

## CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

March 20, 2007

The Capital Projects and Bond Oversight Committee met on Tuesday, March 20, 2007, at 1:00 PM, in Room 169 of the Capitol Annex. Representative Mike Denham, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Mike Denham, Co-Chair; Senator Elizabeth Tori, Co-Chair; Senator Dan Seum; and Representatives Steven Rudy and Jim Wayne.

Guests testifying before the Committee: John Hicks, Governor's Office for Policy and Management; Jim Abbott, Nancy Brownlee, Ken Marks, and Joe Wolford, Finance and Administration Cabinet; Lisa Detherage, Cabinet for Health and Family Services; Sandy Williams, Kentucky Infrastructure Authority; Terri Fugate and Tom Howard, Office of Financial Management; Jason Tomlinson, University of Louisville; and Alice Johnson, Kentucky State University.

LRC Staff: Nancy Osborne, Pat Ingram, Shawn Bowen, Bart Hardin, Kristi Culpepper, and Lesa Prewitt.

Representative Wayne made a motion to approve the minutes of the February 20, 2007 meeting. The motion was seconded by Senator Seum and approved by unanimous roll call vote.

Representative Denham asked Nancy Osborne, Committee Staff Administrator, to review the correspondence and information items included in members' folders. Ms. Osborne said there were three items of correspondence: a notice from the Finance and Administration Cabinet that it plans to use the Construction Management-at-Risk project delivery method for the Tech Drive Campus of the Ashland Community and Technical College; clarification from the Council on Postsecondary Education in response to a question raised by the Committee at its January meeting relating to the Western Kentucky University Community College; and the monthly financial report for January 2007 from the Kentucky Lottery Corporation.

Ms. Osborne said Committee member folders also included five information items: the monthly Staff Update on various capital projects; a list of proposed legislation relating to the jurisdiction of the Capital Projects and Bond Oversight Committee; the updated monthly and weekly debt issuance calendar; project status reports from the

Administrative Office of the Courts for various court facility projects; and a report of local issuer pool allocations for the 2007 Private Activity Bond Cap.

Ms. Osborne briefly discussed articles included in the Staff Update. She noted that the state has issued another Request for Proposal (RFP) soliciting private sector interest to construct, own, and operate a lodge and 18-hole golf course at the Green River Lake State Park. Also, the University of Louisville (UL) Board of Trustees has approved a 20-year master plan for the downtown UL Health Sciences Center and the University of Kentucky has signed a letter of intent with Samaritan Hospital that may result in the University's purchase of the hospital.

In regard to the Green River State Park private development project, the state awarded a contract to the Worshen Group based upon an RFP issued in 2002. The project was eventually cancelled in August 2006.

Senator Tori asked Ms. Osborne when the current RFP for the Green River State Park project was issued and if there is a timeline for responses. Ms. Osborne said the RFP was issued in February and the responses are due May 1, 2007.

Nancy Brownlee, Director, Division of Real Properties, added that after all proposals for the Green River State Park project are received, the respondents will have the opportunity to make oral presentations to a selection committee comprised of staff from the Department of Parks and the Division of Engineering. The proposals will then be evaluated and recommendations will be made to the Finance Secretary for award of the contract. She said this process will take approximately 60-90 days.

In response to a question from Senator Tori, Ms. Brownlee said she had not received any complaints regarding poor conditions at the Green River State Park campgrounds. She said she would inquire with the Department of Parks and report back at the next Committee meeting.

Ms. Brownlee said the Division of Real Properties issued an RFP in the early 1990s for the Green River State Park project and again in the mid-2000s in addition to three Requests for Information (RFI). Jim Abbott, Commissioner, Department for Facilities and Support Services, said a number of current RFPs are supported by the state financially proposing to underwrite the infrastructure cost associated with a project. He explained that if the developer accepts those incentives, the developer will be required to pay prevailing wage for the entire project. If the developer decides not to accept the financial incentives offered by the state, the developer will not be required to pay the prevailing wage.

