

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

February 19, 2019

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Tuesday, February 19, 2019, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Walker Thomas, 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 Christian McDaniel and Robby Mills; Representatives Steve Sheldon and Maria Sorolis.

Guests: Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Linda Bridwell, Deputy Executive Director, Kentucky Infrastructure Authority; 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.

Representative Thomas opened the meeting by inviting members, staff, and guests to join him in reciting the Pledge of Allegiance.

Approval of Minutes (January 15, 2019)

A motion was made by Senator Mills to approve the minutes of the January 15, 2018 meeting. The motion was seconded by Representative Sorolis and approved by voice vote.

Correspondence and Information Items

Ms. Halloran reported correspondence and information items. Pursuant to KRS 45A.180(2), the University of Kentucky submitted proposals utilizing the construction management at-risk project delivery method for the Cancer Services and Poultry Research Facility Relocation projects.

Pursuant to KRS 45A.860(3), the Office of the Auditor of Public Accounts submitted reports for six underwriter and/or bond counsel selection committees certifying that the applicable procedural provisions of the Model Procurement Code were met in the procurement process.

Pursuant to KRS 45.812(1), the Bardstown Independent School (Nelson County), Floyd County and Harlan County school districts reported bond issues to finance new projects for which no tax increases were necessary.

Project Report from the Finance and Administration Cabinet

Ms. Tomes reported the Secretary of Finance and Administration Cabinet's approval of a \$243,000 Kentucky Community and Technical College System (KCTCS) Equipment Pool – 2018-2020 purchase, authorized in the 2018-2020 biennial budget bill under Part II(4). The purchased mobile training unit for Elizabethtown Community and Technical College's Workforce Solutions program will be used for short-term, employer requested training.

Ms. Tomes next submitted two new projects. Pursuant to KRS 45.760(7), the Secretary of Finance and Administration Cabinet approved the Department of Highway's purchase of three asset collection vans. Of the \$2,325,000 total cost; \$2,173,600 will be federal funds and \$151,400 will be from the road fund, with toll credits used for the remaining federal match requirement. The vans will utilize various pieces of technology to collect data on the condition of the roads, a requirement of the Federal Highway Administration.

A motion was made by Representative Sheldon to approve the purchase of the asset collection vans, seconded by Senator Girdler, and approved by unanimous roll call vote.

Pursuant to KRS 164A.575(15), the Secretary of the Finance Administration Cabinet has approved the \$2.1 million Mold Remediation and Mechanical Repairs - The Halls project at Kentucky State University (KSU), funded entirely with KSU restricted funds. With the repairs, the 319-bed residence hall will be ready for occupancy in the fall of 2019.

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

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted a lease modification for the Department of Corrections in Jefferson County. The lease is being modified to accommodate a new district office; increasing the amount of square footage by 5,257 and the number of parking spaces by 17; amortizing \$50,000 of the over \$115,000 in leasehold improvements, with the property owner covering the rest of the fit-up costs; and providing two additional automatic extension periods for a new lease expiration date of June 30, 2026.

In response to queries from Representative Sheldon, Mr. Aubrey said the rental rate for the office space is \$10.92 per square foot.

In response to a query from Senator McDaniel regarding the automatic extension periods, Mr. Aubrey verified that the commonwealth was not obligated to renew the lease.

A motion was made by Senator Girdler to approve the lease modification, seconded by Representative Sheldon, and approved by unanimous roll call vote.

Mr. Aubrey next submitted a lease for the Cabinet for Health and Family Services in Casey County, procured through advertised bid. The lease is for 8,317 square feet at \$15.75 per square foot for a total annual cost of \$130,992.76, through June 30, 2027.

A motion was made by Representative Sheldon to approve the new lease, seconded by Representative Sorolis, and approved by unanimous roll call vote.

Mr. Aubrey reported an emergency lease for the Department of Corrections in Jefferson County for an agency relocation due to a fire. The lease is for 8,929 square feet at \$10.92 per square foot, through June 30, 2019.

Report from the Office of Financial Management Kentucky Infrastructure Authority

Ms. Bridwell submitted various loan requests. The City of Lancaster, Garrard County, requested a \$324,000 Clean Water State Revolving Loan Program (Fund A) Planning and Design loan. This [Sanitary Sewer Improvements] project will include two construction contracts for the wastewater treatment plant and collection system, rehabilitating one wastewater pump station and about 29,000 feet of sewer lines. The current water and sewer rates were effective since July 2, 2018 and are due to increase October 1, 2019. The water rate will increase from \$34.93 to \$37.74 for 4,000 gallons. The sewer rate will increase from \$30.08 to \$33.20 for 4,000 gallons. Wholesale water rates, effective since January 10, 2018, are planned to increase from \$2.10 to \$2.49 per 1,000 gallons by July 10, 2021. The term is five years at three percent.

A motion was made by Representative Sheldon to approve the Fund A Planning and Design Loan, seconded by Senator Girdler, and unanimously approved by roll call vote.

