

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

June 22, 2023

Call to Order and Roll Call

The June meeting of the Capital Projects and Bond Oversight Committee was held on June 22, 2023, at 3:00 PM in Room 131 of the Capitol Annex. Representative Deanna Frazier Gordon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Deanna Frazier Gordon, Co-Chair; Senator Rick Girdler, Co-Chair; Senator Shelley Funke Frommeyer, Representative Jason Petrie, and Representative Walker Thomas.

Guests: Elizabeth Baker, Senior Director, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Katie Smith, Deputy Secretary and Commissioner, Department for Financial Services, Cabinet for Economic Development; Kylee Palmer, Director of Programs Administration, Department for Financial Services, Cabinet for Economic Development; and, Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran and Spring Emerson.

Approval of Minutes

Representative Petrie moved to approve the minutes of the May 23, 2023 meeting, Co-Chair Girdler seconded the motion, and the committee approved without objection.

Information Items

Ms. Halloran referenced seven information items. Pursuant to KRS 45.760(5), Murray State University reported \$587,700 research equipment purchase; a confocal microscope for use in the Biology Building, primarily funded with a National Institute for Health grant, with residual monies from third-party funds. Pursuant to KRS 45.812(1); five school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects through their fiscal agents. The school districts were Bath County, Covington Independent (Kenton County), Edmonson County, Grayson County, and Warren County. Pursuant to KRS 45A.180(2), the University of Kentucky reported its intent to use the construction manager-general contractor project delivery method for its Scovell Hall Renovation project. Pursuant to KRS 48.111(6)(a), the Division of Real Properties transmitted its advertisements for Cabinet for Health and Family Services, Department for Community Based Services space in McCreary County and Taylor County. DRP posted the advertisements due to the age/condition of the existing facility (McCreary County) and a requested rate increase for the existing facility (Taylor County). Pursuant to KRS 164A.600(2), UK reported a \$4 million emergency replacement of air handling unit coils, funded with insurance proceeds, due to the severe cold and power outages on December 23 of last year. UK will replace the ruptured AHU coils in seven buildings across campus. Pursuant to the Auditor of Public Accounts 2005 Model Program Checklist for Postsecondary Education Institutions' Lease Law Compliance, the Council on Postsecondary

Education transmitted lease law compliance reports and the institutions' auditors did not report any findings. Kentucky State University's auditor is scheduled to release its fiscal year 2022 audit by August 31 and CPE does not except findings as KSU does not have reportable leases. SFCC reported fourteen prior debt issues from January through May with an around \$237 million par amount for new projects, about ninety-four percent with locally supported debt service and about four percent with SFCC debt service participation.

Action Item - Lease Report from the Postsecondary Institutions - University of Kentucky

Ms. Baker submitted two UK lease modifications of at least \$50,000 (square footage increases). Representative Petrie moved to roll them into one roll call vote, Representative Thomas seconded the motion, and the committee approved without objection.

The first was the College of Agriculture, Food and Environment's Equine Analytical Laboratory (drug testing for the sport horse and thoroughbred horse industries), PR-8488 at the Coldstream Research Campus; the addition of laboratory space, 5,013 square feet at a \$170,400 annual cost for a 12,992 square feet and \$433,500 annual cost total. The second was the College of Medicine's Bluegrass Care Clinic (Infectious Disease), PR-8428 at Beaumont Centre; the addition of clinical space, 3,496 square feet at a \$78,700 annual cost for a 29,714 square feet and \$716,300 annual cost total.

There being no questions, Co-Chair Girdler moved to approve the two lease modifications. Representative Thomas seconded the motion and the committee approved by unanimous roll call vote.

Action Item - Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted a Cabinet for Health and Family Services, Department for Community Based Services lease renewal under the same terms and conditions for space in Clark County and two lease modifications of at least \$50,000 (amortization of improvements). Representative Petrie moved to roll them into one roll call vote, Co-Chair Girdler seconded the motion, and the committee approved without objection. The CHFS renewal, PR-4849, was for 10,946 square feet at \$10 per square foot for an \$109,460 annual cost total through June 30, 2024.