Representative Wayne asked Mr. Abbott to further discuss the financial incentives the state was offering for this project as they relate to prevailing wage. Mr. Abbott said

the state has at least three outstanding RFPs in which the Commonwealth is offering to underwrite the cost of the infrastructure associated with the development by providing state funds for the infrastructure. Mr. Abbott said it was his understanding from the Department of Labor determination that if the developer decides to accept the state-offered financial incentives, the prevailing wage must be paid for the entire project. He said if the developer elects not to accept these state funds, then the developer is not statutorily bound to pay prevailing wage. Mr. Abbott said for the Green River project the state is offering close to \$4 million in financial incentives.

Ms. Brownlee said the state had hopes that if the Commonwealth provided the funding for the infrastructure, then the developer could pay the cost to develop and operate the lodge, golf course and conference center. She said the Department of Labor's ruling is that if the state participates at all financially in the project, the entire project including infrastructure, roads, easements and utilities, and the developer's cost of construction is subject to the prevailing wage laws.

In response to a question from Representative Wayne, Ms. Brownlee responded that if state funds are used for any portion of a privately developed project, the developer must pay the prevailing wage for the entire project, even if the contractor leases the land from the state and develops the lodge and golf course.

Representative Denham referred to a news brief in the monthly Staff Update stating the Commonwealth had purchased a 1978 Piper Navajo Chieftain airplane to be used for economic development purposes. He asked if state officials have access to a helicopter and what will happen to the Governor's airplane that at one time had mechanical problems. Mr. Abbott responded that he did not have the answers to those questions, but he would find out and let the Committee know at its next meeting.

Representative Denham asked John Hicks, Deputy State Budget Director, Governor's Office for Policy and Management, and Mr. Abbott to present the monthly project report submitted by the Finance and Administration Cabinet. Mr. Hicks then asked Joe Wolford, Energy Savings Performance Contract Program Coordinator, Division of Engineering and Contract Administration, Department for Facilities and Support Services, and Ken Marks, Deputy Commissioner, Department for Facilities and Support Services, to join him at the table to discuss two Energy Savings Performance Contracts (ESPC) submitted to the Committee this month.

Mr. Hicks first discussed an ESPC for the Education Cabinet. Under this ESPC, the energy service company (ESCO) is Ameresco, Inc. Ameresco plans to install energy conservation measures (ECM) at the Cabinet's Louisville Office for Employment and Training. The ECMs include energy efficient lighting retrofits and replacements, replacement of the building automation system for the new HVAC system, and installation of vending machine controls and plug load controllers. The ECMs will result

in annual savings of \$34,099, and savings of \$410,769 over the 12-year term of the contract. The financing contract, for \$386,087 (\$299,532 principal, plus \$86,554 interest at 4.21%), is with SunTrust Leasing Corporation and will be structured as a 12-year lease-purchase agreement.

Representative Wayne noted that approximately 40% of the square footage in the Louisville Office for Employment and Training building is vacant. He asked if there is a plan for obtaining tenants to occupy the space. Mr. Abbott said the building, located at Sixth and Cedar Streets, contains approximately 90,000 square feet of space. He said one-third of this space is vacant, but once the renovations are complete, the Department of Revenue and a division of the Education Cabinet will be relocated to the building from other leased space in Louisville.

Senator Seum asked what will happen if the state does not realize the energy savings guaranteed in the contract. Mr. Wolford said if the state does not realize those savings, Ameresco would be liable for the cost of those savings.

Mr. Abbott reported an ESPC for the Cabinet for Health and Family Services for Western State Hospital. The ESCO is Energy Systems Group LLC and the campus-wide ECMs will include lighting, water, and control system improvements, as well as vending machine controllers. The project will result in annual energy savings \$295,736, and total energy savings of \$3,714,576 over the 12-year contract. The financing contract with Banc of America for \$3,412,410 (\$2,684,277 principal; \$728,183 interest) is structured as a 12-year lease purchase contract at an interest rate of 4.10%.

