

KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
FEBRUARY 16, 2023
1:30 PM

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Thursday, February 16, 2023, at 1:30 PM ET via ZOOM video teleconference by John T. Hicks, Secretary of the Governor’s Executive Cabinet and State Budget Director, Office of the State Budget Director (“OSBD”), permanent proxy for Governor Andy Beshear, and Chair of the Commission. Other members present were Susan Rieber, permanent proxy for Lieutenant Governor and Vice-Chair to the Commission Jacqueline Coleman; Geri Grigsby, proxy for Secretary Holly Johnson, Finance and Administrative Cabinet (“FAC”); Joe McDaniel, Interim State Controller and Executive Director, Office of the Controller; Carla Wright, proxy for the Office of the State Budget Director (“OSBD”); and Katie Smith, proxy for Jeff Noel, Secretary for the Cabinet for Economic Development (“CED”).

The Office of Financial Management (“OFM”) Staff Members Present: Ryan Barrow, Executive Director of OFM; Billy Aldridge; Bethany Padgett; Melissa Perry; and Aubry McDonald.

Other Guests Present: David Carlsen, Kentucky Higher Education Student Loan Corporation (“KHESLC”); and Brian Thomas, Executive Director, Office of General Counsel FAC.

Secretary Hicks verified with staff a quorum was present, and the press had been notified of the meeting.

Secretary Hicks introduced the first item for business, which was the approval of the minutes from the October 25, 2022, meeting. A motion to accept the minutes of the October 25, 2022, meeting was made by Ms. Smith and seconded by Ms. Rieber. There being no further discussion, the motion **CARRIED**.

Secretary Hicks recognized Katie Smith to present **Resolution 2023-01**:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE APPLICATION OF THE SECRETARY OF THE CABINET FOR ECONOMIC DEVELOPMENT TO IDENTIFY AND SPECIFY CERTAIN ECONOMIC DEVELOPMENT PROJECTS TO BE FINANCED FROM THE PROCEEDS OF ECONOMIC DEVELOPMENT REVENUE BONDS TO BE ISSUED BY THE COMMISSION TO MAKE A GRANT TO THE CITY OF HOPKINSVILLE ON BEHALF OF THE CHRISTIAN COUNTY FISCAL COURT FOR \$7,000,000.

Ms. Smith presented Resolution 2023-01 for the approval of the Economic Development Revenue Bonds to be issued by the commission to make a grant to the City of Hopkinsville on behalf of the Christian County Fiscal Court for \$7,000,000. House Bill 1 of the 2022 Regular Session of the General Assembly appropriated to the Cabinet for Economic Development General Fund moneys for funding mega-development projects of at least \$10,000,000. The City of Hopkinsville, in

partnership with Christian County Fiscal Court, is considering funding infrastructure improvements necessary for the location of Ascend Elements, Inc.'s EV recycling project into Commerce Park II. Ms. Smith stated infrastructure improvements required for the project total approximately \$11,000,000 and include grading of the site and construction of an industrial access road. The funds from this project are critical to provide access for this economic development project as well as to provide more competitive sites and to improve economic growth. In accordance with KRS 154.12-100, this letter shall serve as notice of my recommendation for the use of \$7,000,000 in Economic Development Fund (“EDF”) funds for the purpose of making a grant to the City of Hopkinsville, on behalf of Christian County Fiscal Court, to assist with the industrial access road portion of the infrastructure improvements. Ms. Smith stated that under the terms of the EDF grant agreement, requests may be submitted no more than monthly, and funds shall be disbursed on a reimbursement basis. Supporting documentation of invoices, proof of payment, etc. and a progress report will be required to be submitted with each request. Upon staffs review and approval of all documentation, funds will be disbursed to the local government entity which entity will in tum provide to the project applicant. Ms. Smith noted that CED staff recommends approval.

Ms. Smith did point out that the Resolution before the Committee is correct, but a slight modification to the resolution is needed to reference the funding source to support the Economic Development Fund project approved under the mega-development projects, associated with House Bill 1. Secretary Hicks called for a motion to approve Resolution **2023-01** as amended. Ms. Grigsby made a motion to approve and was seconded by Ms. Wright. The motion **CARRIED** and Resolution **2023-01** was **ADOPTED**.

