976,000.00	
06/30/2026					6,702,000.00
10/01/2026			1,661,000.00	1,661,000.00	
04/01/2027	3,380,000	4.000%	1,661,000.00	5,041,000.00	
06/30/2027					6,702,000.00
10/01/2027			1,593,400.00	1,593,400.00	
04/01/2028	3,515,000	4.000%	1,593,400.00	5,108,400.00	
06/30/2028					6,701,800.00
10/01/2028			1,523,100.00	1,523,100.00	
04/01/2029	3,660,000	** %	1,523,100.00	5,183,100.00	
06/30/2029					6,706,200.00
10/01/2029			1,442,000.00	1,442,000.00	
04/01/2030	3,820,000	5.000%	1,442,000.00	5,262,000.00	
06/30/2030					6,704,000.00
10/01/2030			1,346,500.00	1,346,500.00	
04/01/2031	4,010,000	5.000%	1,346,500.00	5,356,500.00	
06/30/2031					6,703,000.00
10/01/2031			1,246,250.00	1,246,250.00	
04/01/2032	4,210,000	5.000%	1,246,250.00	5,456,250.00	
06/30/2032					6,702,500.00
10/01/2032			1,141,000.00	1,141,000.00	
04/01/2033	4,420,000	5.000%	1,141,000.00	5,561,000.00	
06/30/2033					6,702,000.00
10/01/2033			1,030,500.00	1,030,500.00	
04/01/2034	4,645,000	5.000%	1,030,500.00	5,675,500.00	
06/30/2034					6,706,000.00
10/01/2034			914,375.00	914,375.00	
04/01/2035	4,875,000	5.000%	914,375.00	5,789,375.00	
06/30/2035					6,703,750.00
10/01/2035			792,500.00	792,500.00	
04/01/2036	5,120,000	3.500%	792,500.00	5,912,500.00	
06/30/2036					6,705,000.00
10/01/2036			702,900.00	702,900.00	
04/01/2037	5,300,000	4.000%	702,900.00	6,002,900.00	
06/30/2037					6,705,800.00
10/01/2037			596,900.00	596,900.00	
04/01/2038	5,510,000	4.000%	596,900.00	6,106,900.00	
06/30/2038					6,703,800.00
10/01/2038			486,700.00	486,700.00	
04/01/2039	5,730,000	4.000%	486,700.00	6,216,700.00	
06/30/2039					6,703,400.00
10/01/2039			372,100.00	372,100.00	
04/01/2040	5,960,000	4.000%	372,100.00	6,332,100.00	
06/30/2040					6,704,200.00
10/01/2040			252,900.00	252,900.00	
04/01/2041	6,200,000	4.000%	252,900.00	6,452,900.00	
06/30/2041					6,705,800.00
10/01/2041			128,900.00	128,900.00	
04/01/2042	6,445,000	4.000%	128,900.00	6,573,900.00	
06/30/2042					6,702,800.00
	90,675,000		43,395,986.11	134,070,986.11	134,070,986.11



In the opinion of Bond Counsel for the Bonds (defined below), based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the University, and subject to the conditions and limitations set forth herein under the caption "TAX MATTERS," interest on the 2022 Series B Bonds (defined below) is excludable from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal individual or corporate alternative minimum taxes. HOWEVER, INTEREST ON THE 2022 Taxable Series C Bonds (DEFINED BELOW) IS NOT EXCLUDIBLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Interest on the Bonds is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX MATTERS" herein.



UNIVERSITY OF KENTUCKY

\$67,825,000

**GENERAL RECEIPTS BONDS,
2022 SERIES B**

and

\$22,850,000

**GENERAL RECEIPTS BONDS,
2022 TAXABLE SERIES C**

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

The University of Kentucky General Receipts Bonds, 2022 Series B (the "2022 Series B Bonds") are being issued as tax-exempt obligations. The University of Kentucky General Receipts Bonds, 2022 Taxable Series C (the "2022 Taxable Series C Bonds") will be issued as taxable obligations. The 2022 Series B Bonds and 2022 Taxable Series C Bonds are referred to herein, collectively as the "Series 2022 Bonds." The Series 2022 Bonds will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2022 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2022 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2022 Bonds, payments of the principal of and interest due on the Series 2022 Bonds will be made directly to DTC.