The first lease modification was for General Government Cabinet, Office of the Attorney General space in Floyd County, PR-5725; amortizing \$55,080.40 through the June 30, 2025 lease expiration date. The improvements were the upgrade of two restrooms, vinyl composition tile flooring, two side exterior metal double doors and frames, and LED lighting. Sloan's Plumbing and The Plumbing Guys submitted respective bids of \$55,000 and \$65,200 and DRP selected the lower bid. OAG agreed to reimburse the lessor for the \$80.40 bid notice in the local Floyd County newspaper. The second lease modification was for CHFS, DCBS space in Woodford County, PR-5740; amortizing \$140,252.95 through the June 30, 2031 lease expiration date. This lease modification included the addition of 2,522 square feet for a 3,527 square foot total and two additional renewal periods, which did not require action. For the renovation of the additional office space; JPG Rental and Storage, the lessor, submitted a \$140,252.95 bid, which DRP accepted.

There being no questions, Senator Funke Frommeyer moved to approve the lease renewal and two lease modifications, Co-Chair Girdler seconded the motion, and the committee approved by unanimous roll call vote.

Report from the Office of Financial Management - Cabinet for Economic Development - Economic Development Fund Grants

Ms. Smith and Ms. Palmer submitted eleven Kentucky Product Development Initiative Economic Development Fund grants. Representative Petrie moved to roll them into one roll call vote. Senator Funke Frommeyer seconded the motion, and the grant requests were rolled into one vote.

The Kentucky Product Development Initiative program administered in conjunction with the Kentucky Association for Economic Development and codified in House Bill 745, uses EDF monies for industrial site upgrades. An independent site selection consultant identified the infrastructure projects as having potential for future economic development opportunities. CED disburses funds to the project applicants through the local government entities on a reimbursement basis upon review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress reports.

The Kentucky Economic Development Finance Authority approved a \$1,081,200 KPDI EDF grant to the Barren County Fiscal Court on behalf of the Barren County Economic Authority for water, sewer, and natural gas service as well as grading one hundred acres in South Cooper Industrial Park. Matching funds are local grants for a \$6,533,200 total project cost. KEDFA approved a \$270,000 KPDI EDF grant to the Green County Fiscal Court on behalf of the Green Economic Team of Greensburg, Green County for a build-ready pad and additional infrastructure improvements at Greensburg Industrial Park. Matching funds are local cash for a \$591,600 total project cost. KEDFA approved a \$76,500 KPDI EDF grant to the Hickman County Fiscal Court on behalf of the Hickman County Industrial Development Authority for an entryway, water well, and high-pressure pump at Enterprise Park Clinton. Matching funds are through the IDA for a \$153,100 total project cost. KEDFA approved a \$95,000 KPDI EDF Grant to the Jackson County Fiscal Court on behalf of the Jackson County/McKee Industrial Development Authority for build-ready certification and additional improvements at Jackson County Regional Industrial Park. Matching funds are local grants for a \$190,000 total project cost. KEDFA approved a \$1.288 million KPDI EDF Grant to the Jessamine County Fiscal Court on behalf of the Jessamine County Joint Economic Development Authority to complete improvements at Jennette Farm Industrial Park. Matching funds are through a bank loan for a \$2,926,300 total project cost. KEDFA approved a \$361,400 KPDI EDF grant to the LaRue County Fiscal Court on behalf of the LaRue County Industrial Foundation for property acquisition (Upton Talley Road near I-65) of sixty-nine acres. Matching funds are through a bank loan for a \$824,800 total project cost. KEDFA approved a \$2 million KPDI EDF grant to Lexington-Fayette Urban County Government on behalf of the Lexington-Fayette Urban County Industrial Authority to complete improvements at Legacy Business Park. Matching funds are local for a \$6,035,400 total project cost. KEDFA approved a \$410,500 KPDI EDF grant to the McCreary County Fiscal Court on behalf of the McCreary County Industrial Development Authority to complete construction of a speculative building at McCreary County Business Park in Pine Knott. Matching funds are a through a bank loan and local grants for a \$2 million total project cost. KEDFA approved a \$297,600 KPDI EDF grant to the Todd County Fiscal Court on behalf of the Todd County Industrial Foundation for infrastructure improvements at the Robertson Property, a vacant industrial development site in Elkton. Matching funds are local, partially through a grant. KEDFA approved a \$361,200 KPDI EDF grant to the Wayne County Fiscal Court on behalf of the Wayne County Industrial Authority for water and sewer service at the Monticello-Wayne County Business Park. Matching funds are local grants for a \$722,400 project total. KEDFA approved a \$653,100 KPDI EDF grant to the Woodford County Fiscal Court on behalf of the City of Versailles for water and sewer improvements at the

Edgewood industrial site. The matching funds are local for a \$1,389,500 total project cost.

