

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 22, 2020

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Wednesday, July 22, 2020, at 12:00 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 and Robby Mills; Representatives Phillip Pratt, Steven Rudy, and Maria Sorolis.

Guests: Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Brigadier General (Retired) Benjamin Adams, Executive Director, Office of Management and Administration, Department of Military Affairs; Sarah Butler, Division Director, Incentive Assistance, Department for Financial Services, Cabinet for Economic Development; 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

Representative Rudy moved to approve the June 25, 2020 meeting minutes. Senator Mills seconded the motion, and the committee approved without objection.

Information Items

Pursuant to KRS 26A.168(1), KRS 45.793, and KRS 45.818, the Administrative Office of the Courts; the Finance and Administration Cabinet, with the Commonwealth Office of Technology reporting independently; and postsecondary institutions managing their own capital construction under KRS 164A.580 transmitted quarterly capital project status reports.

Pursuant to KRS 45.760(5), UK reported two medical equipment purchases for Chandler Hospital totaling \$1,055,500; and UofL reported one \$450,000 research equipment purchase. All purchases were paid from the institutions' funds.

Pursuant to KRS 45.812(1), five school districts; Ashland Independent (Boyd County), East Bernstadt Independent (Laurel County), Grant County, Hazard Independent

(Perry County), and Robertson County, reported upcoming debt issuances to finance new projects. None of the districts needed an additional tax levy to pay debt service.

Report from the Finance and Administration Cabinet

Ms. Tomes submitted a new Department of Military Affairs project, the \$1.650 million federally funded Bluegrass Station Building 415 Modification: which includes warehouse space to diagnostic support bays space conversion; extensive data, electrical, and mechanical systems upgrades in the support bays; automated sprinkler system modifications; additional structural support for equipment mounts; and exterior drive area alterations and asphalt replacement with concrete pads.

Representative Rudy moved to approve the new project, seconded by Senator Mills, and approved by unanimous roll call vote.

Report from the Office of Financial Management Cabinet for Economic Development

Ms. Butler submitted two Economic Development Fund (EDF) grants. Representative Rudy moved to roll the grants into one roll call vote, seconded by Senator Mills, and approved without objection. Both EDF grants were for projects among eight recommended by an independent site consultant to receive Kentucky Product Development Initiative program funds for industrial site upgrades, administered in conjunction with the Kentucky Association for Economic Development. Disbursements of grant funds will occur on a reimbursement basis to local governments after the Cabinet for Economic Development reviews the required supporting documentation.

The first grant was \$500,000 to Louisville-Jefferson County Metro Government on behalf of Louisville and Jefferson County Riverport Authority, enhancing the availability of the Southwest Jefferson County industrial land with access roads, full-site water detention and treatment facilities, utility extensions, and site clearing. The Authority committed a \$3.3 million cash equity match. The second was \$300,000 to the City of Richmond on behalf of the Richmond Industrial Development Corporation, developing and implementing a land grading plan for the Richmond Industrial Park South III at 3000 Bill Robertson Way. The site has utility and completed environmental and other due diligence reports. The City of Richmond committed a \$300,000 match.

Senator Mills moved to approve the grants, seconded by Representative Sorolis and approved by unanimous roll call vote.

Office of Financial Management New Debt Issue

Mr. Barrow submitted a new Kentucky Housing Corporation conduit debt issue; the KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (New Hope Properties Portfolio), Series 2020; for nine residential rental facilities totaling about 454 units in

Hopkinsville. KHC conduit debt issues are applied towards the state's private activity volume cap but affect neither the commonwealth's nor KHC's financials as the developer pays the debt service. The projected sale date is November 8 for approximately \$36 million in net proceeds.

Representative Thomas moved to approve the new debt issue, seconded by Senator Mills, and approved by unanimous roll call vote.

Office of Financial Management Previous Debt Issues

Mr. Barrow reported four previous debt issues. The first two were KHC conduit debt issues, also applied towards the state's private activity volume cap but affecting neither the commonwealth's nor KHC's financials as the developer pays the debt service. The KHC Tax-Exempt Conduit Multifamily Revenue Bonds (Ashland Portfolio Apartments), Series 2020, for rehabbing 462 units in three Ashland locations and the KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Colony Apartments), Series 2020, for a 137 unit property in Covington. The respective sale dates were May 28 and June 30 for \$32.7 million and \$13.5 million in net proceeds.

Mr. Barrow next reported the University of Louisville General Receipts Bonds, 2020 Series A, financing construction of one new residence hall and demolition of another. The sale date was June 16, at a true interest cost of 2.657 percent, reflecting historically low interest rates. Consistent with public postsecondary general receipts debt issues; UofL sold the issue competitively, with Mesirow Financial as the purchaser.

The last was the State Property and Buildings Commission (SPBC) Revenue Bonds, Project No. 123, Federally Taxable Series A, to finance the \$35 million Kentucky Economic Development Finance Authority loan to UofL Health. The issuance amount, including fees, was \$35.245 million; the sale date was May 19; and the true interest cost was 3.50 percent. This debt issue was the first after the commonwealth partnered with BondLink to launch its investor relations site, accessed through <https://bonds.ky.gov>.

School District Debt Issue with School Facilities Construction Commission (SFCC) Debt Service Participation

Mr. Barrow submitted an anticipated \$10.135 million Pulaski County School District debt issue with just over 15 percent SFCC and around 85 percent district debt service participation. The district did not need an additional tax levy to pay debt service and will use the proceeds for district wide improvements.

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

Senator Girdler announced the remaining calendar year 2020 meeting dates and times: August 19, 2020, 3:00 p.m.; September 16, 3:00 p.m.; October 21, 3:00 p.m.; November 19, 12:00 p.m.; and December 16, 1:00 p.m.

With there being no further business the meeting adjourned at 12:26 p.m.