Representative Denham inquired as to the age of the Western State Hospital. Lisa Detherage, Director, Division of Facilities Management, Cabinet for Health and Family Services, said Western State Hospital campus was built in the 1800s.

Representative Denham asked Mr. Abbott about the structural condition of Western State Hospital and how the improvements would affect the well-being of the patients. Mr. Abbott said the building is structurally sound, but the mechanical systems are in need of repair. Ms. Detherage agreed with Mr. Abbott, and added that the staff at that campus makes the best of what they have to work with as far as providing support to its clientele. She said they do not always have the funds to expend for needed projects, but this ESPC will allow for greater flexibility in meeting the needs they do have.

Representative Denham said the 2002-04 budget appropriated \$2.2 million in state bonds for a Sprinkler System / Ward Renovation project at Western State Hospital. He asked how this ESPC will affect that project. Ms. Detherage said the sprinkler system project was problematic in that it was originally funded as a sprinkler system project only. She said the project was eventually revised to include renovations of the space, as well as sprinkler work. Since it has been bid twice and come in over scope both times, the

agency plans to review the project and advise as to what needs to be done. Ms. Detherage said this ESPC project would impact many of the buildings on the campus.

In response to a question from Senator Seum, Ms. Detherage said Western State Hospital serves a different residential population than does Hazelwood in Louisville. The residents at Hazelwood have more profound disabilities and physical issues than the residents at Western State.

Senator Tori said in several prior six-year capital plans, the Cabinet for Health and Family Services proposed to replace Western State Hospital due to the age of the facility. She asked if the replacement of the hospital is still a long-term possibility, and if it will be included in the Cabinet's next six-year capital plan given the amount of money being spent to repair the facility. Ms. Detherage said while the replacement of the facility is listed in the Cabinet's capital plan, there has been no recent discussion to proceed and, given its low priority in the Cabinet's six-year capital plan, it would be highly unlikely to proceed. Ms. Detherage said while the replacement of the Western State Hospital may continue to be part of the agency's capital plan, they will have to weigh that need against the other needs they have within the Cabinet. She added that they are currently in the process of reviewing each department's needs, but those needs have not been prioritized for planning purposes yet.

Mr. Abbott said through the use of maintenance pool funds and ESPC projects, similar state buildings in Madisonville and London that were once considered for replacement have now been improved and are estimated to last another 20-25 years. Those projects have been removed from the six-year capital plan.

Representative Denham said ESPCs are required to be reported to the Committee, and no further action was necessary.

Mr. Hicks reported an allocation of \$1,405,100 from the Emergency Repair, Maintenance and Replacement Account to fund a Pavilion Roof Replacement project for the Kentucky State Fair Board in Louisville. The project was authorized in the 2006-08 budget at a scope of \$1,250,000 (bond funds). When the structural engineer was designing the Pavilion roof, it was revealed that the existing roof deck was not sound and needed to be completely replaced. The allocation from the Emergency Account will be used to meet the low bid and complete the structural repairs to the roof. Mr. Hicks said in addition to the allocation from the Emergency Account, this project will be supplemented with \$207,000 from an existing line item pool project that was financed in a prior budget to replace the roofs for the Fair Board. The revised scope is \$2,862,800.

Representative Wayne asked what procedure the Fair Board uses to request funding for its projects and who made the recommendation to the Fair Board for this project. Mr. Abbott responded that the Fair Board did not understand the extent the roof

damage until the contractor did the inspection. He said the Fair Board staff made the initial assessment on the roof, but the problem was not discovered until they actually hired a consultant to do more exploratory work.

