

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**March 20, 2018**

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

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, March 20, 2018, at 6:40 PM, 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 Phil Moffett, Co-Chair; Senator Rick Girdler; Representatives Larry Brown and Will Coursey.

Guests: Ms. Janice Tomes, Deputy State Budget Director; Mr. Scott Aubrey, Director, Real Properties; Ms. Donna McNeil, Executive Director, Kentucky Infrastructure Authority; and Mr. 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 (February 20, 2018)**

A motion was made by Representative Moffett to approve the minutes of the February 20, 2018 meeting. The motion was seconded by Representative Brown and approved by voice vote.

### **Information Item**

Ms. Halloran referenced the weekly debt issuance calendar in the members' packets.

### **Project Report from the University of Kentucky**

Ms. Halloran reported a medical equipment purchase for UK Albert B. Chandler Hospital; a Cobas 6000 Analyzer with \$311,315 in restricted funds. The analyzer for the satellite lab in the new patient care facility will allow on-site evaluation of clinical samples for referral of patients to the appropriate area from the emergency department. No action was required.

### **Project Report from the Finance and Administration Cabinet**

Ms. Tomes presented two emergency repair, maintenance, or replacement projects. The first was the King Air Overhaul project in the amount of \$400,000; \$297,055 from the Emergency Repair, Maintenance, or Replacement Account and \$102,945 from the Aviation Maintenance Pool, for various maintenance needs including the landing gear,

engine cowling, brakes, cabin floor supports and panels, fuel pump and mount pads, and fuel cell.

The second was the Barrel Vault Roof and Ceiling Repairs project in the amount of \$1,123,520; 91 percent from Fire and Tornado Insurance Fund proceeds and nine percent from the Kentucky Center of the Arts' maintenance pool, for repairs due to storm and water damage. No action was required.

Ms. Tomes submitted an appropriation increase, pursuant to KRS 45.760(6), in the amount of \$4,967,900 for the Renovate/Expand Student Services Facility project at Morehead State University, authorized in the 2014-2016 appropriations act with \$49,679,000 in bond funds. The increase, 10 percent of the original project scope and funded from institutional funds, will bring the total project scope to \$55,646,900. The additional funds were for security infrastructure, furnishings, and equipment as well as restoration of the project's contingency funds.

A motion was made by Representative Moffett to approve the increase, seconded by Representative Brown, and approved by unanimous roll call vote.

#### **Lease Report from the Finance and Administration Cabinet**

Mr. Aubrey submitted four new leases with an annual cost exceeding \$100,000 for privately leased space in various counties, all expiring June 30, 2025. The first three were for the Cabinet for Health and Family Services (CHFS), Division of Community Based Services (DCBS). The first, in Greenup County, was due to an increase in staff and client traffic. The lease, including 63 reserved parking spaces, is for 11,324 square feet at \$19 per square foot for a total annual cost of \$215,156.

The second, in Muhlenberg County, was to consolidate staff currently located in two buildings, accommodate additional staff, and provide for a call center. The lease is for 16,104 square feet at \$13 per square foot for a total annual cost of \$209,352.

The third, in Clay County, was due to the lessor of the current facility requesting a rate increase and the accommodation of intake stations and additional staff. The lease, including 75 reserved parking spaces, is for 14,326 square feet at \$13.39 per square foot for a total annual cost of \$191,825.

The fourth was replacement space for the Justice and Public Safety Cabinet, Department of Juvenile Justice, in Daviess County. The lease is for 9,903 square feet at \$12 per square foot for a total annual cost of \$118,836.

A motion was made by Representative Moffett to roll the new leases into one roll call vote, seconded by Representative Brown, and approved by voice vote.

A motion was made by Representative Moffett to approve the new leases, seconded by Senator Girdler, and approved by unanimous roll call vote.

### **Report from the Office of Financial Management**

Ms. McNeil submitted a Fund B (Infrastructure Revolving Loan Program) loan increase and a Fund F (Drinking Water State Revolving Fund Loan Program) loan for the Kentucky Infrastructure Authority. The City of Bardstown requested an increase of \$129,000 due to higher than expected bids, resulting in a new loan amount of \$1,129,000, for the conversion of chlorine to chloramine disinfectant at its treatment plant [Water Treatment Plant Disinfection Conversion project]. The loan is for 20 years with a 1.75 percent interest rate.

The City of South Shore requested a Fund F loan for \$879,000 for the extension of waterline to serve 40 residents as well as distribution, security, and hydraulic improvements [Water Improvement System Improvements Project]. The loan is for 20 years with a 0.5 percent interest rate.

A motion was made by Representative Moffett to roll the two KIA loans into one roll call vote, seconded by Representative Brown, and approved by voice vote.

A motion was made by Representative Moffett to approve the two KIA loans, seconded by Representative Brown, and approved by unanimous roll call vote.

Mr. Barrow reported three previously approved transactions. The first was the Kentucky Housing Corporation (KHC) Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Arlington Lofts Apartments project), Series 2018. As with other KHC conduit transactions routinely reported to the committee, the developer is responsible for payment of the debt service rather than the commonwealth. No action was required.

The second was the University of Kentucky General Receipts Bonds, 2018 Series A and 2018 Taxable Series B. Bond proceeds financed the law building, healthcare facilities, and deferred maintenance and modernization projects authorized in prior budget sessions. The approximately \$212.5 million Series A and \$10 million taxable (private use) Series B priced at 3.3 percent [30 year term] and 2.7 percent [20 year term], respectively. The issue was sold competitively, as with other university transactions, and Wells Fargo and Robert Baird were the respective purchasers of the Series A and B. No action was required.

The third was the Certificates of Participation, Series 2018A and Taxable Series 2018B (Commonwealth of Kentucky State Office Building Project). The Certificates of Participation (COPs) was the financing component of the built-to-suit lease award procured by the Department for Facilities and Support Services [and approved by the committee on December 19, 2017] for the Capital Plaza Redevelopment project.

The issuer of the COPs was the trustee [as the issuer wasn't a state agency, the Office of Financial Management was not statutorily obligated to report the COPs issue]. The lease agreement securing the debt is essentially the same as for all other appropriation-supported debt reported to the committee. The transaction priced on February 13, 2018 and closed on February 22, 2018. The developer brought in the financing team and KeyBanc was the underwriter. No action was required.

Mr. Barrow submitted three school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for new projects in the Breathitt County, Owsley County, and Somerset Independent (Pulaski County) school districts. Consistent with the anticipated decrease in refunding transactions due to the federal legislation terminating tax-exempt advance refundings, no refunding transactions were submitted to the committee this month. The amount to be issued for the new projects is an estimated \$14.7 million with just under 15 percent SFCC debt service participation. There was no tax increase for two of the three transactions. Breathitt County passed a recallable nickel tax in 2017.

A motion was made by Senator Girdler to approve the school district bond issues, seconded by Representative Brown, and approved by unanimous roll call vote.

#### **New School District Bond Issues with 100 Percent Locally-Funded Debt Service**

Ms. Halloran reported five local school district bond issues with 100 percent local debt service support for renovation projects in the Jessamine County, Meade County, Newport Independent, Campbell County, and Owen County school districts; and district wide energy improvements in the Warren County school district. No tax increases were necessary to finance those projects.

Senator Humphries and Representative Moffett stated that the next meeting will be held on Friday, April 13 instead of the regularly scheduled date of Tuesday, April 17.

With there being no further business the meeting adjourned at 7:01 p.m.