Secretary Hicks recognized Katie Smith to present **Resolution 2023-02**:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE APPLICATION OF THE SECRETARY OF THE CABINET FOR ECONOMIC DEVELOPMENT TO IDENTIFY AND SPECIFY CERTAIN ECONOMIC DEVELOPMENT PROJECTS TO BE FINANCED FROM THE PROCEEDS OF ECONOMIC DEVELOPMENT REVENUE BONDS TO BE ISSUED BY THE COMMISSION TO MAKE A GRANT TO THE SIMPSON COUNTY FISCAL COURT ON BEHALF OF THE FRANKLIN SIMPSON COUNTY INDUSTRIAL AUTHORITY FOR \$2,400,000.

Ms. Smith presented Resolution 2023-02 for the approval of the Economic Development Revenue Bonds to be issued by the commission to make a grant to the Simpson County Fiscal Court on behalf of the Franklin Simpson County Industrial Authority for \$2,400,000. KRS 45.247 previously permitted the use of the Kentucky Transportation Cabinet's Highway Construction Contingency Account (the "Construction Contingency Account") to fund highway construction projects for the promotion of economic or industrial development. During the 2022 Regular Session, the General Assembly modified the authority of the Secretary of the Kentucky Transportation Cabinet to utilize the Construction Contingency Account in accordance with KRS 45.247 and removed the Secretary's authority to utilize the funds for highway construction projects for the promotion of economic or industrial development. Ms. Smith stated that because industrial access road funds are important to the success of economic development projects, the Secretaries of the Cabinet for Economic Development and the Transportation Cabinet are utilizing the

Economic Development Fund program to recommend funding and support for such industrial access road projects. In accordance with KRS 154.12-100, this letter shall serve as notice of our joint recommendation for the use of \$2,400,000 in Economic Development Fund funds for the purpose of making a grant to the Simpson County Fiscal Court on behalf of Franklin Simpson County Industrial Authority. She stated the Simpson County Fiscal Court, in partnership with Franklin Simpson County Industrial Authority, is seeking to construct an industrial access road as well as improvements in the Stone-Givens Industrial Park. The project will assist Simpson County to attract economic development projects to the park. Furthermore, funds for this project are critical to provide access to more competitive sites and to improve economic growth. Additionally, an economic development project has been identified to locate in the industrial park and will not be able to proceed without the access road. Ms. Smith noted that CED staff recommends approval.

Secretary Hicks added that the Governor and proposed House Bill 89 has sought to reverse the elimination of use of the bills recommended in the General Assembly. This is an urgent issue with the particular location and the use of the Economic bond funds is a fall back to the urgency. Secretary Hicks called for a motion to approve Resolution **2023-02**. Ms. Rieber made a motion to approve and was seconded by Ms. Wright. The motion **CARRIED** and Resolution **2023-02** was **ADOPTED**.

Secretary Hicks recognized Billy Aldridge to present **Resolution 2023-03**:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION (THE "CORPORATION") OF STUDENT LOAN REVENUE BONDS PURSUANT TO ONE OR MORE INDENTURES OF TRUST, SUPPLEMENTS THERETO AND AUTHORIZING RESOLUTIONS OF THE CORPORATION, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$284,000,000, TO BE ISSUED AS ONE OR MORE SERIES OF BONDS AND AS FIXED INTEREST RATE OR VARIABLE INTEREST RATE BONDS, SENIOR OR SUBORDINATE BONDS, FEDERALLY TAX-EXEMPT OR FEDERALLY TAXABLE BONDS AND PUBLICLY OFFERED OR PRIVATELY PLACED BONDS, AND THE AMENDMENT OR ENTRY INTO ONE OR MORE INDENTURES OF TRUST IN CONNECTION THEREWITH