The Series 2022 Bonds are in the denomination of \$5,000 or integral multiples thereof and bear interest from their dated date, payable semiannually, in amounts, having maturities, interest rates, yields, and CUSIPs as set forth on inside cover hereof. Principal of, premium, if any, and interest on the Series 2022 Bonds will be paid directly to DTC by U.S. Bank National Association, having offices in Louisville, Kentucky, as Trustee and Paying Agent. The Series 2022 Bonds shall be issued only as fully registered bonds.

The 2022 Series B Bonds are subject to redemption prior to their stated maturities as described herein.

The 2022 Taxable Series C Bonds are not subject to redemption prior to their stated maturities.

The Series 2022 Bonds constitute special obligations of the University of Kentucky and do not constitute a debt, liability or obligation of the Commonwealth of Kentucky nor a pledge of the full faith and credit of the Commonwealth. The Series 2022 Bonds constitute Obligations under the Trust Agreement dated as of November 1, 2005 between the University and the Trustee, and the payment of the principal of, premium, if any, and interest on Series 2022 Bonds is secured by a pledge of the University's General Receipts, as defined in the Trust Agreement. See "SECURITY FOR THE BONDS."

The Series 2022 Bonds are issued subject to the approval of legality by Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. Delivery of the Series 2022 Bonds is expected on September 6, 2022 in New York, New York, through the facilities of DTC.

Dated: August 16, 2022

FCR 6

Office of the President
June 17, 2022

Members, Board of Trustees:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE
AND SALE OF APPROXIMATELY \$171,260,000 GENERAL RECEIPTS
OBLIGATIONS OF THE UNIVERSITY OF KENTUCKY, PURSUANT TO
THE TRUST AGREEMENT DATED AS OF NOVEMBER 1, 2005.

Recommendation: that the Board of Trustees approve a resolution authorizing the issuance, in one or more installments, of approximately \$171,260,000 of University of Kentucky General Receipts Obligations, to be designated as “University of Kentucky General Receipts Bonds” with such series designation or designations that are appropriate to the order of issuance thereof (the “Preservation and Modernization Bonds”) and to be dated as of a date determined by the treasurer, or, in lieu of issuing the Preservation and Modernization Bonds, to enter into a Financing Agreement (the “Financing Agreement”) with the Kentucky Asset/Liability Commission (“ALCo”) or a lease (the “Lease”) with the State Property and Buildings Commission of the Commonwealth of Kentucky (“SPBC”) (the obligations authorized by the resolution and evidenced by the Preservation and Modernization Bonds, Financing Agreement or Lease being referred to herein collectively as “Preservation and Modernization Obligations”).

The resolution approves the issuance of the Preservation and Modernization Bonds for the purpose of financing the project identified in House Bill 1 of the General Assembly of the Commonwealth of Kentucky, 2022 Regular Session, as enacted, as (i) “Asset Preservation Pool 2022-2024” and (ii) “Facilities Renewal and Modernization Additional Authorization,” (collectively, the “Project”). The amount authorized for project costs is \$171,260,000 (the authorization allows for issuance costs, capitalized interest, and an allowance for original issue discount in the sale price for the Project). As an alternative to issuing the Preservation and Modernization Bonds to finance the Project, the resolution authorizes (i) entering into the Financing Agreement with ALCo, or (ii) entering into the Lease with SPBC, with such Financing Agreement or Lease to be in the form prescribed by ALCo or the SPBC, as applicable.

The resolution also approves the offering for sale of the Preservation and Modernization Obligations in one or more installments, on a date or dates to be determined by the treasurer of the university, upon the advice of the financial advisor to the university. The resolution further authorizes the acceptance of the bid or bids for the sale of the Preservation and Modernization Obligations by the treasurer. The exact principal amount of Preservation and Modernization Obligations to be sold will be determined on the date or dates of sale as the amount required to (i) pay the budgeted costs of the Project, (ii) fund any capitalized interest determined to be appropriate by the treasurer of the university and (iii) pay the costs of issuing the Preservation and Modernization Obligations.

Approval of the resolution declares the Board of Trustees’ official intent that the proceeds of the Preservation and Modernization Obligations will be used, in whole or in part, to reimburse

authorized expenditures for the proposed project, to be located on the campus of the university, made prior to the issuance of such Obligations.

Background: As depicted below, the General Assembly, at its 2022 Regular Session, authorized the issuance of agency bonds to finance the “Asset Preservation Pool 2022-2024” and the “Facilities Renewal and Modernization Additional Reauthorization” projects.