Representative Wayne questioned the way in which estimates are obtained and requests for funds are substantiated. He suggested the possibility of implementing in-house policies and procedures that are substantiated by a professional in the field. Mr. Abbott said the Department for Facilities and Support Services is currently in the process of assessing state structures, and there will be an assessment across the board of all state buildings done by a professional. He said this has not been done in the past and a lot more maintenance issues will be brought forth relating to the condition of aging state buildings. He said in the case of the Fair Board's roof, staff may have thought the roof was fine based upon a visual examination, but choosing to delay replacement of the roof membrane compounded the cost of the project.

Representative Wayne said he was not trying to be critical of the Fair Board, but based upon the changes in this project, it appeared that in-house policies and procedures were needed before funding requests are approved. Mr. Abbott commented that once agency requests for funding are received, his office has a very short timeline to review these requests. He said given time and money they could recommend a number of detailed analyses agencies could perform beforehand. He said the Department of Facilities and Support Services already does this for structures it manages.

Senator Seum asked if the \$207,000 being reallocated for this project was from Fair Grounds agency funds. Mr. Hicks said the funds are unspent state bond proceeds from the 2002-04 State Fair Board Roof Replacement Pool appropriation of \$2.8 million. He said for capital improvements the State Fair Board utilizes taxpayer dollars, but for operational expenses the Fair Board utilizes revenue it generates from its own programs. He added that the Fair Board also sets aside funds within its operating budget for minor maintenance projects.

In response to a question from Senator Seum as to whether the Fair Board was self-supporting, Mr. Hicks said when the State Fair Board was established, the General Assembly and the Executive Branch did not intend that the Fair Board would pay its own expenses for capital investments. Representative Denham said no action was required for this item.

Mr. Hicks next reported the allocation of the \$7,500,000 Facilities and Support Services Maintenance Pool. This Maintenance Pool is financed with state bond funds from the 2006-08 Statewide Repair, Maintenance, and Replacement Pool Fund of \$10,000,000. Twenty-two projects receiving allocations from this pool will improve state-owned facilities in Frankfort, Lexington, Louisville, and Madisonville. Mr. Hicks said six of the 22 projects exceed the \$400,000 threshold for reporting capital projects,

and include: CHR Escalators project (\$1,000,000); Capitol Campus Steam Distribution project (\$700,000); L & N Roof / Gutter Repair project (\$625,000); L & N Cooling Tower and Pump project (\$525,000); Central Utility Plant Cooling Tower project (\$400,000); and the Executive Mansion Fenestration upgrade project (\$570,000). These allocations are being reported at the request of the Committee and in compliance with House Bill 380. No committee action was required.

Mr. Hicks said this is the second biennium in which Finance and Administration Cabinet maintenance pools have been financed with bond financing. He said this method of financing projects has some positive elements to it as it has allowed the state to complete capital improvements and renovations to building systems that meet the 20-year bond term financing. However, he said bond funding projects for smaller, less intensive projects may not be the most appropriate financing mechanism, and the state may want to reconsider cash funding smaller projects that do not require 20-year financing.

In response to a question from Representative Denham, Mr. Abbott said there may be some buildings in need of work, but the facilities administered by the Finance and Administration Cabinet are in reasonably good shape. He said as buildings continue to age, mechanical systems eventually need to be renovated. At some point, aged buildings need major renovations and the mechanical systems eventually become outdated. He said the building maintenance needs outweigh the funds allocated.

In response to another question from Representative Denham, Mr. Abbott said there are some state facilities he would be ashamed for the Committee to see. Those facilities include aging medical facilities. Representative Denham said if there are state facilities in operation that have problems, the Committee needs to be made aware of them.

Senator Seum referenced the method used to categorize local school buildings and suggested that a comparable system be implemented to identify state-owned buildings that need maintenance.

Representative Wayne said relative to the Executive Mansion Fenestration Upgrade project, he had received complaints from historic preservation groups that the replacement windows and doors were not appropriate for the historic nature of the building and did not meet national guidelines for the rehabilitation of historic buildings. Mr. Abbott said he was not aware of any complaints, but he would provide the Committee with information regarding this project at the next meeting.

