

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

October 21, 2020

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Wednesday, October 21, 2020, at 3:00 PM, in Room 171 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 Julian M. Carroll and Robby Mills; Representatives Steven Rudy 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; 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.

Approval of Minutes

Representative Rudy moved to approve the September 16, 2020 meeting minutes. Senator Carroll seconded the motion, and the committee approved without objection.

Information Items

Ms. Halloran referenced seven 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), the Office of State Budget Director reported the Finance and Administration Cabinet's approval of the Department of Public Health's Division of Laboratory Services two federally funded equipment purchases to enhance Covid-19 testing. The source of federal monies was the Epidemiology and Laboratory Capacity for Testing grant from Paycheck Protection Program and Health Care Enhancement Act funds.

Pursuant to KRS 45.760(9), the Judicial Branch and KRS 164A.580 postsecondary institutions transmitted annual capital projects reports with project account details.

Pursuant to KRS 45.810(6) and KRS 56.863(11), the Office of Financial Management transmitted the annual report of outstanding debt on behalf of state entities, including postsecondary institutions, as well as the Kentucky Asset/Liability Commission's semi-annual report.

Pursuant to KRS 45.812(1), the Fayette County and Warren County school districts, neither of which needed an additional tax levy to pay debt service, reported upcoming debt issues to finance new projects. Three school districts, Bardstown Independent (Nelson County), Leslie County (2 debt issues), and Nelson County reported upcoming refunding debt issues.

The School Facilities Construction Commission reported school district debt issues with SFCC participation that closed in the last quarter.

Project Report from the Finance and Administration Cabinet

Ms. Tomes submitted an authorization revision to \$1.999 million in federal funds for the Department of Military Affairs, Wendell H. Ford Regional Training Center Fire Station Addition project in Greenville. The committee initially approved \$1.650 million in June for the 6,000 square foot multiuse facility; needed for storage, billeting, and office space due to fleet modernization and increase in WHFRTC firefighters and apparatus. The revision was due to the adjusted construction award with additional available fiscal year end federal funds.

Representative Rudy moved to approve the authorization revision, seconded by Senator Carroll and approved by unanimous roll call vote.

Lease Report from the Finance and Administration Cabinet

Senator Carroll moved to roll the seven lease renewals into one roll call vote, seconded by Representative Rudy, and approved without objection.

Mr. Aubrey submitted seven lease renewals under the same terms and conditions: the Cabinet for Health and Family Services [Department for Community Based Services] in Franklin County: 15,465 square feet at \$7.55 per square foot for a \$116,760.76 annual cost through June 30, 2023; the Unified Prosecutorial System in Fayette County: [12,072 and 600 square feet of office and storage space] at \$9.24 and \$2.50 per square foot for a \$113,045.28 annual cost through June 30, 2023; the Office of the Attorney General in Franklin County: 46,620 square feet at \$9.60 per square foot for a \$447,552.00 annual cost through June 30, 2026; the Department of Juvenile Justice in Franklin County: 17,782 square feet at \$9.41 per square foot for a \$167,328.64 annual cost through June 30, 2026;

the Cabinet for Health and Family Services [Department for Community Based Services] in Letcher County: 19,285 square feet at \$9.26 per square foot for a \$178,579.12 annual cost through June 30, 2022; the Department of Public Advocacy in Franklin County: [33,847 and 9,960 square feet of office and storage space] at \$12.90 and \$5.00 per square for a \$486,426.32 annual cost through June 30, 2026; and the Cabinet for Health and Family Services [Department for Community Based Services] in Knox County: 15,726 square feet at \$10.95 per square foot for a \$172,199.72 annual cost through June 30, 2029.

Representative Rudy moved to approve the seven lease renewals, seconded by Senator Carroll, and approved by unanimous roll call vote.

Mr. Aubrey submitted a \$6,569.93 Tenant Improvement Fund disbursement request on behalf of all Mayo-Underwood Building, Franklin County, state agency building occupants; adding memory to the Hirsch system [which controls building access and security] to allow staff access through varying door groups.

Senator Carroll moved to approve the Tenant Improvement Fund disbursement request, seconded by Representative Rudy, and approved by unanimous roll call vote.

Report from the Office of Financial Management Kentucky Infrastructure Authority

The City of Bardstown, Nelson County, requested a \$1,071,088 Clean Water State Revolving Fund (Fund A) Program loan increase [due to higher than expected bids] to its previously approved \$5.4 million Fund A loan; resulting in a \$6,471,088 Fund A loan amount for the \$8,490,647 Rowan Creek Sewer Upgrade project. The project includes the Pottershop Pump Station upgrade and 17,000 linear feet of sewer replacement with 12-inch to 36-inch sewer lines. An Economic Development Administration grant and local funds will cover the remaining project costs. For 4,000 gallons, effective since September 2011, the monthly inside city sewer rate is \$25.93. The loan term is 20 years at a two percent interest rate.

Representative Rudy moved to approve the Fund A loan increase, seconded by Senator Carroll, and approved by unanimous roll call vote.