In response to questions from Senator Funke Frommeyer, Ms. Palmer said KDPI EDF grants are reimbursement grants and grant funds are not expended until receipt of the local match.

Co-Chair Girdler moved to approve the eleven KPDI EDF grants, Representative Petrie seconded the motion, and the committee approved by unanimous roll call vote.

Office of Financial Management - New and Previous Debt Issues

Mr. Barrow submitted one new debt issue: Morehead State University General Receipts Bonds, 2023 Series A. The estimated \$5.48 million twenty-year, tax-exempt debt issue will finance the required \$5.284 million (fifteen percent) match for the state's House Bill 1 Asset Preservation Pool - 2022-2024 bond funded \$35.222 million contribution and pay costs of issuance. The projected all-in true interest cost for the competitively sold, typical for postsecondary debt, transaction is 4.24 percent. Mr. Barrow referenced the wrap around structure with deferred principal, in which the new debt wraps around existing debt for aggregate level debt service.

There being no questions, Representative Thomas moved to approve the new debt issue, Co-Chair Girdler seconded the motion, and the committee approved by unanimous roll call vote.

Mr. Barrow reported a previous debt issue: Kentucky Higher Education Student Loan Corporation Student Loan Revenue Bonds, Series 2023 A-1, A-2, and B-1, for which no action was required. The KHESLC debt issue financed and refinanced Advantage Loan originations, used after a prospective student exhausts federal programs. The Series 2023A-1 tax-exempt portion was for loans with a nexus connection to Kentucky, students who are Kentucky residents or attending a Kentucky institution. The Series 2023A-1 taxable portion could be used for loans without a nexus connection to Kentucky and a portion of those proceeds was for the defeasance of the 2018 indenture. The Series 2023B-1 taxable subordinate portion was based on the credit of the individual borrower. The \$93.5 million debt issue, negotiated with Bank of America Securities, priced May 16 of this year with an all-in true interest cost of just over six percent. Of the proceeds, around \$10.5 million was tax-exempt.

School District Debt Issues with School Facilities Construction Commission Debt Service Participation

Mr. Barrow submitted six school district debt issues with SFCC debt service participation totaling \$106.6 million for new projects; over ninety-six percent, \$102.4 million, with locally supported debt service and nearly four percent, \$4.1 million. Co-Chair Girdler moved to roll the them into one roll call vote, Representative Petrie seconded the motion, and the committee approved without objection.

The school districts were Adair County, Anderson County, Bullitt County (Resubmission), Cloverport Independent (Breckinridge County), Crittenden County, and Hopkins County. Mr. Barrow noted that SFCC resubmitted Bullitt County due to increased bids. Representative Petrie commented that with inflation increasing; he would encourage delaying, phasing, or scaling back projects before increasing the borrowing amount.

There being no questions, Representative Thomas moved to approve the six school district debt issues with SFCC debt service participation. Co-Chair Girdler seconded the motion and the committee approved by unanimous roll call vote.

Remaining Calendar Year 2023 Meeting Dates

(Wednesdays, Capitol Annex Room 131, 3:00 p.m. Unless Otherwise Noted)

July 31 (Monday) - Senator Girdler, Chair (Submissions Due Jul 11)

Aug. 23 - Representative Frazier Gordon, Chair (Submissions due Aug. 9)

Sept. 27 - Senator Girdler, Chair (Submissions due Sept. 13)

Oct. 25 - Representative Frazier Gordon, Chair (Submissions due Oct. 11)

Nov. TBD - Senator Girdler, Chair (Submissions due TBD)

Dec. TBD - Representative Frazier Gordon, Chair (Submissions due TBD)

Adjournment

There being no further business, the meeting was adjourned at 3:26 PM.