Mr. Hicks next reported an allocation of \$2,890,706 from the Kentucky School for the Deaf Various Major Maintenance pool authorized in the 2004-06 budget for the Kerr Hall Renovation project. Selected facilities at the Danville campus will be renovated to include space to accommodate new programs and to incorporate new assistive

technology. The work will also include parking lot renovations, HVAC improvements, deaf-friendly annunciation and communication systems renovations, and ADA accessibility upgrades. This item required no Committee action.

The next item Mr. Hicks presented to the Committee was budget consolidations for eight capital construction projects that have received capital project appropriations from multiple budget authorizations. He said the list included projects financed from the 2006-08 budget that were combined with appropriations from prior budget authorizations. The primary purpose for this action is to reflect an accurate total project scope for the project. Mr. Hicks said they will also follow through so the quarterly capital project reports reflect the same. The projects and their revised scopes are as follows: Eastern Kentucky University, Construct Science Building, \$59,108,000; Eastern Kentucky University, Construct Manchester Postsecondary Education Center, \$12,500,000; Kentucky State University, Renovate Hathaway Hall, \$12,320,000; Morehead State University, Construct Center for Health, Education, and Research, \$24,500,000; Morehead State University, Construct NASA Space Science Center, \$20,600,000; Northern Kentucky University, Construct New Student Union, \$54,360,000; Ashland Community and Technical College-KCTCS, East Park Phase II, \$35,630,000; Bluegrass Community and Technical College-KCTCS, Winchester Facility, \$5,900,000.

In response to a question from Representative Denham, Mr. Hicks said they do not anticipate any cost overruns for any of these projects.

Ms. Brownlee next presented the Committee with an emergency lease for the Cabinet for Health and Family Services, Department for Community Based Services, in Elliott County (PR-4832). The agency's leased facility was destroyed by fire on February 6, 2007. As such, an emergency lease was executed to allow the agency to acquire temporary replacement space. The emergency lease contains 2,850 square feet with 35 parking spaces at a rate of \$8.00 per square foot or \$22,800 annually, excluding utilities and janitorial services. The lease is effective March 6, 2007 through June 30, 2008.

Ms. Brownlee said advertisements for permanent replacement space for the Department for Community Based Services have been placed and responses are due April 6, 2007. The procurement process is anticipated to take six months. No action was required for this item.

Representative Denham next welcomed Sandy Williams, Financial Analyst, Kentucky Infrastructure Authority (KIA). Ms. Williams presented a Fund B (Infrastructure Revolving Fund) loan for ConnectGRADD for the purpose of providing wireless broadband Internet service to Daviess, Hancock, Henderson, McLean, Ohio, Union, and Webster counties, the seven counties in the Green River Area Development District (GRADD).

Ms. Williams said ConnectGRADD will be a public nonprofit corporation to be created by the seven GRADD counties by interlocal agreement. The \$1.2 million Fund B loan will be combined with single county coal grants from the seven counties for a total project scope of \$2,400,000.

Representative Denham asked how this project was selected and if this is the first loan KIA has made for this purpose. Ms. Williams said ConnectGRADD was the first governmental agency ready to provide broadband Internet services that met the qualifications to get a loan for this type of service. ConnectGRADD initiated the loan request, which is the first KIA loan for a broadband project.

Representative Denham asked when this project would be implemented and if KIA anticipates more applications for loans of this type. Ms. Williams said construction is scheduled to start May 2007 and should be completed in May 2008. She said several agencies have shown interest in applying for this kind of loan but have not done so yet.

In response to a question from Senator Tori, Ms. Williams said that she was not familiar with the qualifications for Homeland Security funding and she did not know if this project qualified for those funds.

In response to a question from Representative Wayne, Ms. Williams said agencies receiving loans from the Fund B Infrastructure Revolving Fund must be a governmental entity.