	2022-2023	2023-2024	Biennium Total (JK Bonds)
Asset Preservation Pool 2022-2024			
Bond Funds			
Agency Bonds	\$77,098,000	\$77,098,000	
Total	<u>\$23,130,000</u>	<u>\$23,130,000</u>	\$46,260,000
	\$100,228,000	\$100,228,000	
Facilities Renewal and Modernization Additional Reauthorization			
Agency Bonds	\$125,000,000	\$0	\$125,000,000
Restricted Funds	<u>\$125,000,000</u>	<u>\$0</u>	
Total	<u>\$250,000,000</u>	<u>\$0</u>	
Total	\$350,228,000	\$100,228,000	\$171,260,000

At its September 2005 meeting, the Board of Trustees adopted a resolution approving a Trust Agreement dated as of November 1, 2005 (the “Trust Agreement”) authorizing the issuance, from time to time, of Obligations (as defined in the Trust Agreement) to finance capital projects. The Preservation and Modernization Obligations will be issued under the Trust Agreement. Obligations include agency bonds, financing agreements with ALCo and lease agreements with SPBC. The resolution authorizes the issuance of the Preservation and Modernization Obligations, in one or more installments, establishes certain specific terms of the Preservation and Modernization Obligations; provides for a competitive sale of the Preservation and Modernization Obligations - including approval of the forms of a Notice of Bond Sale, Official Terms and Conditions of Bond Sale, Official Bid Form and Official Statement; and authorizes Supplemental Trust Agreements and Continuing Disclosure Agreements related to the Modernization Project Obligations.

Pursuant to the income tax regulations of the Internal Revenue Service, in order for expenditures made for a public project prior to the issuance of revenue bonds to be reimbursed upon the issuance of such bonds, it is necessary that the issuer express its official intent to issue such bonds or to have such bonds issued on its behalf and to reimburse such expenditures made prior to the issuance of such bonds.

Action taken: Approved Disapproved Other _____

FCR 19

Office of the President
June 17, 2022

Members, Board of Trustees:

ASSET PRESERVATION POOL CAPITAL PROJECT (VARIOUS PROJECTS)

Recommendation: that the Board of Trustees approve the initiation of the Asset Preservation Pool capital project which includes but is not limited to the following: Multi-Disciplinary Sciences (MDS) Building 5th Floor Renovation, White Hall Classroom Building Renovation – Design Only, Pence Hall Renovation, Miller Hall Renovation, Patterson Office Tower Partial Renovation, Peterson Service Building Partial Renovation, and various Infrastructure and Building Systems Renovation Projects and declare its official intent to reimburse capital expenditures from a future debt obligation for the Capital Project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

The Asset Preservation Pool Capital Project is a multi-phase effort to preserve existing campus buildings and enabling infrastructure so that they continue to serve their intended functions well into the future.

This Asset Preservation initiative will make improvements to existing buildings on campus that will provide needed space for the College of Nursing and the College of Health Sciences on the 5th floor of the MDS Building, design renovations of the widely-used White Hall Classroom Building, renovations to Pence Hall and Miller Hall that are being vacated due to construction of a new College of Design, renovate two floors of the Patterson Office Tower, renovations to Peterson Services Building, as well as campus utility infrastructure and building systems projects.

This \$100,228,000 project, authorized by the 2022 Session of the Kentucky General Assembly, is well within the total legislative authorization of \$200,456,000 and will be funded with state bonds and agency bonds.

The United States Department of Treasury regulations related to the use of proceeds of tax-exempt bonds or notes require that borrowers make a Declaration of Official Intent to reimburse itself for capital expenditures made prior to the issuance of the debt (also known as a “Reimbursement Resolution”) if the issuer intends to reimburse itself from tax-exempt debt proceeds. This recommendation includes such a Declaration of Official Intent.

Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee has reviewed the financing plan and supports the proposed recommendation.

Action taken: Approved Disapproved Other_____

FCR 18

Office of the President
June 17, 2022

Members, Board of Trustees:

RENEW/MODERNIZE FACILITIES CAPITAL PROJECT (VARIOUS PROJECTS)

Recommendation: that the Board of Trustees approve the initiation of the Renew/Modernize Capital Project which includes but is not limited to the following: Charles E. Barnhart Building – Design only, Memorial Hall, Frazee Interior Fit-Up and Phase 2, Reynolds Building #1 (Phase 2), and campus enabling infrastructure, and declare its official intent to reimburse capital expenditures from a future debt obligation for the Capital Project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

The Renew/Modernize Facilities Capital Project is a multi-phase effort to renew and modernize buildings that make up the core of the central campus as well as buildings south of the central campus associated with the College of Agriculture, Food and the Environment. By rehabilitating, restoring, and modernizing these facilities and the campus enabling infrastructure, the university can better preserve its heritage; conserve energy; create an environment for more efficient and effective teaching, and attract and retain world-class researchers.