Mr. Aldridge presented Resolution 2023-03 for the authorization for the issuance of a conduit issuance of Student Loan Revenue Bonds by KHESLC from one or more trust indentures of an aggregate principal amount not to exceed \$284,000,000, in one or more series. This resolution gives the Corporation the flexibility to address their financing needs by coordinating state level approvals with the KHESLC Executive Board authorization through the end of Fiscal Year 2024. The preliminary new bond issue report describes a potential Advantage Loan financing for \$142.500,000 of the \$284,000,000 of requested authorization. The timing, size, and structure of the transactions are yet to be determined. Mr. Aldridge stated this is very similar to KHESLC's Series 2021A that utilized \$58,000,000 of the \$85,000,000 authorized earlier that year. Proceeds of the bonds will be used to purchasing, originating, and financing Advantage Loans including Refinance, Education, and Parent Loans. The bonds will be sold prior to June 30, 2024. Assuming a single fixed rate issuance, typical Advantage portfolio characteristics, and recent market conditions, the anticipated true interest rate is 5.4% over a term of 20 years. The financing was

included in OFM's submittal to Capital Projects and Bond Oversight Committee. The method of sale is anticipated to be negotiated. Bond counsel is Hawkins, Delafield & Wood. KHESLC's Board of Directors authorized this financing December 8, 2022. Staff recommends approval of the \$284 million of requested authorization.

Secretary Hicks called for a motion to approve Resolution **2023-03**. Ms. Wright made a motion to approve and was seconded by Mr. McDaniel. The motion **CARRIED** and Resolution **2023-03** was **ADOPTED**.

Secretary Hicks recognized Bethany Padgett to present **Resolution 2023-04**:

RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY AUTHORIZING THE USE OF ELECTRONIC SIGNATURES AND RECORDS, AND AUTHORIZING THE ACCEPTANCE OF ELECTRONIC SIGNATURES AND RECORDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE KENTUCKY UNIFORM ELECTRONIC TRANSACTIONS ACT

Ms. Padgett presented Resolution 2023-04 for the approval of the State Property and Buildings Commission to be able to execute bond transactions through electronic signatures and to electronically store bond transcripts. She stated electronic signatures are used currently for other business matters, but because of the size of bond transactions they have received pushback from professional services. It was recommended by their bond counsel to pass this resolution as an extra level of protection in getting professional services comfortable. She stated they are actively pursuing procedural steps to get this in place because of the need to be able to get closing documents for bond transactions signed electronically. Staff recommends approval.

Secretary Hicks called for a motion to approve Resolution **2023-04**. Ms. Smith made a motion to approve and was seconded by Ms. Grigsby. The motion **CARRIED** and Resolution **2023-04** was **ADOPTED**.

Secretary Hicks recognized Bethany Padgett to present an **Informational Item**:

Ms. Padgett presented attachment F as an informational item to update the Committee on the State Property and Buildings Commission Project No. 127 bond transaction issued in a total par amount of \$235,485,000. Project No. 127 was approved during the Committee meeting that took place on August 18, 2022. She stated the bond was issued in two series of which Series A provided \$215,000,000 in proceeds, which was deposited in the General Fund. Series B provided \$40,000,000 in proceeds for the Bucks for Brains projects. The issuance received an A1 rating from Moody's and an A+ rating from Fitch. Pricing took place with Citigroup as underwriter on September 8, 2022 and closed on October 5, 2022. The All-In True Interest Cost was 4.1475% and the final Maturity Date is June 1, 2042. Ms. Padgett stated an average annual debt service of approximately \$19,000,000 with total debt service just under \$377,000,000. No action on this item was needed from the Committee.

Secretary Hicks recognized Melissa Perry to present an **Informational Item**:

Ms. Perry presented attachment G as an informational item to update the Committee on the University of Kentucky Taxable Series 2022 D, General Receipts Refunding bond transaction issued in a total par amount of \$75,610,000. Ms. Perry shared her screen to report the actual numbers from the bond transaction. She stated the design for the transaction allowed for a tax-exempt conversion of the 2022 Taxable Series D refunding on April 1, 2024. The converted tax-exempt bonds will be designated 2024 Series A Bonds. The issuance received an A1 rating from Moody's and an A+ rating from Fitch. Pricing took place with on October 12, 2022 and closed on October 24, 2022. The All-In True Interest Cost was 3.396% and the total debt services is \$102,399,814.81 with a final maturity of April 1, 2038. Ms. Padgett stated an average annual debt service of approximately \$6,633,783.22 with an average life of 10.554 years. The net present value savings is \$6,467,513.88 with an 8.589% savings of the refunded bonds. No action on this item was needed from the Committee.

With no further business before the Commission, Secretary Hicks asked for a motion to adjourn, Ms. Smith made a motion and was seconded by Susan Rieber and the meeting adjourned at 1:51 PM.

Respectfully submitted,

Ryan Barrow

Ryan Barrow
Secretary

