

# **CAPITAL PLANNING ADVISORY BOARD**

## **Minutes of the 4th Meeting of the 2017 Calendar**

**October 17, 2017**

### **Call to Order and Roll Call**

The 4th meeting of the Capital Planning Advisory Board was held on Tuesday, October 17, 2017, at 10:00 AM, in Room 169 of the Capitol Annex. Senator Stan Humphries, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Representative Daniel Elliott, Co-Chair; Senator Whitney Westerfield, Representative DJ Johnson; Charles Byers, John Chilton, Carole Henderson, Stephen Knipper, William M. Landrum, Mark Overstreet, and Katie Shepherd.

Guest: Katherine Halloran, Committee Staff Administrator, Capital Projects and Bond Oversight Committee.

LRC Staff: Shawn Bowen, Julia Wang, and Jennifer Luttrell.

### **Approval of Minutes**

A motion to approve the minutes of the August 15, 2017 meeting was made by Senator Westerfield, seconded by Representative Elliott, and approved by voice vote.

### **Information Item**

Mr. Landrum updated the members on the Beaver Dam Service Area project. A 20-year contract to renovate and operate the service area was recently awarded to Martin and Bayley, Inc. The service area, located on the Wendell H. Ford Western Kentucky Parkway, is scheduled to open January 26, 2018. The contract included two 5-year renewal options for a total up to 30 years. Rent to the commonwealth will be paid quarterly with payments determined as a percentage of gross receipts.

### **Staff Report on Kentucky's Bonded Indebtedness**

An in-depth analysis of the historic, current, and projected debt position of the commonwealth was included in members' binders. The report also addressed factors that influence the cost of issuing debt. Katherine Halloran, Committee Staff Administrator, Capital Projects and Bond Oversight Committee, prepared the report on behalf of the board, and was available to respond to questions.

## **2018-2024 Statewide Capital Improvements Plan**

Senator Humphries said the one item of business was approval of the *2018-2024 Statewide Capital Improvements Plan*. The capital plan consisted in part of three sets of state-funded project recommendations in the categories of construction to protect investment in plant, information technology, and new construction. These projects were selected individually by members and submitted to the board's staff in late August. The capital plan also included three updated policy recommendations used in previous plans. There were no new recommendations from members this year.

The policy recommendations include: 1) funding the Budget Reserve Trust Fund at a level based on available revenues. In the past, the board has recommended five percent of General Fund revenues be allocated to the Budget Reserve Trust Fund. However, considering the General Fund budget reduction order issued by the Governor in July, and given that previous fund balances have historically been below five percent, it is highly unlikely five percent will be achieved; 2) support for the Council on Postsecondary Education's (CPE) revised approach to funding postsecondary capital needs. In its upcoming budget request, CPE will request state funds for an asset preservation pool and an information technology and equipment pool only. In the past, CPE has requested state funds for new construction, but due to the deteriorating conditions of the postsecondary facilities, as well as other factors, CPE will focus on preserving existing facilities; and 3) urging the General Assembly to allocate adequate funding for state agency maintenance pools in the next executive budget.

Mr. Landrum stated that in his position as Secretary of the Finance and Administration Cabinet, he oversees expenditures from the Budget Reserve Trust Fund. He said the balance in the fund has an impact on how the state is viewed with regard to its bonding and credit rating, and more should be done to protect these funds.

In response to a question from Ms. Shepherd, Senator Humphries explained that the policy recommendations to be included in the capital plan are considered potential recommendations until the board approves them. Once the potential recommendations are formally approved by members, they become policy recommendations.

There was a motion made by Representative Johnson, seconded by Senator Westerfield, and adopted by roll call vote to approve the draft *2018-2024 Statewide Capital Improvements Plan*, including the policy recommendations and the state-funded project recommendations. The motion also included the authorization for staff to make the necessary editing changes in finalizing the plan for publication.

## **Adjournment**

There being no further business, the meeting was adjourned at 10:25 AM.