Representative Wayne said as he understood this project, the Area Development District (ADD) would set up a nonprofit corporation and receive a loan from the state to set up the infrastructure for broadband Internet services. The corporation will be administered by two private corporations, Digital Connections, Inc. and Cinergy Communications Company, and any profits from this project would be used to repay the state first and beyond that the ADD could generate revenue for itself. Ms. Williams said this was correct.

Representative Wayne asked if this agency is a quasi-government owned utility. Ms. Williams said the terms of the KIA loan state that the agency receiving funds must be a governmental entity. The governmental entity will enter into management contracts with the two private companies to run and maintain the assets that are constructed with state dollars.

Representative Wayne asked if the profits will flow back to GRADD. John Covington, KIA Financial Analyst, said the loan is structured to comply with tax-exempt financing requirements. He said the only thing that will flow back to the ADD is the service fee on the user bill. This service fee will range from \$2.00-\$2.50, depending on

what is needed, and will also be used to pay the debt service on the loan. Mr. Covington said the ConnectGRADD board will determine if customers will continue to pay the service fee once the loan is paid.

Senator Seum asked who are the beneficiaries of this project. Mr. Covington said the beneficiaries of this project are customers in the seven county GRADD service area. He added that broadband Internet services will provide a point of access for sheriffs' departments and courthouses as well, but the focus of the project is to provide service throughout the seven counties that do not currently have broadband Internet.

In response to a question from Representative Denham, Mr. Covington said the provision of broadband Internet access in these counties is a problem.

Representative Wayne made a motion to approve the Fund B loan for the ConnectGRADD project. The motion was seconded by Senator Seum and passed by unanimous roll call vote. Representative Wayne requested that the Committee be updated on this project at a future Committee meeting.

Ms. Williams said members' folders included information regarding 68 projects representing grants that were funded through line items of the General Assembly from the 2003 through 2006 sessions. Also included was one community development grant funded with an appropriation from the 2006 General Assembly. No action was required from the Committee.

Representative Denham next asked Katie Smith, Deputy Commissioner for the Department of Financial Incentives, Cabinet for Economic Development, to report on two proposed Economic Development Bond (EDB) grants pool projects. Ms. Smith reported an EDB grant of \$500,000 to the Pulaski County Fiscal Court for the benefit of Aspen Compressor, LLC. The grant will be used to offset the cost of constructing and equipping a "clean room" and lab space for research and development of new products related to the manufacture of refrigeration compressors for micro-climate cooling systems. Ms. Smith said the grant stipulates that Aspen Compressor will be required to create 40 permanent, full-time high-tech jobs for Kentucky residents within three years of the final disbursement of grant proceeds at a minimum average annual salary of \$50,000, excluding benefits. They will also be required to maintain the newly created jobs and salaries for an additional three years. If the company fails to meet these requirements, they will be required to repay Pulaski County \$3,125 for each job not created or maintained.

The second grant reported was a \$150,000 grant to the Russell County Fiscal Court for the benefit of Bruss North America, Inc. The grant will be used to help offset the cost associated with the expansion of the company's Russell Springs, Kentucky facility. The additional 63,000 square feet will enable the company to manufacture valve

covers, seals, and gaskets for the automotive industry. Ms. Smith said the company will be required to create 150 permanent full-time jobs at an average hourly wage of not less than \$10.26, excluding benefits, within two years at the start of the expansion, in addition to retaining the current workforce of 155 full-time employees. The company must maintain these jobs and average hourly wages for an additional three years. If Bruss fails to meet these requirements, it will be required to repay Russell County \$250 for each job not created or maintained. If the company fails to meet the wage requirement, it will be required to pay a pro rata amount of the grant according to a formula included in the grant agreement.

Representative Wayne noted that by participating in the Bruss EDB project, the state is subsidizing the \$10.26 average per hour wage which is at poverty level.