A motion was made by Senator Girdler to roll the Drinking Water State Revolving Loan Program (Fund F) loans into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

The City of Irvine, Estill County, requested a \$1.2 million increase to its current Fund F loan for a \$6.932 million total loan amount [with a \$1.1 million principal forgiveness option] and an extension of the loan term from 20 to 30 years. The increase is due to significantly higher than budgeted [Water Plant Modernization] project bids. The current water and sewer rates were effective since July 1, 2018. Inside the city, the respective water and sewer rates are \$27.80 and \$33.40 for 4,000 gallons. Outside the city,

the respective water and sewer rates are \$33.40 and \$39.61 for 4,000 gallons. The interest rate for the loan is .25 percent.

In response to a query from Representative Sorolis, Ms. Bridwell said that the higher than anticipated October 2018 project bids were due to obtaining bids two years after the project design as well as most contractors' risk assessment of steel pricing for rebar and other items.

The City of Burnside, Pulaski County, requested a \$2.227 million Fund F loan with a 50 percent loan principal loan forgiveness option. The [Burnside Combined Waterline Improvements] project will replace approximately 28,375 linear feet of waterline with six inch PVC waterline, valves, and fire hydrants; resulting in adequate fire protection, reduction of water loss, and a direct connection between the town and the water treatment plant. The current water and sewer rates were effective since July 1, 2018 and are due to increase July 1, 2019. The water rate will increase from \$47.47 to \$52.22 for 4,000 gallons. The sewer rate will increase from \$45.13 to \$49.64 for 4,000 gallons. The term is 30 years at .50 percent.

The Green-Taylor Water District requested a \$564,500 Fund F loan. The [Distribution Upgrades] project will improve water quality by installing mixing stations at four of the district's elevated storage tanks and rehabilitating four pump stations. The loan also will finance another emergency interconnection with the Columbia/Adair County Utilities District. The water rate, effective since August 2018, is \$40.73 for 4,000 gallons. The term is 20 years at two percent.

The City of Cynthiana, Harrison County, requested a \$954,565 Fund F loan. The [New Booster Pump Station] project will install a booster pump station near the existing one million gallon storage tank, increasing the pressure to a minimum of 25 pounds per square inch. Effective July 1, 2019, the water rate, which was effective since January 1, 2016, will increase from \$16.05 to \$19.65 for 4,000 gallons. The sewer rate, effective since September 5, 2017, is \$30.14 for 4,000 gallons. The term is 20 years at .50 percent.

The City of Hardinsburg, Breckinridge County, requested a \$760,280 Fund F loan. The [Harned Pump Station Replacement] project will install a booster pump station and approximately 13,000 linear feet of four inch main to approximately 60 unserved households. The water rate, effective since July 1, 2018, is \$35.24 for 4,000 gallons. The term is 20 years at two percent.

A motion was made by Senator Mills to approve the Fund F Loans, seconded by Representative Sheldon, and approved by unanimous roll call vote.

New Debt Issue

Mr. Barrow submitted the Eastern Kentucky University (EKU) General Receipts Refunding Bonds, 2019 Series A. The primary credit pledge is the university's general receipts with state intercept program credit enhancement. The estimated savings is 5.4 percent, with the refunding bonds amortized over the original remaining repayment time period of the refunded bonds, approximately 10 years. As with other direct postsecondary debt issues, the issuance will be a competitive transaction with Hilliard Lyons as financial advisor, Dinsmore & Shohl as bond counsel, and U.S. Bank as trustee.

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

Previously Approved Conduit Debt Issues

Mr. Barrow next reported two previously approved conduit debt transactions for the Kentucky Housing Corporation (KHC), clarifying that conduit housing transactions do not impact the commonwealth's credit and that developers repay the debt, utilizing KHC for low-income housing tax credits and lower tax-exempt interest rates. The first transaction was KHC's Tax-Exempt Conduit Multifamily Housing Revenue Notes, Series 2018 (SOCAYR Portfolio), which sold in December 2018. The total project cost was \$23.7 million.

The second was KHC's Tax-Exempt Conduit Multifamily Housing Revenue Notes (Puritan Apartments), Series 2018, which also sold in December 2018. The total project cost was \$47.8 million.

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

A motion was made by Senator Mills to roll the school district bond issues into one roll call vote, seconded by Senator Girdler, and approved by voice vote.

Mr. Barrow submitted six school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for projects [in the Bellevue Independent (Campbell County), Breathitt County, Covington Independent (Kenton County), Jenkins Independent (Letcher County), Jessamine County, and Marshall County school districts]. The total estimated issuance projected to be \$43.2 million, with around 8.5 percent SFCC participation. With the exception of Breathitt County, none of the projects required a tax increase. Mr. Barrow also submitted a refunding transaction for the Fulton Independent (Fulton County) School District. The refunding issuance is anticipated to be just over \$700,000, producing positive savings, with 2.2 percent SFCC participation.

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

With there being no further business the meeting adjourned at 10:29 a.m.