The Western Pulaski County Water District, Pulaski County, requested a \$1.146 million Infrastructure Revolving Fund (Fund B) Program loan for its \$1.865 million [Kentucky Highway 80 and Fishing Creek Bridge Waterline Replacement] project; 1,250 linear feet each of waterline replacement along Highway 80 and attached to Fishing Creek Bridge with 12-inch ductile iron pipe. A Rural Development grant will cover the remaining project costs. For 4,000 gallons, approved July 2018, the monthly water rate is \$30.20. The loan term is 20 years at a 1.50 percent interest rate.

Senator Carroll moved to approve the loan contingent upon Public Service Commission approvals (Certificate of Public Convenience and Necessity and debt authorization), seconded by Representative Rudy, and approved by unanimous roll call vote.

The City of Lewisport, Hancock County, requested a \$49,350 Governmental Agencies (Fund C) Program loan increase, due to higher than expected bids and a scope increase, to its previously approved \$100,000 Fund C loan; resulting in a total \$149,350 Fund C loan amount for its \$179,850 [Ultraviolet and Headworks Upgrade and Yellow Creek Waterline Replacement] projects. The projects include the ultra-violet disinfection system upgrade, headworks replacement at the wastewater treatment plant, 300 linear feet of 8-inch waterline to create redundancy and improve service to 400 water customers in the Yellow Creek area. Local funds will cover the remaining project costs. For 4,000 gallons, effective June 2017 and 2019, the monthly sewer and inside city water rates are \$27.03 and \$23.40. The loan term is 20 years at a 2.75 percent interest rate.

Senator Carroll move to approve the loan increase, seconded by Representative Sorolis, and approved by unanimous roll call vote.

Cabinet for Economic Development

Ms. Smith submitted a \$500,000 Economic Development Fund grant for the final of eight projects 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 occur on a reimbursement basis to local governments after the Cabinet for Economic Development reviews the required supporting documentation. This EDF grant was to the Lexington-Fayette Urban County Government on behalf of the University of Kentucky Coldstream Research Campus for the 10,000 square foot laboratory fit-up at the Construct Research/Incubator Facility (Coldstream High-Tech Building). The 46,000 square foot office and laboratory building is to be constructed through a public-private partnership developer at an estimated \$14.5 million total cost.

Senator Carroll moved to approve the EDF grant, seconded by Representative Rudy, and approved by unanimous roll call vote.

Office of Financial Management

New Debt Issue

Mr. Barrow submitted the Kentucky Asset/Liability Commission Project Notes, 2020 Federal Highway Trust Fund First Refunding Series A (GARVEEs) to refinance Grant Anticipation Revenue Vehicles issued in 2010. GARVEEs are financing instruments for which federal-aid highway funds, generated from the federal fuel tax, are used to reimburse states for debt service payments. The refunding will provide an estimated \$3 million, or five percent, net present value savings in federal funds, which can be

reprogrammed for other transportation projects, over two maturities. With the September 1, 2022 maturity date, the estimated all-in-true interest cost is just under one percent.

In response to Senator Carroll, Mr. Barrow said GARVEEs for new projects have not been issued in the last five years and that as of June 30 [before the September 1 maturities] there were about \$450 million in outstanding GARVEEs.

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

Previous Kentucky Housing Corporation Conduit Debt Issues

Mr. Barrow reported two previous KHC conduit debt issues. 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 first was the KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Donerail Run), Series 2020; 312 units located on Taylorsville Road, Louisville. The issuance date was September 25, 2020, net proceeds of \$48 million, and a \$63.6 million total project cost.

The second was the KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Dudley Court) (Abel Court), Series 2020A and Series 2020B for the Dudley Court Apartments, 96 units in Paducah, and Abel Court Apartments, 48 units in Bowling Green. The issuance date was September 16, net proceeds of \$15 million, and just under \$27 million total project cost.

Senator Carroll commented that KHC was one of the greatest success stories in Kentucky state government in fifty years and Representative Thomas agreed, stating that KHC presented an organizational report to the committee based upon Senator Carroll's recommendation.

School District Debt Issues with School Facilities Construction Commission Debt Service Participation

Senator Carroll moved to roll the four debt issues with SFCC participation into one roll call vote, seconded by Representative Sorolis, and approved without objection.

Mr. Barrow submitted four debt issues with SFCC participation; one new project and three to refinance debt. The Campbell County school district, which did not need an additional tax levy for debt service, proposed \$900,000 debt issue for district wide improvements will have around forty percent SFCC and sixty percent district debt service.

The refunding issues were for the following three school districts: Nicholas County, Raceland-Worthington Independent (Greenup County), and Southgate Independent (Campbell County), totaling approximately \$4.1 million, with sixteen percent SFCC and

eighty-four percent district debt service. Two of the refunding issues were taxable advance refundings.

Senator Carroll moved to approve the debt issues with SFCC participation, seconded by Representative Rudy, and approved by unanimous roll call vote.

Representative Thomas announced the November 19, 2020, and December 16, 2020 remaining calendar year 2020 meeting dates.

With there being no further business the meeting adjourned at 3:39 p.m.