This modernization initiative will make improvements to existing buildings on campus that will provide needed space for teaching and learning at the Barnhart and Reynolds Buildings, provide space to celebrate diversity and inclusion on campus at Memorial Hall, the campus enabling infrastructure, and provide needed faculty office and support space at Frazee Hall.

This \$74,000,000 project, reauthorized by the 2022 Session of the Kentucky General Assembly, is well within the total legislative authorization of \$125,000,000 for modernization projects. The project will be funded with agency bonds.

The United States Department of Treasury regulations related to the use of proceeds of tax-exempt bonds or notes require that borrowers make a Declaration of Official Intent to reimburse itself for capital expenditures made prior to the issuance of the debt (also known as a “Reimbursement Resolution”) if the issuer intends to reimburse itself from tax-exempt debt proceeds. This recommendation includes such a Declaration of Official Intent.

Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee has reviewed the financing plan and supports the proposed recommendation.

Action taken: Approved Disapproved Other_____



CABINET FOR ECONOMIC DEVELOPMENT

Andy Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Jeff Noel
Secretary

September 30, 2022

The Honorable Christian McDaniel, Co-Chair
The Honorable Jason Petrie, Co-Chair
Joint Committee on Appropriations and Revenue
Room 160, Capitol Annex
702 Capital Avenue
Frankfort, Kentucky 40601

Dear Senator McDaniel and Representative Petrie:

Pursuant to KRS 45.816, I have enclosed information relative to the costs associated with the issuance of revenue bonds issued by the Kentucky Economic Development Finance Authority (KEDFA) for the Carmel Manor, Inc. (Carmelite System, Inc. Obligated Group Guaranty), Series 2022.

The listing of costs associated with the bond issue is submitted to KEDFA and the Office of Financial Management (OFM) from bond counsel and is commonly referred to as "Exhibit B" (see attached form). The Commonwealth is not responsible for the payment of costs for the revenue bond issue; however, KRS 45.816 requires the cost information to be furnished to the Capital Projects and Bond Oversight Committee (CPBOC) and the Interim Joint Committee on Appropriations and Revenue.

If you have any questions or if I can be of assistance to you, please contact me at (502) 782-1987.

Sincerely,

Katie Smith
Deputy Secretary and Commissioner

Enclosure

cc: Jennifer Hays

KEDFA NEW BOND ISSUE REPORT

Name of Issue: \$17,140,000 Kentucky Economic Development Finance Authority Healthcare Facilities Refunding Revenue Bonds, Series 2022, Carmel Manor, Inc. Project (The Carmelite System, Inc. Obligated Group Guaranty) ("Bonds").

Name of project(s) covered by Issue: Carmel Manor, Inc. Project, (Carmelite System, Inc. Obligated Group Guarantee)

Purpose of Issue: The purpose of the Bonds is to (i) refinance the 2015 Bonds issued by KEDFA for the benefit of Carmel Manor, Inc. (the "Borrower"), which 2015 Bonds financed the acquisition, construction, renovation, relocation and equipping of long term care, memory care and rehabilitation units (the "Project"), located on the campus of the Borrower at 100 Carmel Manor Road, Ft. Thomas, Kentucky 41075, and (ii) pay costs of issuance of the Bonds.

Size: \$17,140,000

Date of Sale: September 22, 2022

Date of Issue: September 29, 2022

Maturity: October 1, 2027

Ratings: Borrower: None
Carmelite System Obligated Group: "BBB+" by Fitch

Security: Gross revenues pledge by the Borrower.

Guarantee of debt service on the Bonds by The Carmelite System, Inc., with such Guaranty secured with a master note representing the joint and several payment liability of the Carmelite System Obligated Group, consisting of the following sponsored entities of the Carmelites Sisters for the Aged and Infirm (the "Sisters" or the "Sponsor"):

- The Carmelite System, Inc.
- Carmel Terrace, Inc.
- Saint Margaret Hall, Incorporated
- Saint Patrick's Residence
- Saint Patrick's Manor, Inc.

- Kahl Home for the Aged and Infirm
- Lourdes-Noreen McKeen Residence for Geriatric Care, Inc.
- Mother Angeline McCrory Manor, Inc.
- The Villas at St. Therese, Inc.

The Guarantee is a joint and several obligation of the members of the Carmelite System Obligated Group pursuant to a Master Trust Indenture, and such Guarantee will be secured by a gross revenues pledge of the members of the Carmelite System Obligated Group.