Senator Seum made a motion to approve the Aspen Compressor EDB grant. The motion was seconded by Senator Tori and passed by unanimous roll call vote.

Representative Rudy made a motion to approve the Bruss North America EDB. The motion was seconded by Senator Seum and passed by unanimous roll call vote.

The next report was provided by Terri Fugate, Deputy Executive Director, Office of Financial Management (OFM), and Tom Howard, Executive Director, OFM. The first item Ms. Fugate presented was a new bond issue report: University of Louisville (UL) General Receipts Bonds, 2007 Series A. Ms. Fugate said this is UL's first debt issuance under a new general receipts indenture. The proceeds of this bond issue, \$41,171,315, will be used to pay the cost of issuing bonds, refund outstanding Asset/Liability Commission (ALCo) Agency Fund Project Notes, and provide permanent financing for six UL construction projects.

Jason Tomlinson, Assistant Vice President for Special Projects, UL, provided a brief overview of the six projects receiving permanent financing under the bond issue. Three projects that had received interim financing from ALCo notes are the Property Acquisition/Land Purchase Floyd Street project, the Purchase Land and Construct Baseball Facility project, and the Construct Multipurpose Fieldhouse and Practice Facility project. The other three projects to be financed are the Expand Cardinal Arena for Basketball and Office project, Renovate and Purchase Home of the Innocents project, and the Construct Center for Predictive Medicine project on the UL Shelby Campus.

In response to a question from Senator Seum, Mr. Tomlinson said the Home of the Innocents has a new facility and UL is purchasing their old facility.

Representative Denham asked how the Home of the Innocents facility would help the University of Louisville Hospital. Mr. Tomlinson said the building would be used for administrative office space.

Senator Tori made a motion to approve the new bond issue for UL. The motion was seconded by Senator Seum and passed by unanimous roll call vote.

Ms. Fugate then presented the second new bond issue: Kentucky State University (KSU) General Receipts Bonds, 2007 Series A. This is KSU's first debt issuance under a new general receipts indenture. The proceeds from this issue, \$6,646,795, will finance the construction of a new residence facility to replace Young Hall, refund outstanding bonds, and pay costs associated with the bond issue. Ms. Fugate said the replacement facility will be 88,844 square feet and will house 140 students, five resident assistants, and one hall director.

Alice Johnson, Vice President for Finance and Business, KSU, explained that Young Hall would replace dormitory space for male students. She said the University's portion of the project is \$11 million, and the project is a result of a settlement between the Office of Civil Rights and the Commonwealth of Kentucky.

Senator Seum made a motion to approve the new bond issue for KSU. The motion was seconded by Representative Wayne and passed by unanimous roll call vote.

Ms. Fugate next presented two follow-up letters for previously approved bond issues: Kentucky Housing Corporation Revenue Bonds, 2007 Series C (AMT) and Series D, \$80 million; and State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 87 in a principal amount not to exceed \$300,000,000. The Committee approved these issues at its January 2007 meeting and no further action was required.

Ms. Fugate presented six new school bond issues with School Facilities Construction Commission (SFCC) debt service participation: Boyle County, Covington Independent (Kenton County), Cumberland County, Fayette County, Johnson County, and Williamstown Independent (Grant County).

Senator Seum asked for clarification regarding the debt service funding for the school bonds issued through SFCC. Mr. Howard said bonds issued by SFCC are a combination of state General Fund supported debt service and local debt service. He said school districts that issue 100% locally-funded bonds receive assistance from SFCC in the issuing of its bonds, but there are no state funds to pay the debt service, it is purely 100% local money.

Representative Wayne made a motion to approve the SFCC bond issues. The motion was seconded by Senator Tori and passed by unanimous roll call vote.

Ms. Osborne said there was one locally-funded school district bond issue submitted to the Committee for review this month for Scott County. She said all disclosure information has been filed and no further action on the bond issue is required.

With there being no further business, the meeting adjourned at 2:30 p.m.