

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

April 16, 2019

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Tuesday, April 16, 2019, at 1:00 PM, in Room 169 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; Senator Robby Mills; Representatives Steven Rudy, Steve Sheldon, and Maria Sorolis.

Guests: Chris Brumett, Director of Asset Management, Kentucky Community and Technical College System; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Donna McNeil, Executive Director, Kentucky Infrastructure Authority; Katie Smith, Commissioner, 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.

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

Approval of Minutes (March 19, 2019)

A motion as made by Representative Rudy to approve the minutes of the March 19, 2019 meeting. The motion was seconded by Senator Mills and approved by voice vote.

Information Items

Ms. Halloran referenced four 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 KRS 164A.580 transmitted quarterly capital projects status reports.

Pursuant to KRS 45.760(5), the University of Kentucky (UK) reported a \$653,900 purchase of a table-side controlled X-ray diagnostic system for UK Chandler Hospital

Pursuant to KRS 45.812(1), the Daviess County, Jefferson County, Scott County, and Taylor County School Districts reported bond issues to finance new projects and the Pikeville Independent School District reported a current refunding bond issue.

Pursuant to KRS 56.863(11), the Kentucky Asset/Liability Commission transmitted, through the Office of Financial Management, its semi-annual report.

Lease Report from the Kentucky Community and Technical College System

Mr. Brumett submitted a new lease for Jefferson Community and Technical College's (JCTC) administrative offices. JCTC has occupied the facility, which the owner will renovate, since 2001. The annual rental cost will be \$636,994, \$17.38 per square foot for just under 37,000 square feet.

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

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported two lease modifications under \$50,000 to amortize leasehold improvements. The first was security improvements for the Cabinet for Health and Family Services' leased premises in Boyd County. \$22,604.08, the lower of the two cost estimates, will be amortized through the lease expiration date of June 30, 2025. The second was security improvements and conversion of space into additional staff offices for the Department of Corrections in Shelby County. \$18,671, the lower of the two cost estimates, will be amortized through the lease expiration date of June 30, 2022.

Next, Mr. Aubrey submitted a lease renewal with a rental rate increase for the Transportation Cabinet's underground salt storage space, which offers relatively stable temperature and humidity levels with no water intrusion, in Jefferson County. The lease is for 151,145 square feet at \$2.25 per square foot for an annual rental cost of \$340,076.24, through June 30, 2025.

In response to queries from Representative Sheldon, Mr. Aubrey said that the stored salt in the centrally-located facility with 25 to 30 feet ceiling heights was used in areas outside of Jefferson County. Representative Thomas referenced the potential corrosion involved with salt storage.

A motion was made by Representative Sorolis to approve the lease renewal with the rental rate increase, seconded by Representative Sheldon, and approved by unanimous roll call vote.

Lastly, Mr. Aubrey submitted a new lease for the Department of Corrections in Campbell County. The department requested additional office space and the Division of

Real Properties advertised with only one best and final offer received. After negotiations, the subsequent proposal was 14,702 square feet at \$20.95 per square foot for a total annual rental cost of \$308,006.92, through June 30, 2026.

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

**Report from the Office of Financial Management
Kentucky Infrastructure Authority**

Ms. McNeil submitted several loan requests. The City of Morehead, Rowan County, requested a \$6.34 million Clean Water State Revolving Loan Program (Fund A) construction loan for the US 60 West and KY 801 SSO Correction project. The project will address capacity issues and sanitary sewage overflows and include installation of nearly 65,500 linear feet of new sewer line, about half of which will parallel existing sewer line along US 60 to the wastewater treatment plant. The other half will form a new direct connection between the lift station on KY 801 north of I-64 to the wastewater treatment plant resulting in the addition of about twenty customers. The project also involves the construction of two replacement lift stations and rehabilitation of three lift stations. Effective since August 1, 2018 for 4,000 gallons, the respective inside and outside city monthly water rates are \$31.46 and \$37.74 and the respective inside and outside city monthly sewer rates are \$29.76 and \$35.09. The city water rates will be evaluated and adjusted on an annual basis for the next few years. The city may implement a consumer price index (CPI) clause in the future as well. The term is 20 years at two percent.

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

The Lincoln County Sanitary District requested a \$388,400 Fund A Planning and Design loan for its estimated \$4,956,500 US 127 Corridor Sanitary Sewer Project, Phase Two. Phase Two will extend sewage service to approximately 355 residential and eight commercial customers along US 127 from Norfolk Southern Railroad to Kentucky Highway 1194. The completed Phase One received a 2018 Environmental Protection Agency Performance and Innovation in the SRF Creating Environmental Success (PISCES) Honorable Mention. The cost for 4,000 gallons, effective June 14, 2014, is \$51.00. The District has a CPI clause. The term is five years at three percent.

Representative Thomas stated he was surprised that Hustonville Elementary School could not operate its dishwasher [the prior package treatment plant could not accommodate the load] before the completion of Phase One and that the project was much needed.

A motion was made by Representative Rudy to approve the Fund A Planning and Design loan, seconded by Senator Girdler, and approved by unanimous roll call vote.

The City of Morehead, Rowan County, requested a \$6,554,200 Drinking Water State Revolving Loan Program (Fund F) construction loan, which includes the previously funded \$1,297,200 Planning and Design loan, for the Regional Water Treatment Plant. For this multi-year project, the city is anticipating Appalachian Regional Commission grants in the years 2020 and 2023 and a Community Development Block Grant in 2021 as well as additional \$19,973,800 Fund F financing in future funding cycles through 2023. KIA may offer up to \$1.3 million in principal forgiveness for the future Fund F financing. Phase One includes a new raw water intake on Cave Run Lake, Phase Two includes replacement of the 8 million gallons per day (MGD) regional water treatment plant with a 12 MGD one, and Phase Three includes replacement of the US 60 621,000 gallon storage tank with a one million gallon one along with about 4,500 linear feet of new waterline. Effective since August 1, 2018 for 4,000 gallons, the respective inside and outside city monthly water rates are \$31.46 and \$37.74 and the respective inside and outside city monthly sewer rates are \$29.76 and \$35.09. The term is 30 years at .50 percent.