The Borrower is also an affiliate of the Sponsor and the Carmelite System Obligated Group.

Date authorizations(s): June 30, 2022 (KEDFA Resolution)
June 6, 2022 (City of Fort Thomas local approval)

Refunding Deposits:	\$16,797,102.72
Plus: Issuance Cost	\$566,798.12
Plus: Additional Proceeds	<u>\$97.28</u>
GROSS PROCEEDS (incl. equity contribution):	\$17,363,998.12

Terms of issue: 5 Years **Net interest rate: 4.500%** (NIC = 5.000707%)

Length of term: Final maturity: 10/1/2027

Gross debt service amount: \$21,000,785

Average annual debt service: \$ 772,157¹

First call date: 10/1/2024 **Premium at first call:** 100%

Method of sale: Negotiated

Purchasers: Institutional and Accredited Investors

1) Excludes Principal payment at maturity

Professional Services*

<u>Payee Name/Address*</u>	<u>Participation</u>	Fees, commissions, or any other economic benefits received or anticipated to be received
Kentucky Economic Development Finance Authority Old Capitol Annex 300 West Broadway Frankfort, KY 40601	Issuance Fee	\$10,000
Cain Brothers	Underwriter's Discount/Expenses	\$202,745.95
Nixon Peabody LLP	System Counsel Fee	\$60,000
Ice Miller LLP	Bond Counsel Fee and Expenses	\$77,889.67
Clifton Larson Allen	Examined Forecast	\$43,837.50
Harris Beach PLLC	Underwriter's Counsel Fee	\$50,000
Dressman Benzinger LaVelle PSC	Local Borrower's Counsel	\$25,350
Carmelite System, Inc.	System Management Fee	\$40,000
Stites & Harbison, PLLC	Issuer's Counsel Fee	\$20,000
Tucker Ellis LLP	Trustee Counsel	\$1,975
U.S. Bank N.A.	Master and Bond Trustee	\$5,000
Fitch	Rating Agency	\$30,000

* Payees listed shall include issuers, underwriters, placement agents and advisors, financial advisors, remarketing agents, credit enhancers, trustees, accountants, and the counsel of all such persons, bond counsel, special tax counsel, and any other persons receiving financing benefit from the issuance of revenue bonds or notes.

All costs of issuance paid from Bond proceeds.

Note: Changes or additions in amounts or names of payees or recipients shall be furnished to the Capital Projects and Bond Oversight Committee and the Interim Joint Committee on Appropriations and Revenue, and shall be made available to the public, within three (3) days following such change or addition.

SOURCES AND USES¹ (Preliminary, subject to change; see attachment)

Sources:	Bond Proceeds	\$17,140,000.00
	Equity Contribution for COI	<u>223,998.12</u>
	Total Sources	\$17,363,998.12

Debt Service:

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>
12/31/2023			775,585	775,585
12/31/2024			771,300	771,300
12/31/2025			771,300	771,300
12/31/2026			771,300	771,300
12/31/2027	17,140,000	4.500%	771,300	17,911,300
	17,140,000		3,860,785	21,000,785

Uses:	Refunding Series 2015 Bonds	\$16,797,102.72
	Cost of Issuance	566,798.12
	Additional Proceeds	97.28
	Total Uses	\$17,363,998.12

FOR REFUNDING ONLY

Bond issue being refinanced: Kentucky Economic Development Finance Healthcare Facilities Revenue Bonds, Series 2015 (Carmel Manor, Inc.)

Amount of principal outstanding: \$16,750,000 **Amount to be refunded:** \$16,750,000 +
Accrued Interest

Terms of existing bond issue: Existing bonds are held by a commercial bank in a "bank direct purchase" transaction.

Net interest rate: Variable interest rate based on monthly reset of 1 Month LIBOR rate **Length of term:** Final maturity 04/01/2047

First call date: Currently callable **Call at par:** Currently callable at par

Average annual debt service: \$1,012,928

REFUNDING ACTIVITY

Funds to apply to refunding:	\$16,797,102.72
Proceeds from New Bonds	-0-
Released Debt Service Reserve	-0-
Total Available to Pay Old Bond Issue	\$16,797,102.72

SAVINGS RESULTING FROM REFINANCING

The refinancing will provide cash flow relief to the Borrower for the next five years and is intended to take advantage of fixed rates to eliminate burdensome bank covenants and “renewal risk” given the current short-term ownership period of the current bond holders.

Average annual debt service savings: \$240,771 (through 5-year interest only period; excludes principal payment due at maturity)

Number of years savings will accrue: N/A

Total present value savings: N/A



**FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER
OFFICE OF FINANCIAL MANAGEMENT**

200 Mero Street, 5th Floor
Frankfort, Kentucky 40622
Phone: (502) 564-2924

Andy Beshear
GOVERNOR

Holly M. Johnson
SECRETARY

Edgar C. Ross
CONTROLLER

Ryan Barrow
EXECUTIVE DIRECTOR

September 22, 2022

M. B. Denham Jr.
Board Chair
Kentucky Housing Corporation
1231 Louisville Road
Frankfort, KY 40601-6191

Dear Board Chair Denham:

This letter will advise that the Office of Financial Management (“OFM”) of the Finance and Administration Cabinet has reviewed and is hereby approving the issuance of the Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Crossings at South Park Project), Series 2022 in a principal amount of \$22,000,000 (the “Bonds”). The Bonds, by their terms, provide that payment of principal and interest thereon are not an obligation of the Commonwealth of Kentucky or its departments or agencies.

Pursuant to OAG 83-453, OFM has restricted its review and approval process to reviewing certain documents incidental to the issue and to obtaining assurance that the documents include language which provides that the Bonds and interest thereon shall not be deemed to constitute a debt, liability or obligation of the Kentucky Housing Corporation (“KHC”) or the Commonwealth of Kentucky or any political subdivision thereof. OFM notes that the project was presented to the Capital Projects and Bond Oversight Committee (“CPBO”) at the July 21, 2022 meeting. The attached includes a finalized listing of costs related to the issuance of the Bonds pursuant to KRS 45.816.

Sincerely,

Ryan Barrow

Ryan Barrow
Executive Director

Attachments



NEW BOND ISSUE REPORT

BOND ISSUE

Name of Bond Issue: Kentucky Housing Corporation Multifamily Revenue Bonds (Crossings at South Park Project), Series 2022

Purpose of Issue: The Bonds will be used to finance the acquisition, construction and equipping of a multifamily residential rental project containing approximately 192 units, located at 10511 West Manslick Road, Louisville, KY 40118 (the "Project") to be owned by Crossings at South Park, LLC, a Kentucky limited liability company or its successors and assigns (the "Borrower"). The Kentucky Housing Corporation conducted a public hearing concerning the proposed project on 18th day, July, 2022, following the delivery of notice to the public in the *State Journal* and in *The Courier Journal*. The Bonds are the sole obligations of the Borrower.

Name of Project: Crossings at South Park

Date of Sale: September 22, 2022

Date of Issuance: September 22, 2022

Ratings: None

Net Proceeds: \$22,000,000

Cost of Issuance: See Exhibit A attached (up to \$440,000 in costs of issuance to be paid with Bond Proceeds; remaining costs of issuance paid from owner equity)

Bond Discount: \$0

Debt Service Reserve Fund: \$0, but \$1,096,786 operating deficit reserve to be funded from equity.

Insurance Premium: None

Total Project Cost: \$41,321,044

Terms of Issue: Net interest rate: 4.65%
Weighted average maturity: 19.19 years
Average annual debt service: \$1,223,504
Gross debt service: \$41,903,957

First Call Date: October 1, 2025

Premium at First Call: 105%

Method of Sale: Private Placement

Bond Counsel: Frost Brown Todd LLC

Purchaser Counsel: Vice Cox & Townsend, PLLC

Purchaser: German American Bank

Trustee: Not Applicable

Developer: Marian Development Group, LLC

Exhibit A

Project Funding Sources:

Tax-Exempt Bonds	\$22,000,000
Deferred Developer Fee	\$4,158,172
Louisville Affordable Housing Trust Fund	\$2,000,000
GP Equity	\$100
LIHTC Anticipated Net Syndication Proceeds (4%)	<u>\$13,162,772</u>
Total	<u>\$41,321,044</u>

Costs of Issuance:

Origination Fee	\$220,000
KHC Counsel	\$20,000
KHC Financing Fee	\$132,000
KHC Application Fee & Expenses	\$6,500
KHC Admin Fee	\$5,000
Bond Counsel	\$20,000
Lender/Syndication Counsel	\$40,000
Borrower's Counsel	\$105,000
Syndication Organization Expenses	\$10,000
TEFRA/Publication/Print	\$10,000
LAHTF Fees	<u>\$30,000</u>
Total:	<u>\$598,500</u>

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