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

Ms. McNeil then discussed the Water Resource Information System (WRIS) dashboard links, accessed through the WRIS portal on KIA's website. The WRIS only reflects projects submitted by utilities seeking state and federal funding. If the utility is not seeking state or federal funding for a project, then the WRIS will not have a project profile. The General Assembly [Senate Bill 409 2000 Regular Session] tasked KIA with responsibility for the WRIS's management and operation and the dashboards are a quick and visual way to extract WRIS data. Once a utility updates a WRIS project profile, the information will appear on the WRIS dashboards within an hour. Ms. McNeil stated that KIA will be receiving a national award for the dashboards, unique to Kentucky, in July of this year in San Diego, California.

Ms. McNeil proceeded to demonstrate the first dashboard displaying WRIS Projects by Region. The first dashboard showed 5,163 projects delineated by status: pending or approved, under construction, or constructed and total funding needs of \$4.9 billion over twenty years, split between water and wastewater with associated graphs to show funding and project schedules for projects that were yet to be fully funded or constructed. Users could further drill down by one of the 15 area development districts, county, applicant, or project number for the same information specific to those categories. When a user would drill down by project number, then the dashboard would show a map of the project area. Users could access links to WRIS project profiles through the Pending and Approved Project Details tab and, by clicking the link on the dashboard's lower left hand corner, toggle between the WRIS Projects by Region dashboard and the WRIS Projects by Legislative District dashboard for the same project and funding information searchable by House or Senate District. Another dashboard optimized the WRIS Projects by Region dashboard for phone or tablet use.

Representative Thomas commented that similar dashboards would be useful for road or other types of projects, having served with Senator Mills on the Transportation Committee for the last two years.

In response to queries from Senator Mills, Ms. McNeil said that staff of the 15 area development districts enter WRIS data, utilizing limited direct data input by utilities, prior to evaluation by the water management planning councils which a KIA staff member routinely reviews. There are quarterly meetings and annual trainings. KIA updated the Environmental Systems Research Institute (ESRI) platform for consistency with Geographic Information System mapping and built a black box. Ms. McNeil further stated with the \$129 million available this year for financing infrastructure projects, it would take 38½ years to fund the \$4.9 billion of requested projects. KIA is considering other funding options and has submitted its six year capital plan.

Representative Thomas commended Ms. McNeil on KIA's innovative development of the WRIS dashboard links and asked Ms. McNeil to update the committee after receiving the award.

Cabinet for Economic Development

Ms. Smith submitted a \$750,000 Economic Development Fund grant to the Todd County Fiscal Court for the benefit of Novelis Corporation. Novelis is the global leader in aluminum rolled products as well as the world's largest aluminum recycler and its manufacturing operation in Guthrie will meet market demand from the automotive industry. Novelis plans to invest over \$300 million and create 100 new full-time Kentucky resident jobs paying average hourly wages of \$38.50, including benefits. Required collateral for this grant will be a letter of credit, certificate of deposit, or other form acceptable to the Cabinet. Repayment provisions will be included in the grant agreement should the company fail to meet the job or wage requirements at each of the five annual compliance measurement dates. The project was approved by the Kentucky Economic Development Finance Authority at its March 28 meeting as well as the State Property and Buildings Commission at its April 9 meeting.

Representative Thomas commented on the scope of the facility, which he drove by to see in his neighboring district.

A motion was made by Representative Rudy to approve the grant, seconded by Representative Sheldon, and approved by unanimous roll call vote.

New Conduit Debt Issue

Mr. Barrow submitted the Kentucky Housing Corporation (KHC) Tax-Exempt Conduit Multifamily Housing Revenue Bonds (McDeane Apartments), Series 2019, clarifying that KHC conduit debt is neither a liability of KHC nor the commonwealth. The

apartment complex will be on McDeane Road in Louisville. May 25 is the anticipated sale date and expected net proceeds are \$18.5 million.

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

Previously Approved Conduit Debt Issue

Mr. Barrow reported the KHC Conduit Multifamily Housing Revenue Bonds (Beecher Phase 1), Series 2019. Beecher Terrace is located in Louisville as well. The debt was issued March 5 with net proceeds of \$15.5 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 Representative Rudy, and approved by voice vote.

Mr. Barrow submitted 12 school district bond issues with School Facilities Construction Commission (SFCC) debt service for new projects [in the Burgin Independent (Mercer County), Eminence Independent (Henry County), Estill County, Fayette County, Hardin County, Mason County, Meade County, Morgan County, Russell Independent (Greenup County), Taylor County, Warren County, and Webster County School Districts]. The total estimated issuance amount will be \$135.3 million, with SFCC participation of just over \$9.6 million, seven percent.

Mr. Barrow also submitted seven current refunding bond issues [Bell County (2), Covington Independent (Kenton County) (2), Dayton Independent (Campbell County), Ohio County, Pikeville Independent (Pike County) school districts] for interest cost savings. The total issuance amount will be \$9.3 million with SFCC participation of \$4.1 million, just over 44 percent.

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

Representative Thomas stated that the next committee meeting would be held Tuesday, May 14 at 1:00 p.m. in Annex Room 169, a week earlier than usual.

With there being no further business the meeting adjourned at 1:35 p.m.